Norkom Technologies Annual Report and Accounts 2009

Norkom Technologies is a market-leading provider of innovative financial crime and compliance solutions to the global financial services industry. We enable organisations to take intelligent action, control their defences and evolve their strategies against financial crime. We offer a comprehensive set of software solutions which can be scaled and customised to meet clients' current and future needs – from anti-money laundering and customer due diligence to enterprise investigation of all types of fraud. Used by clients in over 100 countries, Norkom is proven to reduce financial losses, protect reputation, improve operational efficiencies and lower the total cost of ownership.

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Operating and Financial Highlights

Key Highlights

- Revenue up 17% to €48.0 million (2008: €41.0 million), and up 22% on a constant currency basis*
- EBITDA up 14% to €8.2 million (2008: €7.2 million), and up 38% on a constant currency basis
- Adjusted Diluted EPS up 1% to 7.74 cents (2008: 7.69 cents) and up 25% on a constant currency basis
- Net assets of €58.2 million (2008: €50.3 million)
- Net cash inflow generated from operations of €6.8 million (2008: €5.2 million)

€ m	*2009*	*2008*	*% change*	*% change in constant currency*
Revenue	€48.0 m	€41.0 m	17%	22%
EBITDA	€8.2 m	€7.2 m	14%	38%
Adjusted Diluted EPS	7.74 c	7.69 c	1%	25%
Net Assets	€58.2 m	€50.3 m		
Cash Balance	€27.5 m	€20.7 m		

*(Percentage changes in constant currency reflect the 2009 results as translated using average weighted rates for 2008)

Other Main Financial Highlights

- Most regions returned good revenue growth for the period against the same period in 2008:
  - North America - 12% growth
  - Europe - 24% growth
  - Asia Pacific - 76% growth
  - Ireland, UK and Rest of World decreased by 10% against the same period in 2008 but 0% growth using 2008 foreign exchange rates.
- Professional services revenues grew by 21% to €30.9 million in 2009 and post-contract support revenue grew by 52% to €5.0 million in 2009.
- In 2009, gross profit (before depreciation) increased to €29.4 million up from €27.0 million for year ended 31 March 2008, representing a year-on-year increase of 9%.
- Operating costs as a % revenue decreased from 48% of revenue in 2008 to 44% of revenue in 2009.

Chairman's statement

Shane Reihill

> *"Norkom has continued to consolidate its position as a market leader in the financial crime and compliance space with good growth in revenue of 17% and EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) of 14%, whilst further enhancing its global reach to new regions and new clients."*

The year ended 31 March 2009 (2009) proved to be a challenging but, ultimately, successful year for Norkom Technologies. Set against the backdrop of the worst global recession in recent history, Norkom continued to display strong leadership and strategic insight into the world of financial crime and compliance. It has delivered another strong year of revenue and EBITDA growth, culminating in 16 new client wins in both traditional and new markets, as well as increased revenue from its growing family of existing clients.

Expanding our global footprint

Market expansion was a consistent theme for Norkom in 2009, helping the company to mitigate the effects of the global financial crisis by diverting investments from markets that were severely impacted by the worsening economic climate to those that felt its effects to a lesser degree. During this time, core geographical markets such as Continental Europe and Asia Pacific performed well, resulting in an expanded presence in Scandinavia, Eastern Europe, South-East Asia and Australia. Simultaneously, Norkom continued its strategy of expanding its global footprint by entering new markets such as the Middle East and North-East Asia. And whilst the UK and the USA were impacted most severely by the global financial crisis, our North American market continued to yield the highest revenues in our geographical portfolio as a result of strong pull-through revenue from existing clients and new client additions in both the USA and Canada.

Enhanced partner-enablement

During the year, Norkom also enhanced its partner-enabling capabilities by cementing relations with current partners and establishing relationships with new partners. This has also aided the company to enter new markets by capitalising on the local language and cultural knowledge support that these partnerships offer.

Regulatory drivers fuelling growth

The global financial crisis has inadvertently helped to stimulate the underlying need for financial crime and compliance solutions such as those offered by Norkom. The financial services industry has come under increased regulatory scrutiny as a direct result of the perceived failures of the global banking system, with regulators currently seeking to escalate current regulations and introduce new legislation. In particular, there is much debate regarding the possible introduction of regulation to deal with fraud specifically, traditionally a non-regulated activity.

As a result of all this, financial institutions are turning more and more to vendors that can protect them from the reputational and financial harm that may arise due to non-compliance with either current or future regulations, or as a result of financial crimes perpetrated against them by organised criminal elements. Having achieved the coveted 'gold standard' position in the marketplace, Norkom is increasingly being viewed as a 'safe haven' for financial institutions.

Strong cash collection

During 2009, a strong focus was placed on cash and cash generation. The board is very satisfied with management's continued ability to drive strong cash generation on our operating profits, adding over €6.7 million to our cash balance to close at €27.5 million. This particular activity has significantly strengthened our balance sheet, placing Norkom in a strong financial position for FY10.

Capital reduction

At the forthcoming AGM, Norkom will be seeking shareholder approval to reduce or eliminate the share premium credit on our balance sheet and, in so doing, eliminate the current revenue reserve deficit with a view to potentially creating distributable reserves. Subject to shareholder approval, Norkom will apply to the High Court to confirm this capital reduction. If the application to the High Court is successful, this will facilitate the company implementing a share buy back or paying a dividend at some stage in the future, if recommended by the Board. Norkom will also be seeking approval from independent shareholders that, should the Board implement the authority granted at the AGM to buy back up to 10% of shares, then such a buy back would not require TVC Holdings plc ("TVC"), who together with companies controlled by TVC and directors of TVC, currently own 29.85% of Norkom shares, to bid for the remaining shares in Norkom despite their shareholding exceeding the 30% threshold.

The Future

While 2009 was, indeed, a difficult and challenging period in the financial services market, Norkom has positioned itself to capitalise on the opportunities that 2010 promises.

The last year has seen Norkom build up its considerable franchise of another year of revenue growth with profits, injection of expertise and investment in personnel development, introduction of new and updated solutions, enhanced partner-enablement and improved market entry strategies. These, in addition to increased regulations which will fuel demand for Norkom's solutions, will help Norkom enhance its current market offerings, expand geographically further whilst continuing to conduct more business with existing and new clients. A rebound in the fortunes of the key markets of the US and UK will allow Norkom to return to more aggressive levels of growth.

In the meantime, it is expected that the financial crime and compliance market will continue to be fragmented. However, recent evidence suggests that consolidation may soon take place as market players, either voluntarily or involuntarily, are subsumed into larger businesses.

Norkom is in a robust position to overcome the many challenges that may present themselves over the course of the next 12 months. I would like to thank my esteemed colleagues on Norkom's Board of Directors for their hard work and perseverance, and the rest of the Norkom Team, both management and employees alike, for their unstinting support in delivering another strong performance.

Shane Reihill
Chairman

Operating & Financial Highlights

Key Highlights

- Total revenue growth of 17% to €48.0 million.
- 9% growth in gross profit (excludes depreciation); gross margin equal to 61% of revenue
- Growth in EBITDA (earnings before interest, tax, depreciation and amortisation) of 14% to €8.2 million
- Growth of 22% in revenue and 38% in EBITDA on a constant currency basis using 2008 rates
- Net assets grew to €58.2 million from €50.3 million at 31 March 2008
- EBITDA diluted EPS up 6.3% to 8.70 cents from 8.19 cents. Growth would be 22% on a constant currency basis

Revenue and Gross Profit

For the year ended 31 March 2009, Norkom, the leading provider of financial crime and compliance solutions, grew its revenue by 17% to €48.0 million.

Most regions retuned good growth with North America by 12%, Europe by 24% and Asia Pacific by 76%. Ireland, UK and Rest of World decreased by 10% against the same period in 2008 but delivered flat revenue using 2008 foreign exchange rates. Professional services revenues grew by 21% to €30.9 million in 2009 and post-contract support by 52% in 2009.

In 2009, gross profit (before depreciation) increased to €29.4 million up from €27.0 million for year ended 31 March 2008, representing a year-on-year increase of 9%. Gross profit (before depreciation) represented 61% of revenues in 2009.

The company has continued to re-invest incremental gross profits to expand our global franchise and build out our regional management structures based in Ireland, Europe, North America and Asia Pacific.

EBITDA

In 2009 Norkom delivered EBITDA of 17% (2008: 18%) as a percentage of revenue throughout the period. EBITDA growth of 14% in 2009 demonstrates strong quality revenue and margins for the company.

Foreign exchange has impacted the revenue and operating margin for the Group. Our main trading currencies of the US dollar, Australia dollar, Canadian dollar and Sterling have been weaker on translation in the current year against the same period in 2008. This led to a €2.1 million negative effect on reported revenue and a negative €1.7 million impact on operating profit. This would have led to growth in revenue of 22% and EBITDA of 38% on a constant currency basis.

Earnings Reconciliations:

	2009 €'000	2008 €'000
EBITDA reconciliation:		
Operating profit	4,783	4,485
Add back:		
Depreciation	994	703
Amortisation of intangibles	2,385	2,001
EBITDA	**8,162**	**7,189**
Earnings for adjusted EPS reconciliation:		
Operating profit	4,783	4,485
Add back:		
IFRS 2 non-cash charge	281	363
Amortisation of intangibles	2,385	2,001
Net interest	618	478
Deduct:		
Share of loss of associate	(496)	(84)
Minority interest	(270)	(201)
Tax on ordinary profits – current tax	(39)	(290)
Earnings for adjusted EPS	**7,262**	**6,752**

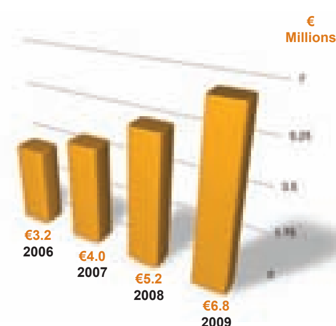
Balance Sheet

Net assets increased to €58.2 million in 2009 from €50.3 million in 2008. This increase was achieved through organic growth and the contribution of the integrated Digital Harbor Inc. entity that was acquired in the 2008 financial year, the impact of which is set out in detail in the financial statements.

Cash generation is an important part of our operational model and we are particularly pleased at generating cash flows from operations of €6.8 million during 2009. This is a conversion level of 83% EBITDA (2008: 73%).

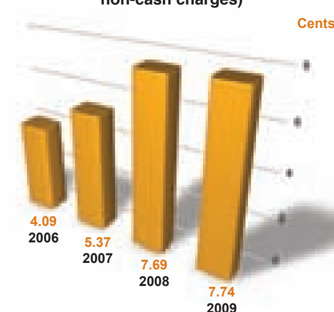
Overall, management is very satisfied with progress in the current financial year and look forward to continuing to take advantage of the strong opportunity in the marketplace.

Cash generated from operations



Net Assets

Diluted EPS
(adjusted for amortisation and non-cash charges)



Chief Executive Officer's Review

Paul Kerley

> *"A huge amount of our continued success is down to the commitment of our customers and the way we run our business and our team."*

Introduction

On behalf of the management team, I am delighted to report on another strong year of performance from the Norkom Group. Despite challenging market conditions, Norkom continued to grow revenues, profits and cash, while consolidating existing markets and developing new ones. Demand for our products and services remains strong and resilient against the backdrop of the turmoil in our core market of financial services.

We started this fiscal year expecting the market to be difficult to operate in, as the credit crunch began to take full effect. Having put into place a conservative plan, we believed that we had taken all the appropriate steps to prepare ourselves for the year ahead. However as it turned out, we were not adequately prepared for the number of bank failures, forced marriages and restructuring exercises that took place in the market, all of which had a material effect on our business.

Despite this, the resilience of Norkom's business shone through, with our teams delivering a strong performance during the year. We opened new markets, launched new products, and expanded our footprint across the globe. As we emerge from fiscal year 2009, we continue to generate profits and cash, and our company remains in a very healthy condition. The many years invested in focusing on our client relationships, fiscal responsibility and building a fantastic team have positioned Norkom to continue from strength-to-strength in the coming years.

Over the last seven years, Norkom's management team has had a clear focus on growth with profits, while diversifying risk across our clients, products, markets, currencies etc. Existing markets in Continental Europe and Asia Pacific performed well, while emerging markets in South-East Asia, Eastern Europe and the Middle East buffered the difficulties we experienced in the UK and US markets specifically. The team placed significant emphasis on the relationship with our existing client base and, in turn, our clients rewarded us with continued support and significant pull-through business during the year. In addition, Norkom also won substantial new business with leading financial institutions across the globe and this, together with our existing client base, will enable Norkom's continued success in fiscal year 2010, even in the face of increasing challenges in our core market.

In previous years, Norkom invested heavily in its global infrastructure, direct sales capability and capacity to execute. We now operate in 80% of the global addressable market for Norkom's solutions. We have first-hand visibility of the demand profiles and business drivers. Financial crime solutions continue to be priority expenditure for our clients and prospects.

Our Market

On a macro level, the twin drivers of increased fraudulent activity and the continued evolution of the compliance landscape are driving planning and investment decisions in our chosen markets.

Relentless increase in financial crime

Multi-channel fraud attacks continue to increase. In the November 2008 Suspicious Activity Reporting update, the US government agency, FinCEN, cited an 87% increase in reported instances of wire transfer fraud, a 39% increase in reported mortgage loan fraud and a 36% increase in consumer loan fraud filings. In addition, Securities and Futures Industries report a 58% increase in credit/debit card fraud, a 49% increase in mail fraud and 15% increase in reported money laundering activity.

As part of this trend, we are seeing increased identity theft activity with the APWG (Anti-Phishing Workgroup) reporting that the number of crime-ware spreading sites infecting PCs with password-stealing crime-ware reached an all time high of 31,117 in December 2008, an 827% increase from 12 months previously.

This activity is driving financial losses, with the US-based IC3 (Internet Crime Complaint Center) Organisation reporting a 33% increase in complaint submissions and a 10% increase in financial losses from 31 December 2007 to 31 December 2008. A recent Gartner survey (April 2009) reports that more than 5 million US consumers lost money to phishing attacks in the 12 months up to September 2008, representing a 39.8% increase from a year earlier.

We are also seeing continued evidence of the scale and sophistication of financial crime organisations. As part of an international FBI-led investigation against the online crime forum DataMarket, nearly 60 suspects were arrested across Turkey, Germany, the US and the UK. The co-ordinated international effort saved potential losses of US$70m; so far 16,000 compromised cards have been identified and further forensic work is ongoing (UK Serious Organised Crime Agency 2008/09 annual report).

Continued Regulatory Pressures

In addition to the fraud challenge, the global financial crisis is driving increased legislative activity, which will result in greater regulation and monitoring of the financial services sector. Failures in the capital markets in particular are prompting a raft of new legislation to provide greater oversight across a wide variety of complex financial instruments.

On 12 May 2009, the Obama administration unveiled a plan to regulate the vast derivatives market which has been blamed for fueling the global economic crisis, with the Treasury Secretary, Timothy F. Geithne, quoted as saying, "The financial crisis was caused by significant gaps in oversight."

In the US, a number of traditional investment banks and finance corporations have already converted to bank holding companies. While this arrangement provides them with access to increased liquidity and funding, they are now subject to more regulation and their exposure to risk will be more closely scrutinised. There is a general consensus that the Federal Reserve Board's role of providing stability to the emerging super institutions that are considered "too big to fail" will result in increased regulatory activity.

In the European Union, we are also seeing increased regulation as a result of the financial crisis, where the focus is centred on improving transparency, financial stability and avoiding future crises. Various regulations covering capital requirements directives, credit rating agencies and increased supervision of the insurance and reinsurance industries (under the Solvency II legislation) are in various stages of being drafted and implemented.

In addition to the global financial crisis, we see continued concerns in relation to fraud and consumer protection also driving legislation, which will also impact financial institutions. In the US, the Federal Trade Commissions FACTA (Fair and Accurate Credit Transaction Act) 'Red Flags' Rule will come into force from 1 August, 2009. In the UK, the consumer protection-driven Faster Payments Initiative came into force in May 2008, which requires near real-time payments with resultant fraud and compliance implications. Consumer protection is an active focus area at the European level where on 16 January 2009 the European Parliament adopted the "consumer directive for cross-border credit", making it easier for citizens to access cross-border credit facilities which changes the fraud exposure for certain classes of financial products.

We believe this global trend in increased or altered regulatory frameworks, in conjunction with fraud-driven market dynamics, represents an ongoing and

sustainable opportunity for Norkom to lead the market in offering compelling products and services to meet these evolving needs.

Buyers in our marketplace are becoming increasingly aware of the financial security of their partner vendors and, in effect, are looking for a financially strong solution partner when considering providers with whom to move forward. Our market has been traditionally populated by companies that are not experiencing growth or are/were not profitable, and these organisations (many of them competitors to Norkom in the past) are beginning to feel the full brunt of this push against them. Conversely, Norkom, with our strong balance sheet, history of growth with profits, and proven long-term relationships with leading international financial services institutions is seen as an ideal solution partner to solve multiple financial crime problems for our clients.

As a result, this "safe haven" characteristic has fed into a number of the new wins Norkom experienced particularly in the second half of our year. In particular, we achieved 16 new named clients, some of whom include marquee accounts that will cushion us against the future effects of the downturn.

Market Recognition

Even in these economically challenging times of the last 12 months, the business of organised financial crime and terrorist financing continued unabated. Financial year 2009 saw Norkom's strategy receive a strong confidence boost by leading industry commentators such as Gartner and Chartis, clearly illustrating how the Norkom strategy is acutely aligned with the needs and expectations of the market.

Gartner rated Norkom's Enterprise Fraud Management (EFM) capabilities "Excellent" in its report entitled, Critical Capabilities for Enterprise Fraud Management Tools. In this report, Norkom achieved highest rankings for analytics, case management and umbrella fraud management. In its Fraud Detection and Customer Authentication Market Overview, which was published in July 2008, Gartner claimed:

"Norkom gets high ratings from its customers and stands out in its ability to support enterprise case management, cross-platform and cross-account data analytics, as well as real-time in-line payment card fraud detection."

This was followed in October 2008 by the release of the Chartis Research RiskTech 100 report in which Norkom took first place in the financial crime and compliance category, having been measured against vendors in 15 countries across categories of functionality, core technology, organisational strength, customer satisfaction, market presence and innovation.

In February 2009, Chartis rated Norkom as the No.1 provider in the financial crime risk management technology sector in its Financial Crime Management Systems 2009 Market Analysis report. In this report, Norkom was lauded for its enterprise-wide financial crime management solutions.

"This is the strategy that Norkom has followed from inception, showing foresight and market leadership. This, along with its ability to demonstrate tangible ROI across its global client base - more important than ever in today's tough economic climate - sets it apart from most of its competitors".

Peyman Mestchian, Chartis' Head of Advisory Board

Norkom's high evaluation by esteemed analyst firms in the industry is echoed by its success in the marketplace. During 2009, the company received numerous accolades attesting to the superior quality of its solutions suite.

In November, the company continued its winning streak in the Annual Banking Technology Readers' Choice Awards, having won the award for Best Anti-Money Laundering Product for the second consecutive year in the award's two-year history, proving that the Norkom Anti-Money Laundering solution is a clear leader in its own right. The company was particularly proud of the fact that this award was voted directly by the business community.

Also in November, Norkom achieved its inaugural ranking in the FinTech 100, following strong revenue growth and expanding market share achieved by the company in 2008. The FinTech 100 is an annual international listing of the top vertical technology vendors that derive more than one third of their revenue from the financial services industry, which is published by American Banker and Financial Insights, an IDC company.

Finally in December 2008, the company was named Most Innovative Anti-Money Laundering Solutions Provider in the 2008 Financial-i Leaders in Innovation Awards.

Approach to investment

While delivering growth, we were extremely cognisant of market conditions and, therefore, were far more conservative in our approach to expanding our cost base last year. As a result, headcount levels remained consistent with levels from the previous year. Our attrition rates have reduced considerably and we have made substantial investments on further increasing the quality of our staff through performance management and improved training programmes. Significantly, a number of senior industry experts have joined the Norkom team in an effort to evolve our strengths to meet the emerging market issues. Our investment strategy remains committed to delivering growth with profits in a predictable way. This year we have prioritised the strengthening of existing markets whilst developing new ones. In addition, we have focused investment in sales and marketing to break into the Middle East and penetrate further into South-East Asia. As we moved through the year, our early warning systems highlighted the weaknesses in the UK and US markets, enabling Norkom to divert our investment and focus to other geographies.

In addition to developing new and existing markets, we have continued to invest in our core products and solutions. While a certain amount of investment is required for maintaining platform currency and short-term demand patterns, we also directed investment to other packaged applications, which allowed us to enter new markets more speedily. The release of targeted packaged applications has enabled Norkom to accelerate entry into the Middle East market and deepen our presence in Australia, whilst also giving us access to a Tier 2 financial market.

Our overall investment strategy includes a strategy to acquire companies in our space, enabling us to consolidate our market leading position. While remaining active in the market, we have not attempted to complete any transaction over the last twelve months. We felt that Norkom's share price did not reflect the true value of the company and we were unwilling to use our shares as a currency to acquire private assets that were not realistically priced. In addition, we have evidenced a lag between the adjustments in the public and private markets in terms of valuations. However, more recent evidence suggests that this lag is coming into alignment. Furthermore, as the impacts of the credit crisis migrated into the private equity markets, private companies are now starting to feel their own credit crisis as a result of a lack of follow-on funding available for further development.

Our Solutions

We have anticipated the evolving demand profiles in the market by releasing new and updated products. Of particular note is the Enterprise Investigation Management (EIM) product line, which provides a highly innovative multi-channel fraud and compliance investigative capability. We have also made significant enhancements to our KYC/CDD (Know Your Customer / Customer Due Diligence) product to reflect emerging market needs. This includes customer on-boarding and fully integrated customer lifecycle risk scoring capabilities. We continued to evolve our fraud offerings, tailoring solutions to meet market needs associated with the Faster Payments initiative and have also significantly enhanced our online and internal fraud solutions.

Additionally, we have extended our payments monitoring capabilities in line with the FATF (Financial Action Task Force) special recommendation seven (SRVII) and have made similar changes in preparation for the NACHA International ACH transactions (IAT) which will be introduced in September 2009. We have also been actively engaged in the brokerage market, working with a leading financial institution to create a compelling control room surveillance offering.

These solutions are driving pull-through revenue in our existing client base, while leading the entry into new markets. In addition to the creation of issue-specific business solutions, our core platform has been strengthened with the release of Version 6.1. This release enables our clients to use Norkom's platform in three modalities:

- Front-end solution that integrates disparate financial crimes assets, allowing our clients to adopt an enterprise approach to combating crime by correlating events from multiple sources and providing secondary risk scoring and intelligent routing.
- Back-end enterprise risk scoring service that is leveraged to enrich other front-end applications, enabling financial institutions to assess risk and respond appropriately, providing a consistent and repeatable view of risk across the enterprise.
- Complete financial crime solution covering the end-to-end process of detection through to investigation and recovery.

From a core infrastructure perspective, we continue to invest significantly in the scalability, interoperability and configurability dimensions of our platform, which is increasingly being viewed by the market as a key enabler for developing superior financial crime defence capabilities. We have also supported the business as we continue to build-out our international franchise in the Middle and Far East.

Our global relationship with IBM's Global Business Services continues with the recent announcement that both organisations have committed to developing new

and innovative solutions to help meet client needs. Both organisations have aligned Research and Development around the IBM Infosphere product line to offer value-add products such as Identity Resolution (IR), designed to identify and consolidate similar and duplicate account relationships. The IR product has a strong return-on-investment and is ideally suited for organisations that are consolidating operations and/or merging with other institutions. We also are working with IBM on broader strategic initiatives that allow new and existing Norkom clients to extend their fraud and compliance solutions into managing risk across the enterprise.

Financial Results and Business Highlights

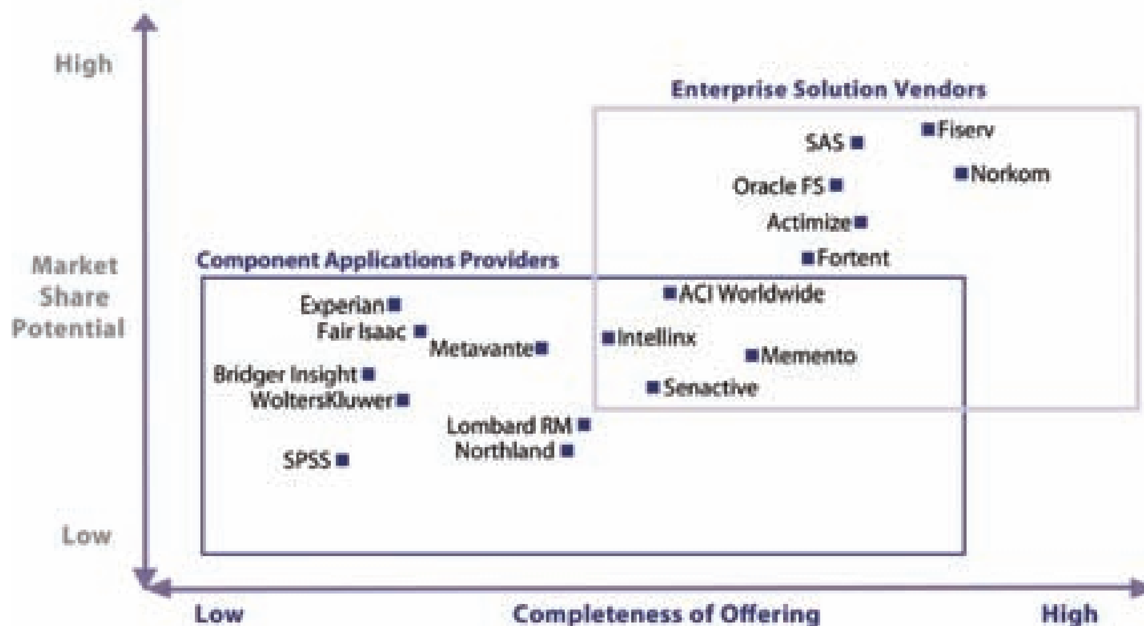
In financial year 2009, we continued to demonstrate growth in both revenues and profits. Revenues increased 17% over the previous year to reach €48.0 million with EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) of €8.2 million (17% of revenue), up 14% on last year.

Foreign exchange has impacted the revenue and operating margin for the Group. Our main trading currencies of the US dollar, Australia dollar, Canadian dollar and Sterling have been weaker on translation in the current year against the same period in 2008. This led to a €2.1 million negative effect (using 2008 rates) on reported revenue and a negative €1.7 million impact on operating profit. This would have led to growth in revenue of 22% and EBITDA of 38% on a constant currency basis.

Operating and Regional performance

Norkom's revenue of €48.0 million for the year ended 31 March 2009 is as a result of strong growth mainly in Asia and Europe. Our Asian revenue grew by 76% to €7.9 million on the same period in 2008. This been facilitated predominantly by continued strong revenue growth in Australia but there has also been a development of new business areas such as New Zealand, Indonesia and the Pacific Islands. We also experienced an increase in our Continental European business with a revenue growth increase of 24% to €12.7 million from the previous year. This was derived predominantly from a continued solid performance in our core market area of the Benelux countries, which is now being supplemented by new business areas such as Scandinavia, Germany and other Germanic-speaking areas of Eastern Europe.

Whilst our North American market is challenged, we have also delivered growth of 12% to €19.4 million during the current period. We continue to expand our footprint with existing customers, thereby, driving good growth in services revenues, whilst adding new clients in both the US and Canada. Our most challenged region is Ireland, UK and Rest of World, where revenue has reduced by 10% to €8.1 million on the same period in 2008 but would be flat on a constant currency basis given the deterioration in sterling during the year. Whilst we continue to see strong follow-on business from our existing clients, the number of new client wins has been limited mainly due to the distraction level in the financial industry at present.



We delivered a 9% growth in gross profits to €29.4 million in the period excluding depreciation. Whilst our markets are challenged on rates and pricing, we have continued to deliver strong margin business as we manage our cost base effectively for the current environment.

Management have placed a particularly strong emphasis on delivering an operating leverage from our operating costs during fiscal year 2009. We have previously concentrated our investments to create a strong global presence, ensuring that we are highly visible to our existing and potential clients in all four corners of the globe. While our revenue has increased 17% to €48.0 million in the current period, our operating cost investments in sales and marketing, research and development and general and administration has grown by 7% to €21.2 million excluding depreciation. We continue to manage our cost base effectively to ensure continued growth in both revenue and operating profits.

Norkom's balance sheet also continued to strengthen during 2009. A strong focus in this difficult climate must be on cash and cash generation. Norkom has continued strong cash generation from operating activities of €6.8 million (2008: €5.2 million). We also continued a record of no bad debts for the company. Net assets increased from €50.3 million in 2008 to €58.3 million in 2009. This places the Group in a very strong financial position to continue to consolidate its operations on a global basis.

Our Organisation

2009 was a year of consolidating and further strengthening our organisation both geographically and in terms of our skills-base. Over the last few months, we have expanded the domain expertise of the organisation by establishing a Fraud Centre of Excellence, a platform that blends our strong banking experience with solution-based technical expertise. Similarly, as a result of expanded volume of services, we have deepened the strength and capability of the regional delivery centres by setting up sub-regional delivery centres within Europe (based out of Poland) and Asia Pacific (based in Singapore).

Client demands and service margin challenges

There's no doubt whatsoever that 2009 has been a challenging year, as clients looked to pass their own financial challenges onto their vendor network. As a result, pricing came under pressure, prompting us to put particular strategies in place to safeguard our margins. One such strategy, the development of packaged applications for the compliance marketplace, has enabled us to provide speedy delivery of standard solutions at a competitive price to the retail banking sector. For example, we recently completed an end-to-end delivery within seven weeks for an Indonesian financial services client. Furthermore, we have revisited all aspects of our delivery methodology to provide greater management of project scope, quality assurance and risk mitigation across newer areas of delivery such as Enterprise Investigation Management (EIM) and fraud.

Partner-enabled organisation

The volume of partner-based activities continued to grow strongly in 2009 through the use of both our global partner network (such as IBM, Cap Gemini, Accenture), who operate with us across a range of continents, and strong local partners who enhance our offering with local language and cultural knowledge. This has enabled us to critically expand our delivery into new territories such as Eastern Europe, Middle East and the Far East. As price pressure increases, we are seeing growing demand for a blended near-shore/off-shore delivery model, which retains Norkom's expertise in the delivery whilst also allowing for certain activities to be carried out more cost-effectively by lower-cost-based partner resources. This approach is best facilitated through more standardised solutions that can partly or wholly be implemented by lower-cost remote teams and is supported by our ongoing investment in packaged applications.

Build-out of knowledge management

One of the implications of Norkom's year-on-year success is that over 50% of Norkom staff joined the company within the last two years. To support such steep growth, we have developed a strong induction process, designed to help new personnel acclimatise quickly and efficiently into the company. Investment in the size of our training department was doubled in 2009 to support the formal classroom-based training of employees. In addition, a Knowledge Management (KM) programme, which positions knowledge as a central tenet of our culture, has been designed and integrated into the activity plans of all staff. We also took the opportunity this year to redesign processes in an effort to package our engineering and project experiences for re-use, which can then be integrated into product plans, KM briefing sessions to staff, communication forums, subject matter expert networks, as well as delivery methodology enhancements.

Enhanced training programmes

As planned, we have increased the capacity, visibility and capability of the training team. We have hired a number of key resources who are tasked with the development and delivery of critical technical training material both internally to employees and externally to clients. We are now in a position where we have a portfolio of professional training classes which have been priced and rolled out to the field. We have an active training revenue stream in place and a visible pipeline of training revenues for FY10.

Internal accreditation programmes

While the KM programme focuses on the dissemination of learning across people, products and processes, it is also critical for us to measure the effectiveness of this investment. As a result, Norkom has implemented a company-wide accreditation programme, designed to assess and certify the skill-sets, knowledge levels and competencies of all employees across product, solution and domain categories. Employees can graduate from one level to the next through the continuous learning, assessment and certification that this multi-accreditation programme offers. Skills and competency targets are set at individual, regional and company levels, enabling us to systematically grow the organisation to meet global and local needs. This particular initiative has been intrinsically linked to employee career development, providing an excellent motivational model for employees to progress further in Norkom. It is also envisaged that the accreditation programme will be rolled-out to partners and customers over time.

Compliance and Fraud accreditation

In addition to implementing Norkom-specific product and skills-based accreditation programmes, we are also committed to the certification of our employees in terms of domain expertise. As such, we have pursued an active campaign of accrediting employees in their knowledge of Anti-Money Laundering regulations and best practices through The Association of Certified Anti-Money Laundering Specialists (ACAMS). So far, Norkom employees have notched up a unique and, indeed, enviable 100% success rate in attaining this certification, illustrating a strong affirmation on the skills and knowledge level of Norkom staff. We have also pursued a similar strategy in relation to fraud prevention practices where Norkom staff has participated in the Certificate in Fraud Prevention delivered by The Institute of Bankers in Ireland.

Strengthening Asia Pacific

In late 2006, Norkom established a local presence in Sydney, Australia, to service the Asia Pacific region. Since then, the company has enjoyed a string of successes in winning major rollout programmes in Australia with such financial institutions as ANZ, Westpac, National Australia Bank and Suncorp to name but a few. In 2009, we have continued to build on this strong growth by expanding our delivery capability into Singapore, Korea, Indonesia and the Pacific Islands. In addition to opening a new office in Melbourne, we have also established a presence in Singapore to service our Asian clients more efficiently. In line with other regional delivery centres, we have expanded the range of services offered locally to include support and customer engineering services.

Customer support

In the current financial year, we have experienced a significant ramp-up in our customer support capability. We now operate a multi-site, customer support organisation (based in Ireland, US and Australia) that deploys a 24-hour "follow-the-sun" capacity. We have deployed a front-line / back-line model which has enabled us to engage in more proactive outbound customer communications. Through a combination of internal training, operating processes and increased capacity, we have significantly improved our issue closure rates.

Other initiatives in this area include the measurement of customer satisfaction based on regular client satisfaction surveys and the creation of a customer support accreditation process. The latter process will act as both a revenue stream for the company and as a way to decrease inbound call volumes. Having higher trained client support personnel who are better equipped to resolve issues before escalating them to management will enable us to achieve this.

Digital Harbor

As part of the Digital Harbor transaction in fiscal year 2008, we set up a spin-off company in the medicare and retail fraud industry. This forms part of Norkom's strategy of seeding new markets and verticals with a view to potentially expanding our footprint using existing core intellectual property. The company, now known as Digital Harbor, acquired its first client in early 2009 in the medicare fraud area. This is an important deal for the company as it sets a path to get to profitability during calendar year 2010 and to develop a significant franchise in this area.

Looking to the Future

Norkom's market franchise, global presence and market leading solutions have matured. We have demonstrated that we can enter and win new markets and dominate them as evidenced over the last three years in Australia, South-East Asia, Eastern Europe and the Middle East. Norkom will continue to invest in opening up new markets and will focus on establishing our solutions as the global standard as opposed to the global leader.

Mindful of the ongoing stress within our client/prospect base, once again we will go into next year adopting a conservative approach to organic investment to ensure our continued profitability. Recent evidence within the privately-funded technology market would suggest that opportunities for Norkom to re-engage in M&A could provide for additional growth. Norkom has a strong balance sheet and will look for the right time and opportunity to use it.

A huge amount of our continued success is down to the commitment of our customers and the way we run our business and our team. Over the last year, our team has consolidated the gains made over the years. We enter fiscal year 2010 stronger from a market, financial and technology perspective. Most of all, we have a phenomenal, hard-working, professional, talented, ambitious and determined team. Norkom will continue to prosper in the coming years on the back of the quality of our people.

We greatly appreciate the ongoing support of all of our customers. It has not been an easy time in the last year for most, if not all, of our customers. We are grateful for your support and we will continue to improve our capacity to support you. To our investors, who again showed their confidence in the Norkom team, we appreciate your trust and show of support. To all my Norkom colleagues, thank you for your dedication and hard work in delivering what has been a great performance in a very difficult period.

Paul Kerley
Norkom CEO

Board of Directors

The following members of the board of Norkom Group plc were directors throughout the financial year (unless stated otherwise) and each remains a member of the Board as at 31 March 2009.

Shane Reihill (Age 43),
Chairman &
Non-Executive Director

Paul Kerley (Age 45),
Chief Executive Officer &
Executive Director

Cecil Hayes (Age 53),
Chief Operating Officer &
Executive Director

Gavin O'Reilly (Age 42),
Non-Executive Director

Shane is the chairman of the board. He is the executive chairman of TVC Holdings plc, the publicly quoted investment holding company. Shane founded Trinity Venture Capital in 1997. He is also currently the chairman of The Agency (Holdings) Limited and a non-executive director of UTV Media plc. Formerly he was joint chief executive officer of Tedcastle Holdings Limited and worked for a number of years at Dillon Read Investment Bank in New York. Shane holds an MBA from Columbia Business School.

Paul has a 20 year track record of successfully building and leading entrepreneurial teams. Before fo unding Norkom in 1998, Paul spent five years as a senior manager at Capgemini, introducing and building out its consulting and projects capabilities in Ireland. Earlier, Paul held senior roles with Amdahl Corporation and System Industries. He is a graduate of Dublin City University. Paul was awarded Ernst & Young's Emerging Entrepreneur of the Year 2000.

Cecil has over 20 years' experience in senior operational and financial management positions, most recently in the financial services and technology sectors, including 10 years as finance director of two publicly quoted companies. He was chairman of Vivas Health since its entrance into the Irish Health Insurance market in 2004 until its sale to Hibernian in April 2008. Cecil is a Fellow of the Institute of Chartered Accountants in Ireland.

Gavin is group chief executive officer of Independent News & Media plc – one of the world's leading multimedia groups with interests in publishing, radio, outdoor advertising and online, with primary operations in Australia, India, Ireland, New Zealand, South Africa and the United Kingdom. He is chairman of APN News & Media and is also president of the World Association of Newspapers.

GROUP INFORMATION

DIRECTORS

Shane Reihill	(Non-executive Chairman)
Paul Kerley	(Chief Executive Officer)
Cecil Hayes	(Chief Operating Officer)
John Tracey	(Non-executive Director)
Gavin O'Reilly	(Non-executive Director)
Kieran Nagle	(Non-executive Director)
Luc Philips (Belgian)	(Non-executive Director)
Liam Davis	(Chief Financial Officer) (appointed 9 June 2008)

SECRETARY
Liam Davis

REGISTERED OFFICE
55 Strand Street Great,
Millennium Walkway,
Dublin 1.

REGISTERED NUMBER OF INCORPORATION
412010

SOLICITORS
William Fry,
Fitzwilton House,
Wilton Place,
Dublin 2.

John Tracey (Age 49),
Non-Executive Director

John is the chief executive officer of TVC Holdings plc. He was appointed chief executive officer of Trinity Venture Capital when it was established in 1997. In 1989, John joined ICC Venture Capital where he was investment director. He previously worked in the semiconductor industry and in management consulting. John holds bachelor and master's degrees in engineering from University College Dublin.

Kieran Nagle (Age 60),
Non-Executive Director

Kieran has over 35 years' international experience in the IT sector. Kieran was a founding director of Kindle, a financial services software company and subsequently became chairman and chief executive officer of Kindle Banking Systems, a division of Misys plc, playing a key role in its successful organic and acquisitive growth.

Luc Philips (Age 57),
Non-Executive Director

Luc is CFRO/member of the executive committee of KBC Group NV. He contributes extensive financial services expertise from a wide range of senior roles at Almanij, KBC Group, KBC Bank and KB Luxemburg where he serves as chairman of the Audit Committee. In addition, Luc is director of KBC Bank and of KBC Insurance.

Liam Davis (Age 37),
CFO, Secretary &
Executive Director
(Appointed 9 June 2008)

Liam has been with Norkom since 1998 and is a key member of the senior management team. As chief financial officer, he is responsible for all aspects of the company's finance function, with specific responsibility for investor relations, financial reporting, group taxation, business planning and working capital management. Liam holds a bachelor's degree in business studies and is a Fellow of the Chartered Association of Certified Accountants.

BANKERS

Ulster Bank Limited,
130 Lower Baggot Street,
Dublin 2.

Anglo Irish Bank plc,
Stephen Court,
18/21 Stephen's Green,
Dublin 2

Bank of America,
100 Federal Street,
Boston,
Massachusetts 02110,
United States of America.

Natwest Bank plc,
80 Shenley Road,
Boreham Wood,
Hertfordshire,
WD6 1DZ,
England.

Royal Bank of Canada,
3535 New Street,
Burlington,
Ontario L7N3WZ
Canada.

KBC,
Leuven Corporate,
Interleuvenlaan 15C,
EU-B-3001 Leuven,
Belgium.

National Australia Bank,
2 Melissa Place,
Kings Park,
New South Wales,
Australia.

AUDITORS

Ernst & Young,
Chartered Accountants,
Ernst & Young Building,
Harcourt Centre,
Harcourt Street,
Dublin 2.

Directors' Report

for year ended 31 March 2009

The Directors present herewith their annual report and the audited consolidated financial statements of Norkom Group plc ("the Company") and its subsidiaries (collectively, "Norkom" or "the Group") for the year ended 31 March 2009.

Principal activities

The Norkom Group is a leading provider of financial crime and compliance solutions to the global financial services industry. The Group's solutions enable organisations to detect and combat financial crime, reduce their operational losses, and address the industry's ever-changing compliance and regulatory requirements. The Group's software suite is underpinned by a common technology platform which can be configured to address any type of financial crime or regulation. The Group's approach provides the infrastructure for an end-to-end financial crime strategy, while offering a range of solutions to address immediate business issues from money laundering to all types of fraud. The Group's approach reduces total cost of ownership and protects clients from large-scale technology investment costs to adapt to every new type of regulation or crime.

Review of the development and performance of the business

Please refer to the Chief Executive Officer's review on pages 6 to 13.

Financial performance indicators

The Group has experienced significant growth over the past number of years and reported continued strong financial results, with revenue increasing by 17.0% to €48.0 million for the year ended 31 March 2009, compared to €41.0 million for the year ended 31 March 2008. Gross profit increased by 7.9% to €29.0 million (including depreciation) for the year ended 31 March 2009, compared to €26.9 million (including depreciation) for year ended 31 March 2008. Earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by 13.9% to €8.2 million for the year ended 31 March 2009, compared to €7.2 million for the year ended 31 March 2008.

	2009 €'000	*2008 €'000*
Operating profit	**4,783**	4,485
Depreciation	**994**	703
Amortisation of intangibles acquired	**1,790**	2,001
Impairment of intellectual property	**595**	-
EBITDA	**8,162**	**7,189**

Results for the Year End and State of Affairs at 31 March 2009

The consolidated income statement for the year ended 31 March 2009 and the consolidated balance sheet at that date are set out on pages 26 to 27. The profit before taxation for the year amounted to €4,905,000 (after deducting amortisation and impairment charges on intangible assets of €2,385,000) compared with a profit of €4,879,000 before taxation in the previous year.

Profit attributable to equity holders of the parent is after charging taxation of €630,000 (2008: credit €1,270,000) and dividends to minority interests of €270,000 (2008: €201,000); retained profit for the year of €4,005,000 (2008: €5,948,000) was credited to reserves. Shareholders' funds at 31 March 2009 amounted to €58,190,000 (2008: €50,285,000).

For further discussion on the state of affairs of the Group, refer to the Operating and Financial Highlights and the Chief Executive Officer's Review on pages 4 to 5 and 6 to 13 respectively.

Corporate Governance

The Group is committed to maintaining the highest standards of corporate governance and the directors recognise their accountability to the Group's shareholders in this regard. The Board has adopted a corporate governance policy appropriate to the Group's size and corporate status. The Board continues to develop the Group's corporate governance policies and procedures. The Directors comply with Rule 21 of the AIM Rules and the IEX Rules relating to directors' dealings, and take all reasonable steps to ensure compliance by the Group's applicable employees. The following principles form the basis of the Group's corporate governance policy:

- Corporate governance is about shaping the strategic direction of the Group in the long term, guiding management performance and monitoring progress towards objectives through the establishment of an experienced Board of Directors to ensure the Group achieves its strategic goals;
- Corporate governance is about leadership and the Board believes that its role and responsibility is to govern the Group while management's task is to run the operations on a daily basis; and
- The Directors recognise their responsibility and accountability to ensure that the interests of all stakeholders in the Group are protected. This means not only the interests of shareholders, but also those of staff, customers, suppliers and the wider community.

Board of Directors

The Board comprises three executive directors and five non-executive directors. All of the Board members demonstrate a range of experience, knowledge and key skills vital to the success of the Group. While the executive directors have a deep knowledge of the operations of the Group, the non-executive directors bring significant value through their externally developed skills, experience, discipline and judgment on issues of strategy, performance, resources and standards of conduct. The Board considers all non-executive directors to be independent.

The Company holds board meetings regularly throughout the year at which reports relating to the Group's operations, together with financial reports, are considered. The Board agrees a schedule of a minimum of seven meetings to be held in each calendar year and also meets on other occasions, as necessary. There were ten full meetings of the Board during the financial year ended 31 March 2009.

In the event that the chairman is unable to attend a board meeting, the meeting is chaired by a non-executive director. The Board is responsible to shareholders for the proper management of the Group and makes formal decisions and approvals on matters that include the Group's operational and commercial strategy, trading and capital budgets, financial statements, board membership, all acquisitions and risk management.

To enable the Board to discharge its duties, all the Directors receive appropriate and timely information. They are given the opportunity to examine and question the information supplied and to seek such additional information, as they consider appropriate. All the Directors have access to the advice and services of the company secretary ("the Secretary") who is responsible for ensuring that board procedures are followed. The appointment and removal of the Secretary is specifically reserved for the approval of the Board as a whole.

Each director must retire not later than the third annual general meeting following their appointment or re-appointment. In any event, at each annual general meeting of the Group, at least one-third of the Directors are subject to retirement by rotation. Directors can be re-appointed.

At the AGM of the Company and the Group, on 11 July 2008, Paul Kerley and John Tracey were re-elected as directors of the Company and the Group.

The Group has insurance in place to indemnify the Directors in respect of legal action taken against them in their capacity as directors of the Group.

The Board is satisfied that it is a well balanced team to lead and control the Group, and has established an effective committee structure to assist in the discharge of its responsibilities, with formally delegated duties and responsibilities. All committees of the Board have written terms of reference dealing with their authority and duties as follows:

Audit committee

The members of the audit committee are Kieran Nagle (Chairman), John Tracey and Luc Philips. The audit committee is responsible for reviewing the integrity of the Group's consolidated financial statements and for reviewing significant financial issues and judgments contained therein. The committee reviews the accounting principles, policies and practices adopted in the preparation of the interim, preliminary and annual accounts and discusses with the Group's external auditors the planned scope and results of their audit of the Group's annual consolidated financial statements. It also reviews the cost-effectiveness, independence and objectivity of the external auditors. The external auditors have direct access to the committee and its chairman at all times.

Nomination committee

The members of the nomination committee are Shane Reihill (Chairman), Gavin O'Reilly and Paul Kerley. The nomination committee is responsible for nominating and making recommendations to the Board on new board appointments and succession planning and for reviewing the structure, size and composition of the Board and making recommendations to the Board with regard to any changes.

Remuneration committee

The members of the remuneration committee are John Tracey (Chairman), Gavin O'Reilly and Luc Philips. The remuneration committee is responsible for the remuneration policy of the Group's executive directors having regard to companies of a similar size and scope. This covers the determination of contract terms, remuneration and other incentives for senior management and each of the executive directors, including performance-related bonuses and share options. The remuneration committee consults the chairman of the Board about its proposals relating to the remuneration of other directors.

Communications with Shareholders

Shareholder communication is given high priority by the Group. The Group has an ongoing programme of meetings between its senior executives, institutional shareholders, analysts and brokers. These meetings, which are governed by procedures designed to ensure that price-sensitive information is not divulged, are designed to facilitate a two-way dialogue based upon the mutual understanding of objectives.

The annual general meeting ("AGM") affords individual shareholders the opportunity to question the chairman and the Board, and their participation is welcomed. The chairman aims to ensure that the chairmen of the audit committee, nomination committee and remuneration committee are available at the AGM to answer questions. In addition, major shareholders can meet with the chairman or executive and non-executive directors on request.

The Board is kept appraised of the views of shareholders, and the market in general, through feedback from the meetings programme and results presentations. Analysts' reports on the Company are also circulated to the Board on a regular basis.

The Group's website, www.norkom.com, provides the full text of the preliminary announcement, interim and annual reports. News releases are made available in the corporate announcements section of the website immediately after release to the stock exchange.

Directors

The present directors are as listed on pages 14 and 15, and, unless otherwise indicated, have served throughout the year.

Directors' and Secretary's Interests

The interests of the Directors and the Secretary in the ordinary share capital of Norkom Group plc at the beginning and end of the financial year, or date of appointment if later, are set out in note 22 to the financial statements.

The Directors and the Secretary have no beneficial interest in the ordinary share capital of any group undertaking.

Details of the Directors' emoluments, shareholdings and share options are set out in note 22 to the financial statements.

Going Concern

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Research and Development

The Group's technology and products have traditionally been the result of internal development by group engineers. Product development and management is concentrated primarily in our Dublin, Ireland headquarters. Norkom's product management organisation collaborates with the Group's sales and marketing organisation to increase sales of products and to develop customer relationships.

The Group's research and development expenditure in 2009 was €7,783,000 (2008: €7,068,000), representing 16.2% (2008: 17.2% of total revenue). The Group expects to continue investing significant resources in research and development in the future.

Books of Account

The Directors are responsible for ensuring that proper books and accounting records, as outlined in section 202 of the Companies Act, 1990 are kept by the Company. To achieve this, the Directors have appointed a Director of Finance who reports to the Board and ensures that the requirements of Section 202 of the Companies Act, 1990 are complied with.

The books and accounting records are maintained at the Company's registered office at 55 Strand Street Great, Millennium Walkway, Dublin 1.

Risk Management

Discussed below are the Group's major risks, together with the systems and initiatives in place to address them.

Market and Operational Risk

The Group provides the global financial services industry with financial crime and compliance solutions to meet their internal and external regulatory requirements. Amongst the industry factors which might influence their demand for these solutions are:

a) external regulatory compliance requirements;
b) internal compliance requirements;
c) corporate governance issues;
d) corporate risk mitigation;
e) levels of public interest and external scrutiny; and
f) perceptions of security vulnerabilities.

The Group actively seeks to manage its exposure to potential demand fluctuations by maintaining and developing a diverse customer base in a variety of industry sectors and in a number of countries and by restricting its dependence on any one large customer. In response to changes in environmental factors the Group continuously develops and offers updated solutions to its existing and potential customer base.

The Group operates in a competitive market with competing products and services. The Group seeks to manage its exposure to competition by constant product innovation and by diversifying its customer base.

Intellectual property and proprietary technology

The Group believes that its success will depend in part on its ability to secure and maintain its intellectual property in its key software products and to operate without infringing the proprietary rights of third parties. The Group mainly uses copyright to protect the software used in its products. These rights act only to prevent a competitor from copying software, or a substantial part of it, and not to prevent a competitor from independently developing products that perform the same functions. Similarly, the Group to some extent relies upon trade secrets to protect its proprietary technology. No assurance can be given that others will not independently develop or otherwise acquire substantially equivalent techniques and technology rights or that the Group will be able to prevent others developing rival products and selling them in competition with the Group.

Market forces and competition

The markets in which the Group operates are characterised by rapidly evolving technology and industry standards that are required to combat financial crime and meet an ever-changing regulatory compliance environment. As the market grows, new competitors may emerge, which could reduce the Group's sales, margins and market share.

Competitors could develop superior or more cost-effective solutions which could render the Group's products uncompetitive or develop products that achieve greater market acceptance than the Group's products. In the future, the Group may experience pricing pressures from competitors and customers which may adversely affect sales and/or gross margins.

Ability to develop and deliver new versions of existing software solutions

The directors believe the performance of its financial crime and compliance software solutions will have a material impact on the future success of the Group. The maintenance of its margins will therefore depend to a large extent upon the Group's ability to develop and deliver new versions of its existing software solutions to meet and broaden customer needs through enhancements and to anticipate developments in the market and changes in industry standards and the regulatory environment.

Loss or failure of major customers

In any year a significant proportion of the Group's revenue comes from a number of large customers. Whilst the Group is not reliant on any single customer, the loss of one of these large customers would have a significant impact on the Group's revenue in that particular year. The loss of one of these large customers could have a potentially greater effect than the mere loss of future business, as there is no guarantee that the Group would receive in full the payments due to it.

Managing additional growth and resource demands

The Group has grown rapidly and must manage additional growth and the demands on its resources and personnel in order to be successful. The business strategy is based on the assumption that the Group will continue to retain sufficient qualified personnel and retain the expertise of executive directors who can contribute to the growth of the Group. While the Group has taken reasonable steps to retain and incentivise executive directors and key employees, retention of their services is not guaranteed.

Contractual arrangements

The Group derives a significant portion of its revenue from large transactions. Customers face complex decisions regarding approaches to the development, deployment and integration of enterprise applications, competitive product offerings, rapidly changing software technologies, and limited resources. The Group must often negotiate complex terms and conditions in large sales transactions and in many instances contracts are of a fixed price nature. These terms and conditions can extend the sales cycle and, in certain situations, result in deferred recognition of revenue from the sale. Prospective sales are subject to delays or cancellation over which the Group has little or no control and these delays could adversely affect results.

Financial Risk

Financial risk relates primarily to the risk of financial loss and damage to reputation resulting from inadequate processes and systems. The Group manages this risk through controls and loss mitigation actions.
Examples include:

a) taking sufficient insurance cover, including for business interruption;
b) maintaining a disaster recovery plan for all major sites;
c) maintaining rigorous data backup procedures; and
d) carrying out regular reviews of the principal suppliers and customers of the Group, and how each impacts on the Group's business.

In addition, specialist support functions provide expertise in ensuring the Group adheres to local regulatory and legal requirements.

Credit

The Group only trades with recognised creditworthy third parties, comprising primarily blue chip financial institutions. All customers who wish to trade on credit terms are subject to credit verification procedures. The credit risk on cash and derivative financial instruments is limited as the counterparties are financial institutions with high credit ratings.

Liquidity

The objective of the Group's treasury policy is to ensure that there is sufficient funding and liquidity available to meet the expected needs of the Group and to limit the Group's exposure to fluctuating foreign exchange rates.

The Group maintains sufficient cash resources to meet its obligations and in addition has bank overdraft and loan facilities available, if required.

Cash, finance leases and liquid resources are used to finance the Group's operations. Trade debtors and creditors arise directly from operations. Derivatives (forward foreign exchange contracts) are used to manage currency risks arising from the Group's operations. It is, and has been throughout the year under review, the Group's policy not to trade in financial instruments. The Group's procedure is to finance operating subsidiaries by a combination of long-term loans and, to a lesser extent, finance leases, as required.

Foreign currency risk

The majority of the Group's activities are conducted in the local currency of the country of operation. The primary foreign exchange exposures arise from the fluctuating value of the Group's net investment in different currencies. Gains and losses arising from these currency exposures are recognised in the consolidated statement of changes in equity.

The Group also has transactional currency exposures arising from sales and purchases by regional operating units in currencies other than the units' functional currency. Forward foreign exchange contracts and the holding of foreign currency cash balances are used to hedge these currency exposures.

Group policy is not to trade in or enter into speculative transactions.

The Group has currency exposures (primarily AU$, US$, CAD$ and GBP) which arise from sales and purchases by its businesses in currencies other than the Group's functional currency. The Group will, when appropriate, seek to cover net foreign exchange exposures with forward contracts, which are arranged centrally, and by negotiating sales and purchases in the same currency where possible.

Key Performance Indicators

On a monthly basis, management accounts are prepared for senior management. These provide analysis in detail of revenue, cost of sales, operating costs and operating margin measured against budget.

The balance sheet is reported monthly and the cash, receivables, payables and deferred revenue balances are monitored in detail to ensure that credit terms are being respected and that invoicing and revenue recognition policy is being applied appropriately. Other non-financial indicators are monitored on a monthly basis, including order pipeline, staff numbers and turnover.

Taxation

The Group has significant operations and generates a substantial portion of its taxable income in Ireland. In general, there is a 10.0% corporation tax rate in Ireland on trading income after the application of manufacturing relief, which is significantly lower than in other tax jurisdictions in which the Group operates. If the Irish tax laws were rescinded or changed, the Group's effective tax rate could increase and business, financial condition and results of operations could be materially adversely affected. In addition, if other tax authorities were to challenge successfully the manner in which Norkom recognises profits or, more generally, the jurisdiction in which its income is subject to taxation, the Group's effective tax rate could increase and its cash flow and operational results could be adversely affected. If the Group's effective tax rate increases, the business and financial results would be adversely impacted.

Dividends

The Directors of the Company do not propose the payment of a dividend on the ordinary shares for the year.

Important Events since the Year End

There were no events affecting the consolidated financial statements after the year end.

Political Donations

Neither the Company nor any of its subsidiaries made any political donations in the year.

Likely Future Developments

The Chairman's Statement and the Chief Executive Officer's Review refer to the outlook of the business and the Group's operating plan.

Auditors

The auditors, Ernst & Young, Chartered Accountants, will continue in office in accordance with Section 160(2) of the Companies Act, 1963.

Annual General Meeting

Your attention is drawn to the letter to shareholders and the Notice of Meeting enclosed with this report which set out details of additional matters to be considered at the Annual General Meeting.

On behalf of the Board: 5 June 2009

Directors ; Shane Reihill

Paul Kerley

Statement Of Directors' Responsibilities In Respect Of The Financial Statements

Company law in Ireland requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Parent Company and of the Group and of the profit or loss of the Group for that period.

In preparing the financial statements of the Group, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- comply with applicable International Financial Reporting Standards as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The considerations set out above for the Group are also required to be addressed by the Directors in preparing the financial statements of the Parent Company (which are set out on pages 71 to 75), in respect of which the applicable accounting standards are those which are generally accepted in the Republic of Ireland.

The Directors have elected to prepare the Parent Company's financial statements in accordance with generally accepted accounting practice in Ireland (Irish GAAP) comprising the financial reporting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland, together with the Companies Acts, 1963 to 2006.

The Directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Parent Company and which enable them to ensure that the financial statements of the Group are prepared in accordance with applicable International Financial Reporting Standards as adopted by the European Union and comply with the provisions of the Companies Acts, 1963 to 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report To The Members Of Norkom Group Plc

We have audited the group and parent company financial statements (the "financial statements") of Norkom Group PLC for the year ended 31 March 2009 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes 1 to 25 (group) and A to K (company). These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of the group financial statements in accordance with applicable Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for the preparation of the parent company financial statements in accordance with applicable Irish law and Accounting Standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Acts, 1963 to 2006. We also report to you our opinion as to: whether proper books of account have been kept by the company; whether, at the balance sheet date, there exists a financial situation which may require the convening of an extraordinary general meeting of the company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit and whether the company balance sheet is in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and other transactions is not disclosed and, where practicable, include such information in our report.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Statement, the Operating and Financial Highlights, the Chief Executives Officer's Review and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of affairs of the group as at 31 March 2009 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2006; and the parent company financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of affairs of the company as at 31 March 2009 and have been properly prepared in accordance with the Companies Acts, 1963 to 2006.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company. The company balance sheet is in agreement with the books of account.

In our opinion the information given in the Directors' Report is consistent with the financial statements.

In our opinion the company balance sheet does not disclose a financial situation which, under section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the company.

Ernst & Young,
Chartered Accountants and Registered Auditors,
Dublin.

5 June 2009

Consolidated Income Statement

For the year ended 31 March 2009

	Note	2009 €'000	2008 €'000
Continuing Operations			
Revenue	5	**48,022**	41,031
Cost of sales		**(19,039)**	(14,175)
Gross profit		**28,983**	**26,856**
Sales and marketing costs		**(8,844)**	(8,063)
Research and development costs		**(7,783)**	(7,068)
Administrative expenses		**(5,188)**	(5,239)
Amortisation of intangibles	13	**(1,790)**	(2,001)
Impairment of intellectual property	13	**(595)**	-
Operating profit		**4,783**	**4,485**
Share of loss of associate	6	**(496)**	(84)
Finance revenue	7	**676**	555
Finance costs:			
Finance charges	7	**(58)**	(77)
Profit before taxation	**7**	**4,905**	**4,879**
Income and deferred tax (expense) credit	9	**(630)**	1,270
Profit for the year from continuing operations		**4,275**	**6,149**
Attributable to:			
Equity holders of the parent		**4,005**	5,948
Minority interest	10	**270**	201
		4,275	**6,149**
EPS:		**Cent**	**Cent**
Basic earnings per ordinary share	11	**4.50c**	6.94c
Diluted earnings per ordinary share	11	**4.27c**	6.77c
Adjusted EPS:			
EPS adjusted for amortisation and non-cash charges:	11	**7.74c**	7.69c
EBITDA EPS	11	**8.70c**	8.19c

Approved by the Board on: 5 June 2009

Directors ; Shane Reihill

Paul Kerley

Consolidated Balance Sheet

At 31 March 2009

	Note	2009 €'000	2008 €'000
Non-current assets			
Property, plant and equipment	12	**1,736**	1,532
Intangible assets	13	**25,302**	24,971
Investment in associate	6	**1,790**	2,099
Deferred tax asset	9	**2,232**	1,560
		31,060	**30,162**
Current assets			
Trade and other receivables	14	**16,767**	17,284
Prepayments		**614**	565
Financial assets	24	**28**	402
Cash and short-term deposits	15	**27,453**	20,715
Total Current Assets		**44,862**	**38,966**
Total assets		**75,922**	**69,128**
Equity and liabilities			
Issued share capital	16	**894**	893
Share premium	16	**42,454**	42,445
Other reserves	16	**29,175**	28,894
Cumulative translation adjustment	16	**(345)**	(3,954)
Retained loss	16	**(13,988)**	(17,993)
Equity attributable to equity holders of the parent		**58,190**	**50,285**
Minority interest	10	**0**	0
Total Equity		**58,190**	**50,285**
Non-current liabilities			
Interest-bearing loans and borrowings	17	**1,000**	1,000
Deferred tax liability	9	**104**	-
Finance lease obligations	20	**154**	234
Supplier loan	20	**-**	18
Other payables		**51**	133
Total non-current liabilities		**1,309**	**1,385**
Current liabilities			
Trade and other payables	18	**8,856**	10,843
Income taxes payable		**196**	104
Finance lease obligations	20	**83**	197
Supplier loan	20	**18**	68
Deferred revenue		**7,270**	6,246
Total current liabilities		**16,423**	**17,458**
Total liabilities		**17,732**	**18,843**
Total equity and liabilities		**75,922**	**69,128**

Approved by the Board on: 5 June 2009

Directors ; Shane Reihill

Paul Kerley

Consolidated Statement Of Changes In Equity

For the year ended 31 March 2009

Attributable to equity holders of the parent	*Issued capital €'000*	*Share premium €'000*	*Retained loss €'000*	*Other reserves €'000*	*Translation reserve €'000*	*Total €'000*	*Minority interest €'000*	*Total equity €'000*
At 31 March 2008	893	42,445	(17,993)	28,894	(3,954)	**50,285**	-	**50,285**
Movement in translation reserve	-	-	-	-	3,609	**3,609**	-	**3,609**
Total income and expenses for the year recognised directly in equity	-	-	-	-	3,609	**3,609**	-	**3,609**
Profit retained for the financial year	-	-	4,005	-	-	**4,005**	270	**4,275**
Total income and expense for the year	**-**	**-**	**4,005**	**-**	**3,609**	**7,614**	**270**	**7,884**
ESOP issue of ordinary shares	1	9		-	-	**10**	-	**10**
Expensing of share based payments	-	-	-	281	-	**281**	-	**281**
Dividends of subsidiaries	-	-	-	-	-	**-**	(270)	**(270)**
At 31 March 2009	**894**	**42,454**	**(13,988)**	**29,175**	**(345)**	**58,190**	**-**	**58,190**

Consolidated Statement Of Changes In Equity

For the year ended 31 March 2008

Attributable to equity holders of the parent	*Issued capital €'000*	*Share premium €'000*	*Retained loss €'000*	*Other reserves €'000*	*Translation reserve €'000*	*Total €'000*	*Minority interest €'000*	*Total equity €'000*
At 31 March 2007	809	27,501	(23,941)	28,531	(262)	**32,638**	-	**32,638**
Movement in translation reserve	-	-	-	-	(3,692)	**(3,692)**	-	**(3,692)**
Total income and expenses for the year recognised directly in equity	-	-	-	-	(3,692)	**(3,692)**	-	**(3,692)**
Profit retained for the financial year	-	-	5,948	-	-	**5,948**	201	**6,149**
Total income and expense for the year	**-**	**-**	**5,948**	**-**	**(3,692)**	**2,256**	201	**2,457**
Issue of ordinary shares	81	15,385	-	-	-	**15,466**	-	**15,466**
Expenses arising on share issue	-	(469)	-	-	-	**(469)**	-	**(469)**
ESOP issue of ordinary shares	3	28		-	-	**31**	-	**31**
Expensing of share based payments	-	-	-	363	-	**363**	-	**363**
Dividends of subsidiaries	-	-	-	-	-	-	(201)	**(201)**
At 31 March 2008	**893**	**42,445**	**(17,993)**	**28,894**	**(3,954)**	**50,285**	**-**	**50,285**

Consolidated Cash Flow Statement

For the year ended 31 March 2009

	Note	2009 €'000	2008 €'000
Cash flows from operating activities			
Profit before tax		**4,905**	4,879
Adjustment to reconcile profit before tax to net cash flows			
Non-cash:			
Depreciation of property, plant and equipment	12	**994**	703
Amortisation of intangibles	13	**2,385**	2,001
Share-based payments		**281**	363
Share of loss of associate	6	**496**	84
Finance income		**(676)**	(555)
Finance costs		**58**	77
Gain on disposal of subsidiary		**-**	(62)
Working capital adjustments:			
Decrease (increase) in debtors and prepayments		**(1,306)**	(6,939)
(Decrease) increase in creditors and accruals		**(334)**	4,677
Cash generated from operations		**6,803**	**5,228**
Income taxes paid		**(229)**	(322)
Net cash from operating activities		**6,574**	**4,906**
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired	4	**1,365**	(25,118)
Acquisition of subsidiary, receipt of escrow fund	4	**81**	-
Purchase of property, plant and equipment	12	**(1,177)**	(933)
Purchase of interest in associate	6	**(194)**	(2,183)
Interest received		**710**	614
Proceeds from sale of subsidiary		**-**	107
Net cash in investing activities		**785**	**(27,513)**
Financing activities			
Proceeds from issue of share capital	16	**-**	15,466
Proceeds from ESOP issue of shares	16	**10**	31
Payment of expenses arising on issue of share capital	16	**-**	(469)
Capital element of finance lease payments	20	**(194)**	(259)
Capital element of supplier loan	20	**(68)**	(80)
Finance lease interest paid	20	**(26)**	(40)
Supplier loan interest paid	20	**(2)**	(6)
Dividends paid to minority interests	10	**(110)**	(265)
Repayment of secured redeemable loan stock		**-**	-
Redemption of 'EI' redeemable preference shares		**-**	-
Net cash flows from financing activities		**(390)**	**14,378**
Increase (decrease) in cash		**6,969**	(8,229)
Net foreign exchange difference		**(231)**	(420)
Cash and cash equivalents at April 1	**15**	**20,715**	**29,364**
Cash and cash equivalents at March 31	**15**	**27,453**	**20,715**

1. Corporate information

Norkom Group plc (the "Company") is incorporated as a public limited company ("plc") under the laws of Ireland and is domiciled in Ireland (registered office – 55 Strand Street Great, Dublin 1). Its shares have been listed on the IEX and AIM markets since June 2006.

Norkom Group plc and its subsidiaries, all of which are wholly owned (collectively the "Group") operate in one business segment: enterprise financial crime and compliance software.

The consolidated financial statements of Norkom Group plc for the year ended 31 March 2009 were authorised for issue in accordance with a resolution of the directors on 5 June 2009.

2. Basis of preparation

(i) Statement of compliance

The consolidated financial statements of Norkom Group plc and all its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") , as adopted for use in the European Union, which comprise standards and interpretations approved by the International Accounting Standards Board (IASB).

IFRS as adopted by the European Union differ in certain respects from IFRS as issued by the IASB. However, the consolidated financial statements for the financial years presented would be no different had IFRS as issued by the IASB been applied. References to IFRS hereafter should be construed as references to IFRS as adopted by the European Union.

(ii) Basis of consolidation

The consolidated financial statements of the Group have been prepared under the historical cost convention, and incorporate the financial results of the Company, its subsidiaries and associate after eliminating all material inter-company transactions and balances.

The consolidated financial statements are presented in Euro and all values are rounded to the nearest thousand Euro except where otherwise indicated.

The accounting policies set out below have been applied consistently by all the Group's subsidiaries and associate to all periods presented in these consolidated financial statements.

- The financial year ends of the Group's subsidiaries are co-terminous.
- The financial year end of the Group's associate is within three months of the Group year end.
- The accounting policies set out below have been applied by all of the Group's subsidiaries and associate for all periods presented in these consolidated financial statements.

(iii) Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year.

(iv) New standards, interpretations not applied and early adoption

The International Accounting Standards Board and the International Financial Reporting Interpretations Committee have issued the following standards and interpretations with an effective date after the date of these financial statements:

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements (Annual periods beginning on or after 1 January 2009)
- Amendment to IFRS 2 – Share-Based Payment – Amendment relating to vesting period and cancellations (Annual periods beginning on or after 1 January 2009)
- IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements (Annual periods beginning on or after 1 January 2009)
- Amendment to IAS 1 Presentation of Financial Statements – Comprehensive revision including requiring a statement of comprehensive income (Annual periods beginning on or after 1 January 2009)
- Amendment to IAS 1 Presentation of Financial Statements – Amendments relating to disclosure of puttable instruments and obligations arising on liquidation (Annual periods beginning on or after 1 January 2009)
- Amendment to IAS 23 – Borrowing Costs – Comprehensive revision to prohibit immediate expensing (qualifying assets for which capitalisation date is on or after 1 January 2009)
- Amendment to IAS 27 – Consolidated and Separate Financial Statements – Consequential amendments arising from

amendments to IFRS 3 (Annual periods beginning on or after 1 July 2009)

- Amendment to IAS 28 – Investments in Associates – Consequential amendments arising from amendments to IFRS 3 (Annual periods beginning on or after 1 July 2009)
- Amendment to IAS 31 – Interests in Joint Ventures – Consequential amendments arising from amendments to IFRS 3 (Annual periods beginning on or after 1 July 2009)
- IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (Annual periods beginning on or after 1 January 2009)
- IFRS 8 – Operating Segments (Annual periods beginning on or after 1 January 2009)
- IFRIC 11 – IFRS 2 – Group and Treasury Share Transactions (Annual periods beginning on or after 1 January 2009)
- IFRIC 12 – Service Concession Arrangements (Annual periods beginning on or after 1 January 2009)
- IFRIC 13 – Customer Loyalty Programmes (Annual periods beginning on or after 1 January 2009)
- IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Annual periods beginning on or after 1 January 2009)
- IFRIC 15 – Agreement for the Construction of Real Estate (Annual periods beginning on or after 1 January 2009)
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation (Annual periods beginning on or after 1 October 2008)

The Group will adopt each of the standards with respect from their respective effective dates.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements

The amendments to IFRS 1 allow an entity to determine the 'cost' of investments in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognised in the income statement in the parent's separate financial statements. Both revisions will be effective for financial years beginning on or after 1 January 2009. The revision to IAS 27 will have to be applied prospectively. The new requirements affect only the parent's separate financial statements and do not have an impact on the consolidated financial statements.

Amendment to IFRS 2 – Share-Based Payment – [Amendment relating to vesting period and cancellations (Annual periods beginning on or after 1 January 2009)]

The application of the amendment to IFRS 2 restricts the definition of vesting conditions to include only service conditions (requiring a specified period of service to be completed) and performance conditions (requiring the other party to achieve a personal goal or contribute to achieving a corporate target). All other features are not vesting conditions and whereas a failure to achieve such a condition was previously regarded as a forfeiture, it must be reflected in the grant date fair value of the award and treated as a cancellation, which results in either an acceleration of the expected charge or a continuation over the remaining vesting period, depending on whether the condition is under the control of the entity or the counterparty. This amendment will impact the Group's financial statements from the period commencing 1 April 2009. The Group is currently assessing the impact on its financial statements.

IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements

The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investment in Associates and IAS 31 Interests in Joint Ventures. The changes by IFRS 3R and IAS 27R will affect future acquisitions or loss of control and transactions with minority interests.

IAS 1 Revised Presentation of Financial Statements

The revised standard was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group is still evaluating whether it will have one or two statements.

IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation

These amendments to IAS 32 and IAS 1 were issued in February 2008 and become effective for financial years beginning on or after 1 January 2009. The revisions provide a limited scope exception for puttable instruments to be classified as equity if they fulfil a number of specified features. The amendments to the standards will have no impact on the financial position or performance of the Group, as the Group has not issued such instruments.

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

These amendments to IAS 39 were issued in August 2008 and become effective for financial years beginning on or after 1 July 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

Whilst the revised IAS 1 will have no impact on the measurement of the Group's results or net assets it is likely to result in certain changes in the presentation of the Group's financial statements from the period commencing 1 April 2009.

Whilst the application of IFRS 8 will result in amendments to the segment information notes accompanying the Group financial statements, these amendments will not be of a recognition and measurement nature.

The application of the amendments to IAS 27, IAS 28 and IAS 31 will not result in any change in accounting in the Group financial statements. The amendments to IFRIC Interpretations 12,13 and 14 are not applicable in the context of the Group's activities. It is not anticipated that the application of the amendment to IAS 23 will have a significant impact on the Group's financial statements.

Improvements to IFRSs

In May 2008 the Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

The Group will adopt these revised standards at their effective dates and anticipates that these changes will have no material effect on the financial statements.

IFRS 7 Financial Instruments: Disclosures:

Removal of the reference to 'total interest income' as a component of finance costs.

IAS 1 Presentation of Financial Statements:

Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the balance sheet.

IAS 8 Accounting Policies, Change in Accounting Estimates and Errors:

Clarification that only implementation guidance that is an integral part of an IFRS is mandatory when selecting accounting policies.

IAS 10 Events after the Reporting Period:

Clarification that dividends declared after the end of the reporting period are not obligations.

IAS 16 Property, Plant and Equipment:

Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale.

IAS 18 Revenue:

Replacement of the term 'direct costs' with 'transaction costs' as defined in IAS 39.

IAS 19 Employee Benefits:

Revised the definition of 'past service costs', 'return on plan assets' and 'short term' and 'other long-term' employee benefits. Amendments to plans that result in a reduction in benefits related to future services are accounted for as curtailment. Deleted the reference to the recognition of contingent liabilities to ensure consistency with IAS 37.

IAS 20 Accounting for Government Grants and Disclosures of Government Assistance:

Loans granted in the future with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as government grant. Also, revised various terms used to be consistent with other IFRS.

IAS 23 Borrowing Costs:

The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' into one – the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39.

IAS 27 Consolidated and Separate Financial Statements:

When a parent entity accounts for a subsidiary at fair value in accordance with IAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.

IAS 28 Investment in Associates:

If an associate is accounted for at fair value in accordance with IAS 39, only the requirement of IAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies. An investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance. This amendment has no impact on the Group as this policy was already applied.

IAS 29 Financial Reporting in Hyperinflationary Economies:

Revised the reference to the exception to measure assets and liabilities at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list. Also, revised various terms used to be consistent with other IFRS.

IAS 31 Interest in Joint ventures:

When a joint venture is accounted for at fair value, in accordance with IAS 39, only the requirements of IAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply.

IAS 34 Interim Financial Reporting:

Earnings per share is disclosed in interim financial reports if an entity is within the scope of IAS 33.

IAS 36 Impairment of Assets:

When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'. This amendment has no immediate impact on the consolidated financial statements of the Group because the recoverable amount of its cash generating units is currently estimated using 'value in use'.

IAS 38 Intangible Assets:

Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service. This amendment has no impact on the Group because it does not enter into such promotional activities. The reference to there being rarely, if ever, persuasive evidence to support an amortisation method of intangible assets other than a straight-line method has been removed. The Group reassessed the useful lives of its intangible assets and concluded that the straight-line method was still appropriate.

IAS 39 Financial Instruments: Recognition and Measurement:

Changes in circumstances relating to derivatives are not reclassifications and therefore may be either removed from, or included in, the 'fair value through profit or loss' classification after initial recognition. Removed the reference in IAS 39 to a 'segment' when determining whether an instrument qualifies as a hedge. Require the use of the revised effective interest rate when remeasuring a debt instrument on the cessation of fair value hedge accounting.

IAS 40 Investment Property:

Revision of the scope such that property under construction or development for future use as investment property is classified as investment property. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such time as fair value can be determined or construction

is complete. Also, revised of the conditions for a voluntary change in accounting policy to be consistent with IAS 8 and clarified that the carrying amount of investment property held under lease is the valuation obtained increased by any recognised liability.

IAS 41 Agriculture:

Removed the reference to the use of a pre-tax discount rate to determine fair value. Removed the prohibition to take into account cash flows resulting from any additional transformations.

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions:

This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. The Group has not issued instruments caught by this interpretation.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction:

IFRIC Interpretation 14 provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 1 Employee Benefits. The Group does not operate a defined benefit pension scheme and does not fall within the scope of this interpretation.

IFRIC 15 - Agreement for the Construction of Real Estate:

IFRIC 15 was issued in July 2008 and becomes effective for financial years beginning on or after 1 January 2009. The interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18. IFRIC 15 will not have an impact on the consolidated financial statement because the Group does not conduct such activity.

IFRIC 16 - Hedges of a Net Investment in a Foreign Operation:

IFRIC 16 was issued in July 2008 and becomes effective for financial years beginning on or after 1 October 2008. The interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. The Group is currently assessing which accounting policy to adopt for the recycling on disposal of the net investment.

(v) Basis of consolidation

Subsidiaries

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control over the operating and financial decisions is obtained and cease to be consolidated from the date on which control is transferred out of the Group. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in determining the existence or otherwise of control.

Associate

The Group's investment in its associate is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Equity method

Under the equity method, which is used in respect of accounting for the Group's investments in associates, the Group income statement reflects the Group's share of profit after tax of the related associates. Investments in associates are carried in the Group Balance Sheet at cost adjusted in respect of post-acquisition changes in the Group's share of net assets, less distributions received and less any impairment in value. Where indicators of impairment arise the carrying amount of the investment will be tested for impairment by comparing its recoverable amount with its carrying amount. The financial statements of the associate are prepared for the reporting period to 31 December 2008, within three months of the Group reporting year, and adjustments are made to bring into line any dissimilar accounting policies that are followed in the associate's financial statements or to reflect significant transactions to the Group year end.

Minority Interests

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from such transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions and associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment in the Group's interest in the entity.

(vi) Business Combinations

The purchase method of accounting is employed in accounting for the acquisition of subsidiaries and associates by the Group.

The Group elected to avail of the exemption under IFRS 1 First-time Adoption of International Financial Reporting Standards whereby business combinations prior to the transition date (1 April 2006) were not restated. IFRS 3 Business Combinations was therefore applied with effect from the transition date and goodwill amortisation ceased as at that date.

The cost of a business combination is measured as the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed and equity instruments issued in exchange for control together with any directly attributable expenses. Where a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the amount of the adjustment is included in the cost at the acquisition date if the adjustment is probable and can be reliably measured. Contingent consideration is included in the acquisition balance sheet on a discounted basis. To the extent that settlement of all or any part of a business combination is deferred, the fair value of the deferred component is determined by discounting the amounts payable to their present value at the date of exchange. The discount is unwound as an interest charge in the Group income statement over the life of the obligation.

The assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. In the case of a business combination which is completed in stages, the fair values of the identifiable assets, liabilities and contingent liabilities are determined at the date of each exchange transaction. When the initial accounting for a business combination is determined provisionally, any adjustments to the provisional values allocated to the identifiable assets, liabilities and contingent liabilities are made within 12 months of the acquisition date.

(vii) Goodwill - arising on business combinations

Goodwill is the excess of the consideration paid over the fair value of the identifiable assets, liabilities and contingent liabilities in a business combination and relates to the future economic benefits arising from assets which are not capable of being individually identified and separately recognised.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

The impairment testing methodology and results is set out in note 13 to the Group financial statements.

(viii) Investment in an associate

The Group's investment in its associate is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised or separately tested for impairment.

The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share of profit or loss of associates is shown on the face of the income statement. This is the profit or loss attributable to equity holders of the associate and therefore is profit after tax and minority interests in the subsidiaries of the associates.

The financial statements of the associate are prepared within 3 months of the Group financial statements. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each balance sheet date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the income statement.

(ix) Intangible fixed assets (other than goodwill) - arising on business combinations

Intangible fixed assets, which are identifiable non-monetary assets without physical substance, are stated at cost, net of amortisation and any accumulated impairment losses. Intangible assets are recognised if a non-monetary asset is identified on business combination and it is probable that the expected future economic benefits attributable to the asset will flow to the entity.

Recognised intangibles comprising customer relationships and patented technology are amortised on a straight line basis over the period of expected future sales from the related project or customer relationship on a straight-line basis on the assumption of zero residual value. In general, finite-lived intangible assets are amortised over periods ranging from one to five years, depending on the nature of the intangible asset. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised on the face of the income statement as relates to overall Group revenue generating activities.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

(x) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis to write off the cost of tangible fixed assets over their expected useful lives as follows:

Computer equipment	2 years
Office equipment	3 years
Furniture and fittings	5 years
Leasehold improvements	shorter of lease term and 5 years

Plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of any revaluation. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the assets revaluation reserve included in the equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

(xi) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired.

If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

The Group carries intangible assets with finite useful lives.

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 may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit and loss account unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted for future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(xii) Revenue recognition

The Group's revenue is derived from product licence fees, professional and support services. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration receivable, excluding discounts, rebates and other value added or sales taxes.

Where the Group enters into a multiple element arrangement, revenue is allocated between the elements based on the reliable fair values of the various elements. The portion of the fee allocated to an element is recognised in accordance with the criteria set out below.

If the Group cannot objectively determine the fair value of any undelivered element included in a multiple-element arrangement, the Group defers revenue until all elements have been delivered, or until fair value can be objectively determined except that if the only undelivered element for which fair value has not been determined is services, the arrangement fee is recognised in accordance with the pattern of delivery of the services or, if no pattern is discernible, on a straight-line basis over the period the services are delivered.

- The Group recognises revenue from software licences which do not involve the significant production, modification or customisation of the software when the software is delivered.
- Where an arrangement to deliver software involves significant production, modification or customisation, the arrangement is accounted for using the percentage of completion contract accounting method. Percentage of completion is measured based on the input method (labour hours incurred to date as a percentage of total estimated labour hours for each contract).
- The Group recognises other professional service revenue when earned. Services provided on a time and materials basis are recognised in the period that the services are provided. Where professional services are provided on a fixed price basis, revenue is recognised using the percentage of completion contract accounting method.
- Support services are limited to telephone customer support and unspecified upgrades or enhancements and revenues are recognised rateably over the term of the support agreement, generally 12 months.

Finance Income

Finance income is recognised as interest accrues to the Group on cash and short-term deposits on a time basis and by reference to the principal outstanding and at the effective interest rate applicable.

(xiii) Foreign currency translation

The consolidated financial statements are presented in Euro which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and measures transactions using that functional currency. Transactions during the year denominated in foreign currencies are initially recorded at the functional currency rates ruling at the dates of the transactions.

At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are included in the net profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(xiv) Research and development costs

Research costs are expensed as incurred.

An intangible asset arising from development expenditure on an individual project is recognised only when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale,
- Its intention to complete and its ability to use or sell the asset,

- How the asset will generate economic benefits, and
- The availability of resources to complete the asset and the ability to measure reliably the expenditure during the development.

Based on the Group's software product development process, technical feasibility is established upon completion of a working model.

To date, development costs incurred by the Group between completion of a working model and the point at which the product is ready for general release have been insignificant and accordingly no software development costs have been capitalised.

(xv) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Operating lease rentals are recognised as an expense in the income statement on a straight-line basis over the term of the lease.

Assets acquired under finance leases, which are leases that transfer substantially all the risks and rewards of ownership to the Group, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Outstanding obligations due under the leases, net of finance charges, are included as liabilities. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the income statement. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

(xvi) Defined contribution pension costs

Pension benefits are funded over the employees' period of service by way of contributions to a defined contribution scheme. Contributions are charged to the income statement in the year to which they relate.

(xvii) Borrowing costs

Borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

(xviii) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs it is intended to compensate.

(xix) Taxation

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries and associates where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses, can be utilised with the following exceptions:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same legal entity and the same taxation authority. Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset or liability is settled, based on tax rates and laws enacted or subsequently enacted at the balance sheet date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable and receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

(xx) Share-based payment

The Group has applied the requirements of IFRS 2 - Share-based Payment. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that had not vested before 1 April 2005.

The Group issues equity-settled share based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. Market based conditions are taken into consideration in the determination of fair value. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on the Group's estimate of shares that will eventually vest as adjusted for the effect of non-market based vesting conditions.

Where options are granted to subsidiary company employees to purchase shares in the parent entity, it is necessary to record an expense in the profit and loss account of the subsidiary company in recognition of the services received in exchange for equity instruments in the parent entity. In the financial statements of the parent entity, the award is treated as a capital contribution to the subsidiary company, and the amount recognised as an increase in the carrying value of the investment in the subsidiary company, with a corresponding adjustment made to other reserves.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the profit and loss account for the award is expensed immediately.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share in note 11.

(xxi) Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. The Group considers whether a contract contains an embedded derivative when the entity first becomes a party to it. At year end fair value, based on open market values, of financial assets and liabilities is compared to stated cost, and where fair value differs from stated cost, the financial asset or financial liability is restated to fair value.

a) Financial assets

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held with banks with original maturities of three months or less, and other short-term highly liquid investments with original maturities of three months or less.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the trade debtor, probability that the debtor will enter bankruptcy, change of strategy; and default or payments falling as overdue are considered indicators that the trade receivable could be impaired. In addition due to the nature of the Group's business review and identification of impairment indicators is undertaken in conjunction with analysis of the business and regulatory environment before the trade receivable is deemed to be impaired. The amount of the provision is the difference between the asset's carrying amount and the expected recoverable amount.

Regular way purchases and sales

All regular way purchases and sales of financial assets are recognised on the trade date, being the date that the Group commits to purchase or sell the asset. Regular way transactions require delivery of assets within the timeframe generally established by regulation or convention in the market place. The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit and loss

Financial assets classified as held for trading are included within this category. Financial assets are classified as held for trading if they are acquired for sale in the short term. The Group has forward contracts which are recognised as held for trading as not designated as effective hedges.

Forward contracts

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. All forward foreign exchange contracts are classified as held for trading as they are not hedge accounted. The Group does not use derivative financial instruments for speculative purposes. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Any gains or losses arising from changes in the fair value are taken to the income statement.

b) Financial liabilities

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs, and have not been designated 'as at fair value through profit and loss'. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial guarantee liabilities

Financial guarantee liabilities issued by the Group are those contracts that require a payment to be made to reimburse a holder for a loss that it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issue of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the balance sheet date and the amount initially recognised.

Equity instruments

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

c) Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment, as a result of one or more events, after the initial recognition of the asset (an incurred 'loss event'), and that loss event has an impact on the estimated future cash flows of the financial asset.

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial instrument.

d) Derecognition of financial assets and liabilities

A financial liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

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

3. Critical accounting judgments and key sources of estimations uncertainty

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting assumptions. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas requiring a higher degree of judgment, or areas where assumptions and estimates are significant to the consolidated financial statements, are:

- Goodwill and intangible assets
- Employee benefits – share-based compensation
- Business combinations
- Taxation
- Deferred taxation

Specifically, the key assumptions concerning the future, and other sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Goodwill

The Group assesses whether there are indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangible assets are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are other indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset and choose a suitable discount rate in order to calculate the present value of those cash flows.

Employee benefits - share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them. The assumptions and models used are disclosed in note 19.

Business combinations

The Group has measured the cost of acquisition and the fair values of assets acquired based upon best information obtained to, on the circumstances in existence as at 31 July 2007 (the date of acquisition). As permitted by IFRS 3 these valuations remained provisional, until finalisation of the cost of acquisition and valuation of net assets acquired.

Management has used an external valuation specialist to assist in the valuation of customer relationships and acquired in the business combination. The assumptions and valuation methods used are a matter of judgment, however, management considers them appropriate.

Taxation

The Company and its subsidiaries are subject to routine tax audits and also a process whereby tax computations are discussed and agreed with appropriate authorities. Whilst the ultimate outcome of such tax audits and discussions cannot be determined with certainty, management estimates the level of provisions required for both current and deferred tax on the basis of professional advice and the nature of current discussions with the tax authority concerned.

Deferred taxation

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

4. Business combination

Acquisitions in financial year to 31 March 2008

On 31 July 2007, the group acquired 100% of the voting equity in Digital Harbor Inc., a Delaware Corporation. Digital Harbor Inc. develops advanced composite applications software for both the U.S. government and commercial companies.

The carrying valuations of the identifiable assets and liabilities of Digital Harbor Inc. as at the date of acquisition, have been finalised in accordance with IFRS 3. The significant adjustments in valuations recognised in the current year are as detailed below:

	Fair value recognised on acquisition €'000	*Previous carrying €'000*
Property, plant and equipment	96	162
Cash and cash equivalents	506	506
Trade receivables	379	454
Prepaid expenses	135	135
Capital lease obligations	(61)	(61)
Trade payables	(267)	(267)
Accrued expenses and deferred revenue	(2,822)	(2,554)
Intangible assets	9,041	-
Deferred tax asset recognised	1,162	-
Net assets	**8,169**	**(1,625)**
Goodwill arising on acquisition	16,090	
Total consideration	**24,259**	

Net cash outflow at 31 March 2009:	*€'000*
Total cost of acquisition	(24,259)
Net cash acquired with subsidiary	506
Net cash outflow at 31 March 2009	**(23,753)**

Subsequent to the acquisition date and as part of the agreement the Group settled an amount of contingent consideration and a final working capital adjustment. This resulted in a reduction of the initial consideration of €3,085,000. The total cost of the acquisition comprised initial cash of €22,168,000 (US$29,863,000), finalised contingent consideration of €1,465,000 (US$2,129,000) and costs of combination of €626,000 (US$854,000). The receivable of €1,365,000 as disclosed in the 2008 financial statements was received, as final settlement on the acquisition. Funds of €81,000, to be held on behalf of previous Digital Harbor Inc. shareholders, were also received and are treated as a liability at the year end.

The significant adjustments in valuations recognised in the current year are as detailed below:

	€'000
Previous Carrying Value of Goodwill	17,199
Finalisation of fair value adjustments in accordance with IFRS 3:	
Adjustment to amounts invoiced in respect for work performed to 31 July 2007	53
Deferred tax asset recognised	(1,162)
Final carrying value of Goodwill	**16,090**

As at 31 July 2007 a deferred tax asset was identified in respect of the tax losses carried forward by Digital Harbor Inc. but the quantification of availability of these losses was only finalised in the current year. As a result a deferred tax asset has now been quantified and recognised in the assets acquired of Digital Harbor Inc., in accordance with Group policy. Significant losses remain unrecognised as at 31 March 2009 and these will be accounted for in accordance with applicable standards and Group policy in future periods, as appropriate. Details of this asset and unrecognised tax losses carried forward are provided in note 9 to the Group financial statements

As at the 31 March 2008 Digital harbour Inc. merged with Norkom Technologies Inc. to form Norkom Technologies Inc., a US registered corporation. The trading name of Digital Harbor was assumed by the associated entity, Nexus Solutions Inc., as detailed in note 6.

The goodwill of €16,090,000 comprises the fair value of expected synergies arising from the acquisition.

5. Segmental information

Primary reporting format – business segments

The Group operates in one reportable segment, the provision of software and services for enterprise financial crime and compliance.

The primary segment reporting format is determined to be the business segment as the Group's risks are affected predominantly by the nature of its business and the products and services it supplies.

The information in the Group consolidated financial statements for the year ended and as at 31 March 2009 is the same as those used by the Group for its internal reporting purposes to provide a reliable assessment of its risks and returns.

Secondary reporting format – geographical segments

For management reporting purposes, secondary information is reported geographically. Disclosures in respect of geographical areas are based on the location of the Group's customers and the location of the Group's assets.

Transfer prices between business segments are on an arm's length basis in a manner similar to transactions between third parties.

(i) An analysis of revenue from external customers by type of revenue is as follows:

	2009 *€'000*	*2008* *€'000*
Licence	**12,122**	12,116
Professional services	**30,865**	25,592
Post contract support/other	**5,035**	3,323
	48,022	**41,031**

(ii) An analysis of revenue from external customer by location is as follows:

	2009 *€'000*	*2008* *€'000*
North America	**19,401**	17,342
Europe	**12,667**	10,211
Ireland, UK and Rest of World	**8,098**	9,018
Asia-Pacific	**7,856**	4,460
	48,022	**41,031**

The analysis of revenue from external customers by origin is not materially different from the figures shown above.

(iii) An analysis of finance revenue by location is as follows:

	2009 €'000	2008 €'000
North America	**17**	43
Europe	**9**	9
Ireland, UK and Rest of World	**643**	503
Asia Pacific	**7**	-
	676	**555**

(iv) An analysis of the carrying amounts of assets by location is as follows:

	2009 €'000	2008 €'000
Europe	**10,441**	6,036
North America	**30,088**	27,464
Ireland, UK and Rest of World	**32,205**	34,062
Asia Pacific	**3,575**	1,566
	76,309	**69,128**

(v) An analysis of the total amounts expended during the period to acquire assets that are expected to be used during more than one period by geographical location of assets is as follows:

	2009 €'000	2008 €'000
Europe	**79**	125
North America	**212**	116
Ireland, UK and Rest of World	**866**	501
Asia Pacific	**20**	191
	1,177	**933**

6. Investment in an associate

The Group has a 47.1% interest in Digital Harbor Inc (previously named Nexus Solutions Inc.), a US company engaged in the development and provision of software solutions to public bodies.

The Group has determined that it exercises significant influence through its representation on the Board of Digital Harbor Inc. which is included in the Group consolidated financial statements as an associated entity under the equity method of accounting.

Digital Harbor Inc. prepares its annual financial statements to 31 December, in accordance with the requirements of its majority shareholders. The Group share of the associate's results from 1 January 2008 to 31 December 2008 included in the Group financial statements is a loss of €496,000.

Share of associate's balance sheet

	€'000
Carrying value of interest in associate at 1 April 2008	2,099
Additional contribution made October 2008	194
Share of associate loss for the period to 31 December 2008	(496)
Loss arising on translation	(7)
Net carrying value of interest in associate at 31 March 2009	**1,790**

	2009 €'000	2008 €'000
Share of associate's balance sheet		
Current assets	**721**	913
Non-current assets	**1,093**	1,248
Current liabilities	**(24)**	(62)
Net assets	**1,790**	**2,099**

7. Profit for the year

Profit for the year has been arrived at after charging (crediting):

Finance costs

	2009 €'000	2008 €'000
Interest payable		
Finance interest	**26**	41
Supplier loan interest	**2**	6
'EI 2005' preference shares	**30**	30
Total finance costs	**58**	**77**

Finance income

	2009 €'000	2008 €'000
Interest receivable	**676**	555
Total finance income	**676**	**555**

Profit for the year has been arrived at after charging (crediting):

	2009 €'000	2008 €'000
Impairment of intellectual property	**595**	-
Amortisation of intellectual property	**643**	427
Amortisation of customer relationships	**1,147**	1,574
Government grants	**(1,204)**	(1,035)
Depreciation of tangible fixed assets	**994**	703
Minimum lease payments recognised as an operating lease expense	**1,505**	912
Auditors' remuneration	**135**	135
Foreign exchange differences	**(18)**	594
Gain on recognition of fair value of forward contract	**(28)**	(402)

Depreciation of tangible fixed assets is charged to operating expense within the income statement.

8. Employee numbers and benefits expense

The average number of permanent full-time persons (including executive Directors) employed by the Group (including Directors) during the year was 304 (2008: 242) and is analysed into the following categories:

Staff numbers	*2009 Number*	*2008 Number*
Professional services	**127**	100
Sales and marketing	**28**	23
Research and development	**109**	90
General and administration	**40**	29
	304	**242**

Staff costs	*2009 €'000*	*2008 €'000*
The staff costs comprise:		
Wages and salaries	**19,964**	16,873
Social welfare costs	**2,002**	1,545
Pension costs	**906**	585
Expenses of equity-settled share-based payment transactions	**281**	363
Total staff costs	**23,153**	**19,366**

9. Income and deferred tax

Tax based on the profit for the year:	*2009 €'000*	*2008 €'000*
Current income tax		
Irish tax on passive income	**-**	181
Research and development tax credits	**(187)**	-
Amounts overprovided in previous years	**-**	(103)
Foreign tax	**226**	212
Total current tax charge	**39**	**290**
Deferred tax		
Deferred tax charge (credit)	**591**	(1,560)
Total deferred tax charge (credit)	**591**	**(1,560)**
Total (credit) charge in the income statement	**630**	**(1,270)**

No taxation has been credited or charged directly to equity.

Reconciliation of the income tax charge

The income tax charge for the year differs from the product of the accounting profit before tax multiplied by the standard rate of corporation tax in Ireland (12.5%). The sources and tax effects of the differences are explained below:

Factors affecting the tax charge for the year:	*2009 €'000*	*2008 €'000*
Profit on ordinary activities	**4,905**	**4,879**
Profit on ordinary activities multiplied by the Irish statutory tax rate of 12.5% (2008: 12.5%)	**613**	610
Effect of:		
Manufacturing relief	**(128)**	-
Expenses not deductible and non-taxable income	**399**	38
Local and state taxes	**23**	50
Higher tax rate on passive income	**85**	140
Foreign earnings taxed at higher rate of taxation	**137**	497
Income not liable to tax	**(16)**	(36)
Origination and reversal of timing differences	**591**	(1,560)
Utilisation of tax losses carried forward	**(887)**	(906)
Overprovision in previous years	**-**	(103)
Research and development tax credits	**(187)**	-
Total tax charge (credit)	**630**	**(1,270)**

Deferred tax

The Group has recognised deferred tax assets in respect of (a proportion of) recoverable losses carried forward of Group companies. This reflects application of the Group policy in respect of recognition of deferred taxation assets in accordance with IAS 12 on the basis of historical profitability trends.

	2009 €'000	*2008 €'000*
Income statement:		
Deferred tax charge (credit)	**589**	**(1,560)**
Balance sheet:		
Balance carried forward	**1,560**	-
Exchange movements	**(5)**	-
Amounts charged to income statement	**(589)**	-
Recognition of asset on acquisition of a subsidiary (note 4)	**1,162**	-
Losses available for offset against future taxable income	-	1,560
Deferred tax asset	**2,128**	**1,560**
Losses available for offset against future taxable income	**1,506**	1,560
Credits received to be recovered against future tax liabilities	**726**	-
Deferred tax liability	**(104)**	-
Deferred tax asset, net	**2,128**	**1,560**

Unrecognised tax losses

The Group has tax losses which are available indefinitely, with the exception of US losses which generally have a life of 20 years, for offset against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group and as the group generally only recognises deferred tax assets in respect of losses that will be utilised within the next two years.

As part of the acquisition of Digital Harbor Inc. the Group acquired significant US tax losses. The administrative process to transfer these to the merged US entity was completed in the current year. The resultant asset recognised at was €1,162,000 of which €387,000 has been charged to the income statement in respect of the benefit received in the current year.

Status of losses and recoverability of deferred tax assets is reviewed on an annual basis.

Unrecognised losses carried forward, available for off-set against future taxable profits, as at 31 March are as follows:

	2009 €'000	*2008 €'000*
Belgium	**-**	99
UK	**2,025**	2,503
US – available for offset against current tax liabilities	**958**	-
US – available for offset against future tax liabilities	**13,007**	13,500
Total	**15,990**	**16,102**

The unrecognised losses can be carried forward for offset against future taxable profits. The US losses in respect of future tax liabilities become available for offset against future taxable profits on a phased basis over the financial years to 31 March 2017.

The Group has made supported claims in respect of Research and Development tax credits available for qualifying expenditure carried out in Ireland, the amount of the unrecognised benefit at 31 March 2009 amounts to:

	2009 €'000	*2008 €'000*
Ireland	**253**	-
Total	**253**	

10. Minority interest

On 4 April 2005, directors and senior management were allotted shares in the capital of Norkom Alchemist Limited. Such shares carry dividend rights. For the year ended 31 March 2009, dividends in the aggregate amount of €270,000 (2008: €201,000) were declared, based on royalty income Norkom Alchemist Limited received from other Group companies to which Norkom Alchemist Limited licences patented technologies.

11. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the financial year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the profit for the financial year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The computation of basic and diluted earnings per ordinary share is set out below:

Numerator *Basic and diluted earnings per ordinary share:*	*2009 €'000*	*2008 €'000*
Profit for the financial year attributable to ordinary shareholders	**4,005**	**5,948**

Denominator	*2009 Number of shares*	*2008 Number of shares*
Weighted average number of shares for basic earnings per share	**88,985,733**	85,700,175
Effect of employee share options	**4,828,895**	2,113,404
Weighted average number of shares adjusted for the effect of dilution	**93,814,628**	**87,813,579**

Basic EPS:	*2009 Cent*	*2008 Cent*
Basic earnings per ordinary share	**4.50c**	6.94c
Diluted earnings per ordinary share	**4.27c**	6.77c

(i) Adjusted EPS:	*2009 Cent*	*2008 Cent*
Adjusted diluted earnings per ordinary share	**7.74c**	7.69c

(ii)EBITDA EPS:	*2009 Cent*	*2008 Cent*
EBITDA diluted earnings per ordinary share	**8.70c**	8.19c

Earnings reconciliations:

EBITDA reconciliation:	*2009 €'000*	*2008 €'000*
Operating profit	**4,783**	4,485
Add back:		
Depreciation	**994**	703
Amortisation of intangibles acquired	**1,790**	2,001
Impairment of patent technology	**595**	-
EBITDA	**8,162**	**7,189**
Earnings for adjusted EPS reconciliation:		
Operating profit	**4,783**	4,485
Add back:		
IFRS 2 non-cash charge	**281**	363
Amortisation of intangibles acquired	**1,790**	2,001
Impairment of patent technology	**595**	-
Net interest	**618**	478
Deduct:		
Share of loss of associate	**(496)**	(84)
Minority interest	**(270)**	(201)
Tax on ordinary profits – current tax	**(39)**	(290)
Earnings for adjusted EPS	**7,262**	**6,752**

In 2009, the total number of options relating to contingently issuable shares excluded from the calculation of diluted earnings per share was 1,906,333. In accordance with IAS 33 the performance conditions associated with those options had not been satisfied at 31 March 2009.

In 2008, the total number of options relating to contingently issuable shares excluded from the calculation of diluted earnings per share was 8,072,885, because the performance conditions associated with those options had not been satisfied at 31 March 2008.

There have been no ordinary share transactions or potential ordinary share transactions that occurred after the balance sheet date but before the financial statements were authorised for issue and that would have changed significantly the number of ordinary shares or potential ordinary shares outstanding at the end of the period if those transactions had occurred before the end of the reporting period.

12. Property, plant and equipment

	Leasehold improvements €'000	Computer equipment €'000	Furniture and fittings €'000	Office equipment €'000	Total €'000
Cost:					
At 1 April 2007	**371**	**2,688**	**832**	**862**	**4,753**
Additions during the year	-	470	175	288	933
On acquisition of a subsidiary	-	96	-	-	96
Disposal of a subsidiary	-	(12)	-	-	(12)
Arising on translation	(5)	(152)	(22)	(5)	(184)
At 1 April 2008	**366**	**3,090**	**985**	**1,145**	**5,586**
Additions during the year	71	372	155	579	1,177
Arising on translation	2	124	13	2	141
At 31 March 2009	**439**	**3,586**	**1,153**	**1,726**	**6,904**
Depreciation:					
At 1 April 2007	**84**	**2,400**	**532**	**462**	**3,478**
Charge in the year	78	359	158	108	703
Arising on translation	(5)	(109)	(9)	(4)	(127)
At 1 April 2008	**157**	**2,650**	**681**	**566**	**4,054**
Charge in the year	156	439	111	288	994
Arising on translation	2	90	22	6	120
At 31 March 2009	**315**	**3,179**	**814**	**860**	**5,168**
Net book amounts:					
At 31 March 2009	**124**	**407**	**339**	**866**	**1,736**
At 31 March 2008	**209**	**440**	**304**	**579**	**1,532**
At 31 March 2007	**287**	**288**	**300**	**400**	**1,275**

Property, plant and equipment are carried at original cost less depreciation and any provision for impairment losses.

Leased assets are pledged as security for the related finance lease liabilities.

Included in the net book value of and the depreciation charge for property, plant and equipment are the following amounts representing assets acquired under finance leases:

	Leasehold improvements €'000	Computer equipment €'000	Furniture and fittings €'000	Office equipment €'000
2009:				
Net book value	93	-	197	-
Depreciation charge	25	73	62	-
2008:				
Net book value	118	184	259	-
Depreciation charge	25	111	70	-

13. Intangible Assets

	Goodwill €'000	Intellectual property €'000	Customer relationships €'000	Total €'000
Cost:				
At 1 April 2007	**4,083**	**-**	**-**	**4,083**
Acquisition of a subsidiary	17,199	1,666	7,375	26,240
Arising on translation	(2,381)	(214)	(946)	(3,541)
At 1 April 2008	**18,901**	**1,452**	**6,429**	**26,782**
Acquisition of a subsidiary - deferred tax	(1,162)	-	-	(1,162)
Acquisition of a subsidiary	49	-	-	49
Arising on translation	2,796	274	1,212	4,282
At 31 March 2009	**20,584**	**1,726**	**7,641**	**29,951**
Amortisation:				
At 1 April 2007	**-**	**-**	**-**	**-**
Charge in the year	-	427	1,574	2,001
Arising on translation	-	(40)	(150)	(190)
At 1 April 2008	**-**	**387**	**1,424**	**1,811**
Charge in the year	-	643	1,147	1,790
Impairment of intellectual property	-	595	-	595
Arising on translation	-	101	352	453
At 31 March 2009	**-**	**1,726**	**2,923**	**4,649**
Net book amounts:				
At 31 March 2009	**20,584**	**-**	**4,718**	**25,302**
At 31 March 2008	**18,901**	**1,065**	**5,005**	**24,971**
At 31 March 2007	**4,083**	**-**	**-**	**4,083**

Goodwill recognition, impairment-testing methodology and results

Goodwill represents the excess of purchase price over the fair value of identifiable net assets of businesses acquired. The Group tests for impairment at least annually on 31 December, or whenever events or changes in circumstances indicate that the carrying amount of goodwill may not be recoverable.

The Group completed the annual impairment test as at 31 December 2008 and concluded that no impairment existed. As at 31 March 2009 the Group performed an additional impairment test, to review the continued effect of adverse global market conditions, as impairment indicators, and concluded that no impairment exists at the balance sheet date.

This test is performed at the Group (reporting unit) level using a fair value-based approach. The Group has determined that it has only one reporting unit – software components. The reporting unit represents the lowest level within the Group at which the associated goodwill is monitored for internal management purposes and is not larger than the primary and secondary segments determined in accordance with IAS 14 Segment Reporting. The testing methodology compares the greater of fair value less costs to sell and value in use of the reporting unit with its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds the greater of fair value and value in use the difference would be recorded as an impairment loss.

The recoverable amount of the reporting unit is based on a value in use computation. The cash flow forecasts employed for this computation are extracted from the 2010 (year to 31 March 2010) budget document formally approved by the Board of Directors, and specifically excludes incremental profits and other cash flows stemming from future acquisitions. The 2010 forecast cash flows are projected forward for five years,

and no growth assumptions have been incorporated within the model. The present value of the future cash flows is calculated using a before-tax discount rate of 14.90% and based on zero growth rate in the 5 year period to 31 March 2014 and on the terminal value of future cash flows thereafter. Applying these techniques, no impairment arose in either 2009 or 2008.

The key assumptions include management's estimates of future profitability based on zero sales growth, capital expenditure requirements including continuing investment most particularly. The budget takes account of recent input price inflation and also reflects a more conservative position on revenue growth. The values applied to the key assumptions are derived from a combination of external and internal factors based on historical experience, and take into account management's expectation of future trends affecting the industry and other developments and initiatives in the business. Estimation of the carrying value of goodwill is a key judgmental estimate in the preparation of the Group Financial Statements.

Sensitivity analysis

If the estimated pre-tax discount rate applied to the discounted cash flows had been 10% higher than management's estimates, there would have been no requirement on the Group to recognise an impairment against goodwill.

If the estimated cash flow forecasts used in the value in use computations had been 10% lower than management's estimates, again there would have been no requirement on the Group to recognise any impairment against goodwill.

On the basis of sensitivity analysis significant headroom has been identified representing the excess of the results of value in use computation over the carrying value of the reporting unit.

Intangible assets (other than goodwill):

The fair values of customer relationships and intellectual property acquired on the acquisition of Digital Harbor Inc. have been determined by independent valuation experts based on a discounted cash flow methodology and are being amortised over their expected useful lives of 5.5 years and 2.5 years respectively.

As at 31 March 2009 impairment indicators were identified in respect of the intellectual property acquired on the acquisition of Digital Harbor Inc.. The technology acquired was no longer to be deployed in existing product offerings and no specific development plans existed in respect of this technology, not precluding the inclusion of this technology in future developments. A full impairment test was undertaken and it was determined the greater of value in use and realisable value was zero. The resultant impairment loss (€595,000) to write the carrying value of the asset to zero was recognised in the Group income statement to 31 March 2009.

No indicators of impairment existed in respect of customer relationships as at 31 December 2008 and 31 March 2009. As at 31 March 2009 the customer relationships had remaining useful lives of 3.8 years.

14. Trade and other receivables

	2009 €'000	*2008 €'000*
Trade receivables	**14,057**	11,396
Tax recoverable	**359**	80
Government grant receivable	**654**	600
VAT recoverable	**402**	291
Acquistion consideration recoverable	**-**	2,005
Accrued revenue	**1,295**	2,693
Other debtors	-	219
	16,767	**17,284**

Trade receivables are non-interest-bearing and are generally on 30 to 90 days' terms. The customers are some of the largest and most respected blue chip financial institutions in the world and the Group has not experienced any defaults on its trade receivables in the past. Credit terms are granted only to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures. As at 31 March 2009 and 2008 there were no trade receivables that were impaired and fully provided for.

Ageing analysis:	*2009* *€'000*	*2008* *€'000*
Not past due	**6,798**	6,481
Past due but not impaired:		
0 to 30 days past due	**3,477**	3,588
31 to 60 days past due	**727**	290
Greater than 60 days past due	**3,055**	1,037
Total trade receivables	**14,057**	**11,396**

15. Cash and short-term deposits

	2009 *€'000*	*2008* *€'000*
Cash at banks and on hand	**6,888**	4,710
Short-term deposits	**20,565**	16,005
Total cash and short-term deposits	**27,453**	**20,715**

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and short-term deposits is €27,453,000 (2008: €20,715,000).

At 31 March 2009 the Group had available €10,000,000 of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

16. Authorised and issued capital and reserves (Group and Company)

Authorised capital	*2009* *€'000*	*2008* *€'000*
978,000,000 ordinary shares of €0.01 each	**9,780**	9,780
1,000,000 deferred shares of €0.01 each	**10**	10
200,000 'EI' redeemable preference shares of €1.00 each (classified as a financial liability/other reserves)	**200**	200
1,000,000 'EI 2005' preference shares of €0.01 each (classified as a financial liability)	**10**	10
	10,000	**10,000**

The Company has two classes of authorised ordinary shares (ordinary and deferred) which carry no right to fixed income. Additionally the Company has two classes of preference shares ('EI' redeemable and 'EI 2005') which carry no voting rights and which are classified as financial liabilities.

Within the categorisation of authorised ordinary share capital are 11,134,735 (representing 12.5% of total number of issued shares of the company from time to time) shares designated for issue under the Employee Share Option schemes. The Company has two share option schemes under which options to subscribe for the Company's shares have been granted to certain executives and employees (note 19).

Issued capital

	2009 €'000	2008 €'000
Allotted, called up and fully paid 89,442,576 (2008: 89,349,672) ordinary shares of €0.01 each	**894**	893

	Number	€'000
Ordinary shares issued and fully paid:		
At 31 March 2007	**80,937,886**	809
Issued for cash on exercise of options	**271,786**	3
Placed for cash on acquisition of Digital Harbor Inc.	**8,140,000**	81
At 31 March 2008	**89,349,672**	**893**
Issued for cash on the exercise of options	**92,904**	1
At 31 March 2009	**89,442,576**	**894**

During the year, 92,904 ordinary shares of €0.01 each with an aggregate par value of €929 were issued for cash of €9,502 following the exercise of options. The premium on the issue of €8,773 was credited to share premium. The proceeds were used for working capital purposes.

The Employee Benefits reserve is a non-distributable reserve representing the non-exercised valuation of shares vested and expected to vest under the Group employee share option schemes, the Predecessor Plan and the 2006 Plan. Movements represent the amounts charged to the income statement in respect of employee share options in the year to 31 March 2009 and amounts transferred to equity reserves in respect of share options exercised in the year.

Movements in reserves:

	Issued capital €'000	Share premium €'000	Retained loss €'000	Other reserves €'000	Translation reserve €'000	Total €'000
At 31 March 2008	893	42,445	(17,993)	28,894	(3,954)	50,285
Movement in translation reserve	-	-	-	-	3,609	3,609
Profit retained for the financial year	-	-	4,005	-	-	4,005
ESOP issue of ordinary shares	1	9	-	-	-	10
Expensing of share-based payments	-	-	-	281	-	281
At 31 March 2009	**894**	**42,454**	**(13,988)**	**29,175**	**(345)**	**58,190**

	Issued capital €'000	Share premium €'000	Retained loss €'000	Other reserves €'000	Translation reserve €'000	Total €'000
At 31 March 2007	809	27,501	(23,941)	28,531	(262)	32,638
Movement in translation reserve	-	-	-	-	(3,692)	(3,692)
Profit retained for the financial year	-	-	5,948	-	-	5,948
Issue of ordinary shares	81	15,385	-	-	-	15,466
Expenses arising on share issue	-	(469)	-	-	-	(469)
ESOP issue of ordinary shares	3	28		-	-	31
Expensing of share-based payments	-	-	-	363	-	363
At 31 March 2008	**893**	**42,445**	**(17,993)**	**28,894**	**(3,954)**	**50,285**

Nature and purpose of other reserves

Other reserves

Other reserves comprise those group reserves which are non-distributable group reserves, arising from previous reorganisations of the Group legal structure and currently on the expensing of share-based transactions.

Translation reserve

The translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

17. Interest-bearing loans and borrowings

Supplier loan

	2009 €'000	*2008 €'000*
Payable within 1 year	**18**	68
Payable after 1 year	**-**	18
Total	**18**	**86**

The loan from supplier comprises a phased payment agreement over five years, bearing interest at 5 year Euribor plus 2%.

'EI 2005' Preference shares

	2009 €'000	*2008 €'000*
'EI 2005' preference shares	**1,000**	**1,000**

As at 31 March 2009 and 2008 there were 1,000,000 'EI 2005' preference shares in issue with a nominal value of €0.01 each. The 'EI 2005' preference shares were issued on 31 March 2005 in return for cash consideration of €1,000,000. The 'EI 2005' preference shares carry no voting rights and are required to be redeemed after the fifth anniversary of the date of subscription. The 'EI 2005' preference shares have preferential rights over the other classes of shares in the Company to a return of assets in a liquidation, dissolution or winding up of the Company. These shares carry a fixed cumulative preferential dividend at the rate of 9% per annum on the amount paid up. However, 6% of the dividend will be waived upon the Company achieving agreed required expenditure targets.

As the Company expects to pay only the 3% dividend and to have the 6% waived, a 3% dividend in the amount of €30,000 has been accrued for the four years from 31 March 2006 to 31 March 2009, and is presented within current liabilities – trade and other payables. These preference shares are classified as a financial liability in accordance with IAS 32, while the dividends represent a finance charge, and are presented within finance costs.

18. Trade and other payables (current)

	2009 €'000	2008 €'000
Trade payables	**2,549**	3,297
Payroll and related taxes	**1,236**	813
VAT payable	**526**	746
Other payables and accruals	**4,545**	5,987
Total	**8,856**	**10,843**

Terms and conditions of the above financial liabilities:

Trade payables are non-interest-bearing and are normally settled on 60-day terms. Payroll and related taxes are normally settled monthly and are subject to monthly interest charges if paid late. VAT payable is normally settled every one to three months and is subject to monthly interest charges if paid late. Other payables and accruals are non-interest-bearing and have an average term of three months.

19. Share-based payments

The total expense recognised for share-based payment transactions in respect of employee services received during the year ended 31 March 2009 amounts to €281,000 (2008: €363,000). The share option schemes established by the Company are broadly divided into two categories:

Predecessor Option Plans

The Predecessor Option Plans (consisting of the Norkom Technologies Limited, Directors and Consultants Share Option Plan, the Norkom Technologies Limited Share Option Plan and the Norkom Technologies Limited U.S. Share Option Plan) and all options outstanding thereunder were assumed by the Company as of 31 March 2006 as a consequence of the Share for Share Exchange Agreement with Norkom Technologies Limited, the former parent company of the Group. No additional options will be granted under the Predecessor Option Plans after 28 April 2006. Options granted under the Predecessor Option Plans have an exercise price equal to the market value of the ordinary shares at the date of grant, as determined by the Board of Directors. The options have a maximum contractual life of seven years, and generally vest and become exercisable over four years, with 25% of the option shares vesting after one year and the balance in equal six-monthly instalments thereafter. As of 31 March 2009, options to purchase an aggregate of 2,622,733 ordinary shares remained outstanding under the Predecessor Option Plans. The Predecessor Option Plans are equity settled schemes.

The following table summarises the movement during the year in the Predecessor Option Plans.

	Options 2009 Number	Weighted average exercise price 2009 €	Options 2008 Number	Weighted average exercise price 2008 €
Outstanding at beginning of year	**2,715,677**	**0.10**	3,187,239	0.10
Forfeitures/cancellations	**-**	**-**	(199,776)	0.10
Exercised	**(92,904)**	**0.09**	(271,786)	0.11
Outstanding at end of year	**2,622,733**	**0.09**	**2,715,677**	**0.10**
Exercisable at end of year	**1,989,013**	**0.09**	1,328,000	0.10

Options were exercised throughout the year. The share price in the current year ranges from €0.35 to €1.67.

The fair value of share options has been arrived at using the Binomial Model for the Predecessor Option Plans. The fair value calculations have been applied in respect of share options granted after 7 November 2002 which had not vested at 1 April 2005.

The range of exercise prices for options outstanding at the end of the year was €0.01 to €0.17.

For the year ended 31 March 2009:

Weighted average market price at date of exercise	€1.33
Weighted average remaining contractual life	3 years

No options were granted in the Predecessor Plan in the years ended 31 March 2009 and 31 March 2008.

2006 Option Plan

General

On 28 April 2006, the board approved the adoption of the 2006 Option Plan. The maximum aggregate number of ordinary shares that may be issued pursuant to options granted over the ten-year term of the 2006 Option Plan is 12.5% of the total number of issued shares of the Company from time to time. At 31 March 2009 options to purchase an aggregate of 8,881,385 ordinary shares had been granted under the 2006 Option Plan, of which 174,000 options have been issued and vested on a time basis, of which 141,000 have been exercised and 33,000 remain outstanding. In total 346,000 options have been cancelled in previous periods in accordance with vesting conditions of the grant. Generally, options granted under the 2006 Option Plan may not be exercised earlier than the third anniversary of the date of grant and are conditional upon the Company satisfying certain performance conditions prior to such date.

Such conditions are established by the Remuneration Committee and may be based on one or more performance measures, including minimum levels of growth in earnings per share, total shareholder return or earnings before interest, tax, depreciation, and amortisation ('EBITDA') per share. If the performance conditions are not satisfied, the options will immediately lapse in their entirety. If the performance conditions are satisfied, the options will be capable of becoming exercisable as to all or a specified portion of the option shares, depending on the level of satisfaction of the performance conditions, as determined by the Remuneration Committee in accordance with the 2006 Share Option Plan. Options vesting may be subject to the individual completing an additional period of service with the Company after the third anniversary of the date of grant. The Remuneration Committee has discretion to grant options which are not subject to performance conditions provided, however, that the aggregate number of ordinary shares issuable pursuant to all such options may not exceed 10% of the total number of ordinary shares available for issuance under the 2006 Option Plan.

Grants to 30 April 2006 (i):

Of the options granted to date 4,250,292 options were granted on the basis of the achievement of the following performance criteria over the 3 years commencing 1st April 2006:

- 33% of these options would mature if the Company's total shareholder return grows at a compound annual growth rate ('CAGR') of 15% or more and EBITDA per share grows at a CAGR of 20% or more over the three-year period ending 31 March 2009;
- 100% of these options would mature if the Company's EBITDA per share grows at a CAGR of 30% or more over the three-year period ending 31 March 2009, assuming the minimum total shareholder return CAGR of 15% or more over the same period is also achieved;
- between the 20% and 30% EBITDA per share CAGR performance condition, the number of options which mature would be calculated on a straight-line basis; and
- subject to these conditions being achieved, vesting would take place on a phased basis in the financial years ending 31 March 2009, 2010 and 2011.

Based on the Company's assessment of its achievement of the performance criteria and subject to determination by the Remuneration Committee in accordance with the 2006 Share Option Plan up to a maximum of 41.3% of options may vest on a phased basis in the financial years ending 31 March 2009, 2010 and 2011.

Grants to 30 April 2006 (ii):

Of the options granted to date, a further 1,950,000 were granted on the basis of the achievement of the following performance criteria:

- 50% of these options would mature if the Company's total shareholder return grows at a CAGR of 15% or more and EBITDA per share grows at a CAGR of 15% or more over the three-year period ending 31 March 2009;
- 100% of these options would mature if the Company's EBITDA per share grows at a CAGR of 20% or more over the three-year period ending 31 March 2009, assuming the minimum total shareholder return CAGR of 15% or more over the same period is also achieved;
- between the 15% and 20% EBITDA per share CAGR performance condition, the number of option shares which mature would be calculated on a straight-line basis; and
- subject to these conditions being achieved, vesting would take place on a phased basis in the financial years ending 31 March 2009, 2010 and 2011.

Based on the Company's assessment of its achievement of the performance criteria and subject to determination by the Remuneration Committee in accordance with the 2006 Share Option Plan all the options may vest on a phased basis in the financial years ending 31 March 2009, 2010 and 2011.

Grants post 30 April 2006:

Of the options granted to date, a further 1,906,333 will become exercisable based on the achievement of the following performance conditions:

- the CAGR of the Company's total shareholder return is at least equal to the increase in the Consumer Price Index increase plus five percent per annum, compounded, over the performance period;
- the CAGR of the Company's EBITDA per share is at least equal to the increase in the Consumer Price Index increase plus five percent per annum, compounded, over the performance period; and
- subject to these conditions being achieved, vesting will take place on a phased basis in the financial years from 31 March 2010 to 2014.

Exercise price

The exercise price for each option granted under the 2006 Option Plan after 26 June 2006 will be the closing price reported for an ordinary share on IEX as at the grant date. Options granted before 26 June 2006 have an exercise price equal to the market value of an ordinary share on the date of grant as determined by external valuation experts in accordance with the rules of the scheme.

Term

Options granted under the 2006 Option Plan have a maximum term of up to seven years from the date of grant.

Cessation of employment

Options automatically lapse following the termination of the option holder's service with the Company. If termination is due to redundancy, death, retirement, incapacity or disposal by the Company of the business in which the option holder is employed, or other exceptional circumstances, the Remuneration Committee may allow an extended period for exercise and may provide for accelerated vesting of options.

Change of control

If the Company is acquired, the Remuneration Committee will have discretion to determine whether the outstanding options will be assumed by the acquiring company, replaced with equivalent options or awards over the acquiring company's shares, cancelled in return for a cash payment per option share equal to the price per ordinary share payable in the acquisition less the option exercise price, accelerated, such that the applicable performance and exercise conditions lapse, and cancelled to the extent not exercised within a specified period, or any combination of such alternatives. However, to the extent the options are not to be so assumed, replaced or cancelled in return for a cash payment, the options will automatically accelerate and become exercisable in full. In addition, options will accelerate in full if they are assumed or replaced in connection with an acquisition and, within 12 months after such acquisition, the option holder's employment is terminated by the acquiring company, other than for serious misconduct, or the option holder resigns by reason of a material adverse change in his/her position.

The following table summarises the movement during the year in the 2006 Option Plan.

	Options 2009	*Weighted average exercise price 2009*	*Options 2008*	*Weighted average exercise price 2008*
	Number	*€*	*Number*	*€*
Outstanding at beginning of year	**8,072,885**	**0.48**	6,645,385	0.22
Granted	**667,500**	**1.50**	1,692,500	1.68
Forfeitures/cancellations	**(633,760)**	**1.42**	(220,000)	1.69
Exercised	-	-	(45,000)	0.17
Outstanding at end of year	**8,106,625**	**0.50**	**8,072,885**	**0.48**
Exercisable at end of year	**-**	**-**	-	-

The weighted average fair value of options granted during the year pursuant to the 2006 Option Plan at 31 March 2009 was €0.64 (2008: €0.77). The weighted average remaining contractual life was 4.5 (2008: 5.4) years. The range of exercise prices for options outstanding at the end of the year was €0.167 to €2.10 (2008: €0.167 to €2.10).

The options granted during the year pursuant to the 2006 Option Plan generally include market-based performance conditions, and the Company has used a Monte Carlo simulation to calculate the fair value of the options. The following table lists the inputs to the model used for the years ended 31 March 2009 and 31 March 2008.

	2009	*2008*
Weighted average share price at grant date	**€1.44**	€1.68
Weighted average historical volatility (%)	**50.0%**	55.0%
Weighted average risk-free interest rate (%)	**5.2%**	5.1%
Weighted average expected life of options (years)	**6.0**	5.4
Weighted average exercise price	**€1.44**	€1.68
Dividend yield (%)	**–**	-

Volatility is determined by observing the historical volatility of the Company's shares and those of peer companies over a period commensurate with the expected term of the option. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. The risk-free interest rate is the rate applicable to and available on (as at the grant date) zero coupon euro denominated Government Bonds.

20. Commitments and contingencies

Operating lease commitments – Group as lessee

The Group has entered into commercial leases on certain motor vehicles and for its office premises and related car parking. The motor vehicle leases are typically of four year duration while the premises leases have remaining non-cancellable terms of between one and four years and options to renew for periods varying from five years to twenty years.

Future minimum rentals payable under non-cancellable operating leases at 31 March are as follows:

At 31 March 2009	*Land and Buildings €'000*	*Other €'000*	*Total €'000*
Within one year	**1,170**	**278**	**1,448**
Between two and five years	**1,718**	**345**	**2,063**
	2,888	**623**	**3,511**

At 31 March 2008	*Land and Buildings €'000*	*Other €'000*	*Total €'000*
Within one year	973	226	1,199
Between two and five years	2,551	317	2,868
More than five years	194	-	194
	3,718	**543**	**4,261**

Finance lease

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Minimum payments 2009 €'000	*Present value of payments 2009 €'000*	*Minimum payments 2008 €'000*	*Present value of payments 2008 €'000*
Within one year	**95**	**83**	220	197
Between two and five years	**164**	**154**	257	234
Total minimum payments	**259**	**237**	**477**	**431**
Less finance charges allocated to future periods	**(22)**	**-**	(46)	-
Total	**237**	**237**	**431**	**431**

Supplier loan commitments

	Minimum payments 2009 €'000	*Present value of payments 2009 €'000*	*Minimum payments 2008 €'000*	*Present value of payments 2008 €'000*
Within one year	**18**	**18**	71	68
Between two and five years	**-**	**-**	18	18
Total minimum payments	**18**	**18**	**89**	**86**
Less finance charges allocated to future periods	**-**	**-**	(3)	-
Total	**18**	**18**	**86**	**86**

Enterprise Ireland Grant Contingency

Under an agreement with Enterprise Ireland, the company has to date received or recognised as receivable RTI grants amounting to €3,004,000 (2008: €1,800,000) which may be revoked, cancelled or abated in certain circumstances. These circumstances relate to the Group maintaining specified research and development expenditure levels over the period of the grants. The Group has achieved all specified expenditure levels in the current and previous periods.

Defined Contribution Pension Commitment

The Group operates defined contribution pension schemes in Ireland, Belgium, the USA and Canada. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to the funds and amounted to €906,000 (2008: €585,000) for the year. Contributions totalling €183,000 (2008: €188,000) were payable to the funds at the year end.

21. Guarantees

Pursuant to the provisions of Section 17, Companies (Amendment) Act, 1986, the Company guarantees the liabilities of its Irish incorporated subsidiaries for the financial year ended 31 March 2009 and, as a result, such subsidiary undertakings will be exempted from the filing provisions of Section 7, Companies (Amendment) Act, 1986. The following companies are included in this exemption:

Norkom Technologies Limited;
Norkom Technologies (Ireland) Limited; and
Norkom Alchemist Limited.

The Company has guaranteed the future lease payments of its Australian subsidiary.

22. Related party transactions

The consolidated financial statements include the financial statements of the parent company (Norkom Group PLC) and its subsidiaries.

For the purposes of IAS 24 Related Party Disclosures, the term "key management personnel" (i.e. those persons having authority and responsibility for planning, directing and controlling the activities of the Group) comprises the Board of Directors who manage the business affairs of the Group.

Compensation of key management personnel of the Group:

	2009 €'000	*2008 €'000*
Short-term employee benefits		
Fees	**90**	108
Other emoluments	**782**	555
Pensions	**123**	101
Share-based payments	**25**	87
Total compensation to key management personnel	**1,020**	**851**

Directors' and Secretary's share options

	At 31/03/08	*Date Granted*	*At 31/03/09*	*Price*	*Expiry*
Paul Kerley	2,479,335	28/4/06	2,479,335	0.1667	7 yrs from grant
Liam Davis	18,750	01/10/04	18,750	0.0833	7 yrs from grant
Liam Davis	255,000	28/4/06	255,000	0.1667	7 yrs from grant
Liam Davis	-	17/6/08	25,000	1.55	7 yrs from grant
Cecil Hayes	-	17/6/08	50,000	1.55	7 yrs from grant
Total	**2,753,085**		**2,828,085**		

During the year the 25,000 options were granted to Liam Davis and 50,000 to Cecil Hayes in accordance with the rules of the 2006 Scheme (as set out in note 19).

The vesting for options granted in April 2006 is subject to determination by the Remuneration Committee in accordance with the 2006 Share Option Plan (as set out in note 19).

Directors and secretary's interests in shares

The Directors and Secretary who were in office at the end of the year and their beneficial interests in the shares of the Company are set out below:

	2009 Ordinary shares of €0.01 each	*2008 Ordinary shares of €0.01 each*
Paul Kerley	**4,880,739**	4,880,739
Shane Reihill	**1,207,279**	836,288
Cecil Hayes	**1,513,924**	1,513,924
John Tracey	**701,013**	701,013
Kieran Nagle	**555,540**	555,540
Gavin O'Reilly	**99,147**	99,147
Luc Philips	**92,000**	72,000
Liam Davis	**132,910**	132,910
Total	**9,182,552**	**8,791,561**

The Directors who were in office at the end of the year and their beneficial interests in the shares of Norkom Alchemist are set out below:

	Category	*2009 Shares of €0.01 each*	*2008 Shares of €0.01 each*
Cecil Hayes	D	**1,000**	1,000
Liam Davis	G	**1,000**	-
Paul Kerley	A	**1,000**	1,000

Group companies:

The financial statements include the financial statements of Norkom Group plc and its subsidiaries (each of which performs sales, marketing and services functions in the markets in which they operate, unless indicated otherwise) listed as follows (as at 31 March 2009 and 31 March 2008, unless indicated otherwise):

Norkom Group plc owns 100% of the share capital of Norkom Technologies Limited, whose registered office is 55 Strand Street Great, Millennium Walkway, Dublin 1, Ireland. Norkom Technologies Limited is an intermediate holding company.

Norkom Technologies Limited owns 100% of the share capital of Norkom Technologies (Ireland) Limited, whose registered office is 55 Strand Street Great, Millennium Walkway, Dublin 1, Ireland. Norkom Technologies (Ireland) Limited provides core product development for the financial crime prevention solutions and centralised support services to the wider group.

Norkom Technologies NV owns 100% of the shares of Norkom UK Limited whose registered office is 100 New Bridge Street, London EC4V 6JA, England.

Norkom Technologies (Ireland) Limited owns 100% of the share capital of Norkom Technologies NV, whose registered office is Geldenaaksebaan 329, 3001 Leuven, Belgium.

Norkom Technologies (Ireland) Limited owns 100% of the share capital of Norkom Technologies (UK) Limited, whose registered office is 100 New Bridge Street, London EC4V 6JA, England.

Norkom Technologies (Ireland) Limited owns 100% of the share capital of Norkom Technologies Inc. (created from the merger of the existing entity Norkom Technologies Inc. and the acquired entity Digital Harbor Inc., at 31 March 2008) whose registered office is City of Wilmington, County of Newcastle, Delaware, United States of America.

Norkom Technologies (Ireland) Limited owns 100% of the share capital of Norkom Technologies SAS whose registered office is 92 rue E. Vaillant, 92300 Levallois Perret, Paris, France.

Norkom Technologies (Ireland) Limited owns 100% of the share capital of Norkom Technologies BV whose registered office is Beechavenue 78-80, Schiphol-Rijk, Postbus 74681, Amsterdam, Holland.

Norkom Technologies (Ireland) Limited owns 100% of the share capital of Norkom Technologies AB whose registered office is Stockholms län, Stockholms Kommun, Sweden.

Norkom Technologies (Ireland) Limited owns 100% of the share capital of Norkom Alchemist (Israel) Limited whose registered office is Marine Heights Building, 93 Ramat – Yam Street, Herzelia – Pitvach, 46851 Israel.

Norkom Technologies (Ireland) Limited owns 100% of the share capital of Norkom Technologies (Canada) Inc., whose registered office is 1959 Upper Water Street, Suite 900, P.O. Box 997, Halifax, Nova Scotia, Canada B35 282.

Norkom Technologies (Ireland) Limited owns 100% of the ordinary shares of Norkom Alchemist Limited whose registered office is 55 Strand Street Great, Millennium Walkway, Dublin 1. Norkom Alchemist Limited is a patent holding and licensing company.

Norkom Technologies (Ireland) Limited owns 100% of the share capital of Norkom Technologies PTY Limited, whose registered office is PO Box 1037, Hunters Hill, NSW, 2110, Australia.

Norkom Technologies (Ireland) owns 100% of the share capital of Norkom Technologies SARL, whose registered office is Boulevard Prince Henri, L-1724, Luxembourg (incorporated 15 January 2009).

Associate:

The financial statements include the Group share of the financial results of Digital Harbour Inc. (previously named Nexus Solutions Inc.), in which the Group has a 47.1% interest.

23. Financial risk management objectives and policies

The Group's principal financial liabilities comprise preference shares (categorised as financial liabilities), finance leases and trade payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets, such as trade receivables and cash and short-term deposits, which arise directly from its operations.

The Group also enters into forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations. It is, and has been throughout the years to 31 March 2009 and 31 March 2008 the Group's policy that no trading in derivatives shall be undertaken.

The main risks arising from the Group financial risks are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the adverse impact on interest income which changes in interest rates could have.

The Group has cash and short-term deposits held with blue chip financial institutions. The Group actively monitors and manages risks associated with concentration of investment in respect of these financial assets with the objective of maintaining liquidity whilst maximising interest rate return and minimising risk of credit default in respect of institutions with which cash balances are placed.

The following table presents the potential impact on current year profit before tax of movements in interest rates assuming all other factors remain constant.

	Increase /decrease in basis points	*Effect on profit before tax €'000*
Year to 31 March 2009:		
Euro	+75	22
Sterling	+125	-
US Dollar	+125	-
Canadian Dollar	+125	-
Australian Dollar	+125	1
Euro	-75	(22)
Sterling	-125	-
US Dollar	-125	-
Canadian Dollar	-125	-
Australian Dollar	-125	(1)
Year to 31 March 2008:		
Euro	+75	131
Sterling	+125	27
US Dollar	+125	32
Canadian Dollar	+125	24
Euro	-75	(131)
Sterling	-125	(27)
US Dollar	-125	(32)
Canadian Dollar	-125	(24)

The Group's long-term borrowings constitute €1,000,000 cumulative 'E.I.' preference shares (described in note 17). These shares carry a fixed cumulative preferential dividend at the rate of 9% per annum on the amount paid up, 6% of the dividend/coupon rate will be waived upon the Group achieving agreed required expenditure targets. The Board of Directors believe that 3% will be paid and have the 6% waived based on the expectations of achieving the expenditure targets. In the event of the circumstances changing and the additional 6% coupon rate being payable, the net effect on the Group would be €60,000 per annum in the current year (additional accrual in respect of previous periods would amount to €180,000).

Foreign currency risk

As a result of significant investment operations in the US, the Group's balance sheet can be affected by movements in exchange rates. The Group seeks to mitigate the effect of its structural currency exposure by entering into currency forward contracts.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases by the Group other than in the Group's functional currency, for example within the Group's US sales operations. Approximately 66% of the Group's sales are denominated in currencies other than the Group's functional currency, whilst almost 33% of its costs are denominated in currencies other than the Group's functional currency. The Group maintains bank overdraft facilities in foreign currencies to permit short-term currency cash flow requirements to be met (if required).

It is not the Group's policy to match the terms of the hedge derivative instruments against specific financial assets or liabilities during the year or at the year end.

The following table demonstrates the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

Effect on profit before tax and equity

Year to 31 March 2009

	Stg	*USD*	*Aud*	*Cad*
	€'000	*€'000*	*€'000*	*€'000*
15%	**(97)**	**(153)**	**(229)**	**(99)**
(15)%	**132**	**207**	**310**	**134**

Year to 31 March 2008

	Stg	*USD*	*Aud*	*Cad*
	€'000	*€'000*	*€'000*	*€'000*
15%	(158)	(351)	(62)	(232)
(15)%	214	475	72	314

Credit risk

The Group trades only with recognised, creditworthy third parties, comprising primarily blue chip financial institutions, the majority of which hold 'AAA' credit ratings. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition receivable balances are monitored on an ongoing basis with the result that the Groups exposure to bad debts is negligible. This is supported by historical experience of no bad debt write-offs or required provision. The maximum exposure is the carrying amount described in note 14. There are no significant concentrations of credit risk within the Group.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group's banking facilities are only held with established and reputable international financial institutions.

Liquidity risk

The Group monitors its risk to shortage of funds on a regular basis. The Board of Directors consider the maturity of both its financial assets (e.g. accounts receivable, other financial assets and projected cash flows from operations) and its financial liabilities (e.g. 'EI' preference shares and finance leases).

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdraft facilities, preference shares and finance leases. The Group's only long-term borrowing commitment, the €1,000,000 cumulative 'E.I.' preference shares mature as at 31 March 2010.

The tables below summarise the maturity profile of the Group's financial liabilities at 31 March based on contractual undiscounted payments.

Year Ended 31 March 2009:

	On Demand €'000	*Less than 3 Months €'000*	*3 to 12 months €'000*	*1 to 5 years €'000*	*> 5 years €'000*	*Total €'000*
Interest bearing loans and borrowings:						
'EI' preference shares	-	-	1,150	-	-	1,150
Finance lease obligations	-	27	68	164	-	259
Supplier loan	-	9	9	-	-	18
Trade and other payables	-	9,071	-	51	-	9,122
Total	**-**	**9,107**	**1,227**	**215**	**-**	**10,549**

Year Ended 31 March 2008:

	On Demand €'000	*Less than 3 Months €'000*	*3 to 12 months €'000*	*1 to 5 years €'000*	*> 5 years €'000*	*Total €'000*
Interest bearing loans and borrowings:						
'EI' preference shares	-	-	-	1,150	-	1, 150
Finance lease obligations	-	121	99	257	-	477
Supplier loan	-	35	36	18	-	89
Trade and other payables	-	11,022	-	-	-	11,022
Total	**-**	**11,178**	**135**	**1,425**	**-**	**12,738**

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder value. The Group manages its capital to ensure that each entity 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 Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. In the past, to maintain or adjust the capital structure, the Group has issued new shares and retains the ability to adjust the dividend payment to shareholders or return capital to shareholders. No changes were made in the objectives, policies or processes during the years ended 31 March 2009 and 31 March 2008.

There are no capital requirements such as bank covenants imposed on the company.

The Group monitors capital using a net cash to equity ratio, which is net cash divided by total equity. The Group includes within net cash, interest-bearing loans and borrowings, trade and other payables, less cash and cash equivalents. Equity includes equity attributable to the equity holders of the parent.

The net cash to equity ratio at the year end was as follows:

	31 March 2009 €'000	*31 March 2008 €'000*
Trade and other payables	**(8,856)**	(10,843)
Interest-bearing loans and borrowings	**(1,410)**	(1,517)
Cash and cash equivalents	**27,453**	20,715
Net cash	**17,187**	**8,355**
Equity	**58,190**	50,285
Net cash to equity ratio	**29.5%**	16.6%

24. Financial instruments

Fair value of financial assets and financial liabilities

	Carrying amount		*Fair Value*	
	2009 €'000	*2008 €'000*	*2009 €'000*	*2008 €'000*
Financial Assets:				
Forward contracts	**28**	402	**28**	402
Cash	**27,453**	20,715	**27,453**	20,715
Financial Liabilities:				
Interest-bearing loans and borrowings:				
Obligations under finance leases	**(236)**	(431)	**(221)**	(416)
Fixed rate borrowings	**(1,000)**	(1,000)	**(1,000)**	(1,000)
Loan from supplier	**(18)**	(86)	**(18)**	(83)

Forward contracts:

As at 31 March 2009 the Group held 6 forward exchange contracts as hedges of expected future collections from customers in currencies other than the Euro. These contracts were to sell 2.0 Million Australian Dollars (maturity 21 April 2009), 1.5 Million Canadian Dollars (maturity 21 April 2009), 500,000 Sterling (maturity 21 April 2009), 1.5 Million US Dollars (maturity 21 April 2009), 700,000 Australian Dollars (maturity 2 June 2009) and 2.0 Million Canadian Dollars (maturity 2 June 2009).

As at 31 March 2008 the Group held three forward exchange contracts as hedges of expected future collections from customers in currencies other than the Euro. These contracts were to sell 1.5 Million US Dollars (maturity 6 June 2008), 130,000 Canadian Dollars (maturity 12 May 2008) and 800,000 Sterling (maturity 15 May 2008).

	Carrying amount at year end rates		*Fair Value at contracted rates*	
	2009 €'000	*2008 €'000*	*2009 €'000*	*2008 €'000*
Forward contracts :				
Australian Dollar	**1,397**	-	**1,347**	-
Canadian Dollar	**2,102**	3,120	**2,151**	3,427
Sterling	**540**	998	**533**	1,065
US Dollar	**1,513**	952	**1,549**	980
Total	**5,552**	**5,070**	**5,580**	**5,472**

As at 31 March 2009 the forward contracts were restated to fair value being the difference between contracted carrying amount and fair value at contracted rates. The difference of €28,000 (2008: €402,000) was recognised as a financial asset in the Group balance sheet and the resultant gain recognised in the income statement.

25. Events after balance sheet date

There were no significant post balance sheet events.

Company balance sheet

at 31 March 2009

	Note	2009 €'000	2008 €'000
ASSETS EMPLOYED			
FIXED ASSETS			
Financial assets	C	**38,347**	37,865
CURRENT ASSETS			
Debtors	D	**8,126**	7,918
Cash at bank and in hand		**7,827**	134
		15,953	**8,052**
CREDITORS (amounts falling due within one year)	E	**(8,538)**	(764)
NET CURRENT ASSETS		**7,,415**	**7,288**
CREDITORS (amounts falling due aftermore than one year)	F	**(1,000)**	(1,000)
NET ASSETS		**44,762**	**44,153**
FINANCED BY			
CAPITAL AND RESERVES			
Called up share capital	G	**894**	893
Share premium	H	**42,454**	42,445
Other reserves	H	**1,038**	757
Profit and loss account	B & H	**376**	58
Shareholders' funds	**H**	**44,762**	**44,153**

Approved by the Board on: 5 June 2009

Directors ; Shane Reihill

Paul Kerley

A. Accounting policies

The company balance sheet, together with the accompanying notes, have been prepared under the historical cost convention and in accordance with Generally Accepted Accounting Practice in Ireland ("Irish GAAP"). The significant accounting policies adopted are as follows:

(i) Financial fixed assets

Investments in subsidiary undertakings and an associated undertaking are stated at cost less provision for impairment.

(ii) Share-based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions. The movement in cumulative expense since the previous balance sheet date is recognised in the profit and loss account, with a corresponding entry in other reserves.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the profit and loss account for the award is expensed immediately.

The Group has taken advantage of the transitional provisions of FRS 20 in respect of equity-settled awards so as to apply FRS 20 only to those equity-settled awards granted after 7 November 2002 that had not vested before 1 April 2006.

Where options are granted to subsidiary company employees to purchase shares in the parent entity, it is necessary to record an expense in the profit and loss account of the subsidiary company in recognition of the services received in exchange for equity instruments in the parent entity. In the financial statements of the parent entity, the award is treated as a capital contribution to the subsidiary company, and the amount recognised as an increase in the carrying value of the investment in the subsidiary company, with a corresponding adjustment made to other reserves.

(iii) Financial instruments

FRS 25 requires the issuer of a financial instrument to classify the instrument, or its component parts, on initial recognition, as a financial liability, financial asset or equity instrument in accordance with the substance of the contractual arrangement.

When the initial carrying value of a financial instrument is allocated to its liability and equity components, the equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. The fair value of the liability component is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the equity component. Thereafter, it is measured at amortised cost until extinguished on conversion or redemption. The remainder of the proceeds on issue is allocated to the equity component and included in other reserves. The carrying amount of the equity component is not remeasured in subsequent years.

A preference share that provides for mandatory redemption by the issuer for a fixed or determined amount at a fixed or determinable future date, or gives the holder the right to require the issuer to redeem the instrument

at or after a particular date for a fixed or determinable amount, is a financial liability. The corresponding dividends relating to the liability component are charged as finance costs to the profit and loss account.

(iv) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax in the future.

Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, only to the extent that, at the balance sheet date, dividends have been accrued as receivable.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(v) Foreign currencies

The consolidated financial statements are presented in Euro and all values are rounded to the nearest thousand Euro except where otherwise indicated.

Transactions during the year denominated in foreign currencies have been translated at the rates of exchange ruling at the dates of the transactions, or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. The resulting profits or losses are dealt with in the profit and loss account.

B. Profit for the financial year attributable to the company

	2009 *€'000*	*2008* *€'000*
Profit dealt with in the financial statements of the parent undertaking for the year	**318**	14

In accordance with section 148(8) of the Companies Act, 1963 and section 7(1A) of the Companies (Amendment) Act, 1986, the Company is availing of the exemption from presenting its individual profit and loss account to the Annual General Meeting and from filing it with the Registrar of Companies.

C. Financial fixed assets

	2009 *€'000*	*2008* *€'000*
Investment in group undertaking – unlisted, at cost:		
At beginning of year	**37,865**	11,141
Increase in investment in group undertakings	**482**	26,724
At end of year	**38,347**	**37,865**

The movement during the years ended 31 March 2008 and 2009 relates to additional investment in an associated undertaking (see note 6 of the Group financial statements) and capital contributions to subsidiary companies in connection with share-based payment transactions whereby options to subscribe for ordinary shares in the parent entity were granted to subsidiary company employees.

D. Debtors

	2009 €'000	2008 €'000
Amounts due from subsidiary undertakings	**7,960**	5,829
Other debtors	**2**	2,046
Prepayments	**37**	43
Taxation recoverable	**127**	-
	8,126	**7,918**

All amounts fall due within one year.

E. Creditors (amounts falling due within one year)

	2009 €'000	2008 €'000
Amounts due to subsidiary undertakings	**8,353**	764
Other creditors and accruals	**185**	-
	8,538	**764**

F. 'EI 2005' preference shares

Refer to note 17 of the Group financial statements.

G. Called up share capital

Refer to note 16 of the Group financial statements.

H. Reconciliation of movement in shareholders' funds

	Called up share capital €'000	Share premium €'000	Profit and loss account €'000	Other reserves €'000	Total €'000
At 31 March 2007	**809**	**27,501**	**44**	**394**	**28,748**
Issue of ordinary shares	81	15,385	-	-	15,466
Expenses arising on share issues	-	(469)	-	-	(469)
Profit retained for the financial year	-	-	14	-	14
ESOP issue of ordinary shares	3	28	-	-	31
Expensing of share-based payment	-	-	-	363	363
At 31 March 2008	**893**	**42,445**	**58**	**757**	**44,153**
Profit retained for the financial year	-	-	318	-	318
ESOP issue of ordinary shares	1	9	-	-	10
Expensing of share-based payment	-	-	-	281	281
At 31 March 2009	**894**	**42,454**	**376**	**1,038**	**44,762**

I. Share based payments

The total expense of €281,000 (2008: €363,000) reflected in note 17 to the Group's financial statements attributable to the Predecessor Option Plan and the 2006 Option Plan has been included as a capital contribution in financial assets (note C) net of reimbursements receivable from subsidiaries.

J. Guarantees

Pursuant to the provisions of Section 17, Companies (Amendment) Act, 1986, the Company guarantees the liabilities of its Irish incorporated subsidiaries for the financial year ended 31 March 2009 and, as a result, such subsidiary undertakings will be exempted from the filing provisions of Section 7, Companies (Amendment) Act, 1986. The following companies are included in this exemption:

Norkom Technologies Limited;
Norkom Technologies (Ireland) Limited; and
Norkom Alchemist Limited.

The Company has guaranteed the future lease payments of its Australian subsidiary.

K. Approval of the company financial statements

The Board of Directors approved and authorised for issue the company financial statements on 5 June 2009.

Notes

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