Annual Report and Accounts 2010

12 Months Ended 31 March 2010

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 Financial Highlights

- Revenue up 3% to €49.3 million (2009: €48.0 million)
- EBITDA up 12% to €9.2 million (2009: €8.2 million)
- EBITDA excluding IFRS 2 up 20% to €10.2 million (2009: €8.4 million)*
- Gross Profit margin (before depreciation and IFRS 2 charge) increased from 61% in 2009 to 63% in 2010
- Adjusted Diluted EPS up 22% to 9.42 cents (2009: 7.74 cents)
- Net cash inflow generated from operations of €15.0 million (2009: €6.6 million), up 127%
- Net cash of €41.6 million (March 2009: €27.5 million), up 51%

* IFRS 2 Share-based payment charge of €1.0 million (2009: €0.3m)

€ m	*2010*	*2009*	*% change*
Revenue	49.3	48.0	3%
EBITDA (Excluding IFRS 2)	10.20	8.4	20%
Adjusted Diluted EPS	9.42 cent	7.74 cent	22%
Cash Balance	41.6	27.5	

Key business highlights for the period include the following:

- Norkom continues to execute and win new clients in its target regions with sixteen new clients added during the year to 31 March 2010
- It also continues to expand its existing client relationships, which delivered 90% of total revenue during this period (2009: 82%) through follow-on re-investment in Norkom's solutions
- The company's most recent geographical expansion into the Middle East continues, where it has won five new clients during 2010 (2009: 1)
- Its Asia Pacific region has grown from strength-to-strength, where revenue increased by 14% to €9.0 million (2009: €7.9 million)
- Its PCS revenues grew by 39% to €7.0 million (2009: €5.0 million) and now represents 14% of total revenues
- Norkom's focus on fraud solutions continues to be rewarded and it now has 29 clients as part of its franchise in this area (2009:18)
- Norkom's associate, Digital Harbor, which is establishing itself as a serious contender in the healthcare fraud industry, moved to profitability during the second half of calendar year 2009 and has operated profitably since.

Chairman's statement

Shane Reihill

> *"Norkom is emerging from the worst recession in recent history with a considerably strengthened balance sheet and a robust and efficient organisation."*

Norkom continued its record of growth with profits in the year ended 31 March 2010 (2010) with a strong set of financial results, which saw the earnings per adjusted diluted share grow by a very satisfactory 22%. With particularly challenged markets in the US and UK, delivering this successful financial result is testament to Norkom's flexibility in accelerating investments in markets with stronger demand and strong project and cost management disciplines.

Strong Cash Generation

In a period where the importance of cash is paramount, the cash generation by the business is worthy of special mention. Norkom's cash reserves increased from €27.5 million at 31 March 2009 to €41.6 million at 31 March 2010, having repaid the €1 million long-term creditor payable to Enterprise Ireland during the year. Norkom places a strong emphasis on working capital management and, by working closely with customers, managed to reduce accounts receivables from customers by €4.7 million (2010: €9.4 million / 2009: €14.1 million), achieving exceptional cash generation from operating activities during the period of €15 million.

Growing Client and Geographic Expansion

With some 90% of revenues coming from reinvestment by existing customers, Norkom continues to build its global customer franchise, laying in place a strong foundation for the company to grow its future revenues. In a market environment where new client engagements were sparse, adding 16 new customers to the global franchise that now numbers 119 was an excellent achievement. With five of these new customers coming from the Middle East and a further two from Asia, as well as its most recent foray into Russia, Norkom has proven its ability to leverage these newer markets, while more traditional markets recover from the fallout of the financial crisis.

Leading-edge Solutions

The portfolio of solutions that Norkom offers to customers to address their compliance and fraud prevention needs continues to expand in breadth and scope. In FY10, Norkom experienced particular success in growing their

fraud franchise, which now numbers 29 customers globally. The decision to invest in packaged applications has proven insightful in terms of the benefits it delivers to both Norkom and financial institutions alike, including: reduced product creation cost relative to traditional approaches, accelerated time-to-market for new product offerings and an option of "out-of-the-box" pre-packaged solutions for customers.

The investment in Packaged Applications has also facilitated the expansion of Norkom's channel and alliance franchise, as the complexity of delivering these "out-of-the-box" solutions is greatly reduced. During the year, Norkom engaged with new partners, such as Ejada Systems (Saudi), Fujitsu and Sapientics (Europe), and have won a number of new clients on the back of these alliances.

While continuous product innovation is paramount in addressing the innovative attacks being perpetrated by organised financial crime gangs the world over, successful financial crime solutions are a combination of people, processes and technologies. In 2010, Norkom made significant progress in its operational agenda of improved quality, enhanced efficiencies, greater predictability and increased customer satisfaction. This drive for internal excellence is reflected in the Norkom values - Innovation, Teamwork, Openness and Ownership – and is exercised through new learning and training initiatives such as Knowledge Management, eLearning and the Norkom Accreditation Programme.

Norkom & Corporate Social Responsibility

Norkom's Corporate Social Responsibility (CSR) programme encompasses many aspects of how Norkom conducts its business - being sensitive to the environmental agenda, the cultural diversity of its colleagues and the communities in which Norkom operates. The latter is reflected in the Norkom Challenge, a 16-week-long competition for inner city secondary school students that aims to promote the uptake of science and IT-related subjects at third level. Mentored by Norkom employees over the course of the four months, each student is taught how to research, plan, develop and present their ideas credibly and confidently to a panel of Norkom judges. This programme marks a significant personal commitment by Norkom colleagues, which was duly recognised last November when Norkom picked up the Irish Software Association award for Excellence in Corporate Social Responsibility.

Shareholder Approval

At our 2009 AGM, shareholders approved the resolution to reduce or eliminate the share premium credit on our balance sheet and, in so doing, eliminated the current revenue reserve deficit. This approval was subject to High Court consent, which was received in August 2009. This means that Norkom now has the capacity to implement a share buy-back or pay a dividend at some stage in the future, if recommended by the Board.

Also at the 2009 AGM, independent shareholders approved a resolution that, in the event that the Board implements the authority granted 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. At the forthcoming AGM, the Board will be seeking renewal of this approval from independent shareholders.

The Future

Norkom is emerging from the worst global recession in recent history with a considerably strengthened balance sheet and a robust and efficient organisation. This is testament to the strong leadership and strategic insight with which Norkom continued to build its market franchise globally, whilst maintaining its year-on-year record of growth with profits. Norkom is well positioned to take advantage of the initial signs of recovery in some key markets, while continuing to grow its global footprint in newer markets, particularly the expansion into North East Asia. The ecosystem of partners, nurtured over recent years, will play a more prominent role in Norkom's growth plans and in the provision of end-to-end solutions in the fight against global organised financial crime. The strategy of growth with profits will remain the cornerstone of focus in fiscal year 2011, however, with a strong balance sheet, Norkom will actively seek to evaluate opportunities that will help accelerate its objective of growth with profits.

Finally, I would like to thank my colleagues on the Board of Directors for their continued commitment and guidance over the last 12 months and I look forward to working with them and the Norkom management team as we execute our strategy of growth with profits in fiscal year 2011. A special word of thanks must go to the Norkom management and staff for their commitment, dedication and hard work, and for the many personal sacrifices that are made in executing to and living up to the Norkom Values.

Shane Reihill
Chairman
Norkom Technologies

Operating & Financial Highlights

Key Highlights

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- EBITDA excluding IFRS 2 up 20% to €10.2 million (2009: €8.4 million)*
- Gross Profit increased from 61% in 2009 to 63% in 2010
- Adjusted Diluted EPS up 22% to 9.42 cents (2009: 7.74 cents)
- Net cash inflow generated from operations of €15.0 million (2009: €6.6 million), up 127%
- Net cash of €41.6 million (March 2009: €27.5 million), up 51%

*IFRS 2 Share based payment charge of €1.0 million (2009: €0.3m)

Revenue and Gross Profit

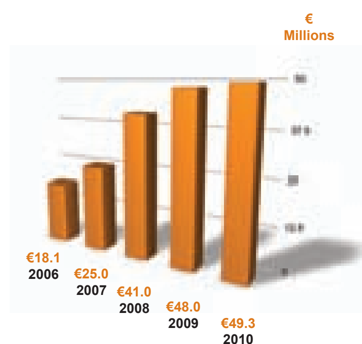
Norkom increased revenue to €49.3 million for the year to 31 March 2010 compared to €48.0 million for the same period in 2009 (+3%). Of particular significance was the continued strong revenue growth of 14% (to €9.0 million) recorded in Asia Pacific and 15% (to €9.3 million) in Ireland, UK & Rest of the World (ROW) in the year. The latter growth came mainly from the Middle East, where Norkom acquired five new clients during 2010. Revenue growth came from both incremental contracts, with over 90% of existing clients re-investing in Norkom's solutions, and from new contracts, with sixteen new name clients secured in 2010. This brings Norkom's client franchise to 119 clients in the current period, including seven of the top 10 global banks.

In 2010, gross profit (before depreciation and IFRS 2 charge) increased to €30.9 million, up from €29.5 million for the year ended 31 March 2009, representing a year-on-year increase of 5%. Gross profit (before depreciation and IFRS 2 charge) represented 63% of revenues in 2010.

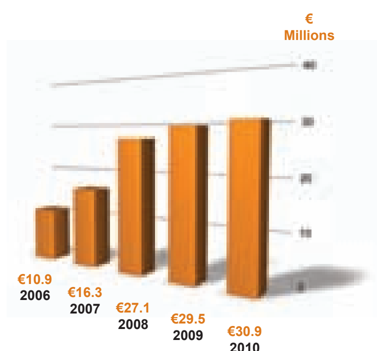
Strong performance across revenue, gross profit and operating cost management has delivered an EBITDA growth of 12% to €9.20 million (2009: €8.2 million). Excluding IFRS 2, EBITDA grew by 20% in the current period, to €10.2 million (2009: €8.4 million) With the step-up in the IFRS 2 charge to €1.0 million in 2010 (2009: €0.3 million), EBITDA excluding the IFRS 2 charge is a more appropriate comparative with the previous year.

There has been a minor positive foreign exchange impact in the current period against the same period in 2009. The impact of the US Dollar was relatively minor with an average weighted rate of 1.41 in 2010 versus 1.43 in 2009. There was a positive effect from the Australian Dollar (2010: 1.67 versus 2009: 1.80) and this was offset by a negative effect on Sterling (2010: 89 pence versus 2009: 83 pence). Overall, there was a positive impact of €0.3 million to earnings during 2010 compared to 2009, when considered on a constant currency basis.

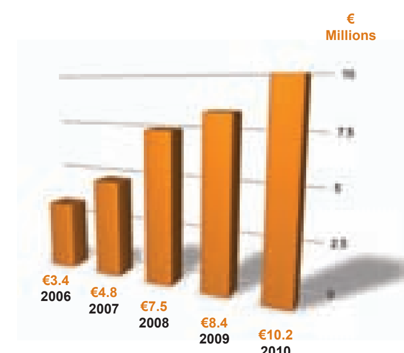
Revenue



Gross Profit (before depreciation)



EBITDA excluding IFRS 2



Earnings Reconciliations:

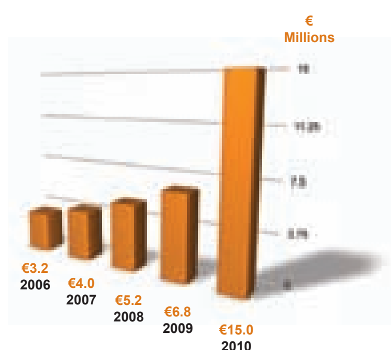
	2010 €'000	2009 €'000
EBITDA reconciliation:		
Operating profit	7,010	4,783
Add back:		
Depreciation	991	994
Amortisation of intangibles	1,149	1,790
Impairment of intellectual property	-	595
EBITDA – Post IFRS 2 non-cash charge	**9,150**	**8,162**
IFRS 2 non-cash charge	**1,008**	**281**
EBITDA – Pre IFRS 2 non-cash charge	**10,158**	**8,443**
Earnings for adjusted EPS reconciliation:		
Profit attributable to the equity holders of the parent	6,624	4,005
Add back:		
IFRS 2 non-cash charge	1,008	281
Amortisation of intangibles	1,149	1,790
Impairment of intellectual property	-	595
Deferred tax (credit)/charge	(36)	591
Earnings for adjusted EPS	**8,745**	**7,262**

Balance Sheet

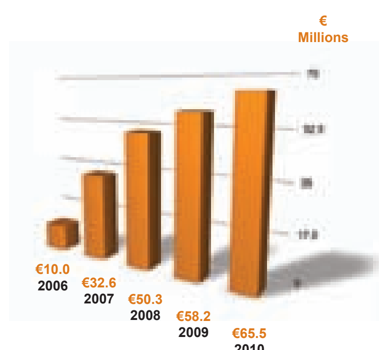
Overall, Norkom's balance sheet has, once again, strengthened during the period. Net assets increased from €58.2 million at 31 March 2009 to €65.7 million at 31 March 2010. Norkom maintains a strong financial position with balance sheet and cash flow strength, which ultimately places the Group in a solid position to continue to grow its operations on a global basis.

Norkom has delivered exceptional cash flow performance in the current period, with overall cash strengthening from €27.5 million at 31 March 2009 to €41.6 million at 31 March 2010. This has resulted from significant positive movement in working capital areas such as accounts receivable (2010: €9.4 million / 2009: €14.1 million) and the increase in our deferred revenue balances during the period. Norkom places a strong emphasis on working capital management, achieving exceptional cash generation from operating activities during the period of €15.0 million (2009: €6.6 million).

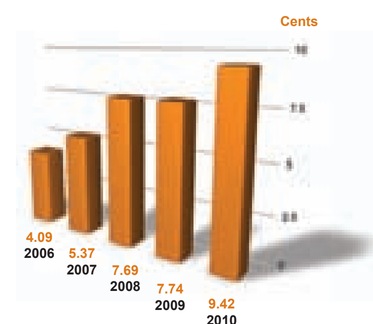
Cash generated from operations



Net Assets



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



Chief Executive Officer's Review

Paul Kerley

> *"FY10 was an excellent year for Norkom, where more than 90% of our revenues came from existing customers and we welcomed onboard 16 new clients globally."*

Introduction

On behalf of the management team, I am delighted to report on another strong year of performance for the Norkom Group. Norkom continued to grow revenues, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation), EPS (Earnings Per Share) and cash during the period. Our agile business model, together with the years of investing in building-out our global footprint, allowed us to enter new markets and win sufficient business to compensate for the softening in the UK and US, whilst still delivering overall growth for the Group.

Fiscal year 2010 (FY10) was an important year for Norkom. Having experienced significant stress in our core market during fiscal year 2009, management had some additional challenges to focus on this year. FY10 was a pivotal year that required Norkom to manage the risks caused by the dislocation within the financial services market, while making the necessary investments to prepare the company for a return to normal levels of growth. Over the last 12 months, Norkom made key investments in our products, our market reach, evolving partnerships and our team in preparation for entry into new markets and to avail of the emerging recovery in some of our core markets.

Refining and evolving our business model has been an important part of our success in navigating through the crisis in the financial service industry. Some of these refinements were done out of design, while others were borne of necessity. In either case, the strength of having a predictable and agile business model gave us the capability to respond to the market environment and deliver excellent growth in profits and EPS, in particular.

Our increased R&D investments in packaged applications have proven very successful, particularly in the Middle East, where we have added five new clients during the period. Financial institutions in this market are demanding out-of-the-box pre-packaged solutions for financial crime and we have been successful in adding clients such as NCB Capital and Samba Financial Group in Saudi Arabia, First Gulf Bank in the UAE and Doha Bank in Qatar. Additionally, our investment in packaged applications allowed us to respond to the short-term nature of spend decisions in some of our core markets, ultimately enabling Norkom to add VTB, Daiwa Capital Markets Singapore and Banco Popular to our growing list of clients.

During the period, the regulatory drivers of demand continued to develop. New geographies have put in place legislation to regulate their financial institutions, while more developed regulatory regimes in the US and Europe deepen their regulatory oversight. As an example, new regulations were released in Poland in 2009 and we expect the same during calendar year 2010 in New Zealand, Ukraine, China and Japan. While these markets are at an early stage in developing their regulatory environments, our traditional markets in Europe and the US have enhanced and expanded the scope of their local regulatory environment by further addressing information security and increasing focus on payments systems. These legislative initiatives have created new demand for our solutions e.g. the implementation of the Payment Services Directive 2007/64/EC (1 November 2009) into national law, and the wider adoption of global (ISO20022) transaction payment standards, which is moving beyond Credit Transfers into Direct Debits and beyond the European Economic Area (EEA) into the North American market.

The introduction of the International ACH transaction type by NACHA, the North American Electronic Payments Association (18 Sept 2009), as requested by the Office of Foreign Assets Control, has created demand for packaged solutions covering all international payment and asset transfers via ACH, Wire and SWIFT.

Furthermore, the additional administrative requirements of the Patriot Act 314(a) 'Final Rule' is also encouraging organisations to embrace packaged solutions that provide out-of-the-box automation and management oversight of this regulatory process. Investments in packaged applications during the period were made, in part, for the anticipated enhancements to the Patriot Act 314(a).

Structurally, our market opportunity is increasingly migrating to fraud opportunities and we continue to invest in building-out our applications and client wins in the market. Even in Europe, which has traditionally been a compliance solutions market, the pipeline is weighted more towards fraud opportunities. Across all our markets, we are seeing an increase in demand for converged solutions that enable our customers to combat fraud, while maintaining the highest standards of regulatory compliance.

This focus has allowed us to grow our fraud franchise globally, having closed new contracts with both existing and new clients during the period. We can now count 29 clients across all regions as part of our fraud franchise and we see strong demand for our solutions in the areas of multi-channel fraud, online fraud, debit card fraud, deposit fraud and internal fraud. This is an important focus of our R&D investments, as we see generally a step-up in demand for next generation fraud detection and management solutions.

This year, the market has moved even faster towards the concept of converged solutions to manage both regulatory compliance and fraud types on a single technology platform. While some of our competition can offer similar converged solutions, Norkom is unique in that our solution is made up of one homogenous technology suite. The market recognises the advantages that can come from a single homogenous technology suite such as lower total cost of ownership, as well as the ongoing availability of enhancements and upgrades to deal with new regulatory or crime typologies.

Competitive Environment

During this year, we have witnessed further market consolidation and changes to the competitive environment. Some of our competitors have engaged in multiple acquisitions at significant costs in an attempt to win market share and leadership. We obviously considered these acquisition opportunities at the time and concluded that there was too much of an overlap in the technology solutions to achieve our desired return on investment or strategic impact in the market.

The market now has fewer players in the solutions category and, as a result, players are far more prominent to prospects and clients in our marketplace. In this less cluttered environment, we believe it will be easier to differentiate Norkom and our solutions from the rest of the competition in the market.

While the competitive landscape continued to go through its shake-up, some of our competition attempted to win market share on price. Norkom resisted the temptation to compete on this basis and we have maintained our discipline, focusing instead on winning quality deals that deliver the appropriate levels of margins that enable Norkom to invest further in developing our solutions and the quality of our services to our customers.

A number of the larger single-channel fraud solutions players have put on record their desire to address the wider Financial Crime Solutions market. Rather than compete aggressively against these organisations, we expect that there will be opportunities to partner on a case-by-case basis to satisfy the market demands for an integrated solution in the near- to medium-term.

Our Solutions

In keeping with our objective of driving investigator efficiency and demonstrating clear ROI (return on investment), we have continued to evolve our core Financial Crime and Compliance platform and have delivered a number of new and exciting capabilities to maintain our current leadership position and propel us further ahead of our competition.

These enhancements include devolved administration capability, which supports a model whereby third parties can offer shared services hosted on the Norkom platform to their end clients. This opens up new markets to Norkom of

which we would not be in a position to avail otherwise. For example, MasterCard is now in a position to offer Norkom Case Management solutions to smaller financial institutions that do not fit the profile of our direct sales client base.

In addition to this, we have pioneered a new composite analytics approach that combines the flexibility and transparency of white box analytics, providing powerful transparent risk-scoring, along with leading-edge, self-learning descriptive and predictive analytics. These innovations and investments have been timely and were key to a number of seven-figure deals secured during the period with large financial institutions in the US and Europe. This has placed Norkom in a unique position in our market to deal with the next generation of headline-grabbing fraud threats that our clients face.

The financial crime landscape changes rapidly. Norkom's platform allows our clients to respond to change through rapid reconfiguration. We have continued to invest in our agile services framework to decrease the time taken to deploy, configure and test new financial crime management components. This agility continues to differentiate Norkom from its competitors.

We recognise that financial crime solutions are a combination of people, processes and technologies. We continue to keep the end-user top-of-mind in our investment decisions. As a consequence, we have added a number of important usability enhancements that allow us to continue to set the gold standard in terms of enterprise-wide financial crime investigation and case management technologies. The key design driver for these enhancements has been to significantly improve end-user productivity. In this area, we have introduced new functionality such as evidence snapshotting, hardcopy case creation and screen layout improvements. Use of contemporary technologies, such as AJAX, provide a richer end-user experience in the browser browser, all of which brings together an improved user experience and underpins improved performance in the financial investigative unit.

These new capabilities at the detection, prevention and investigation layers will significantly improve our clients' operational efficiencies in the management of financial crime and will help to reduce their fraud losses even further.

Packaged Applications

A key strategy for Norkom is to capitalise on the strength of our platform by using its unique configuration capabilities to produce packaged applications that address specific criminal activity. We have an ongoing investment plan to further embed detection and investigative forensic capabilities on top of our underlying platform, spanning our complete portfolio of financial crime and compliance products. This product development approach, whereby we leverage our content-rich Financial Crime and Compliance platform, gives us dual competitive advantages of accelerated time-to-market for new products to better avail of emerging opportunities and also significantly reduces the product creation cost relative to traditional approaches.

This strategy has provided demonstrable success both in terms of entering new markets and quickly establishing a leadership position, as has been demonstrated in the Australian market. This approach is a key part of our strategy as we continue to expand our existing footprint in the Middle East and as we look to capitalise on the opportunities in the multi-channel fraud market.

Organised financial crime gangs continue to innovate and we have made strategic investments in line with these evolving threats. An illustrative example is the Zeus family of Trojans, which are specifically targeted at the high-volume, high-value corporate payments area. These sophisticated threats can bypass even the most advanced authentication systems. Norkom's pioneering composite analytics, unique multi-channel 360-degree view of expected customer behaviour and our best-in-class investigative case management capabilities are the last line of defence against these threats, which can and do expose financial services organisations to multi-million Euro losses on a regular basis.

Channels and Alliances

Financial year 2010 saw continued progress being made in our channels and alliances strategy – both on a global and regionalised basis. Over the last 12 months, we have been concentrating strongly on further developing existing relationships with organisations such as IBM (worldwide), Ejada Systems (Saudi) and Fujitsu and Sapientics (Europe), and have won a number of new clients as part of these engagements. In particular, our relationship with Ejada Systems has enabled us to enhance our brand awareness in the broader Middle East market, where we won an additional five new clients over the last 12 months.

In addition to winning new clients in markets in which we have a presence, our channels and alliances strategy is also enabling us to enter new markets at a more accelerated pace than would be achieved otherwise. In particular, as part of our market entry into China and Japan, we now have agreements in place to work closely with leading local organisations, such as Longtop and Nippon Steel Solutions respectively, to take advantage of the increasing demand for financial crime solutions in these two rapidly growing markets. We expect to build on our track record of working well with new alliances and are confident we will see our first joint wins in both markets before the end of the next financial year.

Solution Partnering

In addition to building our channel and delivery partnerships, Norkom has developed a number of solution partnerships during the period. Norkom is working with leading information

security and specialist data intelligence organisations to develop solutions that leverage the technology and data assets of multiple organisations and disciplines that comprise the end-to-end value chain in the fight against organised financial crime. For example, in North America, we are working to expand the footprint of the Norkom Financial Crime Solution to offer financial institutions enhanced protection against increasingly sophisticated attacks, utilising pooled intelligence from a number of sources, both internal and external to our clients, to take the fight against financial crime outside of the bank perimeter and to target the resources that organised financial criminals use to attack banks. We refer to this as our defence in-depth strategy, which focuses on financial crimes perpetrated from outside, at and within the bank's perimeter.

With over 90% of our existing customer-base choosing to re-invest in Norkom's technologies and services year-on-year, we are confident that our focus on building strong and sustainable strategic partnerships will help us to augment our industry-leading solutions to address a wider set of risks for financial institutions, and help us to capitalise on a larger number of opportunities as we move forward.

Market Recognition and Endorsement

During the year, Norkom continued to invest in building our brand and market recognition as a leading Financial Crime and Compliance solutions provider. While we are well recognised in our core markets, we have invested in trade missions, industry conferences and exhibitions in Japan, China and the Middle East, whilst also increasing our visibility in our core markets. Market analysts continue to identify Enterprise Fraud Management as a key investment priority for the financial services industry. In financial year 2010, Norkom received a number of endorsements by leading industry commentators in the financial services industry, attesting to the strength and suitability of Norkom's market and technologies strategies.

Most recently, leading analyst firm, Chartis Research, ranked Norkom's financial crime risk management solution the best in the industry for completeness of offering, which means it outstripped competitors on financial crime coverage (from AML to all types of fraud), advanced analytics, usability, configurability, data management and integration, case management and workflow, as well as integrated financial crime reporting and platform.

According to Peyman Mestchian, Managing Partner at Chartis Research:

“ With fraud and money laundering continuing to be the most common crimes within financial services, Norkom remains as one of the leading vendors with the vision, insight and technologies that enable financial institutions to deploy a true enterprise-wide financial crime risk management solution.

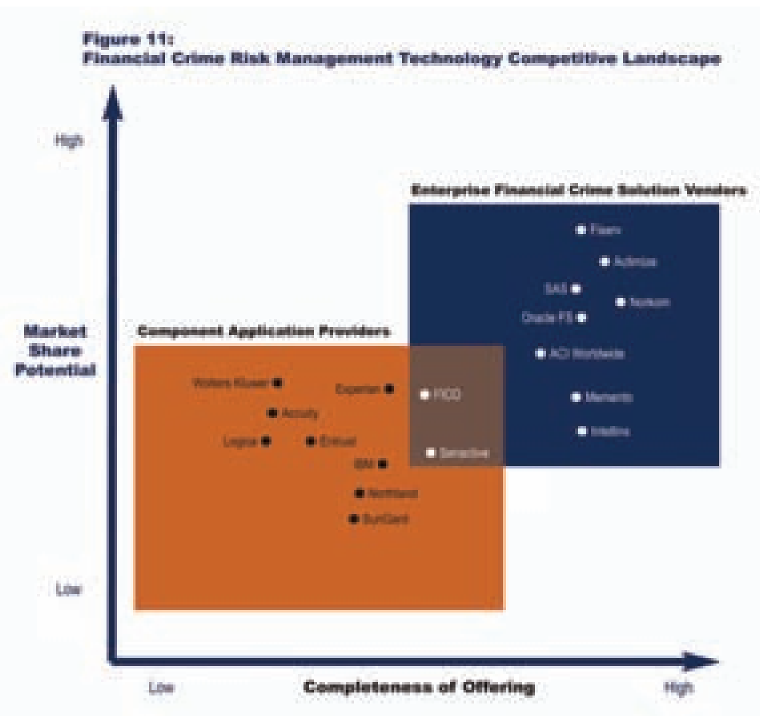


Figure 11:
Financial Crime Risk Management Technology Competitive Landscape

Chartis Research estimates that internal fraud, internet-based frauds and security breaches will continue to increase as a result of the global recession. As the company that ranked highest for completeness of offering, Norkom is very well placed to help financial institutions to manage these escalating risks to their businesses. ”

In November, Norkom was ranked on the prestigious FinTech 100 list of top financial technology providers in the world for the second consecutive year, improving our ranking by seven places. Currently in its sixth year, the FinTech 100 rankings is an annual international listing published by American Banker and IDC Financial Insights that recognises the leading 100 global technology and service providers that derive more than one-third of their revenue from the financial services industry.

In June 2009, readers of OpRisk & Compliance, one of the industry's most respected publications, voted Norkom as the world's No. 1 provider of anti-fraud solutions for the second time in its annual compliance software survey. Conducted among leading financial institutions across North America, Europe and Asia, Norkom became the first and only financial crime and compliance software vendor to achieve top ranking for the anti-fraud category twice in the survey's three-year history.

Our Organisation

After many years of rapid expansion - both numerically and geographically - fiscal year 2010 provided more opportunity for Norkom to progress our focus on improved quality, enhanced efficiencies, greater predictability and increased customer satisfaction as key themes driving activity, innovation and scalability.

One such activity in our development organisation is that we have significantly expanded the number of automated platform tests that get executed nightly. These tests are an early-warning “trip wire” to detect issues introduced by new functionality or bug fixes and enable more cost-

effective resolution early in the development life-cycle before the software is delivered to the Quality Assurance (QA) function. The QA teams have an ever-growing battery of automated and functional tests, which further enhance quality assurance before the software is provided to the specific project team for delivery to the customer. Research suggests that resolving issues early in the development life-cycle can cost up to 10 times less than resolving an issue found in the field. This process has already succeeded in reducing the total number of issues found in the "field" over three-fold and has introduced significant efficiencies and improved overall customer satisfaction.

We have continued to evolve our delivery methodology with greater focus on control processes and risk mitigation, with a strong emphasis on Quality Assurance. We have updated and automated our delivery QA methodology, leveraging the knowledge and disciplines of our QA colleagues and, in working with our Business Practice management colleagues, we've incorporated a number of testing stages into our delivery methodology, as part of our Testing and Quality strategy. This has resulted in shorter close-out phases of customer projects, as their test cycles are brought to closure more effectively.

As part of our technology roadmap, we have a focus on developments that can de-risk or improve the efficiency of our delivery colleagues. New features like Scenario Manager Debugger provides the field with a tool that can automatically identify issues with the Scenario Manager configuration, a process that was previously manual and trial-and-error based. Across the regions, we've invested in continuous integration build servers, which have automated a process that ensures that the latest customer build is complete and eliminates the risk of omission by human error. This approach has managed to reduce the risk that previously existed in the manual build process and also ensures that the end-to-end delivery team have "one version of the truth" in terms of what changes are deployed on a specific client project, allowing issues to be diagnosed and resolved much more effectively.

We have continued to rollout initiatives designed to improve overall organisational effectiveness. This has seen the deployment of our project automation framework in both Australian and Nordic-based projects. These tools allow projects to set up development and test environments more effectively and also make it easier to synchronise Engineering- and Field-based changes, improving the overall delivery effectiveness and quality.

We have modularised the application builder for screens and workflows, which provides additional flexibility for deploying multiple applications on the same technology stack. This alone makes the Services organisation more effective by deploying the 'fix once, leverage many times' approach to solution defects, whist also enabling us to create and sell new modules easier and more efficiently. Across the organisation - from Product Management, through to Development, Delivery and Customer Support - we use a common issue tracking and resolution tool, which provides full transparency and identification of all issues - whether at the development, delivery or customer stage. This provides a common interface and workflow methodology and has greatly facilitated the communication and reporting of issues, aiding the prioritisation and speedy resolution of material issues. The ability to share a common view on issue status and resolution progress has significantly enhanced our ability to report back to the customer during test cycles and provides much better visibility and traceability of the complete end-to-end lifecycle - from initial functional requirements for specific features through to the delivery to clients in a production environment.

Introduced in 2008, we survey our customer base as part of our Customer Support process. On resolution of a customer support ticket, we survey the customer contact and asked them to assess our performance on a 1-10 ranking across 25 criteria ranging from "The quality of the final resolution to your problem" to "The total time it took to resolve your problem". Clients are also asked questions about various areas of our products, the input of which is shared with our Product Management team for consideration into the product roadmaps, and also with our senior management team. While there is always room for improvement, the results for FY10 show an improved score in some 70% of the categories.

Organisationally, we continue to work on the various initiatives in support of our accreditation, methodology, knowledge, quality, customer satisfaction and internal communication objectives. During our last financial year (FY09), our Knowledge Management (KM) team kicked-off an initiative which placed knowledge at the very centre of the company, resulting in increased structure and availability of key information for all staff. This initiative was further developed during FY10 with the implementation of an increasingly flexible infrastructure that enables information to be uploaded and shared more easily. With an improved ability to learn, access and share information, we also needed to find a way to measure the impact that this greater availability of knowledge had on the company.

With an industry-shortage of skills and domain knowledge, developing and growing this expertise internally is a major objective. So during FY10, the Services organisation launched a pilot Accreditation Programme, which proved a tremendous success. Targeted initially at our Services organisation, it was designed to address this next stage of development in our KM roadmap. The Accreditation Programme empowers staff to take responsibility over their own knowledge development, while providing management with a process of targeting and measuring the impact and rate of progress being made. Together, this programme and the new KM infrastructure enable employees to undertake assessments to validate that they have acquired the requisite knowledge to move to subsequent levels of expertise. This will also assist us in related areas of organisational development, such as more effective

succession planning and performance management. The Accreditation Programme is currently being rolled-out to other areas across the Norkom organisation.

As part of our Knowledge Management and Accreditation Programme, we have also piloted Norkom's first eLearning tool, the first installment of which is based on our Fraud Book of Knowledge content. This provides easy access to relevant fraud content for all employees and also facilitates the Accreditation process through in-built exams.

While we continue to develop employees internally through structured training and accreditation, we have also established formal Centre of Excellence groups, whose primary objective is to gather, distil and share information on key subject areas within the company. This has been piloted across a number of fraud areas and has proved to be very successful, thus far. In addition to building domain knowledge organically, we have also been successful in attracting a number of content-rich domain experts into our delivery, product management and sales organisations, and this is an area we expect to continue to invest in going forward.

Repeatedly, we hear back from customers that the "Norkom team and culture" are major differentiators when choosing and working with Norkom. To ensure our core values are reflective of these initiatives, we undertook a re-evaluation of our company values. Norkom has changed dramatically since its inception in 1998. Since then, we have installations in more than 100 countries, some 340 colleagues worldwide - 90% of whom were not in Norkom when the original values were set back in 2001 – acquired two companies and opened up nine new geographic offices. Our colleagues across all regions, levels and functions were polled on a re-evaluation of the company values. The results confirmed that the company still held Innovation, Teamwork and Openness as critical values for success, but identified Ownership as being more reflective of a core value today than the original value of Decisiveness. This is indicative of a greater desire for staff to assume individual responsibility and accountability for their actions, to learn from mistakes and be cognisant of the impact that their decisions and actions have on processes, colleagues and customers.

Our CSR team reflects an excellent example of Norkom living the company values and the team got their just rewards for their benevolent commitment and hard work when Norkom won the coveted award for Excellence in Corporate Social Responsibility (CSR) for its innovative Education in the Community programme, which aims to encourage students in disadvantaged areas of Dublin to access third level education.

Currently in its second year, the Norkom Challenge is a four-month long competition designed to promote the uptake of science and IT-related subjects among secondary school students by providing a real-world learning environment. The programme tasked twenty students from three inner-city Dublin secondary schools and one after-school learning organisation with developing an idea, product or service to help people stay safe while surfing online. Mentored by Norkom employees, the students spent 16 weeks researching, planning, developing and polishing their ideas, which were ultimately presented to a team of Norkom judges in a Dragons' Den-style format. The award ceremony took place on May 7 last, attended by parents, teachers and participants. The prize fund of €25,000 to support further third level education went to O'Connell's CBS and runners-up, Belvedere College.

Digital Harbor

Our healthcare fraud spin-off company, Digital Harbor, had a strong year and moved to profitability during the second half of calendar year 2009. We anticipate that the new regulations, together with healthcare reform initiatives, will drive significant demand in this area and we expect to see an escalation in activity levels, particularly in calendar year 2010. We are pleased that Digital Harbor has recently moved into profitability and we expect this to persist through the next financial period. We will actively work with management during the next two financial periods to understand the true growth potential of the market and put in place the appropriate investments plans to avail of these opportunities.

Business Strategy and Future Outlook

Norkom will progress its current strategy of growth with profits, as previously stated in our market communications. As a result of our footprint and visibility in the market, we believe we can continue to be successful in delivering solid financial performance. Norkom has successfully navigated through the banking crisis, while continuing to deliver growth in revenues and earnings. We enter the next period stronger as a company in terms of our financial strength, our competitiveness and the quality of our solutions and services. These characteristics position Norkom well for growth in the coming periods. While our focus will be on delivering another strong financial performance for our fiscal year 2011, we will evaluate opportunities to grow acquisitively given the strong balance sheet and an environment where more realistic valuations are emerging in the private technology landscape.

Over the coming periods, Norkom will be evolving its business model. We will expand our product footprint in our core markets to increase the addressable market and the revenue footprint per client. Our business will become more partner-enabled, and license and recurring revenues is expected to become a larger proportion of our revenues. We have been working successfully with delivery partners for some time, however, in recent periods, we are now evolving relationships with solutions partners.

New product and channel partners give us an entry into new markets, we also see an opportunity to revive growth levels in one of our core markets - the US. We have evolved our organisational strength and capacity to compete in readiness for a return to normal buying behaviours. There are early signs that the US market will offer Norkom the opportunity to step-up growth. Recent wins in the region and early success with emerging solution partners have sharpened our competitive edge. We are now quietly confident that we can grow our business during this period in preparation for stronger growth in the region.

In future periods, Norkom will invest heavily in research and innovation to stay ahead of the criminal innovation activities. We are actively investing and resourcing a number of research networks focusing on information security and next generation analytics. Norkom will continue to hire external expertise into Norkom, while building-out our Knowledge Management and Accreditation Programmes to expand our existing panel of industry experts.

We are entering fiscal year 2011 in a position of strength. The investments that we made in our people, processes and technologies will position Norkom well to compete and grow our business globally. Our competitive strategy will evolve around our innovations, quality of services/ solutions and our people. We will invest in and nurture existing and emerging products and partners to optimise our success. We will remain vigilant to disruption in our market that results from macro dynamics and we will cautiously pursue growth, while being assured that we can deliver on our profits and earnings objectives.

Overall, this has been an excellent year for Norkom. It would not have been so without the continued support of our loyal customers. This year, more than 90% of our revenues came from our existing customers choosing to re-invest in Norkom and, for that, we thank you. The capital market experienced some significant difficulties during the year and we thank all our existing and new investors who have maintained their support for our company.

I am very optimistic about the opportunities for Norkom in fiscal year 2011. My confidence is largely based on the performance of my colleagues this year and their readiness and ability to capitalise on the opportunities for our company over the coming year.

Paul Kerley
Chief Executive Officer
Norkom Technologies

Norkom Corporate Citizenship

Letter from Paul Kerley

Over the last 12 years, the Norkom Group has achieved great success. We have pursued and achieved a year-on-year growth with profits strategy, added 119 financial institutions to our global family of clients and developed world-class software in the fight against escalating levels of financial crime, helping our clients to remain fully compliant with local and international regulations. And we've enjoyed every second of this journey.

We recognise that Norkom benefited hugely in our development because of the decades of efforts put in by the pioneers of our industry. In 2008, having celebrated our tenth year in business, we decided it was now Norkom's turn to contribute. Having been very proud of what we had achieved within our ten years in existence, we reflected on what we would like to look back on and be proud of in ten years' time. The focus of our initiatives was to understand what sort of Corporate Citizens we wanted to be. What impact did we want to have on our market, our environment, our people, customers and the communities in which we work and thrive? We understood that these initiatives would require a commitment for financial investment, however, what was more important was the investment in time - both work and personal - and our commitment to drive positive change through all of these areas.

Two years ago, we formally launched the first strand of our future Corporate Citizenship strategy with our Education in the Community programme. True to form, the wider Norkom Team engaged, designed, built and delivered on this programme, making it a great success. And while our Corporate Citizenship strategy is still in its infancy, the Norkom Group is very much committed to developing and enhancing its Corporate Responsibility agenda going forward.

On behalf of the Board and Norkom Management Team, I would like to take this opportunity to thank my Norkom colleagues that make our Corporate Citizenship strategy a reality – oftentimes making personal sacrifices in doing so.

Paul Kerley
Chief Executive Officer
Norkom Technologies

A brief glance at Norkom's Corporate Citizenship to date

Norkom's Education in the Community

Norkom's Education in the Community programme is completely planned, managed and executed by Norkom employees, across all levels and functions of the company. Ultimately designed to help give something back to the community which houses its global headquarters, this programme aims to stimulate interest in science and IT-related subjects among secondary school students from disadvantaged areas of Dublin inner city, with a view to encouraging them to consider third level education.

So far, the Norkom Corporate Social Responsibility (CSR) team has successfully hosted two four-month-long competitions involving the participation of forty students from Dublin inner city schools, with each competing team being assigned mentors in the form of Norkom employees from all across the company. These mentors willingly contribute their personal time and energy in providing much-needed guidance and support to these teenage students, steering them through the processes of researching, compiling data, preparing scripts and delivering competent and confident presentations.

The Norkom Dragons' Den 2009

On May 8, 2009, Norkom hosted its inaugural Education in the Community awards ceremony which saw the presentation of prize money totalling €22,650 being awarded to the winners of its first-ever inner-city schools Dragons' Den competition.

Launched in January 2009, the Norkom Dragons' Den competition involved the participation of four teams from three Dublin inner city schools including Belvedere College, Synge Street CBS and Mount Carmel Secondary School. Styled in the theme of the well-known BBC programme, The Dragons' Den, the four teams had to research, plan and develop a presentation on the theme of Identity Theft on the Internet – the theme being selected for its topicality and close correlation to Norkom's business of fighting financial crime.

Mount Carmel Secondary School for girls scooped the top prize, with each team member receiving €3,000, while their runners-up counterparts, Synge Street CBS, received €2,000 each, the majority of which must be used towards third level education. In addition, the schools belonging to the winners and runners-up each received €2,500 and €1,500 towards IT/services equipment for their schools.

The Norkom Challenge 2010

The Norkom Challenge 2010 formed the second competition under Norkom's Education in the Community programme. Launched in January 2010, the Norkom Challenge tasked twenty students from three inner city Dublin secondary schools (Belvedere College, Mount Carmel School and O'Connell's CBS) and one after-school learning organisation (The Computer Clubhouse) with developing an idea, product or service under the theme - Safe Surfing Online. The students spent 16 weeks researching, planning, developing and polishing their ideas, which were ultimately presented to a team of Norkom judges in a Dragons' Den-style format.

At the awards ceremony, Paul Kerley commented, "When we set out to launch our CSR programme two years ago, I wasn't exactly sure what we might achieve. My intent was to ensure that we could make a difference in the community within which we worked, as well as contribute to the development of our industry. In speaking with some of the teachers, parents and students today, I've learned that, in two short years, we've already made a difference. Many parents have mentioned how their children came home after their mentoring sessions motivated and excited about their ideas and described how a whole new world has opened up for them".

Norkom - A Winning CSR Team

In November 2009, the CSR team received a public boost when Norkom's Education in the Community programme picked up the Excellence in Corporate Social Responsibility award at Irish Software Association's Industry Awards Ceremony. On the same night, Paul Kerley was also named the ISA's Technology Person of the Year.

The prize-giving ceremony, which was hosted in Google Ireland Headquarters on May 7, 2010, saw the presentation of €25,000 to winners, O'Connell's CBS, and runners-up, Belvedere College. Each member of the winning team received €3,000 while their runner-up counterparts received €2,000 each, the majority of which must be used towards third level education. Four students from all four teams also won laptops, while all students involved in the competition received €100 each for their participation.

"Through its Education in the Community programme, Norkom has exemplified excellence in this area through its innovative engagement with students in inner city Dublin in technology-related topics that will increase their awareness of and disposition towards the Irish technology industry as a whole. This programme has also managed to successfully engage Norkom's employee base who, through their roles as mentors to the students, have tapped into the many benefits of helping younger people discover the innovative world of technology." -
Paul Sweetman, Director, Irish Software Association

Engineers of Ireland Group

Over the last two years, Norkom has worked closely with Engineers Ireland to promote the ICT sector to students in inner city Dublin. Through the STEPS to Engineering programme, Norkom has organised Science and Engineering Skills Weeks with the aim of encouraging Transition Year students to consider applying for ICT courses at third level. Norkom employees have also joined the STEPS volunteer programme to help promote the ICT sector amongst second level students, encouraging them to consider careers in all aspects of the ICT sector.

Your Country, Your Call

This year, Paul Kerley, Norkom's CEO, was invited to be a judge on the panel of Your Country, Your Call. This is an internet-based competition designed to find two major proposals that, when implemented, will transform the Irish economy – or significant elements of it – by creating jobs and opportunity. In his role as judge, Paul was looking for a degree of fresh thinking and creativity, as well as the scale of the implementation proposed. With a total prize fund of €200,000 and a development fund of €1 million to implement the winning proposals, the competition attracted 9,000 applications, with the two finalists being announced on September 17, 2010.

Norkom Charity

During fiscal year 2010, the Norkom CSR team organised and hosted two charity events to raise much needed funds for the tragic earthquakes that occurred in Haiti and China. In all, Norkom employees have managed to raise a grand total of €10,000 for worthy charities bringing relief to these devastated regions.

Norkom Culture Days

As a highly diversified, truly multi-cultural, 340-people strong company, with client implementations spanning 100 countries, across four continents, and offices based in nine countries worldwide, Norkom works hard to celebrate the many cultures that make up its global operations. In 2008, the CSR team launched the Norkom Culture Days, which are days dedicated to the celebration of different cultures within Norkom. To date, Norkom's Indian, Irish, Hispanic and Chinese colleagues have hosted their own Culture Days – designed to educate other colleagues with respect to their cultural mores, dress and local delicacies. Norkom Culture Days have proven very successful and are a great way of raising awareness and understanding of other cultures, whilst also bringing a little taste of home to the global workforce.

SMT on ICT start-ups

Having spent the last ten years investing in and building a thriving company, Norkom's senior management team understand the value of good advice and direction, and the role that this has played in helping to drive Norkom's success, particularly in the early years of development. As a result, Norkom's executive team engage, on a formal and informal basis, with the entrepreneurial, academic and business communities, as well as development agencies responsible for helping small ICT start-ups. The team acknowledges the responsibility it has to give generously of their time and experience to assist in the development of the ICT ecosystem as a whole and, in particular, to help early-stage companies find success of their own.

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 2010.

Shane Reihill (Age 44), **Chairman & 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 Kerley (Age 46), **Chief Executive Officer and Executive Director**

Paul has a 20 year track record of successfully building and leading entrepreneurial teams. Before founding 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. A graduate of Dublin City University, Paul was named the Technology Person of the Year by the Irish Software Association (ISA) in 2009, having been named Ernst & Young's Emerging Entrepreneur of the Year in 2000.

Cecil Hayes (Age 54), **Chief Operating Officer & Executive Director**

Cecil has over 25 years' experience in senior operational and financial management positions, principally in the financial services and technology sectors. He is responsible for all aspects of the company's operations globally. Cecil spent 10 years as finance director of two publicly quoted companies and as chairman of Vivas Health since its entrance into the Irish Health Insurance market in 2004 until its sale to Hibernian in April 2008. He is a Fellow of the Institute of Chartered Accountants in Ireland.

Liam Davis (Age 38), **CFO, Secretary & Executive Director**

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.

GROUP INFORMATION

DIRECTORS

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

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 50),
Non-Executive Director

Luc Philips (Age 58),
Non-Executive Director

Gavin O'Reilly (Age 43),
Non-Executive Director

Kieran Nagle (Age 61),
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, he moved into venture capital and spent 8 years with ICC Venture Capital where he was investment director. John is an engineer and had previously worked in the semiconductor industry before joining Deloitte as a management consultant. He is currently chairman of the Irish Venture Capital Association. John holds bachelor and master's degrees in engineering from University College Dublin.

Luc is CFO/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, KBC Insurance and KB Luxemburg where he serves as Chairman of the Audit Committee. In addition, Luc is Executive Director of KBC Bank and of KBC Insurance.

Gavin is group chief executive officer of Independent News & Media plc – a leading multimedia group with interests in publishing, radio, outdoor advertising and online, with primary operations in Australia, Ireland, New Zealand, Northern Ireland, and South Africa. He is chairman of APN News & Media (Australia), chairman of Dromoland Castle Holdings Limited, President of the World Association of Newspapers/ IFRA and serves on the Board of TVC plc, Jagran Prakashan (India) and PT Abdi Bangsa (Indonesia).

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.

BANKERS

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

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

Allied Irish Banks plc,
Bankcentre,
Ballsbridge,
Dublin 4.

Irish Nationwide Building Society,
Nationwide House,
Grand Parade,
Dublin 6.

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 2010

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 2010.

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 12.

Financial performance indicators

The Group has experienced significant growth over the past number of years and reported continued strong financial results for 2010, with revenue increasing by 2.6% to €49.3 million for the year ended 31 March 2010, compared to €48.0 million for the year ended 31 March 2009. Gross profit increased by 4.4% to €30.3 million (including depreciation) for the year ended 31 March 2010, compared to €29.0 million (including depreciation) for year ended 31 March 2009. Earnings before interest, tax, depreciation and amortisation ("EBITDA") before IFRS 2 non-cash charge increased by 20.3% to €10.2 million for the year ended 31 March 2010, compared to €8.4 million for the year ended 31 March 2009.

	2010	*2009*
	€'000	*€'000*
Operating profit	7,010	4,783
Depreciation	991	994
Amortisation of intangibles acquired	1,149	1,790
Impairment of intellectual property	-	595
IFRS 2 non-cash charge	1,008	281
EBITDA pre IFRS 2 non-cash charge	**10,158**	**8,443**

Results for the Year End and State of Affairs at 31 March 2010

The consolidated income statement for the year ended 31 March 2010 and the consolidated statement of financial position at that date are set out on pages 28 and 30. The profit before taxation for the year amounted to €7,454,000 (after deducting amortisation on intangible assets of €1,149,000) compared with a profit before taxation of €4,905,000in the previous year.

Profit attributable to equity holders of the parent is after charging taxation of €455,000 (2009: €630,000) and dividends to non-controlling interests of €375,000 (2009: €270,000); retained profit for the year of €6,624,000 (2009: €4,005,000) was credited to reserves. Shareholders' funds at 31 March 2010 amounted to €65,713,000 (2009: €58,190,000).

For further discussion on the state of affairs of the Group, refer to the Operating and Financial Highlights and Chief Executive Officer's Review on pages 4 to 5 and 6 to 12 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 ESM (formerly 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 judgement 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 six meetings to be held in each calendar year and also meets on other occasions, as necessary. There were six full meetings of the Board during the financial year ended 31 March 2010.

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, on 3 July 2009, Gavin O'Reilly, Luc Philips and Kieran Nagle were re-elected as directors of the Company.

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 parent company 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 judgements 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 Group 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 16 and 17, 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 21 to the consolidated financial statements.

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

Details of the Directors' emoluments, shareholdings and share options are set out in note 21 to the Group's 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 2010 was €7,689,000 (2009: €7,783,000), representing 15.6% (2009: 16.2%) 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 Chief Financial Officer 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.

Principal Risks and Uncertainties

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 environmental 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. The Group monitors the position of its customers, and exposure to individual customers, on an ongoing basis, and no specific or general provision for potential bad debts is necessary.

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 AUD$, US$, 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.

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 (increasing to 12.5% from 1 January 2011) 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.

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 statement of financial position 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.

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: 8 June 2010

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 judgements 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 69 to 73), 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 2009.

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 2009. 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 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Parent Company Balance Sheet and the related notes 1 to 24 (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 2009. 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 CEO 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.

Independent Auditors' Report To The Members Of Norkom Group PLC (continued)

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 2010 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2009; 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 2010 and have been properly prepared in accordance with the Companies Acts, 1963 to 2009.

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.

8 June 2010

Consolidated Income Statement

for the year ended 31 March 2010

	Note	2010 €'000	2009 €'000
Continuing Operations			
Revenue	4	**49,276**	48,022
Cost of sales		(19,006)	(19,039)
Gross profit		**30,270**	**28,983**
Sales and marketing costs		(8,164)	(8,844)
Research and development costs		(7,689)	(7,783)
Administrative expenses		(6,258)	(5,188)
Amortisation of intangibles	12	(1,149)	(1,790)
Impairment of intellectual property	12	-	(595)
Operating profit		**7,010**	**4,783**
Share of loss of associate	5	(101)	(496)
Finance revenue	6	569	676
Finance costs:			
Finance charges	6	(24)	(58)
Profit before taxation	**6**	**7,454**	**4,905**
Income and deferred tax (expense)	8	(455)	(630)
Profit for the year from continuing operations		**6,999**	**4,275**
Attributable to:			
Equity holders of the parent		6,624	4,005
Non-controlling interests	9	375	270
		6,999	4,275
EPS:		**Cent**	**Cent**
Basic earnings per ordinary share	10	7.40c	4.50c
Diluted earnings per ordinary share	10	7.13c	4.27c
Adjusted EPS:			
EPS adjusted for amortisation and non-cash charges	10	9.42c	7.74c
EBITDA EPS – post IFRS 2 non-cash charge	10	9.85c	8.70c
EBITDA EPS – pre IFRS 2 non-cash charge	10	10.94c	9.00c

Approved by the Board on 8 June 2010

Directors ; Shane Reihill

Paul Kerley

Consolidated Statement Of Comprehensive Income

for the year ended 31 March 2010

	2010 €'000	*2009 €'000*
Profit for the year from continuing operations	6,999	4,275
Exchange differences on the translation of foreign operations	(151)	3,609
Total comprehensive income for the year net of tax	**6,848**	**7,884**
Attributable to:		
Equity holders of the parent	6,473	7,614
Non-controlling interests	375	270
	6,848	**7,884**

Consolidated Statement Of Financial Position

at 31 March 2010

	Note	2010 €'000	2009 €'000
Non-current assets			
Property, plant and equipment	11	1,128	1,736
Intangible assets	12	23,589	25,302
Investment in associate	5	1,689	1,790
Deferred tax asset	8	2,123	2,232
		28,529	**31,060**
Current assets			
Trade and other receivables	13	11,801	16,408
Tax recoverable		108	359
Prepayments		892	614
Financial assets	23	-	28
Cash and short-term deposits	14	41,642	27,453
Total current assets		**54,443**	**44,862**
Total assets		**82,972**	**75,922**
Equity and liabilities			
Equity			
Issued share capital	15	898	894
Share premium	15	38	42,454
Other reserves	15	2,074	29,175
Translation adjustment	15	(486)	(345)
Retained earnings (loss)	15	63,189	(13,988)
Equity attributable to equity holders of the parent		**65,713**	**58,190**
Non-controlling interests	9	0	0
Total Equity		**65,713**	**58,190**
Non-current liabilities			
Interest-bearing loans and borrowings	16	-	1,000
Deferred tax liability		-	104
Finance lease obligations	19	76	154
Other payables		4	51
Total non-current liabilities		**80**	**1,309**
Current liabilities			
Trade and other payables	17	7,842	8,856
Income taxes payable		261	196
Finance lease obligations	19	78	83
Supplier loan	19	-	18
Deferred revenue		8,998	7,270
Total current liabilities		**17,179**	**16,423**
Total liabilities		**17,259**	**17,732**
Total equity and liabilities		**82,972**	**75,922**

Approved by the Board on: 8 June 2010

Directors ; Shane Reihill
Paul Kerley

Consolidated Statement Of Changes In Equity

for the year ended 31 March 2010

Attributable to equity holders of the parent	*Issued capital €'000*	*Share premium €'000*	*Retained profit (loss) €'000*	*Other reserves €'000*	*Translation reserve €'000*	*Total €'000*	*Non-controlling interest €'000*	*Total equity €'000*
At 31 March 2009	894	42,454	(13,988)	29,175	(345)	58,190	-	58,190
Profit retained for the financial year	-	-	6,624	-	-	6,624	375	6,999
Movement in translation reserve	-	-	-	(10)	(141)	(151)	-	(151)
Total comprehensive income	**-**	**-**	**6,624**	**(10)**	**(141)**	**6,473**	**375**	**6,848**
Capital restructuring – note 15	-	(42,454)	70,553	(28,099)	-	-	-	-
ESOP issue of ordinary shares	4	38	-	-	-	42	-	42
Expensing of share-based payment	-	-	-	1,008	-	1,008	-	1,008
Dividends of subsidiaries	-	-	-	-	-	-	(375)	(375)
At 31 March 2010	**898**	**38**	**63,189**	**2,074**	**(486)**	**65,713**	**-**	**65,713**

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 profit (loss) €'000*	*Other reserves €'000*	*Translation reserve €'000*	*Total €'000*	*Non-controlling interest €'000*	*Total equity €'000*
At 31 March 2008	893	42,445	(17,993)	28,894	(3,954)	50,285	-	50,285
Profit retained for the financial year	-	-	4,005	-	-	4,005	270	4,275
Movement in translation reserve	-	-	-	-	3,609	3,609	-	3,609
Total comprehensive income	**-**	**-**	**4,005**	**-**	**3,609**	**7,614**	**270**	**7,884**
ESOP issue of ordinary shares	1	9	-	-	-	10	-	10
Expensing of share-based payment	-	-	-	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 Cash Flows

for the year ended 31 March 2010

	Note	2010 €'000	2009 €'000
Operating activities			
Profit before taxation		7,454	4,905
Adjustment to reconcile profit before tax to net cash flows			
Non-cash:			
Depreciation of property, plant and equipment	11	991	994
Amortisation of intangibles	12	1,149	2,385
Share-based payment		1,008	281
Share of loss of associate	5	101	496
Finance income		(569)	(676)
Finance costs		24	58
Working capital adjustments:			
Decrease (increase) in debtors and prepayments		4,426	(1,306)
Increase (decrease) in creditors and accruals		611	(334)
Cash generated from operations		**15,195**	**6,803**
Income taxes paid		(170)	(229
Net cash from operating activities		**15,025**	**6,574**
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired		-	1,365
Acquisition of subsidiary, receipt of escrow fund		-	81
Purchase of property, plant and equipment	11	(367)	(1,177)
Purchase of interest in associate	5	-	(194)
Interest received		568	710
Net cash provided by investing activities		**201**	**785**
Financing activities			
Proceeds from ESOP issue of shares	15	42	10
Repayment of long-term loan - capital	16	(1,000)	-
Repayment of loan - interest accrued	16	(150)	-
Capital element of finance lease payments	19	(83)	(194)
Capital element of supplier loan	19	(18)	(68)
Finance lease interest paid	19	(12)	(26)
Supplier loan interest paid	19	-	(2)
Dividends paid to non-controlling interests	9	(260)	(110)
Net cash flows used in financing activities		**(1,481)**	**(390)**
Increase in cash		13,745	6,969
Net foreign exchange difference		444	(231)
Cash and cash equivalents at 1 April	**14**	**27,453**	**20,715**
Cash and cash equivalents at 31 March	**14**	**41,642**	**27,453**

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 are listed on the ESM and AIM markets.

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 2010 were authorised for issue in accordance with a resolution of the directors on 8 June 2010.

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 (€’000) 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, except as follows:

The following new and amended IFRS and IFRIC interpretations (collectively IFRS) were adopted for the financial year to 31 March 2010, no restatement of prior year results or comparatives was required on adoption of these IFRS.

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements, effective 1 January 2009.
- Amendment to IFRS 2 – Share-Based Payment – Amendment relating to vesting period and cancellations, effective1 January 2009.
- Amendment to IFRS 2 – Share-Based Payment – Amendment relating to group cash-settled share based transactions effective1 January 2010 (early adopted).
- IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements, effective1 July 2009 (early adopted) including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39.
- IFRS 7 – Financial instruments disclosures, effective 1 January 2009.
- IFRS 8 – Operating Segments, effective 1 January 2009.
- IAS 1 Presentation of Financial Statements – Comprehensive revision including requiring a statement of comprehensive income and amendments relating to disclosure of puttable instruments and obligations arising on liquidation, effective1January 2009.
- Amendment to IAS 23 – Borrowing Costs (revised) – Comprehensive revision to prohibit immediate expensing effective 1 January 2009.
- IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation effective 1 January 2009.

- IFRIC 12 – Service Concession Arrangements effective 1 January 2009.
- IFRIC 13 – Customer Loyalty Programmes effective 1 January 2009.
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation effective 1 January 2009.
- IFRIC 18 – Transfers of Assets from Customers effective 1 July 2009 (early adopted).

The impact of the adoption of an IFRS on the financial statements or performance of the Group, this impact is described below:

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 became effective for annual periods beginning on or after 1 January 2009 and were adopted for the financial year ended 31 March 2010. The revision to IAS 27 is applied prospectively. The new requirements do not have an impact on the consolidated financial statements.

Amendment to IFRS 2 – Share-Based Payment

Amendment relating to vesting period and cancellations became effective for annual periods beginning on or after 1 January 2009 and was adopted for the financial year endied 31 March 2010. 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.

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. The Group has determined to early adopt this standard for the financial year ending 31 March 2010. 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. The primary impact of these changes is that no corresponding adjustment is made to carrying value of goodwill upon reassessment of recoverability of deferred tax assets or liabilities acquired on the original acquisition transaction. 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 required by IFRS 3R and IAS 27R will affect future acquisitions or loss of control and transactions with non-controlling interests. The application of the amendments to IAS 27, IAS 28 and IAS 31 did not result in any change in accounting in the Group financial statements.

IFRS 8 – Operating Segments

The revised standard became effective for annual periods beginning on or after 1 January 2009 and was adopted for the financial year ended 31 March 2010. Management concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14. IFRS 8 disclosures are shown in Note 4, including the related revised comparative information.

IAS 1 Revised Presentation of Financial Statements

The revised standard became effective for annual periods beginning on or after 1 January 2009 and was adopted for the financial year ended 31 March 2010. The standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with equity holders, with non-owner changes in equity presented as a single line. Whilst the revised IAS 1 has no impact on the measurement of the Group's results or net assets it resulted in certain changes in the presentation of the Group's financial statements from the period commencing 1 April 2009, most notably the preparation and preparation of a Consolidated Statement of Comprehensive Income for the financial year to 31 March 2010 and the comparative financial year to 31 March 2009.

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

These amendments to IAS 39 became effective for annual periods beginning on or after 1 January 2009 and were adopted for the financial year ended 31 March 2010. 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 not entered into any such hedges at the end of the reporting period.

The amendments to IFRIC Interpretations 12,13, 16 and 18 were adopted for the financial year ended 31 March 2010 but are not currently applicable in the context of the Group's activities. The application of the amendment to IAS 23 did not have any impact on the Group's financial statements.

Improvements to IFRSs

In May 2008 and April 2009 the IASB issued an 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 has adopted these revised standards at their effective dates, these adoptions not having any impact on the financial position or performance of the Group.

- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 8 Accounting Policies, Change in Accounting Estimates and Errors
- IAS 10 Events after the Reporting Period
- IAS 16 Property, Plant and Equipment
- IAS 18 Revenue
- IAS 19 Employee Benefits
- IAS 20 Accounting for Government Grants and Disclosures of Government Assistance
- IAS 23 Borrowing Costs
- IAS 27 Consolidated and Separate Financial Statements
- IAS 28 Investment in Associates
- IAS 29 Financial Reporting in Hyperinflationary Economies
- IAS 31 Interest in Joint ventures
- IAS 34 Interim Financial Reporting
- IAS 36 Impairment of Assets
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement

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 has assessed the accounting policy to adopt for the recycling on disposal of the net investment and has applied to the disposals of dormant subsidiaries in the current period, the impact not being material.

Standards issued but not yet effective up to the date of issuance of the Group's financial statements:

IFRIC 17 Distributions of Non-cash Assets to Owners

This interpretation is effective for annual periods beginning on or after 1 July 2009 with early application permitted. It provides guidance on how to account for non-cash distributions to equity holders. The interpretation clarifies when to recognise a liability, how to measure it and the associated assets, and when to derecognise the asset and liability. The Group does not expect IFRIC 17 to have an impact on the consolidated financial statements as the Group has not made non-cash distributions to shareholders in the past.

(iv) 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 consolidated income statement reflects the Group's share of profit after tax of the related associates. Investments in associates are carried in the Consolidated Statement of Financial Position 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 2009, 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.

Non-controlling interests
Non-controlling 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 statement of financial position, 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 with subsidiaries 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.

(v) Business combinations
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.

From 1 April 2009:
The acquisition method of accounting is employed in accounting for the acquisition of subsidiaries and associates by the Group.

IFRS 3 (amendment), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Management have early adopted this amended standard for the annual period commencing on 1 April 2009. The adoption of this amendment did not have any impact on the financial position or performance of the Group as at 1 April 2009. Management has assessed the impact of the requirements regarding acquisition accounting, consolidation and associates on the Group. The Group does not have any joint ventures.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date through profit and loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income.

If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash generating unit.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Prior to 1 April 2009:

In comparison to the above mentioned requirements, the following differences applied:
Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquire were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration affected goodwill.

(vi) 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 are set out in note 12 to the consolidated financial statements.

(vii) 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 statement of financial position 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 in the income statement. This is the profit or loss attributable to owners of the associate and therefore is profit or loss after tax and non-controlling interests in the subsidiaries of the associates.

The financial statements of the associate are prepared within 3 months of the consolidated 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 end of the reporting period 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.

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

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

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 in the income statement in the expense category consistent with the function of the intangible asset. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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.

(ix) Property, plant and equipment

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

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

(x) Impairment of non-financial assets

The Group assesses at each reporting period end 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.

For assets excluding goodwill, an assessment is made at each reporting period end 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 units 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.

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.

(xi) 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.

(xii) 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 end of the reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing income statement at the end of the reporting period. 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 at the end of the reporting period. 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.

(xiii) 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.

(xiv) 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.

(xv) 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.

(xvi) 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.

(xvii) 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. Government grants have been received in the current period in respect of research and development activities and in respect of employment support.

(xviii) 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 end of the reporting period.

Deferred income tax is provided using the liability method on temporary differences at the end of each reporting period 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 theaccounting 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 the end of each reporting period 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 the end of each reporting period 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 substantively enacted at the end of each reporting period.

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 statement of financial position.

(xix) 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 income statement 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 income statement 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 10.

(xx) Financial instruments

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. The Group considers whether a contract contains an embedded derivative when the entity first becomes a party to it.

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 are subsequently measured at amortised cost. 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 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 end of the reporting period 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 held at amortised cost are assessed for indicators of impairment at the end of each reporting period. 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 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 Judgements 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 judgement in the process of applying the Group's accounting policies. The areas requiring a higher degree of judgement, or areas where assumptions and estimates are significant to the consolidated financial statements, are:

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

Specifically, the key assumptions concerning the future, and other sources of estimation uncertainty at the end of the reporting period, 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 end of the reporting period. 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 18.

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 judgement 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. Segmental information

Adoption of IFRS 8 Operating Segments

The Group has adopted IFRS 8 Operating Segments with effect from 1 April 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. As a result, following the adoption of IFRS 8, the process to identify the Group's reportable segments has changed. There is no change in the reportable segment identified.

Products and services from which the reportable segment derives its revenues

In prior years, the one reportable segment identified and reported externally was the provision of software and services for enterprise financial crime monitoring and compliance. Moreover, information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is provided on a single business line basis, individual elements of software and services not being disaggregated for the purposes of reporting operating performance or allocating resources. For the purposes of internal reporting revenue results are reported by geographical region (but not by country or client) for the purposes of determining regional performance, however operating results are not reported by region for the purposes of resource allocation. The Group's one reportable segment under IFRS 8 is therefore the provision of software and services for enterprise financial crime monitoring and compliance.

The Group does not undertake any other activities other than the primary activity described above.

The accounting policy of the reportable segment is the same as the Group's accounting policies described in note 2.

The following is an analysis of the Group's revenue from continuing operations from its major types of products and services.

	2010	*2009*
	€'000	*€'000*
Licence	10,022	12,122
Professional services	32,239	30,865
Post contract support/other	7,015	5,035
	49,276	**48,022**

Norkom and its clients operate in diverse geographical areas (not delimited by countries of operation).

There are no material dependencies or concentrations on individual customers which would warrant disclosure under IFRS 8.

The individual entities within the Group each have a large number of customers spread across various activities, end-uses and geographies the Group is domiciled in Ireland.

The Group operates in four principal geographic regions.

	2010	*2009*
	€'000	*€'000*
Ireland – Country of Domicile	329	733
UK and Rest of World	8,952	7,365
North America	17,442	19,401
Europe	13,583	12,667
Asia-Pacific	8,970	7,856
	49,276	**48,022**

An analysis of the carrying amounts of non-current assets by location is as follows:

	2010 €'000	2009 €'000
Ireland – Country of Domicile	6,539	7,090
North America	19,637	21,470
Europe	88	172
Asia-Pacific	142	96
	26,406	**28,828**

5. Investment in an associate

The Group has a 47.1% interest in Digital Harbor 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 2009 to 31 December 2009 included in the Group financial statements is a loss of €101,000 (31 December 2008: loss €496,000).

Share of associate's statement of financial position

	€'000
Carrying value of interest in associate at 1 April 2009	1,790
Share of associate loss for the period to 31 December 2009	(101)
Net carrying value of interest in associate at 31 March 2010	**1,689**

	2010 €'000	2009 €'000
Share of associate's statement of financial position		
Current assets	744	721
Non-current assets	1,061	1,093
Current liabilities	(116)	(24)
Net assets	**1,689**	**1,790**

6. Profit for the year

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

Finance costs

	2010 €'000	2009 €'000
Interest payable		
Finance interest	14	26
Supplier loan interest	-	2
'EI 2005' preference shares (note 16)	10	30
Total finance costs	**24**	**58**

Finance income

	2010 €'000	2009 €'000
Interest receivable	569	676
Total finance income	**569**	**676**

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

	2010 €'000	2009 €'000
Impairment of intellectual property	-	595
Amortisation of intellectual property	-	643
Amortisation of customer relationships	1,149	1,147
Government grants – R&D and Payroll	(1,064)	(1,204)
Depreciation of property, plant and equipment	991	994
Minimum lease payments recognised as an operating lease expense	1,700	1,505
Auditors' remuneration	135	135
Foreign exchange differences	(415)	(18)
Gain on recognition of fair value of forward contract	-	(28)

Depreciation of tangible fixed assets is charged to cost of sales and operating expenses before operating profit within the income statement.

7. Employee numbers and benefits expense

The average number of permanent full-time persons (including executive directors) employed by the Group during the year was 301 (2009: 304) and is analysed into the following categories:

Staff numbers	*2010 Number*	*2009 Number*
Professional services	125	127
Sales and marketing	24	28
Research and development	111	109
General and administration	41	40
	301	**304**

Staff costs	*2010 €'000*	*2009 €'000*
The staff costs comprise:		
Wages and salaries	19,548	19,964
Social welfare costs	2,077	2,002
Pension costs	840	906
Expenses of equity-settled share-based payment transactions	1,008	281
Total staff costs	**23,473**	**23,153**

8. Income and deferred tax

Tax based on the profit for the year:	*2010 €'000*	*2009 €'000*
Current income tax		
Research and development tax credits	(317)	(187)
Amounts under-provided in prior years	23	-
Foreign tax	785	226
Total current tax charge	491	39
Deferred tax		
Deferred tax (credit) charge	(36)	591
Total deferred tax (credit) charge	(36)	591
Total charge in the income statement	**455**	**630**

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:	*2010 €'000*	*2009 €'000*
Profit on ordinary activities	7,454	4,905
Profit on ordinary activities multiplied by the Irish statutory tax rate of 12.5% (2009: 12.5%)	932	613
Effect of:		
Manufacturing relief	(186)	(128)
Expenses not deductible and non-taxable income	288	399
Local and state taxes	148	23
Higher tax rate on passive income	21	85
Foreign earnings taxed at higher rate of taxation	412	137
Income not liable to tax	-	(16)
Origination and reversal of timing differences	(36)	591
Utilisation of tax losses carried forward	(830)	(887)
Research and development credits recognised	(317)	(187)
Underprovision in previous years	23	-
Total tax charge	**455**	**630**

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.

	2010 €'000	*2009 €'000*
Income statement:		
Deferred tax (credit) charge	(36)	591
Statement of Financial Position:		
Balance carried forward	2,128	1,560
Exchange movements	(41)	(5)
Amounts credited (charged) to income statement	36	(589)
Recognition of asset on acquisition of a subsidiary (note 12)	-	1,162
Losses available for offset against future taxable income	-	-
Deferred tax asset	**2,123**	**2,128**
Losses available for offset against future taxable income	653	1,506
Credits received to be recovered against future tax liabilities	1,470	726
Deferred tax liability	-	(104)
Deferred tax asset, net	**2,123**	**2,128**

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.

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
UK	1,558	2,025
US – available for offset against current tax liabilities	3,029	958
US – available for offset against future tax liabilities	10,930	13,007
Total	**15,517**	**15,990**

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 2010 is:

	2010 €'000	2009 €'000
Ireland	4	253
Total	**4**	**253**

Credits are not recognised in repect of accrued expenditure for which claims have not been made in the current financial year.

9. Non-controlling interests

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 2010, dividends in the aggregate amount of €375,000 (2009: €270,000) were declared, based on royalty income Norkom Alchemist Limited received from other Group companies to which Norkom Alchemist Limited licences patented technologies.

10. 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:

	2010 €'000	2009 €'000
Profit for the financial year attributable to ordinary shareholders	**6,624**	**4,005**

Denominator	*2010 Number of shares*	*2009 Number of shares*
Weighted average number of shares for basic earnings per share	89,502,500	88,985,733
Effect of employee share options	3,377,656	4,828,895
Weighted average number of shares adjusted for the effect of dilution	**92,880,156**	**93,814,628**

Basic EPS:	*2010 Cent*	*2009 Cent*
Basic earnings per ordinary share	7.40c	4.50c
Diluted earnings per ordinary share	7.13c	4.27c

(i) Adjusted EPS:	*2010 Cent*	*2009 Cent*
Adjusted diluted earnings per ordinary share	9.42c	7.74c

(ii)EBITDA EPS:	*2010 Cent*	*2009 Cent*
EBITDA diluted earnings per ordinary share – post IFRS 2 non-cash charge	9.85c	8.70c
EBITDA diluted earnings per ordinary share – pre IFRS 2 non-cash charge	10.94c	9.00c

Earnings reconciliations:

EBITDA reconciliation:	*2010 €'000*	*2009 €'000*
Operating profit	7,010	4,783
Add back:		
Depreciation	991	994
Amortisation of intangibles	1,149	1,790
Impairment of intellectual property	-	595
EBITDA – Post IFRS 2 non-cash charge	**9,150**	**8,162**
IFRS 2 non-cash charge	1,008	281
EBITDA – Pre IFRS 2 non-cash charge	**10,158**	**8,443**

Earnings for adjusted EPS reconciliation:		
Profit attributable to the equity holders of the parent	6,624	4,005
Add back:		
IFRS 2 non-cash charge	1,008	281
Amortisation of intangibles	1,149	1,790
Impairment of intellectual property	-	595
Deferred tax (credit) charge	(36)	(591)
Earnings for adjusted EPS	**8,745**	**7,262**

In 2010, the total number of options relating to contingently issuable shares excluded from the calculation of diluted earnings per share was 9,784,629 (2009: 1,906,333). In accordance with IAS 33 the performance conditions associated with those options had not been satisfied at 31 March 2010. Certain shares with buy-back features were excluded from the weighted average number of shares for basic EPS in the prior period.

There have been no ordinary share transactions or potential ordinary share transactions that occurred after the end of the reporting period 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.

11. Property, plant and equipment

	Leasehold improvements €'000	Computer equipment €'000	Furniture and fittings €'000	Office equipment €'000	Total €'000
Cost:					
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 1 April 2009	**439**	**3,586**	**1,153**	**1,726**	**6,904**
Additions during the year	-	247	69	51	367
Arising on translation	(1)	7	27	4	37
At 31 March 2010	**438**	**3,840**	**1,249**	**1,781**	**7,308**
Depreciation:					
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 1 April 2009	**315**	**3,179**	**814**	**860**	**5,168**
Charge in the year	105	378	130	378	991
Arising on translation	(1)	7	11	4	21
At 31 March 2010	**419**	**3,564**	**955**	**1,242**	**6,180**
Net book amounts:					
At 31 March 2010	**19**	**276**	**294**	**539**	**1,128**
At 31 March 2009	**124**	**407**	**339**	**866**	**1,736**
At 31 March 2008	**209**	**440**	**304**	**579**	**1,532**

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
2010:				
Net book value	18	-	135	-
Depreciation charge	75	-	62	-
2009:				
Net book value	93	-	197	-
Depreciation charge	25	73	62	-

12. Intangible Assets

	Goodwill €'000	Intellectual property €'000	Customer relationships €'000	Total €'000
Cost:				
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 1 April 2009	**20,584**	**1,726**	**7,641**	**29,951**
Arising on translation	(396)	(62)	(165)	(623)
At 31 March 2010	**20,188**	**1,664**	**7,476**	**29,328**
Amortisation:				
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 1 April 2009	**-**	**1,726**	**2,923**	**4,649**
Charge in the year	-	-	1,149	1,149
Arising on translation	-	(62)	3	(59)
At 31 March 2010	**-**	**1,664**	**4,075**	**5,739**
Net book amounts:				
At 31 March 2010	**20,188**	**-**	**3,401**	**23,589**
At 31 March 2009	**20,584**	**-**	**4,718**	**25,302**
At 31 March 2008	**18,901**	**1,065**	**5,005**	**24,971**

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 2009 and concluded that no impairment existed. 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 segment – the provision of software and services for enterprise financial crime monitoring and compliance. The reporting segment represents the lowest level within the Group at which the associated goodwill is monitored for internal management purposes and is not larger than the reportable segment determined in accordance with IFRS 8 Operating Segments. The testing methodology compares the greater of fair value less costs to sell (market capitalisation) and value in use (based on 5 year discounted cash flows) of the reporting segment with its carrying amount, including goodwill. If the carrying amount of the reporting segment exceeds the greater of fair value less costs to sell and value in use the difference would be recorded as an impairment loss. The Group determines its fair value by reference to its market capitalisation, at the date of testing and by reference to capital movements in the annual period to the date of testing.

The cash flow forecasts employed for the value in use computation are extracted from the 2011 (year to 31 March 2011) 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% (2009: 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 2010 or 2009.

The key assumptions include management's estimates of future profitability based on zero sales growth and capital expenditure requirements including continuing investment most particularly. 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 recoverable amount of goodwill is a key judgemental estimate in the preparation of the consolidated 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 segment.

Intangible assets (other than goodwill):

The fair values of customer relationships and intellectual property acquired on the acquisition of a subsidiary 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.

No indicators of impairment existed in respect of customer relationships as at 31 December 2009 and 31 March 2010. As at 31 March 2010 the customer relationships had remaining useful lives of 2.8 years.

As at 31 March 2009 impairment indicators were identified in respect of the intellectual property acquired on the acquisition of a subsidiary. 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 fair value less costs to sell was zero. The resultant impairment loss (€595,000) to write the carrying value of the asset to zero was recognised in the consolidated income statement to 31 March 2009.

13. Trade and other receivables

	2010 *€'000*	*2009* *€'000*
Trade receivables	9,412	14,057
Government grant receivable	-	654
VAT recoverable	382	402
Accrued revenue	2,007	1,295
	11,801	**16,408**

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 2010 and 2009 there were no trade receivables that were impaired and fully provided for.

Ageing analysis:	*2010* *€'000*	*2009* *€'000*
Not past due	6,844	6,798
Past due but not impaired:		
0 to 30 days past due	445	3,477
31 to 60 days past due	614	727
Greater than 60 days past due	1,509	3,055
Total trade receivables	**9,412**	**14,057**

14. Cash and short-term deposits

	2010 €'000	2009 €'000
Cash at banks and on hand	36,474	6,888
Short-term deposits	5,168	20,565
Total cash and short-term deposits	**41,642**	**27,453**

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 €41,642,000 (2009: €27,453,000).

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

Authorised capital	2010 €'000	2009 €'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	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 18).

Issued capital

	2010 €'000	2009 €'000
Allotted, called up and fully paid 89,783,543 (2009: 89,442,576) ordinary shares of €0.01 each	898	894

	Number	*€'000*
Ordinary shares issued and fully paid		
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**
Issued for cash on the exercise of options	340,967	4
At 31 March 2010	**89,783,543**	**898**

During the year, 340,967 ordinary shares of €0.01 each with an aggregate par value of €3,410 were issued for cash of €41,212 following the exercise of options. The premium on the issue of €37,801 was credited to share premium. The proceeds were used for working capital purposes.

As at 12 August 2009 the Irish registered group companies Norkom Group plc (the Parent Company), Norkom Technologies Limited and Norkom Technologies (Ireland) Limited effected a restructuring of their individual statutory reserves in accordance with Section 72 of the Companies Act 1963 after obtaining High Court approval and passing special resolutions in accordance with the same act.

The effect of this restructuring was to release balances totaling €70.6 million on the Share premium and other reserve accounts to retained earnings.

The balance on the consolidated share premium had arisen from the issue of ordinary shares by the Parent Company.

The balance on the consolidated other reserves had arisen from the issue of ordinary shares by group companies that had historically been the group holding company and which were subsequently recategorised into other reserves (Merger reserves) on group restructuring. The remaining balance on other reserves represents an employee benefits reserve and 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 2010 and the amounts transferred to equity reserves in respect of share options exercised in the year.

Nature and purpose of other reserves

Other reserves

Other reserves comprise those group reserves which are non-distributable group reserves, arising from 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.

16. Interest-bearing loans and borrowings

Supplier loan

	2010 €'000	2009 €'000
Payable within 1 year	-	18
Total	**-**	**18**

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

'EI 2005' Preference shares

	2010 €'000	2009 €'000
'EI 2005' preference shares	**-**	**1,000**

In the year to 31 March 2010 the 'EI 2005' preference shares were redeemed at par value of €1,000,000.

At 31 March 2009 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 carried no voting rights and were required to be redeemed after the fifth anniversary of the date of subscription. The 'EI 2005' preference shares had 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 carried a fixed cumulative preferential dividend at the rate of 9% per annum on the amount paid up, 6% of the dividend has been waived upon the Company having achieved agreed required expenditure targets. As the Company paid only the 3% dividend, a 3% dividend in the amount of €30,000 was accrued in each of the four years from 31 March 2006 to 31 March 2010, and was presented within current liabilities – trade and other payables. These preference shares were classified as a financial liability in accordance with IAS 32, while the dividends represented a finance charge, and are presented within finance costs.

17. Trade and other payables (current)

	2010 €'000	2009 €'000
Trade payables	496	2,549
Payroll and related taxes	1,078	1,236
VAT payable	504	526
Other payables and accruals	5,764	4,545
Total	**7,842**	**8,856**

Terms and conditions of the above payables:

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.

18. Share-based payments

The total expense recognised for share-based payment transactions in respect of employee services received during the year ended 31 March 2010 amounts to €1,008,000 (2009: €281,000).

The share option schemes established by the Company are broadly divided into two categories:
Category 1: Predecessor Option Plans
Category 2: 2006 Option Plan

Options were exercised throughout the year. The share price of the company on the ESM (Enterprise Securities Market), in the period from 1 April 2009 to 31 March 2010, ranged from €0.61 to €1.62.

Category 1: Predecessor Option Plans

The Predecessor Option Plans 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 were 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 2010, options to purchase an aggregate of 1,338,319 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 years ended 31 March 2010 and 2009 in the Predecessor Option Plans.

	Options 2010 Number	*Weighted average exercise price 2010 €*	*Options 2009 Number (Restated)*	*Weighted average exercise price 2009 €*
Outstanding at beginning of year	1,549,286	0.09	1,642,190	0.10
Exercised	(210,967)	0.09	(92,904)	0.09
Outstanding at end of year	**1,338,319**	**0.09**	**1,549,286**	**0.09**
Exercisable at end of year	**1,336,444**	**0.09**	**1,344,012**	**0.09**

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 (Options under the Predecessor Plans were overstated by 1,073,447 in 2009).

The range of exercise prices for options outstanding at the end of the year was €0.01 to €0.17 (2009: €0.01 to €0.17).

For the year ended 31 March 2010:

Weighted average market price at date of exercise	€1.19
Weighted average remaining contractual life	2.4 years

Category 2: 2006 Option Plan

General

On 28 April 2006, the board approved the adoption of the 2006 Option Plan. At the Annual General Meeting of the Company on 3 July 2009, the shareholders of the Company approved changes to the 2006 Option Plan to increase the incentive pool available from 12.5% to 16.0% and also to modify the terms of the 2006 Option Plan, as deemed appropriate by the Remuneration Committee, such that participants shall be entitled to receive share awards as well as share options under substantially the same terms and conditions that apply to options.

Under the terms of the 2006 Option Plan, all options must be exercised no later than 10 years from the date of grant. The options granted prior to 31 August 2009 all have a 7 year period from date of grant in which they must be exercised. The Remuneration Committee increased the exercise period to 10 years from date of grant for all options granted since 1 September 2009.

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.

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 ESM 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 the Remuneration Committee in good faith in accordance with the rules of the scheme.

At 31 March 2010 options to purchase an aggregate of 12,087,190 ordinary shares remain outstanding under the 2006 Option Plan.

	Options 2010 Number	*Weighted average exercise price 2010 €*	*Options 2009 Number*	*Weighted average exercise price 2009 €*
Outstanding at beginning of year	8,106,625	0.50	8,072,885	0.48
Granted	7,544,531	1.19	667,500	1.50
Lapses	(3,433,966)	0.17	(633,760)	1.42
Exercised	(130,000)	0.17	-	-
Outstanding at end of year	**12,087,190**	**1.07**	**8,106,625**	**0.50**
Exercisable at end of year	1,375,500	0.21	915,000	-

At 31 March 2010 the weighted average remaining contractual life for all options was 6.8 (2009: 4.5) years. The range of exercise prices for all options outstanding at the end of the year was €0.167 to €1.90 (2009: €0.167 to €2.10).

The Company uses a Black-Scholes model to calculate the fair value of the options for options issued in the year ended 31 March 2010.

The following table lists the inputs and output to/from the model used for the years ended 31 March 2010 and 31 March 2009.

	2010	*2009*
Weighted average share price at grant date	€1.19	€1.44
Weighted average historical volatility (%)	50.0%	50.0%
Weighted average risk-free interest rate (%)	3.1%	5.2%
Weighted average expected life of options (years)	9.5	6.0
Weighted average exercise price	€1.19	€1.44
Outputs:		
Weighted average fair value per option	€0.69	€0.64

- 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.

- The weighted average share price and exercise price are calculated based on the actual ESM quoted prices at the date of grant of options.
- The weighted average expected life of the options is calculated on the basis of actual contractual life of options granted in 2010.

1. Grants to April 2006:

(i): 1,753,493 options remain outstanding, representing 41.3% of 4,250,292 options originally granted, based on the authority given to the Remuneration Committee by the shareholders at the Annual General Meeting of the Company on 3 July 2009, and subject to amended performance criteria:

- 365,312 of these options will vest automatically on 31 March 2012 provided that the option holders are still employees of the company (or any participating company) on that date

- 1,388,181 of these options will vest if either (a) the average closing price of an ordinary share on the ESM during a specified period prior to 30 April 2012 is at least €2.03; or (b) the average closing price of an ordinary share on ESM (during a specified period prior to 15 March 2013 is at least €2.11.

(ii): 1,863,000 options were granted (and have not been exercised or lapsed prior to 31 March 2010).

The Remuneration Committee determined on 10 June 2009 that the performance criteria attaching to these options were met and that 50% of these options vested on 10 June 2009, 25% of these options vested on 31 March 2010 and the remaining 25% of these options will vest on 31 March 2011.

2. Grants after April 2006:

(i): 736,500 options have lapsed in the year to 31 March 2010 as the TSR condition was not met.

(ii): 996,166 options (and have not lapsed at 31 March 2010) were granted on the basis of the achievement of performance criteria, generally TSR and EBITDA per share compounded annual growth of CPI +5%, over a three year period from date of grant. Performance criteria generally assessed up to March 2011.

(ii): 634,531 options (and have not lapsed at 31 March 2010) were granted on the basis of the achievement of performance criteria, EBITDA per share growth of CPI +5%, over the one year period to 31 March 2011.

(iii): 6,840,000 options (and have not lapsed at 31 March 2010) were granted on the basis of the achievement of performance criteria of EBITDA per share compounded annual growth of at least CPI plus 5% over a 3 year period from date of grant, and shall vest on a linear basis where such compounded annual growth is between CPI plus 5% and CPI pus 12% over the performance period. Performance criteria generally assessed up to March 2012.

19. 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 2010	*Land and Buildings €'000*	*Other €'000*	*Total €'000*
Within one year	985	242	1,227
Between two and five years	354	239	593
	1,339	**481**	**1,820**

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**

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 2010 €'000	*Present value of payments 2010 €'000*	*Minimum payments 2009 €'000*	*Present value of payments 2009 €'000*
Within one year	86	78	95	83
Between two and five years	78	76	164	154
Total minimum payments	**164**	**154**	**259**	**237**
Less finance charges allocated to future periods	(10)	-	(22)	-
Total	**154**	**154**	**237**	**237**

Supplier loan commitments

	Minimum payments 2010 €'000	*Present value of payments 2010 €'000*	*Minimum payments 2009 €'000*	*Present value of payments 2009 €'000*
Within one year	-	-	18	18
Total minimum payments	**-**	**-**	**18**	**18**
Total	**-**	**-**	**18**	**18**

Enterprise Ireland Grant Contingency

Under an agreement with Enterprise Ireland, the company has to date received or recognised as receivable RTI grants amounting to €4,068,000 (2009: €3,004,000) 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 €840,000 (2009: €906,000) for the year. Contributions totalling €87,000 (2009: €183,000) were payable to the funds at the year end.

Legal Contingencies

From time to time, Group undertakings can be subject to claims and legal proceedings, the ultimate outcome of which cannot be determined with certainty. Management determine a best estimate of the possible outcome of such situations based on all the known facts and circumstances available, including discussion with the Group's legal advisors, and have made appropriate provision, if any, for any liabilities and related costs based on this information.

20. 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 2010 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.

21. Related party transactions

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

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 2010 and 31 March 2009, 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 (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. 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 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 2010).

During the year the Group disposed of its interest in the following two subsidiary companies by dissolving these companies, both of these companies were previously engaged in providing financial crime prevention and risk management consultancy service, at the time of the disposal all activity had ceased, the companies were dormant, and all external liabilities had been extinguished:

Norkom Technologies S.A.S. whose registered office was 92 rue E. Vaillant, 92300 Levallois Perret, Paris, France. The investment comprised 100% of the share capital of the company.

Norkom UK Limited whose registered office was 100 New Bridge Street, London EC4V 6JA, England. The investment comprised 100% of the share capital of the company.

Associate:

The financial statements include the Group share of the financial results of Digital Harbor Inc. in which the Group has a 47.1% interest.

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2010, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2009: €Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

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.

Directors' share options

	At 31/03/09	*Date Granted*	*Grant*	*Cancelled*	*At 31/03/10*	*Grant Price*	*Expiry*
Paul Kerley	2,479,335	28/04/06	-	(1,456,465)	1,022,870	0.17	7 yrs
Paul Kerley	-	29/09/09	1,450,000	-	1,450,000	1.25	10 yrs
Liam Davis	18,750	01/10/04	-	-	18,750	0.08	7 yrs
Liam Davis	255,000	28/04/06	-	-	255,000	0.17	7 yrs
Liam Davis	25,000	17/06/08	-	-	25,000	1.55	7 yrs
Liam Davis	-	29/09/09	575,000	-	575,000	1.25	10 yrs
Cecil Hayes	50,000	17/06/08	-	-	50,000	1.55	7 yrs
Cecil Hayes	-	29/09/09	850,000	-	850,000	1.25	10 yrs
Total	**2,828,085**		**2,875,000**	**(1,456,465)**	**4,246,620**		

All options granted to directors during the year were granted at an exercise price equal to the closing price reported on ESM as at the grant date, in accordance with the rules of the 2006 Share Option Plan (as set out in note 18). 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 18).

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:

	2010 Ordinary shares of €0.01 each	2009 Ordinary shares of €0.01 each
Shane Reihill	1,207,279	1,207,279
Paul Kerley	4,880,739	4,880,739
Cecil Hayes	1,513,924	1,513,924
Liam Davis	132,910	132,910
John Tracey	701,013	701,013
Luc Philips	92,000	92,000
Gavin O'Reilly	99,147	99,147
Kieran Nagle	430,540	555,540
Total	**9,057,552**	**9,182,552**

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	2010 Shares of €0.01 each	2009 Shares of €0.01 each
Paul Kerley	A	1,000	1,000
Cecil Hayes	D	1,000	1,000
Liam Davis	G	1,000	1,000

Compensation of key management personnel of the Group:

	2010 €'000	2009 €'000
Short-term employee benefits		
Fees	180	180
Other emoluments	688	782
Pensions	57	123
Share-based payments	320	25
Total compensation to key management personnel	**1,245**	**1,010**

Director	Basic Salary and Fees	Pensions Contributions	Share Based	2010 Total	2009 Total
	€'000	€'000	€'000	€'000	€'000
Shane Reihill	60	-	-	60	60
Paul Kerley	313	26	161	500	371
Cecil Hayes	224	23	95	342	352
Liam Davis	151	8	64	223	207
John Tracey	30	-	-	30	30
Luc Philips	30	-	-	30	30
Gavin O'Reilly	30	-	-	30	30
Kieran Nagle	30	-	-	30	30
Total	**868**	**57**	**320**	**1,245**	**1,110**

Payments in 2010 and 2009 (restated) included payments to a third party in respect of directors' services provided by Shane Rehill and John Tracy.

22. 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.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity risk. Financial instruments affected by market risk include loans and borrowings, deposits, and derivative financial instruments. As at the 31 March 2010 and 31 March 2009 the Group had not entered into any derivative positions.

The Group enters into forward currency contracts on a continuous basis and in the normal course of operations. The purpose is to manage the currency risks arising from the Group's operations. At the 31 March 2010 all current forward positions had fully matured and were settled. It is, and has been throughout the years to 31 March 2010 and 2009 the Group's policy that no trading in derivatives shall be undertaken.

The sensitivity analyses in the following sections relate to the position as at 31 March 2010 and 31 March 2009. The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant and on the basis of the forward contracts in place at 31 March 2010 (nil) and 2009.

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 2010:		
Euro	+75	270
Sterling	+125	12
US Dollar	+125	37
Canadian Dollar	+125	7
Australian Dollar	+125	15
Euro	-75	(270)
Sterling	-125	(12)
US Dollar	-125	(37)
Canadian Dollar	-125	(7)
Australian Dollar	-125	(15)
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)

Foreign currency risk

As a result of significant investment operations in the US, the Group's statement of financial position 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 2010

	Stg €'000	USD €'000	Aud €'000	Cad €'000
15%	(192)	(256)	(132)	27
(15)%	260	346	179	(36)

Year to 31 March 2009

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

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 13. 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 has no long-term borrowing commitments (the €1,000,000 cumulative 'E.I.' preference shares being repaid before the reporting date).

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 2010:

	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	-	-	-	-	-	-
Finance lease obligations	-	40	46	78	-	164
Trade and other payables (excluding VAT)	-	7,338	-	4	-	7,342
Total	**-**	**7,378**	**46**	**82**	**-**	**7,506**

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 (excluding VAT)	-	8,330	-	51	-	8,381
Total	**-**	**8,366**	**1,227**	**215**	**-**	**9,808**

The EI '2005' Preference shares were classified in the above analysis as being due within 3-12 months in the prior year as the earliest possible redemption date was within 12 months of 31 March 2009. As the redemption of the shares is conditional on the availability of distributable reserves and the company did not have sufficient distributable reserves as at 31 March 2009, they were classified as non-current liabilities on the statement of financial position.

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 2010 and 31 March 2009.

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 2010 €'000	*31 March 2009 €'000*
Trade and other payables	(7,842)	(8,856)
Interest-bearing loans and borrowings	(159)	(1,410)
Cash and cash equivalents	41,642	27,453
Net cash	**33,641**	**17,187**
Equity	65,713	58,190
Net cash to equity ratio	51.2%	29.5%

23. Financial instruments

Fair value of financial assets and financial liabilities

	Carrying amount		*Fair Value*	
	2010 €'000	*2009 €'000*	*2010 €'000*	*2009 €'000*
Financial Assets:				
Forward contracts	-	28	-	28
Cash	41,642	27,453	41,642	27,453
Financial Liabilities:				
Interest-bearing loans and borrowings:				
Obligations under finance leases	(154)	(236)	(154)	(221)
Fixed rate borrowings	-	(1,000)	-	(1,000)
Loan from supplier	-	(18)	-	(18)

Forward contracts:

As at 31 March 2010 the Group had no current forward exchange contracts and no restatement to fair value and recognition of a financial asset or liability in the statement of financial position was required.

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 2010), 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).

24. Events after end of the reporting period

There were no significant events after the end of the reporting period.

Company balance sheet

at 31 March 2010

	Note	2010 €'000	2009 €'000
ASSETS EMPLOYED			
FIXED ASSETS			
Financial assets	C	39,355	38,347
CURRENT ASSETS			
Debtors	D	6,666	8,126
Cash at bank and in hand		46	7,827
		6,712	**15,953**
CREDITORS (amounts falling due within one year)	E	(452)	(8,538)
NET CURRENT ASSETS		**6,260**	**7,415**
CREDITORS (amounts falling due aftermore than one year)	F	-	(1,000)
NET ASSETS		**45,615**	**44,762**
FINANCED BY			
CAPITAL AND RESERVES			
Called up share capital	G	898	894
Share premium	H	38	42,454
Other reserves	H	2,046	1,038
Profit and loss account	B & H	42,633	376
Shareholders' funds	**H**	**45,615**	**44,762**

Approved by the Board on: 8 June 2010

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 company 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. 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. (Loss) profit for the financial year attributable to the company

	2010 €'000	*2009 €'000*
(Loss) profit with in the financial statements of the parent undertaking for the year	(197)	318

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

	2010 €'000	*2009 €'000*
Investment in group undertaking – unlisted, at cost:		
At beginning of year	38,347	37,865
Increase in investment in group undertakings	1,008	482
At end of year	**39,355**	**38,347**

The movement during the years ended 31 March 2009 and 2010 relates to 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.

During the year ended 31 March 2009 there was an additional €201,000 capital investment in group undertakings.

D. Debtors

	2010 €'000	2009 €'000
Amounts due from subsidiary undertakings	6,583	7,960
Other debtors	48	2
Prepayments	1	37
Tax recoverable	34	127
	6,666	**8,126**

All amounts fall due within one year.

E. Creditors (amounts falling due within one year)

	2010 €'000	2009 €'000
Amounts due to subsidiary undertakings	352	8,353
Other creditors and accruals	100	185
	452	**8,538**

F. 'EI 2005' preference shares

Refer to note 16 of the Group financial statements.

G. Called up share capital

Refer to note 15 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 2008	**893**	**42,445**	**58**	**757**	**44,153**
(Loss) 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**
Capital restructuring	-	(42,454)	42,454	-	-
Loss retained for the financial year	-	-	(197)	-	(197)
ESOP issue of ordinary shares	4	38	-	-	42
Expensing of share-based payment	-	-	-	1,008	1,008
At 31 March 2010	**898**	**38**	**42,633**	**2,046**	**45,615**

As at 12 August 2009 the Irish registered group companies Norkom Group plc (the Parent Company), Norkom Technologies Limited and Norkom Technologies (Ireland) Limited effected a restructuring of their individual statutory reserves in accordance with Section 72 of the Companies Act 1963 after obtaining High Court approval and passing special resolutions in accordance with the same act.

The effect of this restructuring on the Company balance sheet was to release balances totaling €42.5 million on the Share premium and account to retained Profit. The balance on the Share premium had arisen from the issue of ordinary shares by the Parent Company.

I. Share based payments

The total expense of €1,008,000 (2009: €281,000) reflected in note 18 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 2010 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.

K. Approval of the company financial statements

The Board of Directors approved and authorised for issue the company financial statements on 8 June 2010.

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