Interim Report

Six Months Ended
30 September 2010

NORKOM TECHNOLOGIES

Norkom (AIM: NORK.L, ESM: NORK.IE) is a leading provider of financial crime and compliance software solutions to the global financial services industry. Established in 1998, Norkom enables financial organisations to take intelligent action, control defenses, and evolve strategies against fraud, money laundering, and other types of financial crime. By combining a unique investigative technology platform with deep domain expertise, Norkom has established a solid track record of reducing financial losses, protecting users' reputations, improving operational efficiencies, and lowering the cost of information technology. Norkom serves clients in over 100 countries across four continents including six of the world's top 10 financial institutions.

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NORKOM TECHNOLOGIES

Interim results for the six months ended 30 September 2010:

Financial Highlights

- Results marginally ahead of guidance given in September 2010 trading update
- Group remains profitable with a strong balance sheet and cash position
- Strong growth in Post Contract Support (PCS), up 28% to €4.2 million (2009: €3.3 million)
- Revenue €22.6 million (2009: €24.6 million)
- EBITDA including IFRS 2 €0.8 million (2009: €4.3 million)
- EBITDA excluding IFRS 2 €1.6 million (2009: €4.5 million)
- Adjusted earnings per share 1.60 cents (2009: 4.22 cents)
- Cash position at 30 September 2010 €37.3 million (2009: €31.7 million)

€m	H1 2011	H1 2010
Revenue	22.6	24.6
EBITDA	1.6	4.5
Adjusted Diluted EPS	1.6 cents	4.22 cents
Cash Balance	37.3	31.7

Operational Highlights

- Addition of five new clients in target markets including Fifth Third Bank (North America), Lombard International Assurance (Europe) and RHB Bank (Asia).
- Continued expansion of existing client relationships, which delivered over 90% of total revenue during the period (2009: 89%) through follow-on investment in Norkom solutions.
- Sales pipeline volume and activity higher than the first half of last year, however sales cycles have lengthened due to a slowdown in the contracting cycle and delays in the introduction of new regulations, particularly in Asia.
- Continued investment in our Packaged Applications with enhancements to our electronic payments, debit card and internal fraud applications.
- Key North American market continues to recover with revenues up 2% to €9.2 million (2009: €8.9 million) on the same period last year.
- Norkom associate, Digital Harbor, making strong progress in the US healthcare fraud solutions industry.

Commenting on the half year results, Norkom's chief executive officer Paul Kerley, said:

"As outlined in our trading update in September, we have experienced changes in market behaviour during the first half of the financial year, with customers now preferring an incremental approach to procurement and engaging in longer sales cycles. Whilst this impacted our view of what is achievable in terms of operating performance for the full year, the pipeline for new business remains strong and the fundamental market drivers are still present. We therefore believe the correct strategy is to continue to invest in the business, reflecting our confidence in the future growth of Norkom. Our financial strength, expanding global client base and market leading fraud management and compliance solutions provide Norkom with a strong position from which to benefit from any future upturn in the market."

Operational Review

As outlined in our trading update issued in September 2010, Norkom experienced difficult trading conditions in the first half of the year. However, levels of follow-on investment from our global client base remained strong and there was evidence of an increase in buying activity in some regions. Overall sales pipeline volume and activity is higher than in the first half of the previous financial year. However, sales cycles have lengthened due to a slowdown in the contracting cycle and delays in regulatory timelines, particularly in Asia. This has resulted in an overall decrease in revenue to €22.6 million for the six month period to 30 September 2010, compared to €24.6 million for the same period in 2009.

The Group secured five new clients in the period including Fifth Third Bank, Lombard International Assurance and RHB Bank. The majority of revenue from these new clients will be recognised in future periods due to the timing of the contract signings. We continue to work with over 100 clients, including six of the top 10 global banks, giving us a strong platform for future growth.

Importantly, there are signs of continued recovery in our key North American market, where contracts with two new clients were added during the period. This resulted in revenue growth from this region of 2% to €9.2 million (2009: €8.9 million).

While new sales are taking longer to close, the level of visibility remains high among our existing clients. Over 90% of revenue in the period came from existing clients. This increased activity level among our current customer base is reflected in the growth of Post Contract Support (PCS) revenue, which grew by 28% to €4.2 million (2009: €3.3 million). As this has been a focus for the preceding periods, we are pleased to see the recurring revenue line grow to become 19% of total revenues (2009: 13%).

There is a continuing change in buying behaviour to purchase packaged applications that accommodate constrained budgets while enabling an incremental approach to building an enterprise financial crime solution. This validates the evolution of our product development strategy and we continue to invest in our packaged applications. Enhancements were completed to our Electronic Payments, Debit Card and Internal Fraud applications during the period.

Our associate, Digital Harbor, is establishing itself as a serious contender in the US healthcare fraud industry. Having moved to profitability during calendar year 2009, the business continues to grow and has now secured five contracts in the emerging US Healthcare Fraud Solutions market since its inception.

We continue to grow our fraud franchise globally and have closed contracts with both existing and new clients during the period. In particular, we are seeing strong demand for our solutions in the areas of electronic payment fraud, debit card fraud, and multi-channel fraud.

Norkom maintains a strong financial position, which ultimately provides the Group with a solid platform from which to continue to grow its operations on a global basis.

Financial Review

This was a challenging period for Norkom with revenue decreasing by 8% to €22.6 million for the period ended 30 September 2010 (2009: €24.6 million). This decrease is largely attributable to the Asia Pacific market, where revenue decreased by 33% in the period to €3.3 million (2009: €5.0 million). A combination of factors affected sales in South East Asia and Japan, including a postponement in new regulatory statutes and elongated sales cycles, which impacted revenue recognition as project commencement was delayed. Additionally, Norkom works with partners in Asia Pacific such as NS Solutions Corporation in Japan and Unisys Corporation in New Zealand. Software revenue from partners would be recognised up-front rather than on a percentage of completion basis. Therefore the postponement in this revenue added to the impact and will have an impact on full year revenue.

Revenue in Ireland, UK & Rest of World (ROW) also decreased by 5% to €4.7 million (2009: €4.9 million), which is mainly attributable to lower revenue from the Middle East region during the period.

Revenue in Europe decreased by 6% to €5.4 million (2009: €5.8 million) as a result of elongated sales cycles. This has been particularly evident between the point of selection and the closing of legal contracts.

Revenue in North America increased by 2% to €9.2 million (2009: €8.9 million) and there are signs that the US market is returning to normal buying behaviour particularly in the area of fraud. Overall, revenue came from both incremental contracts, with over 90% of revenue coming from existing clients, and new contracts, with five new clients secured in 2010 including Fifth Third Bank, Lombard International Assurance and RHB Bank.

The overall 8% revenue decline came from a decrease in license revenues during the period. License revenue decreased by 46% to €2.8 million (2009: €5.1 million) and was mainly accounted for by the postponement of regulations and lengthened sales cycles in the Asia Pacific, as outlined above.

Professional services revenue decreased by 4% to €15.6 million (2009: €16.2 million), reflecting the reduced new client implementation activity. Post Contract Support (PCS) grew by 28% to €4.2 million (2009: €3.3 million) due to the high levels of adoption of our products across existing clients. This strong growth increases the Group's recurring revenue to 19% of total revenues during the period (2009: 13%).

Gross Profit margin (excluding IFRS 2 and depreciation charges) reduced to 59% (2009: 62%) due, mainly, to a change in license mix as opposed to individual margin pressure, as individual margins on the revenue line items remained strong during the period.

Operating costs (excluding IFRS 2 and depreciation charges) across sales and marketing, research and development and general administration increased by 7% during the half to €11.6 million (2009: €10.8 million) due mainly to increased sales and marketing investments, particularly in North America where we saw some signs of increased purchasing activity during the period. Management continues to prudently manage costs and has a strongly held culture of project accounting across the organisation in order to consistently manage projects to desired profitability levels.

EBITDA excluding IFRS 2 decreased by 64% to €1.6 million (2009: €4.5 million) during the period, due to the weaker than expected performance from license revenue. With the increase in the IFRS 2 charge to €0.8 million in 2010 (2009: €0.2 million), EBITDA including IFRS 2 has decreased by 82% to €0.8 million (2009: €4.3 million). The increased IFRS 2 charge reflects the step-up in the base price of 6.7 million options issued in September 2009 compared with the price of previous options, which were mostly granted pre-IPO in 2006.

The EBITDA decrease in the period has had a direct onward effect on adjusted earnings per share, which decreased by 62% to 1.60 cents in the half (2009: 4.22 cents). There was a slight increase in the diluted share count during 2010 to 92.9 million (2009 92.5 million).

There has been a positive foreign exchange impact in the current period against the same period in 2009. Overall, across the three main trading currencies of US Dollar, Australian Dollar and Sterling, there was a positive impact of €0.5 million to earnings during 2010 versus 2009.

Norkom's overall cash position has moved from €31.7 million as at the end of September 2009 to €37.3 million at end September 2010. The Group had an exceptional performance in the year to March 2010 (€41.6 million), where cash of €15.0 million was generated from operating activities. Up to 50% of the €15.0 million was prepaid by existing clients for 2010 revenue and the impact is unwinding in the current period. Taking an eighteen month period from 1st April 2009 to 30th September 2010, Norkom has increased its cash position from €27.5 million to €37.3 million, a generation of €9.8 million or 83% of EBITDA excluding IFRS 2 for the 18 month period, which was €11.8 million.

Overall, Norkom's balance sheet has strengthened during the period, adding to the Group's strong financial position. Net assets increased from €65.7 million at 31 March 2010 to €66.3 million at 30 September 2010.

The Market

Market Changes

The pipeline for new business remains strong and, although sales cycles have lengthened and regulations been delayed, contracts have not been cancelled but delayed. Therefore, the same opportunity exists and the fundamental market drivers remain. These drivers include a growing regulatory burden, demand for integrated risk management, replacement of first generation solutions, an increase in demand for real-time solutions, and an increase in financial crime. The view across a number of industry analysts, including Chartis Research, is that the current low level of market growth will return to 10-15% CAGR from 2011 through to 2013. Additionally, we expect a replacement market to emerge in calendar year 2012 where legacy transaction monitoring systems will need to be replaced to meet more exacting standards. We are already seeing signs of a lifting of the market stagnation and returning growth in some geographies, with North America leading the way. However, the timing of when legislation will be introduced and regulations enforced in certain geographies cannot currently be ascertained.

Clients' buying behaviour continues to evolve. Instead of purchasing complete enterprise platforms, smaller initial implementations are being procured. Industry analysts

Gartner, Chartis and Celent all indicate that the market is moving to adopt an enterprise capability. Clients are seeking enterprise-wide converged solutions that allow them to combat fraud, achieve compliance and ROI, but they are now choosing to enhance their systems in incremental stages.

This behaviour is certainly in evidence amongst our client base where we are seeing significant pull-through revenues from existing clients, such as Zions Bancorporation, who entered into an initial contractual relationship to address a specific business issue and have since expanded their financial crime and compliance capabilities by adopting further Norkom solutions.

There is an increasing amount of M&A activity in the financial services sector, such as Thompson Reuters acquiring Complinet, IBM acquiring Open Pages and Wolters Kluwers Financial Services acquiring FRS Global. This may be a further driver for the replacement of legacy transaction monitoring systems as mentioned above.

Regulatory Update

In geographies with established regulatory regimes, the legislative burden on financial institutions continues to grow, increasing existing clients' adoption of Norkom's solutions and pull-through revenues. We are seeing escalating cases of disciplinary action in the form of fines and/or cease and desist orders, which severely impact upon a financial institution's reputation and, ultimately, bottom line. Such disciplinary action has the effect of driving pull-through orders and, during the period, there were a number of high-profile fines imposed on global financial institutions for non-compliance.

Regulatory costs continue to climb and there is clear evidence in the market that financial institutions are selecting converged solutions that allow them to combat fraud whilst, at the same time, achieving an ROI through the implementation of these fraud solutions that can contribute to the costs of compliance systems and operations.

Asia Pacific Regulatory Landscape

While in the long term, regulatory activity has a positive impact on Norkom's prospects, the combination of the postponement of new regulatory guidelines passing into law and delays in the enforcement of said regulations have impacted revenues for the half and full year.

A change in government in Japan and a review of legislative priorities has delayed the implementation of new regulations previously slated by the Japan Financial Intelligence Centre (JAFIC) for October 2010. The JAFIC has now indicated a new implementation date of June 2011.

In Malaysia, the impact of the financial crisis caused Malaysia's central bank, Bank Negara, to extend the deadline by which banks are required to comply with the AMLATF (formerly known as the Anti-Money Laundering Act 2001), originally introduced on 6 March 2007.

In New Zealand, new legislation - the Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) Bill - passed its third reading in October 2009, but the date for meeting these new obligations and requirements remains to be set by New Zealand's government. Part 2 of the Bill is expected to be introduced over the next six to seven months.

Packaged Applications

We have continued our investment in building out our portfolio of Packaged Applications. In the area of compliance, highlights include the significant improvements in user efficiency in our Watch List Management (WLM) product, where over 90% of WLM alerts can now be adjudicated in a single mouse-click. We have also made a number of improvements to our Customer Due Diligence / Know Your Customer (CDD/KYC) Compliance product, including the addition of new risk parameters in the risk score calculation and extensions to our Enhanced Due Diligence (EDD) workflows.

In our fraud practice, we have added a number of extensions in the areas of internal fraud, debit card fraud and electronic payment fraud. In addition to product build-out, we have also strengthened our capabilities both in terms of acquiring additional deep domain knowledge into the business through the hiring of additional financial crime subject matter experts and through the build out of our Packaged Applications group.

Channel Partners and Alliances

Norkom continues to have strong relationships with channel partners and alliances around the world, including IBM (worldwide), Ejada Systems (Saudi), Fujitsu (Europe), Sapientics (Europe) and Collection Première Moscow ("CPM") (Russia).

Channel partners provide Norkom with the ability to increase its scalability and global adoption. In particular, Norkom is pleased to have successfully executed a joint customer win with CPM and IBM in Russia for VTB Bank, Russia's leading bank in terms of the number of transactions with international contractors. VTB Bank has chosen a solution offered by IBM and Norkom to provide an integrated Anti-Money Laundering (AML) system. This new system will help the bank better manage the risks associated with suspicious transactions.

We continue to build our Asian partner relations with NS Solutions in Japan and Unisys Corporation in New Zealand. The delays described above in these regions in the introduction of legislation and in the release of regulatory guidelines to the local financial institutions have meant that sales through these partners were not completed during the first half of the year.

License revenue from channel partners is recognised differently to direct sales contracts. Partner sales are contracted in such a way that the product licence is required to be recognised upfront. This is in contrast to the revenue recognition policy of direct customer contracts, with license revenue recognised over the period of the contract. This is one of the contributing factors to the decline in revenues during the period and has also had a significant impact on Norkom's earnings as almost 100% margin is driven from license revenue.

Norkom's alliance with MasterCard is progressing well. Under the agreement, Norkom's Enterprise Investigation Management (EIM) solution is being incorporated into MasterCard's offering and will be offered to its customers as a value-added service to enhance their fraud management capabilities, specifically in predicting, detecting and preventing payment card fraud.

Digital Harbor

The Group's 47% owned Digital Harbor business has established itself as a serious contender in the emerging Healthcare Fraud Solutions market. Having moved into profitability in 2009, the business has continued to grow and has now secured five contracts in the North American market. Healthcare fraud is an escalating problem and represents a potentially significant growth segment within the fraud market. Norkom continues its strategic investment in this area in order to address this future market opportunity.

Business Strategy and Future Outlook

The current market behaviour is one of acquiring a Packaged Application as an entry point to an enterprise financial crime and compliance capability. The last six months were defined by a very challenging environment which has had an impact on the half year and will continue to have an impact on the full year. However, the strength of our underlying business and the confidence we have in the medium and long-term growth of the compliance and fraud management market means we will continue to invest in key regions and products to return the Group to growth, while operating profitably. The current R&D focus on delivering our Packaged Applications strategy will remain unchanged while our investment in sales will be adjusted to reflect the changed buying behaviour in our market.

Norkom believes the market is increasingly adopting a strategy of selecting converged solutions that can use the same infrastructure to address both fraud and compliance. While Norkom is in a very strong position to avail of this change, legacy solution providers and enterprise solution providers will not stand idly by. Competition will be tough but a market leadership position and a standard in the industry will evolve for a small number of players in the coming periods and we believe we are well positioned to be among that group.

The visibility of our business opportunity with our existing client franchise remains strong, with growth in our core markets continuing to be driven by increased regulatory enforcement and evolving criminal activity.

The softening of regulations in certain geographies and the resultant unusual buying behaviour mean that Norkom expects that the predictability of new client wins outside of our current customer base will remain difficult to ascertain in the short-term. Norkom will, therefore, continue to be cautious in its outlook while the new buying behaviour establishes itself properly.

The Board expects a modest return to revenue growth in the second six months of fiscal year 2011 against the same period last year. Revenues for the full year are expected to be at similar levels to fiscal year 2010.

The strength of Norkom's solutions and the resumption of demand in its core markets mean the Board remains confident of Norkom's medium and long-term prospects.

Interim Consolidated Income Statement
for the 6 months ended 30 September 2010

	Note	6 Months to 30 September 2010 (unaudited) €'000	6 Months to 30 September 2009 (unaudited) €'000
Continuing Operations			
Revenue	4	**22,601**	24,601
Cost of sales		**(9,660)**	(9,560)
Gross profit		**12,941**	**15,041**
Sales and marketing costs		**(5,159)**	(4,492)
Research and development costs		**(4,415)**	(3,640)
Administrative expenses		**(3,003)**	(3,095)
Amortisation of intangible assets		**(633)**	(582)
Operating (loss) profit		**(269)**	**3,232**
Share of profit (loss) of associate		**23**	(166)
Finance revenue		**502**	135
Finance costs		**(4)**	(23)
Profit before tax		**252**	**3,178**
Income tax expense:			
Current tax charge	6	**(247)**	(35)
Deferred tax charge	6	**3**	26
Profit for the period from continuing operations		**8**	**3,169**
Attributable to:			
Equity holders of the parent		**8**	3,169
Non-controlling interest		-	-
		8	**3,169**
		cent	*cent*
EPS:			
Basic earnings per ordinary share	*3*	***0.01c***	*3.55c*
Diluted earnings per ordinary share	*3*	***0.01c***	*3.43c*
Adjusted EPS:			
EPS adjusted for amortisation and non-cash charges	*3*	***1.60c***	*4.22c*
EBITDA EPS – post IFRS 2 non-cash charge	*3*	***0.85c***	*4.69c*
EBITDA EPS – pre IFRS 2 non-cash charge	*3*	***1.76c***	*4.88c*

Interim Consolidated Statement of Comprehensive Income for the 6 months ended 30 September 2010

	6 Months to 30 September 2010 (unaudited) €'000	6 Months to 30 September 2009 (unaudited) €'000
Profit for the period from continuing operations	**8**	**3,169**
Exchange differences on the translation of foreign operations	**(266)**	(2,074)
Total comprehensive income for the period net of tax	**(258)**	**1,095**
Attributable to:		
Equity holders of the parent	**(258)**	1,095
Non-controlling interest	-	-
	(258)	**1,095**

Interim Consolidated Statement of Financial Position at 30 September 2010

	30 September 2010 (unaudited) €'000	31 March 2010 €'000
Assets		
Non-Current Assets		
Property plant and equipment	**823**	1,128
Intangible assets	**22,740**	23,589
Investment in associate	**1,712**	1,689
Deferred tax asset	**2,122**	2,123
	27,397	**28,529**
Current assets		
Trade and other receivables	**14,970**	11,909
Prepayments	**871**	892
Cash and cash equivalents	**37,270**	41,642
Total current assets	**53,111**	**54,443**
Total assets	**80,508**	**82,972**
Equity and liabilities		
Issued share capital	**898**	898
Share premium	**44**	38
Other reserves	**2,908**	2,074
Cumulative translation adjustment	**(752)**	(486)
Retained profit	**63,197**	63,189
Equity attributable to equity holders of the parent	**66,295**	**65,713**
Non-controlling interest	**0**	0
Total Equity	**66,295**	**65,713**
Non-current liabilities		
Finance lease obligations	**37**	76
Other payables	**-**	4
Total non-current liabilities	**37**	**80**
Current liabilities		
Trade and other payables	**8,069**	7,842
Income taxes payable	**268**	261
Finance lease obligations	**78**	78
Deferred revenue	**5,761**	8,998
Total current liabilities	**14,176**	**17,179**
Total liabilities	**14,213**	**17,259**
Total equity and liabilities	**80,508**	**82,972**

Interim Consolidated Statement of Changes in Equity (unaudited) for the six months ended 30 September 2010 and 2009

Attributable to equity holders of the parent	*Issued capital €'000*	*Share premium €'000*	*Retained profit €'000*	*Other reserves €'000*	*Translation reserve €'000*	*Total €'000*	*Non-controlling interest €'000*	*Total Equity €'000*
At 31 March 2010	**898**	**38**	**63,189**	**2,074**	**(486)**	**65,713**	**0**	**65,713**
Profit retained for the financial period	-	-	8	-	-	8	-	**8**
Movement in translation reserve	-	-	-	(13)	(266)	(279)	-	**(279)**
Total comprehensive income (loss)	**-**	**-**	**8**	**(13)**	**(266)**	**(271)**	**-**	**(271)**
ESOP issue of ordinary shares	-	6	-	-	-	6	-	**6**
Expensing of share-based payment	-	-	-	847	-	847	-	**847**
At 30 September 2010 (unaudited)	**898**	**44**	**63,197**	**2,908**	**(752)**	**66,295**	**0**	**66,295**

Attributable to equity holders of the parent	*Issued capital €'000*	*Share premium €'000*	*Retained profit €'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**	**0**	**58,190**
Profit retained for the financial period	-	-	3,169	-	-	3,169	-	**3,169**
Movement in translation reserve	-	-	-	-	(2,074)	(2,074)	-	**(2,074)**
Total comprehensive income	**-**	**-**	**3,169**	**-**	**(2,074)**	**1,095**	**-**	**1,095**
Capital restructuring	-	(42,454)	70,553	(28,099)	-	-	-	**-**
ESOP issue of ordinary shares	3	25	-	-	-	28	-	**28**
Expensing of share-based payment	-	-	-	181	-	181	-	**181**
At 30 September 2009 (unaudited)	**897**	**25**	**59,734**	**1,257**	**(2,419)**	**59,494**	**0**	**59,494**

Interim Consolidated Cash Flow Statement for the 6 months ended 30 September 2010

	6 Months to 30 September 2010 (unaudited) €'000	6 Months to 30 September 2009 (unaudited) €'000
Cash flows from operating activities		
Profit before tax	**252**	3,178
Adjustment to reconcile profit before tax to net cash flows		
Non-cash:		
Depreciation of property, plant and equipment	**424**	523
Amortisation of intangibles	**633**	582
Share-based payments	**847**	181
Share of (profit) loss of associate	**(23)**	166
Finance income	**(502)**	(135)
Finance costs	**4**	23
Working capital adjustments:		
(Increase) decrease in debtors and prepayments	**(2,774)**	2,480
(Decrease) in creditors and accruals	**(3,097)**	(2,336)
Cash (used in) generated from operations	**(4,236)**	**4,662**
Income tax paid	**(281)**	(50)
Net cash flows from operating activities	**(4,517)**	**4,612**
Cash flows from investing activities		
Purchase of property, plant and equipment	**(116)**	(254)
Interest received	**539**	189
Net cash flows from investing activities	**423**	**(65)**
Financing activities		
Proceeds from ESOP issue of shares	**7**	28
Capital element of finance lease payable	**(39)**	(79)
Capital element of supplier loan	**-**	(18)
Finance lease interest paid	**(4)**	(24)
Dividends paid to non-controlling interests	**(375)**	(260)
Net cash flows from financing activities	**(411)**	**(353)**
(Decrease) increase in cash	**(4,505)**	**4,194**
Net foreign exchange difference	**133**	39
Cash and cash equivalents at 1 April	**41,642**	27,453
Cash and cash equivalents at 30 September	**37,270**	**31,686**

Notes to the Interim Consolidated Financial Statements for the 6 months ended 30 September 2010

(1) Corporate information

The interim consolidated financial statements of the Norkom Group plc for the six months ended 30 September 2010 were authorised for issue in accordance with a resolution of the directors on 8 November 2010.

Norkom Group plc is incorporated as a public limited company under the laws of Ireland and is domiciled in Ireland. Its shares are listed on the ESM and AIM markets.

(2) Basis of preparation and accounting policies

Basis of preparation

The interim consolidated financial statements for the six months ended 30 September 2010 have been prepared in accordance with IAS 34 "*Interim Financial Reporting*". The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at and for the year ended 31 March 2010, which have been prepared in accordance with IFRS.

Significant accounting policies

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2010, except for the adoption of new Standards and Interpretations, noted below:

IFRIC 13, '*Customer loyalty programmes*', effective for annual periods beginning on or after 1 July 2010. Management has evaluated the effect of this interpretation on its revenue recognition and has determined no change in policy is required.

IFRIC 9, '*Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement*'. These amendments to IFRIC 9 require an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through income statement category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through income statement.

IFRIC 16, '*Hedges of a Net Investment in a Foreign Operation*'. 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 elected to recycle the gain or loss that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation. As the Group did not dispose of any net investment it has had no impact on the financial position or results.

Improvements to IFRSs

Improvements to IFRSs (issued May 2008)
In May 2008, the International Accounting Standards Board ("the Board") issued its first omnibus of amendments to its standards. All amendments issued are effective for the Group as at 30 September 2010, apart from the following:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a non-controlling interest after the sale transaction. The amendment is applied prospectively and had no impact on the financial position nor financial performance of the Group.

Improvements to IFRSs (issued April 2009)
In April 2009 the Board issued its second 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 adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

IAS 7 Statement of Cash Flows: Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will impact the presentation in the statement of cash flows of the contingent consideration on any business combination completed in 2010 upon cash settlement.

Other amendments resulting from improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 2 Share-based Payment
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IAS 1 Presentation of Financial Statements
- IAS 17 Leases
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 16 Hedge of a Net Investment in a Foreign Operation

The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

(3) Earnings per Share (€'000 except share and per share data)

	6 Months ended 30 September 2010 €'000	*6 Months ended 30 September 2009 €'000*
Numerator for basic and diluted earnings per share		
Profit for the financial period attributable to ordinary shareholders	**8**	3,169
Denominator for basic earnings per share	**Number of Shares**	**Number of Shares**
Weighted average number of shares	**89,790,193**	89,343,760
Effective of dilutive potential shares (share options)	**3,099,886**	3,170,317
Denominator for diluted earnings per share	**92,890,079**	**92,514,077**
Earnings per Share		
Basic	**0.01c**	3.55c
Diluted	**0.01c**	3.43c

Adjusted earnings per Share

	6 Months ended 30 September 2010	*6 Months ended 30 September 2009*
	Cent	Cent
(i) Adjusted EPS:		
Adjusted diluted earnings per ordinary share	**1.60c**	4.22c
(ii)EBITDA EPS:		
EBITDA diluted earnings per ordinary share – post IFRS 2 non-cash charge	**0.85c**	4.69c
(ii)EBITDA EPS:		
EBITDA diluted earnings per ordinary share – pre IFRS 2 non-cash charge	**1.76c**	4.88c

Earnings reconciliations:

(i) Earnings for adjusted EPS reconciliation:

	6 Months ended 30 September 2010 €'000	6 Months ended 30 September 2009 €'000
Profit attributable to the equity holders of the parent	**8**	3,169
Add back:		
IFRS 2 non-cash charge	**847**	181
Amortisation of intangibles	**633**	582
Deferred tax (credit)	**(3)**	(26)
Earnings for adjusted EPS	**1,485**	**3,906**

(ii) EBITDA reconciliation:

	6 Months ended 30 September 2010 €'000	6 Months ended 30 September 2009 €'000
Operating (loss) profit	**(269)**	3,232
Add back:		
Depreciation	**424**	523
Amortisation of intangibles	**633**	582
EBITDA – Post IFRS 2 non-cash charge	**788**	**4,337**
IFRS 2 non-cash charge	**847**	181
EBITDA – Pre IFRS 2 non-cash charge	**1,635**	**4,518**

This reconciliation is presented because adjusted earnings per share is an external measure used by analysts to help understand the investment potential of the Group.

(ii) Reconciliation of EBITDA to Statutory Income Statement:

Interim Consolidated Income Statement
for the 6 months ended 30 September 2010

	EBITDA €'000	IFRS 2 €'000	Depreciation €'000	Statutory €'000
Revenue	22,601	-	-	22,601
Cost of sales	(9,398)	(70)	(192)	(9,660)
Gross profit	**13,203**	**(70)**	**(192)**	**12,941**
Sales and marketing costs	(4,946)	(190)	(23)	(5,159)
Research and development costs	(4,036)	(263)	(116)	(4,415)
Administrative expenses	(2,586)	(324)	(93)	(3,003)
Operating Costs	**(11,568)**	**(777)**	**(232)**	**(12,577)**
EBITDA	**1,635**	**(847)**	**(424)**	**364**
Amortisation of intangible assets				(633)
EBIT				**(269)**
Share of profit of associate				23
Finance revenue				502
Finance costs				(4)
Profit before tax				**252**
Income tax expense:				
Current tax charge				(247)
Deferred tax credit				3
Profit for the period from continuing operations				**8**

Interim Consolidated Income Statement
for the 6 months ended 30 September 2009

	EBITDA €'000	IFRS 2 €'000	Depreciation €'000	Statutory €'000
Revenue	24,601	-	-	24,601
Cost of sales	(9,299)	(48)	(213)	(9,560)
Gross profit	**15,302**	**(48)**	**(213)**	**15,041**
Sales and marketing costs	(4,399)	(67)	(26)	(4,492)
Research and development costs	(3,452)	(41)	(147)	(3,640)
Administrative expenses	(2,933)	(25)	(137)	(3,095)
Operating Costs	**(10,784)**	**(133)**	**(310)**	**(11,227)**
EBITDA	**4,518**	**(181)**	**(523)**	**3,814**
Amortisation of intangible assets				(582)
EBIT				**3,232**
Share of loss of associate				(166)
Finance revenue				135
Finance costs				(23)
Profit before tax				**3,178**
Income tax expense:				
Current tax charge				(35)
Deferred tax credit				26
Profit for the period from continuing operations				**3,169**

(4) Segmental Information

IFRS 8 Operating Segments
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.

Products and services from which the reportable segment derives its revenues
The one reportable segment identified and reported externally was the provision of software and services for enterprise financial crime monitoring and compliance. 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 following is an analysis of the Group's revenue from continuing operations from its major types of products and services:

	6 Months ended 30 September 2010 €'000	*6 Months ended 30 September 2009 €'000*
Licence	**2,781**	5,137
Professional services	**15,590**	16,159
Post contract support	**4,230**	3,305
Total	**22,601**	**24,601**

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 geographical regions:

	6 Months ended 30 September 2010 €'000	*6 Months ended 30 September 2009 €'000*
Ireland – Country of Domicile	**47**	88
UK and Rest of World	**4,642**	4,846
North America	**9,156**	8,942
Europe	**5,435**	5,774
Asia Pacific	**3,321**	4,951
Total	**22,601**	**24,601**

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

(5) Impairments

Goodwill
Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill and intangible assets with indefinite lives is based on value in use calculations that use a discounted cash flow model. The key assumptions used to determine the recoverable amount were discussed in the annual financial statements for the year ended 31 March 2010.

The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 30 September 2010, the market capitalisation of the Group was above the book value of its equity, indicating no impairment of goodwill had arisen.

Intangible assets
Intangible assets are reviewed for indicators of impairment annually (as at 31 December) and additionally at such time as an indicator of impairment is identfiied, including but not limited to potential changes in value in use arising from changes in the internal and external technology environment and customer relations profile. As at 30 September 2010 no indicators existed of impairment in the carrying value of intangible assets.

(6) Income and deferred tax

Tax based on the profit for the period:

	6 Months ended 30 September 2010 €'000	*6 Months ended 30 September 2009 €'000*
Current income tax		
Foreign tax	**(247)**	(35)
Total current tax charge	**(247)**	**(35)**
Deferred tax		
Deferred tax credit	**3**	26
Total deferred tax credit	**3**	**26**
Total charge in the income statement	**(244)**	**(9)**

No taxation has been credited or charged directly to equity.

Norkom Group has substantial tax losses and credits carried forward, domiciled in specific jurisdictions (listed below), which can be utilised against cash tax liabilities arising on future taxable trading profits in those jurisdictions. On a gross basis these tax losses and credits are estimated to cover potential tax liabilities, arising on the following future taxable income streams:

Jurisdiction	*Gross taxable income generation necessary to utilize current tax losses and credits carried forward*	*Effective Tax Rate*
Ireland	€20.0m	12.5%
UK	£1.3m	30%
US	$25.3m	34%

The other primary taxation jurisdictions of Belgium, Australia and Canada, in which Norkom operates, have a history of tax profits and carry no accumulated tax losses forward.

In Ireland (where currently a net 10% manufacturing corporate tax rate is effective (manufacturing relief being discontinued from 1 January 2011 giving rise to an effective 12.5% rate from this date) and where the Norkom intellectual property is domiciled), research and development tax credits are generated on eligible research and development expenditure at a rate of 25%. These credits can be offset against Irish corporate tax liabilities generated on current (at 10%) and future (at 12.5%) taxable profits, or recovered against payroll tax liabilities paid in the same financial period.

(7) Property, plant and equipment

Additions for the six months were €116,000 (2009: €254,000).

There are no material capital commitments.

(8) 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, together with a corresponding increase in equity, 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 number of equity instruments that will ultimately vest and the achievement or otherwise of non-market conditions. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in other reserves.

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

During the period ended 30 September 2010, 60,000 stock options were granted, under the 2006 option plan. The exercise price of the options is €0.80 and is equal to the market price of the share on the date of grant. The options will become exercisable based on the same performance conditions as applied to the 6,840,000 options granted under this plan in the year ended 31 March 2010. The fair value of the options granted is estimated as of the date of grant using a Black-Scholes simulation to calculate the fair value using the following assumptions:

Dividend Yield	**0%**
Expected Volatility	**50%**
Risk Free Interest Rate Range	**3.1%**
Average Expected life	**5.0 Years**
Contractual Life	**7 Years**

(9) Interest bearing loans and borrowing costs

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. 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 the income statement when the liabilities are derecognised as well as through the amortisation process. Borrowing costs are recognised as an expense immediately when incurred.

(10) Events after the balance sheet date

There were no significant events after the balance sheet date.

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