NORKOM TECHNOLOGIES

Interim Report

Six Months Ended 30 September 2009

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

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Norkom Group plc
Paul Kerley – Chief Executive Officer
Liam Davis – Chief Financial Officer

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Interim results for the six months ended 30 September 2009:

The company reports the following key financials:

- Revenue up 2% to €24.6 million in the six-month period to 30 September 2009 (H1 2010) (H1 2009: €24.2 million) and 3.5% on our H2 Financial Year to 31 March 2009 (€23.8 million)
- EBITDA up 8% to €4.3 million (H1 2009: €4.0 million)
- Post Contract Support (PCS) up 46% to €3.3 million (H1 2009: €2.3 million), which now increases our recurring revenue line to 13% of total revenue
- Adjusted Diluted EPS up 7% to 4.22 cents (H1 2009: 3.95 cents)
- Net cash inflow generated from operations of €4.7 million (H1 2009: €0.6 million)
- Net cash of €30.5 million (March 2009: €26.1million)

2009 Half Year Results

€m	H1 2010	H1 2009	% change
Revenue	24.6	24.2	2%
EBITDA	4.3	4.0	8%
Adjusted Diluted EPS	4.22 cents	3.95 cents	7%
Cash Balance	31.7	22.8	

Key business highlights for the period included the following:

- Norkom continues to execute and win new clients in our target regions, with eight new clients added during the six months to 30 September 2009 (H1 2010), whilst we continue to expand our existing client relationships, which delivered 89% of total revenue during this period (H1 2009: 77%) through follow-on re-investment in Norkom's solutions
- Our most recent geographical expansion in to the Middle East continues, as we have recently won our second and third new clients in the last 12 months in the region
- Our European region has grown from strength-to-strength, where revenue increased by 15% to €5.8 million (H1 2009: €5.0 million)
- Our focus on Fraud solutions continues to be rewarded and we now have 22 clients as part of our franchise in this area (H1 2009:14)
- Our associate, Digital Harbor, has established itself as a serious contender in the healthcare fraud industry, closing two transanctions during the period.

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

Paul Kerley,
Chief Executive Officer &
Executive Director

"We are clearly pleased to have produced these results particularly in a period of significant upheaval and crisis in our core market. Our capacity to expand our reach into new markets, while, in parallel, generating significant pull-through business from our existing clients, places the company in a strong position to capitalise on a return to normal buying behaviour in our market. While the crisis provided a challenge for Norkom, the strength of our market franchise, solutions and business model made it easier to withstand compared to some of our competitors, which have exited the market. With this market consolidation and the continued endorsement of our solutions by industry analysts, we expect to pick up a greater share of the returning demand in the market, underpinning our plans to return to normal levels of growth for Norkom."

Business Highlights

Norkom increased revenue to €24.6 million for the six-month period to 30 September 2009 compared to €24.2 million for the same period in 2008 (+2%) and 3.5% ahead of the second six-month period to 31 March 2009 (€23.8 million). Of particular significance was the strong revenue growth of 15% (€5.8 million) recorded in Europe and 9% (€5.0 million) in Asia Pacific in the same period. Revenue growth came from both incremental contracts, with over 80% of existing clients re-investing in Norkom's solutions, and from new contracts, with eight new name clients secured in 2009. This brings our client franchise to 104 clients in the current period, including seven of the top 10 global banks.

Whilst conditions in the financial services market remain difficult, Norkom continues to grow revenues, EBITDA and cash while deepening our relationship with existing customers through strong follow-on business. Our current clients contributed over 89% of our revenues, with the remainder being generated as a result of new contracts with eight new clients, which were secured in the six-month period ending 30 September 2009.

We are confident that the drivers of demand will remain strong. We see a continued drive from regulators to monitor banking practices, which is expected to increase further over the years ahead, with the rise in international, professionally-executed fraud continuing to grow.

We see some delays in decision-making particularly in the US and UK, but are seeing increased buyer activity in these markets, which gives us confidence of a resumption in purchase decisions during the first six months of 2010. The delays in the US and UK were anticipated and, whilst this does affect our growth levels in the current period, we have compensated as planned with significant contract wins with both existing and new clients, particularly in Continental Europe and South East Asia. This demonstrates the importance of the leverage that Norkom derives from its global presence.

Our increased R&D investments in packaged applications have proven very successful, particularly in the Middle East, where we have added two new clients during the period. Financial institutions in this market are demanding out-of-the-box packaged solutions for financial crime and we have been successful in adding clients such as NCB Capital in Saudi Arabia to our franchise. We are very active in this market and would, again, expect further client closures in the next financial period.

We continue to grow our fraud franchise globally, having closed contracts with both our existing and new clients during the period. We can now count 22 clients across all regions as part of our fraud franchise (H1 2009:14) and we see strong demand for our solutions in the areas of multi-channel, online fraud, debit card fraud, deposit fraud and internal fraud.

Our Solutions

In keeping with our objective of driving investigator efficiency and demonstrating clear ROI, on 08 September Norkom announced the next generation of Norkom's innovative List Fingerprinting technology, Norkom Smart Update, propelling us ahead of our competition. This product monitors every single change in information provided in a watch list update, cleverly reducing investigation effort without sacrificing match quality. This successfully drives down data centre costs, enabling organisations to do more with less by reducing overall investigation workload without compromising regulatory compliance.

In addition to Norkom Smart Update, we have introduced other notable product innovations over this period, including the ability to allow the "modularisation" of Norkom applications on top of the core financial crime and compliance platform. This has significant benefits in terms of making it more efficient for our services organisation, delivery partners and clients to manage solution-specific changes, as well as making it easier for our clients to effectively integrate new products into their existing Norkom Financial Crime management infrastructures, resulting in the lowest total cost of ownership.

Anticipating increased regulatory oversight of the financial services sector, we continued to build-out our command and control reporting tools during the period under review, which provide granular measurement capability and key risk indicators required to monitor and control the operations of a financial crime investigation unit. This development enables Norkom to package leading practices into our applications to accelerate our clients' time-to-value.

We have also undertaken exciting research in the area of our advanced analytics, incorporating the latest thinking in knowledge extraction and machine learning. These innovations mean that Norkom will continue to build on our advanced analytics capabilities, making it easier for clients to detect and combat emerging fraud typologies and further improve system accuracy. It will also secure Norkom's position ahead of our competition in providing leading-edge anti-fraud detection and investigation technologies to the financial crime and compliance market.

Packaged applications

For many years, Norkom has led the market in terms of prioritising the build-out of a platform that enables our clients and prospects to quickly respond to new criminal typologies, providing one infrastructure to combat a myriad of existing and emerging criminal behaviour. A key strategy for Norkom now is to capitalise on the strength of our platform by using its unique configuration capabilities to produce particular packaged applications that address very specific criminal activity. We have increased our investment by further embedding detection and investigative forensic capabilities that produce significant operational efficiencies both pre- and post-product implementation. This strategy has been the key to our success in entering new markets and signing up new clients during the period. The release of targeted packaged applications has enabled Norkom to accelerate entry into the Middle East market and deepen our presence in Australia, whilst also giving us access to a Tier 2 financial market and expanding our footprint both geographically and vertically with deal wins including NCB Capital in the period.

Channels and Alliances

Our partner-related activities continued both on a global level with partners such as IBM, and on a regional basis with several new partners during the period. We have started working with Ejada Systems Ltd. in the Middle East as our strategic regional partner for delivery, while in Eastern Europe we are developing local regional distributorships with companies such as Fujitsu and Sapientics.

We continue to replace the run rate from the bankruptcy of some of our US clients in 2008, which subsequently led to a decline in partner revenue of 10% in H1 2010 (H1 2009: 12%). We remain confident that our global and regional partners, together with our strong focus on a standard delivery approach through packaged applications, will facilitate a strong return in future periods.

Our market has completed the convergence cycle between Compliance and Fraud solutions. We expect Financial Crime and Compliance solutions to address a wider set of risk types in the coming years. This will introduce new growth opportunities and will be underpinned by new strategic alliances. Our channel and alliances strategy will be adopted in the coming periods to take advantage of the new opportunities that emerge in the marketplace.

Market Endorsement

During the period, Gartner Inc. awarded a "Positive" rating to Norkom's Enterprise Fraud Management (EFM) solutions in its latest report, "Marketscope for Enterprise Fraud Management."

Authored by Gartner's Avivah Litan, the report compares EFM vendors across a range of evaluation criteria such as sales strategy, offering (product) strategy, innovation, product/service, overall viability, market responsiveness and track record and customer experience. Gartner defines EFM software as an application that supports detection, analytics and management of fraud across users, accounts, channels, products and other entities (e.g., kiosks).

"We estimate that this market will grow about 10-15% in 2009, despite the slowdown in the economy, mainly because large global financial institutions are investing heavily in EFM technology against a backdrop of increasingly frequent and sophisticated fraud attacks, and also due to a desire to consolidate fraud prevention and financial crime efforts across the enterprise", explains Litan. "Enterprise fraud management (EFM) saves users money by enabling operational efficiencies and by stopping losses from cross-channel, cross-account and/or cross-product fraud schemes", she concludes.

Digital Harbor

Our healthcare fraud spin-off company, Digital Harbor, has closed a further two deals in this nascent market. Digital Harbor's franchise has been significantly enhanced during the period. 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 2011. 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 the opportunity.

Financial Highlights

This was another period of solid performance for Norkom with revenue increasing by 2% to €24.6 million for the period ended 30 September 2009 (H1 2009: €24.2 million) and also a growth of 3.5% on our second half-year performance in the financial year to 31 March 2009 (€23.8 million). Asia Pacific returned a strong revenue increase of 9% to €5.0 million in the period (H1 2009: €4.6 million). Europe also returned strong growth of 15% to €5.8 million (H1 2009: €5.0 million). Revenue in North America decreased by 13% to €8.9 million (H1 2009: €10.3 million), primarily due to one of our key US clients entering Chapter 11 bankruptcy in the US in September 2008. Excluding this exceptional event, our growth in the US was flat. Revenue in Ireland, UK & Rest of the World (ROW) increased by 15% to €4.9 million (H1 2009: €4.3 million), reflecting a strong performance from our Middle East region during the period. Overall, revenue growth came from both incremental contracts, with 89% of revenue coming from existing clients and the remainder from new contracts, with eight new clients secured in 2009 including NCB Capital and Bank of South Pacific.

The overall 2% revenue growth came from an increase in Professional Services and Post Contract Support (PCS) revenues. Professional services grew by 3% to €16.2 million (H1 2009: €15.6 million), whilst PCS grew by 46% to €3.3 million (H1 2009: €2.3 million). This increases our recurring revenue line to 13% of total revenues during the period (H1 2009: 9%) and is a strong indication of our customer satisfaction ratings. Our license revenue decreased by 18% to €5.1 million (H1 2009: €6.3 million), impacted mainly by a slowdown in expenditure in both our US and UK markets. We continue to use our global leverage to accelerate investments in the short-term in markets with stronger demand, whilst waiting for other markets to return to normal growth levels. This is particularly evident in the growth within our European, Middle Eastern and Asian regions in the current period. We also continue to produce strong individual margins on our revenue line items, which have delivered an overall gross profit increase of 3% to €15.3 million (H1 2009: €14.9 million) for the current period excluding depreciation.

Operating costs across Sales and Marketing, Research and Development, and General and Admin remained at similar levels over the same period in 2008, with an expenditure of 44% of revenue in H1 2010 (€10.9 million excluding depreciation) compared to 45% in H1 2009 (€10.9 million excluding depreciation), as management continue to proactively manage all costs and drive operating leverage from its global investments. Management will also use its strongly held culture of project accounting across the organisation to manage projects to desired profitability levels above the line and its return from investments in operating costs.

Our strong performance across revenue, gross profit and operating cost management has delivered an EBITDA of €4.3 million (H1 2009: €4.0 million) with overall growth of 8% in the current period. EBITDA margins of 18% were achieved (H1 2009: 17%), which demonstrate how our financial model is both predictable and consistent in what is a difficult period for our core market.

There has been no material foreign exchange P&L impact in the current period against the same period in H1 2009. Whilst there has been a positive impact from the US dollar exchange rate (average rate v's EUR in 2009 : 1.40 v's average rate in 2008 : 1.55), this was offset by an equivalent negative effect on sterling (H1 2010: 88 pence v's H1 2009 : 79 pence) and the Australian dollar (H1 2010: 1.76 v's H1 2009: 1.68). This "netting" effect is likely to continue for the remainder of the financial year.

Norkom has delivered exceptional cash flow performance in the current period, with our overall cash balance strengthening from €27.5 million at 31 March 2009 to €31.7 million at 30 September 2009. Norkom places a strong emphasis on working capital management, achieving exceptional cash generation from operating activities during the period of €4.7 million (H1 2009: €0.6 million).

Adjusted diluted earnings per share has increased by 7% to 4.22 cents (H1 2009: 3.95 cents), whilst the diluted share count has increased from 90.7 million shares in H1 2009 to 92.5 million shares in H1 2010. This increase is mainly as a result of the vesting of employee share options as part of our 2006 plan to 31 March 2009.

Overall, Norkom's balance sheet has, once again, strengthened during the period. Net assets increased from €58.2 million at 31 March 2009 to €59.5 million at 30 September 2009. We have noted some period end balance sheet currency translation effect from the movement in the US dollar/Euro, closing exchange rates from 1.32 to 1.46 during the period, which has depressed the growth in net assets (€1.3million) when compared to retained Net Profit (€3.2million). We maintain 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.

As at 12 August 2009, the Irish registered group of 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 Irish Companies Act 1963, after obtaining High Court approval and passing special resolutions in accordance with the same act.

The effect of this restructuring enabled permanent credit balances on share premium and other reserve accounts to be matched against permanent debit balances on the retained loss account in the Group balance sheet, which had arisen primarily on historical Group investments in subsidiary entities and the raising of finance through the issue of ordinary share capital in respect of same.

The overall impact of the restructuring is to enable the retained earnings accounts, on a Group and individual company basis, to properly reflect the historical profits that have arisen in transactions external to the Group, post-historical Group restructuring, and make these earnings available for distribution.

Business Strategy and Future Outlook

Norkom will continue its strategy of building-out its market and product footprints. Our focus on building new geographic markets for our products and solutions is proving successful and we will continue to pursue this strategy in the coming period. After years of significant investment in our core platform, we are now in a position to accelerate the delivery of packaged solutions to the marketplace. Our strategy is to embed the domain-specific detection and investigation capabilities that significantly improve operational efficiencies in fighting specific crime typologies for our clients and prospects. The initial packaged applications that have been released underpin our success in entering new markets, widening our overall addressable market. In the coming period, we will dedicate even more resources to enable this market and product footprint expansion.

Failures in the capital markets are prompting the evolution of a raft of new legislation to provide greater oversight of capital markets activities. For the remainder of 2009 and 2010, we expect to see total fines of greater than $2 billion not including the commensurate collateral costs that tend to be a multiple of the actual levied fine. We are also seeing a move towards regulating fraud and internal security, with a number of key regulations already enacted. These new regulations are driven by the need to increase protection for consumers. Buyers in our marketplace are becoming ever more aware of the financial security of their partner vendors and, therefore, are seeking a financially strong solution partner when considering providers with whom to work. Norkom, with our strong balance sheet, history of growth with profits and proven long-term relationships with leading international financial services institutions is seen as an ideal solution partner to solve multiple financial crime problems for our clients.

Norkom believes that a return to normal investment levels in our market is already evident, albeit slowly in some geographies. The shakeout in the competitive landscape, which has resulted from the turmoil of the last two years, will create opportunities for Norkom to take a larger share of the market. Key product innovations and strategic partnerships will be pursued and developed to avail of this opportunity. Overall. Norkom will remain prudent and vigilant in the short-term as the market recovery picks up, whilst making the necessary investment to avail of the market, product and partnering opportunities that exist,enabling Norkom to return to the growth levels that the company has experienced in previous years.

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

	Note	6 Months to 30 September 2009 (unaudited) €'000	6 Months to 30 September 2008 (unaudited) €'000
Continuing Operations			
Revenue	4	**24,601**	24,184
Cost of sales		**(9,560)**	(9,467)
Gross profit		**15,041**	**14,717**
Sales and marketing costs		**(4,492)**	(4,724)
Research and development costs		**(3,640)**	(3,723)
Administrative expenses		**(3,095)**	(2,714)
Amortisation of intangible assets		**(582)**	(826)
Operating profit		**3,232**	**2,730**
Share of loss of associate		**(166)**	(272)
Finance revenue		**135**	351
Finance costs		**(23)**	(30)
Profit before tax		**3,178**	**2,779**
Income tax expense:			
Current tax charge	6	**(35)**	(268)
Deferred tax charge	6	**26**	(319)
Profit for the period from continuing operations		**3,169**	**2,192**
Attributable to:			
Equity holders of the parent		**3,169**	2,182
Minority interest		-	10
		3,169	**2,192**
EPS:			
Basic earnings per ordinary share	3	**3.55c**	2.46c
Diluted earnings per ordinary share	3	**3.43c**	2.40c
Adjusted EPS:			
EPS adjusted for amortisation and non-cash charges	3	**4.22c**	3.95c
EBITDA EPS	3	**4.69c**	4.42c

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

	6 Months to 30 September 2009 (unaudited) €'000	*6 Months to 30 September 2008 (unaudited) €'000*
Profit for the period from continuing operations	**3,169**	**2,192**
Exchange differences on the translation of foreign operations	**(2,074)**	2,276
Total comprehensive income for the period net of tax	**1,095**	**4,468**
Attributable to:		
Equity holders of the parent	**1,095**	4,458
Minority interest	-	10
	1,095	**4,468**

Interim Consolidated Statement of Financial Position at 30 September 2009

	30 September 2009 €'000 (unaudited)	31 March 2009 €'000
Assets		
Non-Current Assets		
Property plant and equipment	**1,461**	1,736
Intangible assets	**22,697**	25,302
Investment in associate	**1,625**	1,790
Deferred tax asset	**2,191**	2,232
	27,974	**31,060**
Current assets		
Trade and other receivables	**15,346**	16,767
Prepayments	**481**	614
Financial assets	**54**	28
Cash and cash equivalents	**31,686**	27,453
Total current assets	**47,567**	**44,862**
Total assets	**75,541**	**75,922**
Equity and liabilities		
Issued share capital	**897**	894
Share premium	**25**	42,454
Other reserves	**1,257**	29,175
Cumulative translation adjustment	**(2,419)**	(345)
Retained profit/(loss)	**59,734**	(13,988)
Equity attributable to equity holders of the parent	**59,494**	**58,190**
Minority interest	**0**	0
Total Equity	**59,494**	**58,190**
Non-current liabilities		
Interest bearing loans and borrowings	**1,000**	1,000
Deferred tax liability	**130**	104
Finance lease obligations	**73**	154
Other payables	**-**	51
Total non-current liabilities	**1,203**	**1,309**
Current liabilities		
Trade and other payables	**7,448**	8,856
Income taxes payable	**27**	196
Finance lease obligations	**116**	83
Supplier loan	**-**	18
Deferred revenue	**7,253**	7,270
Total current liabilities	**14,844**	**16,423**
Total liabilities	**16,047**	**17,732**
Total equity and liabilities	**75,541**	**75,922**

Interim Consolidated Statement of Changes in Equity (unaudited) for the six months ended 30 September 2009 and 2008

Attributable to equity holders of the parent	*Issued capital €'000*	*Share premium €'000*	*Retained profit €'000*	*Other reserves €'000*	*Translation reserve €'000*	*Total €'000*	*Minority interest €'000*	*Total Equity €'000*
At 31 March 2009	**894**	**42,454**	**(13,988)**	**29,175**	**(345)**	**58,190**	**0**	**58,190**
Movement in translation reserve	-	-	-	-	(2,074)	**(2,074)**	-	**(2,074)**
Total income and expenses recognised directly in equity	-	-	-	-	(2,074)	**(2,074)**	-	**(2,074)**
Profit retained for the financial period	-	-	3,169	-	-	**3,169**	-	**3,169**
Total income and expense for the period	-	-	3,169	-	(2,074)	**1,095**	-	**1,095**
Capital restructuring – note (7)	-	(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**

Attributable to equity holders of the parent	*Issued capital €'000*	*Share premium €'000*	*Retained loss €'000*	*Other reserves €'000*	*Translation reserve €'000*	*Total €'000*	*Minority interest €'000*	*Total Equity €'000*
At 31 March 2008	**893**	**42,445**	**(17,993)**	**28,894**	**(3,954)**	**50,285**	**0**	**50,285**
Movement in translation reserve	-	-	-	(25)	2,301	**2,276**	-	**2,276**
Total income and expenses recognised directly in equity	-	-	-	(25)	2,301	**2,276**	-	**2,276**
Profit retained for the financial period	-	-	2,182	-	-	**2,182**	10	**2,192**
Total income and expense for the period	-	-	2,182	(25)	2,301	**4,458**	10	**4,468**
ESOP issue of ordinary shares	1	6	-	-	-	**7**	-	**7**
Expensing of share-based payment	-	-	-	258	-	**258**	-	**258**
Dividends of subsidiaries	-	-	-	-	-	**-**	(10)	**(10)**
At 30 September 2008 (unaudited)	**894**	**42,451**	**(15,811)**	**29,127**	**(1,653)**	**55,008**	**0**	**55,008**

Interim Consolidated Cash Flow Statement – for the 6 months ended 30 September 2009

	6 Months to 30 September 2009 €'000 (unaudited)	6 Months to 30 September 2008 €'000 (unaudited)
Cash flows from operating activities		
Profit before tax	**3,178**	2,779
Adjustment to reconcile profit before tax to net cash flows		
Non-cash:		
Depreciation of property, plant and equipment	**523**	457
Amortisation of intangibles	**582**	826
Share-based payments	**181**	258
Share of loss of associate	**166**	272
Finance income	**(135)**	(351)
Finance costs	**23**	30
Working capital adjustments:		
Decrease/(Increase) in debtors and prepayments	**2,480**	(5,305)
(Decrease)/Increase in creditors and accruals	**(2,336)**	1,650
Cash generated from operations	**4,662**	616
Income tax paid	**(50)**	(166)
Net cash from operating activities	**4,612**	**450**
Cash flows from investing activities		
Acquisition of a subsidiary, net of cash acquired	**-**	1,524
Purchase of property, plant and equipment	**(254)**	(200)
Interest received	**189**	396
Net cash provided by / (used in) investing activities	**(65)**	**1,720**
Financing activities		
Proceeds from ESOP issue of shares	**28**	7
Capital element of finance lease payable	**(79)**	(113)
Capital element of supplier loan	**(18)**	(34)
Finance lease interest paid	**(24)**	(28)
Supplier loan interest paid	**-**	(2)
Dividends paid to minority interests	**(260)**	(100)
Net cash flows from financing activities	**(353)**	**(270)**
Increase/(decrease) in cash	**4,194**	1,900
Net foreign exchange difference	**39**	175
Cash and cash equivalents at 1 April	**27,453**	20,715
Cash and cash equivalents at 30 September	**31,686**	**22,790**

Notes to the Interim Consolidated Financial Statements
For the 6 months ended 30 September 2009

(1) Corporate information

The interim condensed consolidated financial statements of the Norkom Group plc for the six months ended 30 September 2009 were authorised for issue in accordance with a resolution of the directors on 6 November 2009.

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 IEX and AIM markets.

(2) Basis of preparation and accounting policies

Basis of preparation
The interim condensed consolidated financial statements for the six months ended 30 September 2009 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 2009, 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 2009, except for the adoption of new Standards and Interpretations, noted below:

IFRIC 11 IFRS 2 – '*Group and Treasury Share Transactions'.* This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments, to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. The adoption of this Interpretation did not have any effect on the financial position or performance of the Group.

IFRS 2 Share-based Payment – '*Vesting Conditions and Cancellations'.* The Standard has been amended to clarify the definition of vesting conditions and to prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The adoption of this amendment did not have any impact on the financial position or performance of 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.

IFRS 8, *'Operating segments'*. IFRS 8 replaces IAS 14, *'Segment reporting'*, and requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Management have implemented this standard for the annual period commencing on 1 April 2009 and have determined that no change in the number of the reported segments has occurred. This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this Standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under IAS 14 Segment Reporting.

IAS 23 (amendment), *'Borrowing costs'*. This amendment is not relevant to the Group, as the Group does not currently have borrowing costs on qualifying assets.

IAS 1, (amendment), *'Presentation of financial statements'*. Management has developed proforma accounts under the revised disclosure requirements of this standard, including the presentation of a Consolidated Statement of Comprehensive Income.

IAS 32 (amendment), *'Financial instruments: presentation',* and consequential amendments to IAS 1, *'Presentation of financial statements'*. The adoption of this standard has had no impact on the Group, as the Group does not have any puttable instruments.

IFRIC 13, *'Customer loyalty programmes'*, effective for annual periods beginning on or after 1 July 2009. 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 profit or loss 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 profit or loss.

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

In May 2008 the Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.
The 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 1 *'Presentation of Financial Statements'*: Assets and liabilities classified as held for trading in accordance with IAS 39 *'Financial Instruments'*: Recognition and Measurement are not automatically classified as current in the statement of financial position. The Group amended its accounting policy accordingly and analysed whether Management's expectation of the period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any re-classification of financial instruments between current and non-current in the statement of financial position.

IAS 16 *'Property, Plant and Equipment'*: Replace the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

IAS 23 *'Borrowing Costs'*: The definition of borrowing costs is revised to consolidate the two types of items that are considered components of *'borrowing costs'* into one – the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39. The Group has amended its accounting policy accordingly which did not result in any change in its financial position.

IAS 38 *'Intangible Assets'*: Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service. This amendment has no impact on the Group because it does not enter into such promotional activities. The reference to there being rarely, if ever, persuasive evidence to support an amortisation method of intangible assets other than a straight-line method has been removed. The Group reassessed the useful lives of its intangible assets and concluded that the straight-line method was still appropriate.

The amendments to the following standards below did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 Financial Instruments: Disclosures
- IAS 8 Accounting Policies, Change in Accounting Estimates and Error
- IAS 10 Events after the Reporting Period
- IAS 16 Property, Plant and Equipment
- IAS 18 Revenue
- IAS 19 Employee Benefits:

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

	6 Months ended 30 September 2009 €'000	6 Months ended 30 September 2008 €'000
Numerator for basic and diluted earnings per share		
Profit for the financial period attributable to ordinary shareholders	**3,169**	**2,182**
Denominator for basic earnings per share	**Number of Shares**	**Number of Shares**
Weighted average number of shares	**89,343,760**	88,855,588
Effective of dilutive potential shares (share options)	**3,170,317**	1,864,424
Denominator for diluted earnings per share	**92,514,077**	**90,720,012**
Earnings per Share		
Basic	**3.55c**	2.46c
Diluted	**3.43c**	2.40c

Adjusted earnings per Share (€'000 except share and per share data)

	6 Months ended 30 September 2009	6 Months ended 30 September 2008
(i) Adjusted EPS:	Cent	Cent
Adjusted diluted earnings per ordinary share	**4.22c**	3.95c

	6 Months ended 30 September 2009	6 Months ended 30 September 2008
(ii)EBITDA EPS:	Cent	Cent
EBITDA diluted earnings per ordinary share	**4.69c**	4.42c

Earnings reconciliations:

	6 Months ended 30 September 2009	*6 Months ended 30 September 2008*
	€'000	€'000
(i) Earnings for adjusted EPS reconciliation:		
Operating profit	**3,232**	2,730
Add back:		
IFRS 2 non-cash charge	**181**	258
Amortisation of intangibles	**582**	826
Net interest	**111**	321
Deduct:		
Share of loss of associate	**(166)**	(272)
Minority interest	**-**	(10)
Tax on ordinary profits – current tax	**(35)**	(268)
Earnings for adjusted EPS	**3,905**	**3,585**
(ii) EBITDA reconciliation:	€'000	€'000
Operating profit	**3,232**	2,730
Add back:		
Depreciation	**523**	457
Amortisation of intangibles	**582**	826
EBITDA	**4,337**	**4,013**

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.

(4) Segmental Information

Primary reporting format – business segments

For management reporting purposes, the Group is organised into one business unit the provision of software and services for enterprise financial crime and compliance. No operating segments have been aggregated to form this reportable operating segment. Management monitors the operating results of this business segment in aggregate for the purposes of determining enterprise resource allocation and performance assessment. Group financing (including finance costs and finance revenue) and income taxes are managed on a group basis.

The information in the Group consolidated financial statements for the period ended and as at 30 September 2009 is the same as those used by the Group for its internal reporting purposes to provide a reliable assessment of its risks and returns.

For management reporting purposes, revenue from external customers are analysed by type of revenue and by location. On a geographical basis the revenue generating operations of the group are managed on a global basis (as the majority of the Groups' external customers operate on this basis), geographical operations share the same risk characteristics and product characteristics and delivery methods are identical in the geographical tax jurisdictions in which revenues are recognised. Transfer prices between business segments by tax jurisdiction are on an arm's length basis in a manner similar to transactions between third parties.

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

	6 Months ended 30 September 2009 €'000	*6 Months ended 30 September 2008 €'000*
Licence	**5,137**	6,269
Professional services	**16,159**	15,644
Post contract support	**3,305**	2,271
Total	**24,601**	**24,184**

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

	6 Months ended 30 September 2009 €'000	*6 Months ended 30 September 2008 €'000*
Europe	**5,774**	5,035
North America	**8,942**	10,289
Ireland, UK & ROW	**4,934**	4,302
Asia Pacific	**4,951**	4,558
Total	**24,601**	**24,184**

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 annual statements for the year ended 31 March 2009.

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 2009, 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 30 September 2009, 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 2009 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 2009 €'000	*6 Months ended 30 September 2008 €'000*
Current income tax		
Irish tax on passive income	**-**	(77)
Foreign tax	**(35)**	(191)
Total current tax charge	**(35)**	**(268)**
Deferred tax		
Deferred tax credit/(charge)	**26**	(319)
Total deferred tax credit/(charge)	**26**	**(319)**
Total (charge) in the income statement	**(9)**	**(587)**

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
Belgium	€0.5m	34%
Ireland	€18.4m	10%
UK	£1.8m	30%
US	$21.6m	34%

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

In Ireland (where a net 10% manufacturing corporate tax rate is effective 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 at 10% on current and future taxable profits, or recovered against payroll tax liabilities paid in the same financial period.

(7) Group Capital Restructuring:

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.

(8) Property, plant and equipment

Additions for the six months were €254,000 (2008: €200,000).
There are no material capital commitments.

(9) 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 Group has taken advantage of the transitional provisions of IFRS 2 in respect of equity-settled awards so as to apply IFRS 2 only to those equity-settled awards granted after 7 November 2002 that had not vested before 1 April 2007.

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 2009, 6,820,000 stock options were granted, under the 2006 option plan. The exercise price of the options ranges from €0.63 to €1.25 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 546,834 options granted under this plan in the year ended 31 March 2009. The fair value of the options granted is estimated as of the date of grant using a Monte Carlo simulation to calculate the fair value using the following assumptions:

Dividend Yield	**0%**
Expected Volatility	**50%**
Risk Free Interest Rate Range	**5.2%**
Average Expected life	**6.0 Years**
Contractual Life	**7 Years**

(10) 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.

(11) Events after the balance sheet date

There were no significant events after the balance sheet date.

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