



ACCOUNTS



**Consolidated Financial Statements
for the year ended 31 December 2015**

NOVABASE S.G.P.S., S.A.

(Page left intentionally blank)

INDEX

I. CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2015	5
• Consolidated Statement of Financial Position as at 31 December 2015	6
• Consolidated Statement of Profit and Loss for the year ended 31 December 2015	7
• Consolidated Statement of Comprehensive Income for the year ended 31 December 2015	8
• Consolidated Statement of Changes in Equity for the year ended 31 December 2015	9
• Consolidated Statement of Cash Flows for the year ended 31 December 2015	10
• Notes to the Consolidated Financial Statements for the year ended 31 December 2015	11
Note 1. General information	11
Note 2. Significant accounting policies	11
Note 3. Financial risk management policy	19
Note 4. Critical accounting estimates and judgements	22
Note 5. Segment information	24
Note 6. Companies included in consolidation	25
Note 7. Property, plant and equipment	26
Note 8. Intangible assets	28
Note 9. Investments in associates	29
Note 10. Financial assets at fair value through profit or loss	30
Note 11. Deferred income tax assets and liabilities	31
Note 12. Inventories	32
Note 13. Financial instruments by category	32
Note 14. Trade and other receivables	33
Note 15. Accrued income	34
Note 16. Derivative financial instruments	34
Note 17. Other current assets	35
Note 18. Held-to-maturity investments	35
Note 19. Cash and cash equivalents	35
Note 20. Share Capital, share premium, treasury shares and stock options	36
Note 21. Reserves and retained earnings	37
Note 22. Non-controlling interests	37
Note 23. Borrowings	37
Note 24. Provisions	39
Note 25. Other non-current liabilities	39
Note 26. Trade and other payables	39
Note 27. Deferred income and other current liabilities	40
Note 28. External supplies and services	40
Note 29. Employee benefit expense	40
Note 30. Other gains/(losses) - net	41
Note 31. Depreciation and amortisation	41
Note 32. Finance income	41
Note 33. Finance costs	42
Note 34. Share of loss of associates	42
Note 35. Income tax expense	42
Note 36. Earnings per share	43
Note 37. Dividends per share	43
Note 38. Commitments	44
Note 39. Related-party transactions	44
Note 40. Contingencies	45
Note 41. Additional information requested by law	45
Note 42. Events after the reporting period	45
Note 43. Note added for translation	45
II. REPORTS ISSUED BY THE SUPERVISORY BOARD AND BY THE CMVM REGISTERED AUDITOR	47
• Report and Opinion of the Supervisory Board - Consolidated Financial Statements	49
• Auditors' Report - Consolidated Financial Statements	51
III. SECURITIES ISSUED BY THE COMPANY AND OTHER GROUP COMPANIES, HELD BY BOARD MEMBERS	55
• Detail of securities issued by the Company and other group companies, held by board members of Novabase S.G.P.S.	57

(Page left intentionally blank)

I. CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2015

NOVABASE S.G.P.S., S.A.

Consolidated Statement of Financial Position as at 31 December 2015

(Amounts expressed in thousands of Euros)

	Note	31.12.15	31.12.14 restated (*)	01.01.14 restated (*)
Assets				
Non-Current Assets				
Property, plant and equipment	7	9,704	5,570	6,120
Intangible assets	8	29,304	30,663	32,095
Investments in associates	9	621	871	961
Financial assets at fair value through profit or loss	10	3,165	1,544	1,256
Held-to-maturity investments	18	4,554	-	-
Deferred income tax assets	11	16,352	17,228	14,901
Other non-current assets	39	7,478	7,770	4,868
Total Non-Current Assets		71,178	63,646	60,201
Current Assets				
Inventories	12	2,824	4,943	8,925
Trade and other receivables	14	94,519	91,645	87,975
Accrued income	15	21,592	22,047	12,421
Income tax receivable		2,479	2,223	2,236
Derivative financial instruments	16	168	88	514
Other current assets	17	4,743	5,148	4,470
Financial assets held for trading		-	-	5,015
Held-to-maturity investments	18	845	-	-
Cash and cash equivalents	19	24,293	20,714	32,942
Total Current Assets		151,463	146,808	154,498
Total Assets		222,641	210,454	214,699
Equity				
Share capital	20	15,701	15,701	15,701
Treasury shares	20	(6)	(29)	(295)
Share premium	20	43,560	43,560	43,560
Reserves and retained earnings		14,792	18,813	18,076
Profit for the year		7,425	3,112	7,510
Total Equity attributable to owners of the parent		81,472	81,157	84,552
Non-controlling interests	22	8,194	11,855	10,946
Total Equity		89,666	93,012	95,498
Liabilities				
Non-Current Liabilities				
Borrowings	23	19,634	9,989	14,031
Provisions	24	11,497	9,894	10,642
Deferred income tax liabilities	11	-	-	100
Other non-current liabilities	25	271	70	70
Total Non-Current Liabilities		31,402	19,953	24,843
Current Liabilities				
Borrowings	23	5,568	6,418	7,353
Trade and other payables	26	58,200	59,117	61,764
Income tax payable		24	967	89
Derivative financial instruments	16	160	1,323	77
Deferred income and other current liabilities	27	37,621	29,664	24,755
Total Current Liabilities		101,573	97,489	94,038
Liabilities for discontinued operations		-	-	320
Total Liabilities		132,975	117,442	119,201
Total Equity and Liabilities		222,641	210,454	214,699

(*) Restated accordingly IAS 8 - see note 2

THE CERTIFIED ACCOUNTANT

THE BOARD OF DIRECTORS

The accompanying notes are an integral part of these consolidated financial statements

NOVABASE S.G.P.S., S.A.
Consolidated Statement of Profit and Loss
for the year ended 31 December 2015

(Amounts expressed in thousands of Euros)

		12 M *	
	Note	31.12.15	31.12.14
Continuing Operations			
Sales	5	63,445	67,811
Services rendered	5	168,147	153,044
Cost of sales	12	(55,525)	(61,854)
External supplies and services	28	(67,959)	(59,898)
Employee benefit expense	29	(89,695)	(86,305)
Restructuring costs		-	(1,522)
Other gains/(losses) - net	30	(3,497)	1,861
Depreciation and amortisation	31	(5,348)	(5,917)
Operating Profit		9,568	7,220
Finance income	32	9,140	1,830
Finance costs	33	(8,357)	(3,505)
Share of loss of associates	34	(200)	(90)
Profit Before Income Tax		10,151	5,455
Income tax expense	35	(1,745)	(857)
Profit from continuing operations		8,406	4,598
Discontinued operations			
Profit from discontinued operations	5	-	211
Profit for the Year		8,406	4,809
Profit attributable to:			
Owners of the parent		7,425	3,112
Non-controlling interests	22	981	1,697
		8,406	4,809
Earnings per share from continuing and discontinued operations attributable to owners of the parent (Euros per share)			
Basic earnings per share			
From continuing operations	36	0.24 Euros	0.09 Euros
From discontinued operations	36	Zero Euros	0.01 Euros
From profit for the year	36	0.24 Euros	0.10 Euros
Diluted earnings per share			
From continuing operations	36	0.24 Euros	0.09 Euros
From discontinued operations	36	Zero Euros	0.01 Euros
From profit for the year	36	0.24 Euros	0.10 Euros

12 M * - period of 12 months ended

THE CERTIFIED ACCOUNTANT

THE BOARD OF DIRECTORS

The accompanying notes are an integral part of these consolidated financial statements

NOVABASE S.G.P.S., S.A.
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2015

(Amounts expressed in thousands of Euros)

	Note	12 M *	
		31.12.15	31.12.14
Profit for the Year		8,406	4,809
Other comprehensive income for the year			
Exchange differences on foreign operations		(9,139)	398
Other comprehensive income for the year		(9,139)	398
Total comprehensive income for the year		(733)	5,207
Total comprehensive income attributable to:			
Owners of the parent		1,901	2,920
Non-controlling interests		(2,634)	2,287
		(733)	5,207
12 M * - period of 12 months ended			

THE CERTIFIED ACCOUNTANT

THE BOARD OF DIRECTORS

The accompanying notes are an integral part of these consolidated financial statements

NOVABASE S.G.P.S., S.A.

Consolidated Statement of Changes in Equity for the year ended 31 December 2015

(Amounts expressed in thousands of Euros)

	Note	Attributable to owners of the parent					Non-controlling interests	Total Equity
		Share capital	Treasury shares	Share premium	Legal reserves	Stock options reserves	Reserves and retained earnings	
Balance at 1 January, 2014		15,701	(295)	43,560	3,140	326	27,800	101,754
Restatement accordingly IAS 8	2	-	-	-	-	-	(5,680)	(6,256)
Restated Balance at 1 January, 2014		15,701	(295)	43,560	3,140	326	22,120	95,498
Profit for the year		-	-	-	-	-	3,112	4,809
Other comprehensive income for the year		-	-	-	-	-	(192)	398
Total comprehensive income for the year		-	-	-	-	-	2,920	5,207
Transactions with owners								
Dividends	21, 22	-	-	-	-	-	(6,269)	(7,663)
Treasury shares movements	20	-	(20)	-	-	-	(132)	(152)
Share-based payments - stock options exercise	20	-	286	-	-	(278)	(8)	-
Share-based payments	20, 29	-	-	-	-	106	-	106
Change in consolidation universe	22	-	-	-	-	-	-	16
Transactions with owners		-	266	-	-	(172)	(6,409)	(7,693)
Changes in ownership interests in subsidiaries that do not result in a loss of control								
Transactions with non-controlling interests		-	-	-	-	-	-	-
Balance at 31 December, 2014		15,701	(29)	43,560	3,140	154	18,631	93,012
Balance at 1 January, 2015		15,701	(29)	43,560	3,140	154	18,631	93,012
Profit for the year		-	-	-	-	-	7,425	8,406
Other comprehensive income for the year		-	-	-	-	-	(5,524)	(9,139)
Total comprehensive income for the year		-	-	-	-	-	1,901	(733)
Transactions with owners								
Dividends	21, 22	-	-	-	-	-	(936)	(1,972)
Treasury shares movements	20	-	(141)	-	-	-	(525)	(666)
Share-based payments - stock options exercise	20	-	164	-	-	(170)	6	-
Share-based payments	20, 29	-	-	-	-	16	-	16
Change in consolidation universe	22	-	-	-	-	-	-	9
Transactions with owners		-	23	-	-	(154)	(1,455)	(2,613)
Changes in ownership interests in subsidiaries that do not result in a loss of control								
Transactions with non-controlling interests		-	-	-	-	-	-	-
Balance at 31 December, 2015		15,701	(6)	43,560	3,140	-	19,077	89,666

THE CERTIFIED ACCOUNTANT

THE BOARD OF DIRECTORS

The accompanying notes are an integral part of these consolidated financial statements

NOVABASE S.G.P.S., S.A.

Consolidated Statement of Cash Flows for the year ended 31 December 2015

(Amounts expressed in thousands of Euros)

		12 M *	
	Note	31.12.15	31.12.14
Cash flows from operating activities			
Cash receipts from customers		223,177	207,596
Cash paid to suppliers and employees		(205,211)	(205,982)
Cash generated from operations		17,966	1,614
Income taxes paid		(1,680)	(586)
Other operating proceeds / (payments)		1,525	(2,396)
		(155)	(2,982)
Net Cash generated / (used) in operating activities		17,811	(1,368)
Cash flows from investing activities			
Receipts:			
Proceeds on disposal of subsidiaries and associates		1,270	2,479
Loan repayments received from associates		139	3,343
Disposal of financial assets held for trading / held-to-maturity	18	-	10,034
Proceeds on disposal of property, plant and equipment		241	20
Interest received		435	660
		2,085	16,536
Payments:			
Acquisition of subsidiaries and associates		(152)	(286)
Loans granted to associates		(2,000)	(2,902)
Settlement of derivatives		(2,364)	-
Purchases of financial assets held for trading / held-to-maturity	18	(5,958)	(5,019)
Purchases of property, plant and equipment		(1,490)	(1,102)
Purchases of intangible assets		(1,585)	(2,033)
		(13,549)	(11,342)
Net Cash generated / (used) in investing activities		(11,464)	5,194
Cash flows from financing activities			
Receipts:			
Proceeds from borrowings		19,921	3,100
Capital contribution by non-controlling interests (i)		-	35
		19,921	3,135
Payments:			
Repayments of borrowings		(15,478)	(8,389)
Dividends paid	21, 22	(1,342)	(7,663)
Payment of finance lease liabilities		(1,166)	(1,336)
Interest paid		(1,098)	(1,339)
Purchase of treasury shares	20	(778)	(392)
		(19,862)	(19,119)
Net Cash (used) / generated in financing activities		59	(15,984)
Cash, cash equivalents and bank overdrafts at beg. of year	19	20,714	32,942
Net increase / (decrease) of cash, cash equivalents and bank overdrafts		6,406	(12,158)
Effect from exchange rate fluctuations on cash held		(2,827)	(70)
Cash, cash equivalents and bank overdrafts at end of year	19	24,293	20,714
12 M * - period of 12 months ended			

(i) 2014: NBMSIT, Sist. De Inf. E Tecnol., S.A. (Mozambique).

THE CERTIFIED ACCOUNTANT

THE BOARD OF DIRECTORS

The accompanying notes are an integral part of these consolidated financial statements

NOVABASE S.G.P.S., S.A.
Notes to the Consolidated Financial Statements
for the year ended 31 December 2015

1. General information

Novabase, Sociedade Gestora de Participações Sociais, SA (hereunder referred to as Novabase or Group), with its head office in Av. D. João II, 34, Parque das Nações, 1998-031 Lisbon, Portugal, holds and manages financial holdings in other companies as an indirect way of doing business, being the Holding Company of Novabase Group.

Novabase's activity is aggregated into 3 business areas:

(i) Business Solutions (BS) - This area of Novabase incorporates a number of competencies with technology, management, design and business expertise.

(ii) Infrastructures & Managed Services (IMS) - This area is specialized in engineering solutions and IT management, but focusing on ongoing services for operations, maintenance and management, in particular areas involving infrastructure outsourcing.

(iii) Venture Capital (VC) - This area develops a corporate venture capital activity throughout Novabase Capital, Sociedade de Capital de Risco, S.A., which has as main purpose to identify and support Portuguese ICT business projects, in early development or expanding, with high value potential and synergies with Novabase.

Novabase is listed on the Euronext Lisbon.

The share capital is represented by 31,401,394 shares (2014: 31,401,394 shares), and all shares have a nominal value of 0.5 Euros each.

These consolidated financial statements were approved for issue by the Board of Directors on April 5, 2016. In the opinion of the Board of Directors these financial statements fairly present the Group operations, as well as its financial position, financial performance and cash flows.

These financial statements will be approved in the General Meeting of Shareholders.

2. Significant accounting policies

In the year ending in 31 December 2015, the Group reassessed its provisions in light of the recent interpretations from the IFRS Interpretations Committee, which stipulate that, for the purpose of measuring risks and uncertainties, companies should estimate the cost of liquidation of any obligations by weighing all possible controllable results and the associated probabilities of occurrence. As established in IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, this new interpretation shall be applied retroactively and, as a result, changes were made to the Consolidated Statement of Financial Position as of 1 January 2014. The financial information pertaining to the year ending in 31 December 2014 has been restated with the following effects:

Consolidated Statement of Financial Position as at 1 January 2014:

	<u>Published</u>	<u>Restatement</u>	<u>Restated</u>
Assets			
Total Assets	<u>214,699</u>	<u>-</u>	<u>214,699</u>
Equity			
Reserves and retained earnings	<u>23,756</u>	<u>(5,680)</u>	<u>18,076</u>
Total Equity attributable to owners of the parent	<u>90,232</u>	<u>(5,680)</u>	<u>84,552</u>
Non-controlling interests	<u>11,522</u>	<u>(576)</u>	<u>10,946</u>
Total Equity	<u>101,754</u>	<u>(6,256)</u>	<u>95,498</u>
Liabilities			
Non-Current Liabilities			
Provisions	<u>4,386</u>	<u>6,256</u>	<u>10,642</u>
Total Non-Current Liabilities	<u>18,587</u>	<u>6,256</u>	<u>24,843</u>
Total Liabilities	<u>112,945</u>	<u>6,256</u>	<u>119,201</u>
Total Equity and Liabilities	<u>214,699</u>	<u>-</u>	<u>214,699</u>

Consolidated Statement of Financial Position as at 31 December 2014:

	Published	Restatement	Restated
Assets			
Total Assets	210,454	-	210,454
Equity			
Reserves and retained earnings	24,493	(5,680)	18,813
Total Equity attributable to owners of the parent	86,837	(5,680)	81,157
Non-controlling interests	12,431	(576)	11,855
Total Equity	99,268	(6,256)	93,012
Liabilities			
Non-Current Liabilities			
Provisions	3,638	6,256	9,894
Total Non-Current Liabilities	13,697	6,256	19,953
Total Liabilities	111,186	6,256	117,442
Total Equity and Liabilities	210,454	-	210,454

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

2.1. Basis of preparation

The consolidated financial statements of Novabase have been prepared in accordance with International Financial Reporting Standards - IFRS, as adopted by the European Union (EU) as at 31 December 2015.

This statements are presentend in thousands of euro.

New standards, amendments to existing standards and interpretations that have been published and are mandatory for the accounting periods beginning after 1 January 2015 or later periods, but that the Group has not early adopted

It is not expected that new standards, amendments to existing standards and interpretations not yet mandatory and not early adopted have a significant impact on the consolidated financial statements of the Group, except the following set out below, for which the Group is yet to assess full impact:

- **IAS 1 (amendment)**, 'Disclosure initiative' (effective for annual periods beginning on or after 1 January 2016). This amendment is still subject to endorsement by the European Union. This amendment provides guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.
- **Annual Improvement 2012 - 2014**, (effective for annual periods beginning on or after 1 January 2016). These improvements are still subject to endorsement by European Union. The 2012-2014 annual improvements affects: IFRS 5, IFRS 7, IAS 19 and IAS 34. The Group will apply 2012-2014 annual improvements in the period it becomes effective.
- **IFRS 15 (new)**, 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 January 2017). This standard is still subject to endorsement by European Union. This new standard, applies only to contracts with customers to provide goods or services, and requires an entity to recognise revenue when the contractual obligation to deliver the goods or services is satisfied and by the amount that reflects the consideration the entity is expected to be entitled to, following a five step approach.

The Group's consolidated financial statements have been prepared in the assumption of the continuity of operations, based on the historical cost convention except for 'Financial assets at fair value through profit or loss' and 'Derivative financial instruments', which are measured at its fair value (notes 10 and 16).

The preparation of financial statements in conformity with the accounting policies referred above requires the use of certain critical estimates and assumptions which impact on the reported values for assets and liabilities, and for income and expenses presented for the year. Nevertheless the Management usage of its best judgement at the time of the decision, the final results can differ from the estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

The Board of Directors believes that the estimates and assumptions adopted do not bear significant risks from which can result material adjustments to assets and liabilities value.

2.2. Consolidation

The consolidated financial statements, as of 31 December 2015, include assets, liabilities and results of the Group companies, understood as Novabase and its subsidiaries and associates, which are presented in note 6.

(1) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has the power to manage the relevant activities, that is, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group, and the fair value of the acquirer's previously held equity interest in the acquiree before control is transferred to the Group. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests. The excess of the acquisition cost, the fair value of the acquirer's previously held equity interest in the acquiree before control is transferred to the Group and the fair value of non-controlling interest, over the net identifiable assets acquired and liabilities assumed is recorded as goodwill. If the acquisition cost, the fair value of the acquirer's previously held equity interest in the acquiree before control is transferred to the Group and the fair value of non-controlling interest, is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date, regardless of the probability of occurring. Subsequent changes to the fair value of the contingent consideration do not affect goodwill.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(2) Transactions with non-controlling interests

Non-controlling interests corresponds to the proportionate share of the recognised amounts of acquiree's identifiable assets acquired and liabilities and contingent liabilities assumed, which are not directly or indirectly attributable to Novabase. Transactions with non-controlling interests are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

In any transaction with non-controlling interests, the difference between any consideration paid and the carrying amount of the relevant share acquired is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset.

(3) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of profit or loss, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed when necessary to ensure consistency with the policies adopted by the Group.

2.3. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Management.

An operating segment is a component or set of components of the Group that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the Management and for which discrete financial information is available.

The Group's activity is monitored in 3 distinct segments, Business Solutions, IMS and Venture Capital. For the purpose of preparing this information, Novabase S.G.P.S., Novabase Consulting S.G.P.S., NBASE S.G.P.S and Novabase Serviços (companies that includes the top management of the Group and the company that includes the Group's shared services) are considered as part of the Business Solutions operating segment.

2.4. Foreign currency translation

(1) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in thousands of euros (EUR thousand). Euro is the Company's functional and presentation currency.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Translation differences on non-monetary financial assets such as equities held at fair value through profit or loss are recognised in profit or loss in the consolidated statement of profit and loss. Translation differences on monetary items are included in other comprehensive income in the consolidated statement of comprehensive income.

The main exchange rates applied on the reporting date are those listed below:

Euro foreign exchange reference rates (x foreign exchange units per 1 Euro)	Rate on		Average rate	
	31.12.15	31.12.14	2015	2014
• Angolan Kwanza (AOA)	174.7141	128.6326	138.3236	133.3070
• Mozambican Metical (MZN)	49.3181	40.5024	37.3248	40.6593
• Turkish Lira (TRY)	3.1765	2.8320	3.2124	2.8320
• US Dollar (USD)	1.0887	1.2141	1.1125	1.3331
• British Pound (GBP)	0.7340	0.7789	0.7288	0.8064

(3) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities at the reporting date are translated at the closing exchange rate in force at the reporting date;
- (ii) income and expenses in results are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in results as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5. Property, plant and equipment

Property, plant and equipment comprise mainly buildings and other constructions (construction works done in 'Edifício Caribe', the Company's headquarter, and in the facilities of the logistics unit), basic and transport equipment. Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items (purchase price and all the expenses supported direct or indirectly to bring the asset to its current condition).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit and loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method, over their estimated useful lives, as follows:

	N.º of years
• Buildings and other constructions	3 to 50
• Basic equipment	3 to 4
• Transport equipment	4
• Tools and utensils	4
• Furniture, fittings and equipment	3 to 10

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount, and are included in profit or loss.

2.6. *Intangible assets*

(1) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'Intangible assets'. Goodwill on acquisitions of associates is included in 'Investments in associates'.

Goodwill (that has an undetermined useful life), is carried at cost less accumulated impairment losses, being tested annually for impairment, in the second half of the year. Impairment losses on Goodwill are recognised whenever its carrying amount exceeds its recoverable amount, and are not reversed. Gains and losses on the disposal of an entity include the carrying amount of Goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each operating segment in which Novabase operates: Business Solutions, IMS and Venture Capital. For the purpose of impairment tests of Goodwill not allocated to those cash-generating units, the Group identified cash generating units at the level of each subsidiary/associate acquired.

(2) Internally generated intangible assets

Investigation expenses in the search of new technical and scientific knowledge are recorded in the statement of profit and loss as and when incurred. Development expenses are accounted as intangible fixed assets when: i) it is technically feasible to complete the asset or process; ii) Group is able to complete its development and intends to do so; iii) market viability is assured and iv) its cost can be reliably measured.

These assets are recorded at its production or acquisition cost, which include the acquisition cost of the assets plus employee costs directly involved in the production or outsourcing costs incurred for the same purpose, as well as an appropriate portion of relevant overheads.

Amortisation is calculated using the straight-line method, for periods between 3 to 10 years. Impairment of internally generated assets in progress is tested at the reporting date.

(3) Industrial property and other rights

Industrial property and other rights are shown at historical cost. These assets have a finite useful life and are recognised at cost less accumulated amortisation for a period between 3 to 10 years. Amortisation is calculated using the straight-line method to allocate the cost of the industrial property and other rights over their estimated useful lives.

(4) Work in progress

Intangible assets in progress refer to, mainly, the ongoing internal development of software products.

2.7. *Financial assets and liabilities*

The financial assets and liabilities are recognised in the date of the negotiation or contract.

In the initial moment, the financial assets and liabilities are recognised by their fair value. The fair value is the amount that a determined asset or liability can be transferred or paid between entities both knowing and interested in doing the transaction. In the contracted date, the fair value is usually the amount of the transaction.

These assets are derecognised when i) contractual rights to receive cash flows have expired, ii) the Group has transferred substantially all risks and rewards of ownership or iii) nevertheless, maintains a part but not substantially all the risks and rewards of ownership, the Group has transferred the control of the assets.

The fair value is based in current bid prices, or in valuation methods and techniques (if the market for the financial asset is not active). A market is considered active if regular transactions occur.

The Group classifies its financial assets in the following categories: (i) financial assets at fair value through profit or loss, (ii) loans and receivables, (iii) available-for-sale financial assets and (iv) held-to-maturity financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(1) Financial assets and liabilities at fair value through profit or loss

A financial asset or financial liability at fair value through profit or loss is a financial asset that, at the time of initial recognition, is managed and its performance evaluated on a fair value basis, in accordance with a documented risk or investment management. Information about the group is provided internally to key elements in the Group management on that basis. The fair value is calculated using the method of discounted cash flows, with the changes in fair value recognised in profit or loss in the period in which they occur.

(2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are subsequently measured at amortised cost accordingly to the effective interest method. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables are included in the current assets in 'Trade and other receivables' and 'Accrued income' headings and in non-current assets in 'Other non-current assets' heading.

(3) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that: (i) the Group intends to maintain for undetermined period of time, (ii) are designated in this category in the moment of initial recognition or (iii) are not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of it within 12 months of the end of the reporting period.

Investments are initially recognised at fair value. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in profit or loss as gains and losses from investment securities. Dividends on available-for-sale equity instruments are recognised in the statement of profit and loss under 'Finance income' heading, when the Group's right to receive payments is established.

The fair values of listed investments are based on current market prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes the fair value by using valuation techniques. These techniques include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models refined to reflect the issuer's specific circumstances.

(4) Held-to-maturity financial assets

A held-to-maturity investment is a nonderivative financial asset that has either fixed or determinable payments and a fixed maturity, and for which an entity has the intention to collect the original principal, and not to sell or trade in the market.

2.8. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and depreciation and are tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are allocated by segment, given that it is at this level that management monitors its return on investment.

2.9. Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial or a group of financial assets is impaired.

(1) Available-for-sale financial assets

In the case of equity instruments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the instruments are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the statement of profit and loss. Impairment losses on equity instruments recognised in profit or loss are not reversed through profit or loss, unless if, in a subsequent period, the amount of the impairment loss decreases by any event occurred after the date in which it was recognised.

(2) Trade receivables, other debtors and other financial assets

In the case of other financial assets that show objective impairment evidence, their present value is determined, and an impairment loss (which is considered the difference between the asset's present value of estimated future cash flows and the carrying amount) is recognised in the statement of profit and loss. Several indicators are used to identify if there is objective evidence of impairment, such as:

- (i) the Group is not able to collect amounts according to the original terms of the receivables;
- (ii) the Group is not able to collect amounts due over 6 months;
- (iii) significant financial difficulties of the debtor;
- (iv) it becomes probable that the debtor will enter bankruptcy or other financial reorganization.

The amount of the impairment allowance is measured as the difference between the asset's present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, and its carrying amount and is recognised in the statement of profit and loss within 'Other gains/(losses) - net'. The carrying amount of the asset is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the same allowance account. Subsequent recoveries of amounts previously written off are credited against 'Other gains/(losses) - net' in the statement of profit and loss.

2.10. Inventories

Inventories include merchandise, raw materials and subsidiary goods and are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method.

The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11. Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment losses.

2.12. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

2.13. Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or stock options of the Company and its subsidiaries are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or stock options, or for the acquisition of a business, are included in the cost of acquisition as part of the purchase consideration.

Where the Company or any Group companies acquire treasury shares of parent company, they are recorded at cost and the consideration paid is deducted from the equity attributable to owners of the parent until the shares are cancelled, reissued or sold. When such shares are subsequently sold or reissued, any consideration received is included in equity attributable to owners of the parent.

2.14. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Interest costs on borrowings are included in the statement of profit and loss under 'Finance costs' heading.

2.15. Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of profit and loss, except to the extent that it relates to items recognised directly in equity. The current income tax charge is calculated on the basis of profit before income tax, adjusted according to the tax laws enacted at the reporting date.

Deferred income tax is recognised, using the liability method at the reporting date, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from the recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

*2.16. Employee benefits***Bonus**

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's employees after certain adjustments.

Obligations for vacation, vacation subsidy and Christmas subsidy

In accordance with Portuguese legislation, employees have, annually, the right to receive two months of salary, for a vacation period and a vacation subsidy, right earned in the previous year to its settlement. The employees also have, annually, the right to a Christmas subsidy, which is earned over the year and paid each December. These obligations are recorded in the respective period in which the right is earned, regardless its payment date.

Stock options

The Group rewards the services rendered by some employees through an equity-settled stock option plan. The fair value of the services received is recognised as cost in the statement of profit and loss against an increase in equity, over the vesting period. The amount registered as cost represents the fair value of the stock option attributed, estimated based only on market conditions. Acquisition conditions, different from market conditions, were used to estimate the number of options vested at the end of acquisition period. At each reporting date, the entity revises its estimates of the number of options expected to become exercisable, and recognises the impact of the revision to original estimates in profit or loss, with a corresponding adjustment to equity.

2.17. Provisions

Provisions are recognised at the reporting date when: i) the Group has a present legal or constructive obligation as a result of past events; ii) it is probable that an outflow of resources will be required to settle the obligation and; iii) the amount has been reliably estimated. Provisions for restructuring include all liabilities to be paid, namely employee termination payments. These provisions do not include any estimated future operating losses or estimated profits from the disposal of assets.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Note 24 gives information about the type of provisions.

2.18. Trade and other payables

Trade and other payables balances are obligations to pay goods or services that have been acquired in the ordinary course of the business. They are initially recognised at fair value and subsequently at amortised cost accordingly with the effective interest rate method.

2.19. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of Value Added Tax (V.A.T.), rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Sales of goods are recognised when a Group entity has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

Software products are usually sold without a right of return. However, if there is any chance of return, accumulated experience is used to estimate and provide for such returns at the time of sale.

(b) Sales of services

Revenue from consulting projects, classified as "time and materials" is recognised in the accounting period in which the services are rendered.

Revenue from consulting projects, classified as "fixed contract" ("turn key") is recognised under the percentage-of-completion method based on total costs already incurred as a percentage of total estimated costs to be incurred until the end of the project, prepared by each project manager. According to this method, 'Accrued income' and 'Deferred income and other current liabilities' headings are adjusted in order to reflect the accurate result of each project at the end of each reporting period.

Revenue from outsourcing and maintenance projects is recognised linearly over the period of the contract, where there are no significant and specific activities foreseen.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.20. Subsidies

Government subsidies are recognised at fair value, when there is high likelihood that the subsidy will be received and the Group fulfils all the requirements to receive it.

Non-refundable subsidies to finance development projects are recorded as a liability at the reporting date, in 'Deferred income and other current liabilities' heading and are recognised in profit or loss of each period by the useful life of the financed assets.

Operating subsidies are aimed to recovering the costs, incurred and recorded, with training initiatives and projects of research of new technological and scientific knowledge, and are recognised in the statement of profit and loss as the related expenses are incurred, regardless of when the subsidy is received.

2.21. Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed over the period of the lease.

Lease contracts for tangible assets where the Group has substantially all the risks and benefits of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are recorded under liabilities (current and non-current). The interest element of the finance cost is expensed over the lease period so as to produce a constant periodic rate of interest on the remaining balance of liability for each period. Tangible assets acquired under finance leases are depreciated over the shorter of the useful life and the lease term.

2.22. Derivative financial instruments

Novabase uses derivative financial instruments to hedge foreign exchange risks to which is exposed. The financial instruments used to manage this risk are the forward foreign exchange contracts. Novabase does not take speculative positions. The treasury department is responsible for managing derivative financial instruments, under the guidance of the Executive Committee. Derivative financial instruments are measured initial and subsequently by its fair value. The method of recognising the resulting gain or loss depends on the nature and objective of the item being hedged.

(1) Hedging derivatives

The possibility of qualifying a derivative financial instrument as a hedging instrument meets the criteria of IAS 39, namely, in what respect to the documentation required and effectiveness assessment, which is performed at the inception of the hedge and on an ongoing basis.

For hedging relationships designated as a net investment in a foreign operation hedge and that are determined to be an effective hedge, the gain or loss in the fair value of the hedging instrument is recognised in other comprehensive income. The ineffective portion is recognised immediately as a financial result of the period.

The cumulative foreign exchange gains and losses relating to a net investment and its respective hedging operation, both registered in other comprehensive income, are included in the consolidated statement of profit and loss when the foreign operation is disposed of, liquidated or discontinued, as an integral part of the gain or loss on sale.

Where the hedging relationship fails to comply with the qualifying criteria to be designated as hedge accounting, the fair value changes of the hedging instrument are recognised in profit or loss.

(2) Trading derivatives

Regarding the derivative financial instruments that, although complying with the Group's financial risk management policies, do not comply with all the requirements of IAS 39 to qualify for hedge accounting, the respective changes in fair value are included in the consolidated statement of profit and loss, under financial results, in the period in which they occur.

2.23. Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.24. Comparatives

The consolidated financial statements for the year ended 31 December 2015, except as referred at the beginning of this note, are comparable in all material aspects with the year 2014, and no changes in accounting policies have occurred when compared to those used for preparation of the financial statements of the previous year, presented for comparative effects.

3. Financial risk management policy

The Group's activities expose it to a variety of financial risks, namely, Foreign exchange risk, Cash flow and fair value interest rate risk, Credit Risk, Liquidity risk and Capital management risk.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

a) *Foreign exchange risk*

The Group operates internationally and is exposed to foreign exchange risk, mainly arising from U.S. Dollar, Kwanza and Metical exposures, since some subsidiaries perform transactions in these currencies.

The finance department is responsible for the tracking of the exchange rate of the currencies mentioned above, in order to reduce the impact of the fluctuation in consolidated results. The group uses derivative financial instruments to hedge certain risk exposures (see note 16).

The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December based on Group's financial assets and liabilities at carrying amounts, categorised by currency:

At 31 December 2014	Euro	Dollar	Kwanza	Metical	Other	Total
Assets						
Other non-current assets	7,770	-	-	-	-	7,770
Financial assets at fair value through profit or loss	1,544	-	-	-	-	1,544
Trade and other receivables	65,174	6,807	11,110	2,311	194	85,596
Accrued income	20,673	-	1,177	197	-	22,047
Derivative financial instruments	88	-	-	-	-	88
Cash and cash equivalents	8,524	127	9,515	2,439	109	20,714
	<u>103,773</u>	<u>6,934</u>	<u>21,802</u>	<u>4,947</u>	<u>303</u>	<u>137,759</u>
Liabilities						
Other non-current liabilities	70	-	-	-	-	70
Borrowings	16,407	-	-	-	-	16,407
Trade and other payables	45,223	8,539	4,079	1,276	-	59,117
Derivative financial instruments	1,323	-	-	-	-	1,323
Deferred income and other current liabilities	26,116	-	1,190	2,358	-	29,664
	<u>89,139</u>	<u>8,539</u>	<u>5,269</u>	<u>3,634</u>	<u>-</u>	<u>106,581</u>
At 31 December 2015	Euro	Dollar	Kwanza	Metical	Other	Total
Assets						
Other non-current assets	7,478	-	-	-	-	7,478
Financial assets at fair value through profit or loss	3,165	-	-	-	-	3,165
Held-to-maturity investments - non-current	-	-	4,554	-	-	4,554
Trade and other receivables	64,773	9,596	11,081	4,716	3	90,169
Accrued income	20,862	-	572	158	-	21,592
Derivative financial instruments	168	-	-	-	-	168
Held-to-maturity investments - current	-	-	845	-	-	845
Cash and cash equivalents	13,906	156	6,242	3,808	181	24,293
	<u>110,352</u>	<u>9,752</u>	<u>23,294</u>	<u>8,682</u>	<u>184</u>	<u>152,264</u>
Liabilities						
Other non-current liabilities	271	-	-	-	-	271
Borrowings	24,481	-	721	-	-	25,202
Trade and other payables	49,080	3,848	4,249	1,023	-	58,200
Derivative financial instruments	160	-	-	-	-	160
Deferred income and other current liabilities	30,802	-	3,980	2,839	-	37,621
	<u>104,794</u>	<u>3,848</u>	<u>8,950</u>	<u>3,862</u>	<u>-</u>	<u>121,454</u>

The Group uses a sensitivity analysis technique that measures the estimated changes in profit or loss and shareholders' equity of either an instantaneous 10% strengthening or weakening in Euro against all other currencies, from the rates applicable at 31 December 2015, for each class of financial instrument with all other variables held constant. This analysis has illustrative purposes only, as in practice market rates rarely change alone.

Under this assumption, with a 10% strengthening or weakening of Euro against all exchange rates, profit before income tax would have increased or decreased, respectively, by EUR 2,525 thousand in 2015 (2014: EUR 1,654 thousand).

b) *Cash flow and fair value interest rate risk*

The Group's interest-rate risk arises from finance investments in banks and bonds, and borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2015, 20% of the Group's borrowings were issued at fixed rates.

The Group uses a sensitivity analysis technique that measures the estimated changes in profit or loss and shareholders' equity of either an instantaneous increase or decrease of 0.5% (50 basis points) in market interest rates, from the rates applicable at 31 December 2015, for each class of financial instrument with all other variables held constant. This analysis has illustrative purposes only, as in practice market rates rarely change alone. The sensitivity analysis is based on the following assumptions:

- (i) Changes in market interest rates affect the interest income or expense of variable interest financial instruments;
- (ii) Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if these are recognised at their fair value;
- (iii) Changes in market interest rates affect the fair value of derivative financial instruments and other financial assets and liabilities;
- (iv) Changes in the fair values of derivative financial instruments and other financial assets and liabilities are estimated by discounting the future cash flows of net present values using appropriate market rates prevailing at the year end.

Under these assumptions, an increase or decrease of 0.5% in market interest rates, would impact respectively in an increase or decrease of profit before income tax of approximately EUR 13 thousand, in 2015, and in an increase or decrease, respectively, of approximately EUR 34 thousand, in 2014.

c) *Credit Risk*

Credit risk is managed, simultaneously, on business units' level, for the amounts of outstanding trade and other receivables, and on Group basis, for financial instruments. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently well rated parties are accepted. Credit risk management of trade and other receivables is based in credit limits, taking into account the financial position of the customer and past experience.

At 31 December 2015, the 60 customers with greater balances of the Group represented approximately 84% of the total balance (2014: 83%).

The distribution by geographical market of those customers is shown in the table below:

	31.12.15	31.12.14
Portugal	57%	65%
Spain	1%	2%
Rest of Europe	11%	7%
Middle East	4%	3%
Africa	27%	23%
	100%	100%

The distribution by business sector of those customers is shown in the table below:

	31.12.15	31.12.14
Telecommunications	38%	48%
Consumer electronics	1%	2%
Financial Services	23%	20%
Transport	1%	2%
Public Administration	7%	6%
Information Technology	14%	13%
Energy	9%	6%
Aeronautics	-	1%
Other	7%	2%
	100%	100%

The table below shows the ratings attributed by Moody's Investors Services to the financial institutions with whom the Group has higher balances at 31 December 2015 (excluding financial institutions where net balance is negative):

	31.12.15	31.12.14
Ba2	4,598	-
Ba3	9,128	4,171
B1	2,658	2,323
B2	-	1,761
	16,384	8,255

d) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Management monitors rolling forecasts of the Group's liquidity reserve (which comprises undrawn committed borrowing facilities and cash and cash equivalents) on the basis of expected cash flows, taking into account the analysis of the remaining contractual maturity of the financial liabilities and the expected date of financial assets inflows, and taking into account the cash transfer restrictions from Angola and Mozambique. Additionally, a regular monitoring is made to the maturity concentration of borrowings and liabilities of the Group.

The plafond's of borrowings and factoring contracted by the Group are shown in the table below:

	Borrowings		
	Euro	Dollar	Kwanza
Novo Banco	7,000	2,500	-
Banco BPI (BPI)	13,000	-	-
Caixa Geral de Depósitos (CGD)	5,000	-	-
Banco Santander Totta (Santander)	4,000	-	-
Barclays Bank (Barclays)	-	1,500	-
Banco de Fomento de Angola (BFA)	-	-	200,000
Banco Popular (Popular)	8,000	-	-
Banco BIC (BIC)	3,000	-	-
	40,000	4,000	200,000

e) *Capital management risk*

The Group's objectives when managing capital, which is a broader concept than 'equity' in the consolidated statement of financial position, are:

- (i) To safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders;
- (ii) To maintain a solid capital structure to support the development of its business;
- (iii) To maintain an optimal capital structure to reduce the cost of capital.

Management monitors the Return on Capital (ROC) ratio, which the Group defines as the 'Operating Profit' divided by 'Total Equity', to measure the Group ability to generate cash flows related to the capital invested in its business.

	31.12.15	31.12.14
Operating Profit	9,568	7,220
Total Equity	89,666	93,012 (*)
Return on Capital	10.7 %	7.8 %

(*) Restated accordingly IAS 8 - see note 2

The Group has the objective to maintain ROC above the cost of capital (measured by WACC - weighted average cost of capital), which allows the Group to add value. The Group's WACC in 2015 is around 9.3% (2014: 10.6%). In 2015, the objective was achieved.

4. Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates by the Management, that affect assets, liabilities, and the disclosure of assets and contingent liabilities at the reporting date in the financial statements, as well as income and expenses during the reporting period, consequently future results can differ from the estimated ones. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and judgments considered more relevant in the preparation of these financial statements are presented below.

a) *Analysis of impairment of goodwill*

The Group tests annually, on the second half of the year, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates, to forecast the cash flows of each cash-generating units, and the choice of a discount rate and a perpetual grow rate (see note 8).

b) *Financial instruments measured at fair value*

The fair value of financial instruments not quoted on an active market is determined based on valuation methods and financial theories. The use of valuation methodologies requires using assumptions, with some assumptions requiring the use of estimates. Therefore, changes in those assumptions could result in a change in the fair value reported.

c) *Income taxes and deferred taxes*

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes and the use of deferred tax assets and liabilities. Deferred tax assets and liabilities were determined based on tax legislation currently in effect for the Group's companies, or on legislation already published for future application. Changes in the tax legislation may influence the value of deferred taxes.

The Group recognises deferred tax assets related to tax incentives obtained under SIFIDE based on estimates. The final amount of these tax incentives is only known in future years based on the approval by the competent body of the Group's applications to these incentives. The amount of tax credits not yet approved reach EUR 1,455 thousand (2014: EUR 1,553 thousand).

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

d) *Revenue recognition*

Revenue recognition in respect of "turn key" projects is made by Management recurring to analysis and estimates of the current and future developments of consulting projects in place. These projections could have a different development in the future, from the present estimates performed by Management. Eventual changes in the estimates would be reflected under 'Accrued income' and 'Deferred income and other current liabilities' headings in the statement of financial position and under 'Services rendered' in the statement of profit and loss.

e) *Warranties risk*

The Group recognises a provision for warranties when the underlying products or services are sold. These provisions are established using historical information of nature, frequency and average costs of warranty claims. Any changes to estimates will impact the financial statements of the following year, under 'Provisions' in liabilities and 'Other gains/(losses) - net' in profit or loss.

f) *Valuation allowance for impairment of trade and other receivables*

Management maintains a valuation allowance for impairment of trade and other receivables, in order to reflect the estimated losses that result from clients' inability to make the required payments. When assuming the adequacy of an allowance for doubtful accounts, Management bases its estimates on the ageing of accounts receivable balances and historical write-off experience, customer credit worthiness and changes in customer payment terms. If the customer's financial conditions deteriorate, actual write-offs might be higher than expected.

g) *Inventory impairment*

The Group is exposed to inventory impairment as the result of changes in economic environment, due to operating in a very dynamic market. To manage this risk, the Group monitors market developments, as a way to identify the possible impact of those changes in its business.

h) *Bonus*

The Group recognises on a monthly basis an estimate for bonus and other variable remunerations, which considers the theoretical amounts agreed with employees, the monitoring of the expected objective's achievement rates and the general situation of the Company's business. The variable remuneration of the elements of the Board of Directors is set by the Remuneration Committee based on the evaluation of the previous year performance. Therefore, the cost estimate for the current exercise booked under 'Trade and other payables' heading, is prepared based on the Management's best estimate to the performance of the current year, where the actual final outcome is only known in the following exercise, after the Remuneration Committee's deliberation. More information about the Shareholders' remuneration can be found in the point regarding Remuneration, included in the Corporate Governance Report, which is an integral part of the Consolidated Annual Report.

5. Segment information

The companies considered in each operating segment are presented in note 6. For the purpose of preparing this information, Novabase S.G.P.S., Novabase Consulting S.G.P.S., NBASE S.G.P.S. and Novabase Serviços are considered as part of the Business Solutions segment.

	Business Solutions	IMS	Venture Capital	NOVABASE	Discontinued Operations
At 31 December 2014					
Total segment Sales and services rendered	177,444	132,440	5,571	315,455	-
Inter-segment Sales and services rendered	72,388	20,970	1,242	94,600	-
Sales and services rendered	105,056	111,470	4,329	220,855	-
Depreciation and amortisation	(4,263)	(1,367)	(287)	(5,917)	-
Operating profit/(loss)	2,988	3,009	1,223	7,220	211
Finance costs – net	(805)	(991)	121	(1,675)	-
Share of loss of associates (note 34)	-	-	(90)	(90)	-
Income tax expense	702	(1,683)	124	(857)	-
Profit/(Loss) from operations	2,885	335	1,378	4,598	211
Other information:					
(Provisions) / Provisions reversal	(283)	1,092	380	1,189	-
	Business Solutions	IMS	Venture Capital	NOVABASE	
At 31 December 2015					
Total segment Sales and services rendered	193,347	123,334	5,214	321,895	
Inter-segment Sales and services rendered	70,747	18,919	637	90,303	
Sales and services rendered	122,600	104,415	4,577	231,592	
Depreciation and amortisation	(3,704)	(1,319)	(325)	(5,348)	
Operating profit/(loss)	7,815	1,599	154	9,568	
Finance costs – net	(1,362)	2,270	(125)	783	
Share of loss of associates (note 34)	-	-	(200)	(200)	
Income tax expense	(1,234)	(334)	(177)	(1,745)	
Profit/(Loss) from operations	5,219	3,535	(348)	8,406	
Other information:					
(Provisions) / Provisions reversal	(1,842)	(1,920)	(60)	(3,822)	

6. Companies included in consolidation

The companies consolidated by full method, as at 31 December 2015, were the following:

Holding company and Subsidiaries	Principal place of business	Share capital 31.12.15	% Interest held	
			31.12.15	31.12.14
Parent company:				
Novabase S.G.P.S., S.A.	Portugal	€ 15,700,697	-	-
Business Solutions:				
Novabase Business Solutions, S.A.	Portugal	€ 3,466,000	100.0%	100.0%
NBO Recursos em TI, S.A.	Portugal	€ 50,000	100.0%	100.0%
Novabase Consulting SGPS, S.A.	Portugal	€ 11,629,475	100.0%	100.0%
Novabase E.A., S.A.	Portugal	€ 150,000	100.0%	100.0%
CelFocus, S.A.	Portugal	€ 100,000	55.0%	55.0%
Nbase International Investments B.V.	The Netherlands	€ 1,220,800	100.0%	100.0%
Novabase Solutions Middle East FZ-LLC	Dubai	€ 699,670	100.0%	100.0%
Octal - Engenharia de Sistemas, S.A.	Portugal	€ 3,000,000	100.0%	100.0%
Evolvespace Solutions, Lda.	Portugal	€ 5,000	100.0%	100.0%
Binómio, Lda.	Portugal	€ 2,626	100.0%	100.0%
NBMSIT, Sist. de Inf. e Tecnol., S.A.	Mozambique	8,235,000 MZN	74.0%	74.0%
Celfocus B. T. T. H. T. Limited Ş.	Turkey	100,000 TRY	55.0%	55.0%
NBASE SGPS	Portugal	€ 50,000	100.0%	-
Celfocus LTD	UK	15,000 GBP	55.0%	-
(i) Novabase Sistemas de Informacion, S.A.	Spain	€ 1,000,000	100.0%	100.0%
IMS:				
Novabase Infraestruturas, SGPS, S.A.	Portugal	€ 50,000	100.0%	100.0%
Novabase IMS Infr. & Manag. Services, S.A.	Portugal	€ 70,500	100.0%	100.0%
Novabase Infr. Integracion S. Inf., S.A.	Spain	€ 120,202	100.0%	100.0%
(ii) NBASIT-Sist. de Inf. e Telecomunic., S.A.	Angola	47,500,000 AOA	49.4%	49.4%
Novabase Interactive TV SGPS, S.A.	Portugal	€ 278,125	100.0%	100.0%
Novabase Digital TV E.S. Tel. Inter., S.A.	Portugal	€ 250,000	100.0%	100.0%
TVLab, S.A.	Portugal	€ 52,517	70.0%	70.0%
Venture Capital:				
Novabase Capital SGCR, S.A.	Portugal	€ 2,500,000	100.0%	100.0%
COLLAB – Sol. I. Com. e Colab., S.A.	Portugal	€ 61,333	81.0%	81.0%
FCR NB Capital Inovação e Internacionalização	-	€ 11,360,000	51.6%	51.6%
Novabase Shared Services:				
Novabase Serviços, S.A.	Portugal	€ 250,000	100.0%	100.0%

(i) In 2014, this company was included in IMS segment.

(ii) The Group has the control over this company, as described in note 2.2, therefore this financial holding was included in the consolidation by full method.

The companies consolidated using the equity method, as at 31 December 2015, were the following:

Associates (see note 9)	Principal place of business	Share capital 31.12.15	% Interest held		Equity 31.12.15	Results 31.12.15
			31.12.15	31.12.14		
Fundo Capital Risco NB Capital	Portugal	€ 7,142,857	30.0%	30.0%	2,108	(668)
(iii) Novabase Digital TV Technologies GmbH	Germany	unavailable info	51.0%	51.0%	unavailable info	unavailable info

(iii) The Group doesn't have the control over this company, as described in note 2.2, therefore is considered an associate.

Summarized information on subsidiaries with significant value of Non-controlling interests (amounts before inter-company eliminations):

	NBMSIT		NBASIT		Celfocus		Collab	
	31.12.15	31.12.14	31.12.15	31.12.14	31.12.15	31.12.14	31.12.15	31.12.14
<i>Balance sheet:</i>								
Total Non-Current Assets	775	459	193	268	3,557	4,564	5,033	4,560
Total Current Assets	11,049	6,346	26,818	28,450	33,793	28,777	4,304	4,106
Total Non-Current Liabilities	-	-	(144)	-	(1,795)	(963)	(1,564)	(773)
Total Current Liabilities	(13,527)	(7,663)	(29,860)	(25,977)	(23,786)	(20,392)	(1,780)	(2,117)
Net Assets	(1,703)	(858)	(2,993)	2,741	11,769	11,986	5,993	5,776
Net Assets attrib. to NCI	(522)	(221)	(2,382)	1,310	5,367	5,310	1,276	1,222
<i>Results:</i>								
Sales and Services rendered	9,815	4,947	23,119	27,485	50,603	42,428	4,334	4,086
Earnings Before Taxes	(1,888)	(654)	(8,020)	2,523	3,372	3,738	483	1,871
Income tax expense	567	118	2,634	(875)	(772)	(964)	(147)	181
Results from contin. operations	(1,321)	(536)	(5,386)	1,648	2,600	2,774	336	2,052
Other compr. income for the year	-	-	-	-	-	-	-	-
Total compr. income for the year	(1,321)	(536)	(5,386)	1,648	2,600	2,774	336	2,052
Compr. income attrib. to NCI	(54)	(164)	88	429	1,225	1,248	86	505
<i>Cash Flows:</i>								
Cash, cash eq. at beg. of year	2,523	887	9,524	4,127	217	7,842	111	26
Cash, cash eq. at end of year	3,811	2,523	7,081	9,524	2,399	217	3	111
Change in cash, cash equiv.	1,288	1,636	(2,443)	5,397	2,182	(7,625)	(108)	85
Dividends paid to NCI	-	-	412	-	624	1,394	-	-

7. Property, plant and equipment

	31.12.15			31.12.14		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Buildings and other constructions	4,082	2,832	1,250	4,300	2,603	1,697
Basic equipment	8,050	6,034	2,016	8,873	7,015	1,858
Transport equipment	7,788	1,874	5,914	3,522	2,120	1,402
Furniture, fittings and equipment	1,893	1,373	520	1,835	1,228	607
Other tangible assets	17	13	4	17	11	6
	21,830	12,126	9,704	18,547	12,977	5,570

During 2014, movements in property, plant and equipment were as follows:

	Balance at 01.01.14	Acquisitions / increases	Write-offs	Exchange differences	Balance at 31.12.14
<i>Cost:</i>					
Buildings and other constructions	4,295	5	-	-	4,300
Basic equipment	8,116	814	(65)	8	8,873
Transport equipment	3,987	1,028	(1,538)	45	3,522
Furniture, fittings and equipment	1,730	106	(4)	3	1,835
Other tangible assets	14	3	-	-	17
	<u>18,142</u>	<u>1,956</u>	<u>(1,607)</u>	<u>56</u>	<u>18,547</u>
<i>Accumulated depreciation:</i>					
Buildings and other constructions	2,195	408	-	-	2,603
Basic equipment	6,092	971	(54)	6	7,015
Transport equipment	2,661	891	(1,459)	27	2,120
Furniture, fittings and equipment	1,066	163	(3)	2	1,228
Other tangible assets	8	3	-	-	11
	<u>12,022</u>	<u>2,436</u>	<u>(1,516)</u>	<u>35</u>	<u>12,977</u>

During 2015, movements in property, plant and equipment were as follows:

	Balance at 01.01.15	Acquisitions / increases	Write-offs	Exchange differences	Balance at 31.12.15
<i>Cost:</i>					
Buildings and other constructions	4,300	75	(293)	-	4,082
Basic equipment	8,873	1,193	(1,982)	(34)	8,050
Transport equipment	3,522	5,585	(1,149)	(170)	7,788
Furniture, fittings and equipment	1,835	85	(16)	(11)	1,893
Other tangible assets	17	1	-	(1)	17
	<u>18,547</u>	<u>6,939</u>	<u>(3,440)</u>	<u>(216)</u>	<u>21,830</u>
<i>Accumulated depreciation:</i>					
Buildings and other constructions	2,603	522	(293)	-	2,832
Basic equipment	7,015	837	(1,789)	(29)	6,034
Transport equipment	2,120	862	(972)	(136)	1,874
Furniture, fittings and equipment	1,228	171	(14)	(12)	1,373
Other tangible assets	11	3	-	(1)	13
	<u>12,977</u>	<u>2,395</u>	<u>(3,068)</u>	<u>(178)</u>	<u>12,126</u>

Depreciation is included in 'Depreciation and amortisation' heading in the statement of profit and loss (note 31).

8. Intangible assets

	31.12.15			31.12.14		
	Cost	Accumulated amortisation	Net book value	Cost	Accumulated amortisation	Net book value
Internally generated intangible assets	13,987	8,488	5,499	9,855	5,800	4,055
Industrial property and other rights	11,169	11,103	66	11,189	10,872	317
Work in progress	-	-	-	2,562	-	2,562
Goodwill	23,739	-	23,739	23,729	-	23,729
	48,895	19,591	29,304	47,335	16,672	30,663

During 2014, movements in intangible assets were as follows:

	Balance at 01.01.14	Acquisitions / increases	Impairment ch. / Write-offs	Transfers	Balance at 31.12.14
<i>Cost:</i>					
Internally generated intangible assets	6,578	135	-	3,142	9,855
Industrial property and other rights	11,133	35	-	21	11,189
Work in progress	3,862	1,863	-	(3,163)	2,562
Goodwill	23,713	16	-	-	23,729
	45,286	2,049	-	-	47,335
<i>Accumulated amortisation:</i>					
Internally generated intangible assets	2,976	2,824	-	-	5,800
Industrial property and other rights	10,215	657	-	-	10,872
	13,191	3,481	-	-	16,672

During 2015, movements in intangible assets were as follows:

	Balance at 01.01.15	Acquisitions / increases	Impairment ch. / Write-offs	Transfers	Balance at 31.12.15
<i>Cost:</i>					
Internally generated intangible assets	9,855	1,111	-	3,021	13,987
Industrial property and other rights	11,189	14	(34)	-	11,169
Work in progress	2,562	459	-	(3,021)	-
Goodwill	23,729	10	-	-	23,739
	47,335	1,594	(34)	-	48,895
<i>Accumulated amortisation:</i>					
Internally generated intangible assets	5,800	2,688	-	-	8,488
Industrial property and other rights	10,872	265	(34)	-	11,103
	16,672	2,953	(34)	-	19,591

Amortisation is included in 'Depreciation and amortisation' heading in the statement of profit and loss (note 31).

'Internally generated intangible assets' include the cost of projects for software development, as well as the cost of projects for products development in specific areas.

The amount with research and development recognised as a cost, related to the main research projects, reached EUR 3.9 Million (2014: EUR 6.7 Million).

Impairment tests were performed on '**Work in progress**' and it was concluded there is no impairment.

Movements in **goodwill** were as follows:

	31.12.15	31.12.14
Balance at 1 January	25,348	25,332
Goodwill from Celfocus UK and Turquia	10	16
Balance at 31 December	25,358	25,348

Movements in **goodwill impairment** were as follows:

	31.12.15	31.12.14
Balance at 1 January	(1,619)	(1,619)
Balance at 31 December	(1,619)	(1,619)

Impairment tests for goodwill

Goodwill is allocated to the Group's Cash-Generating Units (CGUs) identified according to operating segments.

	31.12.15	31.12.14
Business Solutions	14,888	14,878
IMS	8,851	8,851
	23,739	23,729

The impairment test for goodwill was performed based on the discounted cash flow method, using a 5 year business plan forecasted by Management, with the following key assumptions:

	Business Solutions	IMS
Discounted rate (pre tax)	11.8%	11.8%
Perpetual growth rate	2.0%	2.0%
Annual growth rate of turnover	4.4%	-0.7%

The application of the previously described method generates a recoverable amount (determined by value in use) of assets that exceeds its carrying amount, concluding therefore that there is no need for an impairment charge to the goodwill allocated to the Cash-Generating Units. A possible increase or decrease of 1 percentual point in the WACC wouldn't cause the carrying amount to exceed its recoverable amount.

9. Investments in associates

		% Interest held				Amount	
		% Holding		% held directly			
		31.12.15	31.12.14	31.12.15	31.12.14	31.12.15	31.12.14
	Fundo Capital Risco NB Capital (notes 6 and 34)	30.0%	30.0%	30.0%	30.0%	621	821
(*)	Globaleda, S.A.					-	50
						621	871

(*) The Group does not have significant influence over this company, therefore is no longer considered as an associate (see note 10).

10. Financial assets at fair value through profit or loss

	% Interest held				Amount	
	% Holding		% held directly			
	31.12.15	31.12.14	31.12.15	31.12.14	31.12.15	31.12.14
(i) FCR IStart I	10.0%	10.0%	10.0%	10.0%	300	300
(ii) Feedzai, Lda	2.1%	5.7%	4.0%	11.1%	1,795	404
(iii) Powergrid, Lda	45.8%	45.8%	88.9%	88.9%	82	402
(iv) Bright Innovation, Lda	46.4%	46.4%	90.0%	90.0%	3	23
Globaleda, S.A. - see note 9	25.1%	25.1%	25.1%	25.1%	731	-
Other					254	415
					<u>3,165</u>	<u>1,544</u>

- (i) Venture Capital Fund established in 2011, focused on creating proofs-of-concept and prototypes and developing intellectual property and business models. This Fund is managed by Espírito Santo Ventures.
- (ii) Company dedicated to developing solutions for processing large volumes of data in real time. In 2015, the Venture Capital Fund Novabase Capital Inovação e Internacionalização sold part of its investment in the company Feedzai, in a round of a venture capital investment, led by Oak HC/FT, a leading world venture capital firm in the area of fintech, generating a EUR 1,110 thousand gain. Subsequently, the remaining interest in this company was appreciated in EUR 1,546 thousand (see note 32). The Venture Capital Fund has a significant influence on Feedzai.
- (iii) Company acquired by FCR NB Capital Inovação e Internacionalização, focused on developing an application platform for SmartGrids.
- (iv) Company specializing in incubator projects in the area of Information and Communication Technologies (ICT) and integrated services, supported by a multi-channel IT platform, held by FCR NB Capital Inovação e Internacionalização.

Novabase does not participate in the financial and operating policy decisions of the companies held by FCR NB Capital Inovação e Internacionalização, therefore they were not considered subsidiaries or associates.

The valuation of these companies was performed based on the discounted cash flow method, using a business plan forecasted by Management, with the following key assumptions:

	Feedzai	Powergrid
Discounted rate	10.1%	10.1%
Perpetual growth rate	2.7%	2.7%
Average annual growth rate of turnover	67.6%	24.2%

Movements in this heading were as follows:

	31.12.15	31.12.14
Balance at 1 January	1,544	1,256
Acquisitions / share capital increase	79	286
Change in acquisition cost of Globaleda	731	-
Disposals	(161)	-
Profit or loss charge (see notes 32 and 33)	972	2
Balance at 31 December	<u>3,165</u>	<u>1,544</u>

11. Deferred income tax assets and liabilities

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts were determined after its offsetting:

	31.12.15	31.12.14
Deferred tax assets		
To be recovered within 12 months	3,870	2,174
To be recovered after more than 12 months	12,482	15,054
	<u>16,352</u>	<u>17,228</u>
Deferred tax liabilities		
To be recovered within 12 months	-	-
To be recovered after more than 12 months	-	-
	<u>-</u>	<u>-</u>

The movement in the deferred income tax assets was as follows:

	31.12.15	31.12.14
Balance at 1 January	17,228	14,901
Exchange differences	(833)	(1)
Profit or loss charge (see note 35)	(43)	2,328
Balance at 31 December	<u>16,352</u>	<u>17,228</u>

The movement in the deferred income tax liabilities was as follows:

	31.12.15	31.12.14
Balance at 1 January	-	100
Profit or loss charge (see note 35)	-	(100)
Balance at 31 December	<u>-</u>	<u>-</u>

The movement in deferred tax assets during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Tax Losses	Tax Incentives	Provisions / Adjustments	Total
Balance at 1 January 2014	703	11,454	2,744	14,901
Profit or loss charge	1,669	1,116	(457)	2,328
Exchange differences	(1)	-	-	(1)
Balance at 31 December 2014	<u>2,371</u>	<u>12,570</u>	<u>2,287</u>	<u>17,228</u>
Profit or loss charge	2,455	(2,703)	205	(43)
Exchange differences	(833)	-	-	(833)
Balance at 31 December 2015	<u>3,993</u>	<u>9,867</u>	<u>2,492</u>	<u>16,352</u>

Deferred tax assets related to tax incentives result from projects of research and development submitted under the incentive program SIFIDE.

The expiry date of the deferred tax assets can be analysed as follows:

	Tax Losses	Tax Incentives	Provisions / Adjustments	Total
No later than 1 year	-	1,320	-	1,320
Between 1 and 2 years	60	1,878	-	1,938
Between 2 and 3 years	1,959	2,024	-	3,983
Between 3 and 4 years	173	2,533	-	2,706
Between 4 and 5 years	438	-	-	438
Between 5 and 6 years	25	-	-	25
Over 6 years	307	2,112	-	2,419
With no defined date	1,031	-	2,492	3,523
	<u>3,993</u>	<u>9,867</u>	<u>2,492</u>	<u>16,352</u>

12. Inventories

	31.12.15	31.12.14
Merchandise	3,094	5,205
Finished products	17	3
Raw materials, subsidiary goods and consumables	119	117
	3,230	5,325
Inventory impairment	(406)	(382)
	2,824	4,943

Movements in inventory impairment are analysed as follows:

	31.12.15	31.12.14
Balance at 1 January	382	482
Impairment (see note 30)	309	28
Impairment reversal (see note 30)	(230)	(128)
Exchange differences	(6)	-
Write-offs	(49)	-
Balance at 31 December	406	382

The cost of inventories recognised as expense and included in 'Cost of sales' and 'External supplies and services' headings amounted to EUR 69,490 thousand (2014: EUR 76,089 thousand).

13. Financial instruments by category

At 31 December 2014	Loans and receivables	Assets/liabilit. at fair value through P&L	Other financial liabilities	Non-financial assets/ liabilities	Total
Assets					
Other non-current assets	7,770	-	-	-	7,770
Financial assets at fair value through profit or loss	-	1,544	-	-	1,544
Trade and other receivables	85,596	-	-	6,049	91,645
Accrued income	22,047	-	-	-	22,047
Derivative financial instruments	-	88	-	-	88
Other current assets	-	-	-	5,148	5,148
Cash and cash equivalents	20,714	-	-	-	20,714
	136,127	1,632	-	11,197	148,956
Liabilities					
Other non-current liabilities	-	-	70	-	70
Borrowings	-	-	16,407	-	16,407
Trade and other payables	-	-	59,117	-	59,117
Derivative financial instruments	-	1,323	-	-	1,323
Deferred income and other current liabilities	-	-	29,664	-	29,664
	-	1,323	105,258	-	106,581

At 31 December 2015	Loans and receivables	Assets/liabilit. at fair value through P&L	Other financial liabilities	Non-financial assets/liabilities	Total
Assets					
Other non-current assets	7,478	-	-	-	7,478
Financial assets at fair value through profit or loss	-	3,165	-	-	3,165
Held-to-maturity investments - non-current	4,554	-	-	-	4,554
Trade and other receivables	90,169	-	-	4,350	94,519
Accrued income	21,592	-	-	-	21,592
Derivative financial instruments	-	168	-	-	168
Other current assets	-	-	-	4,743	4,743
Held-to-maturity investments - current	845	-	-	-	845
Cash and cash equivalents	24,293	-	-	-	24,293
	<u>148,931</u>	<u>3,333</u>	<u>-</u>	<u>9,093</u>	<u>161,357</u>
Liabilities					
Other non-current liabilities	-	-	271	-	271
Borrowings	-	-	25,202	-	25,202
Trade and other payables	-	-	58,200	-	58,200
Derivative financial instruments	-	160	-	-	160
Deferred income and other current liabilities	-	-	37,621	-	37,621
	<u>-</u>	<u>160</u>	<u>121,294</u>	<u>-</u>	<u>121,454</u>

The following table shows the Group's financial assets and financial liabilities that are measured at fair value according with the following hierarchy levels:

- **Level 1:** The fair value of financial instruments is based on quoted prices in active and liquid markets at reporting date.
- **Level 2:** The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. Main inputs used on these valuation models are based on observable market data.
- **Level 3:** The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques, and main inputs are not based on observable market data.

	31.12.15			31.12.14		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets at fair value						
Financial assets at fair value through profit or loss	-	-	3,165	-	-	1,544
Derivative financial instruments	-	168	-	-	88	-
	<u>-</u>	<u>168</u>	<u>3,165</u>	<u>-</u>	<u>88</u>	<u>1,544</u>
Financial liabilities at fair value						
Derivative financial instruments	-	160	-	-	1,323	-
	<u>-</u>	<u>160</u>	<u>-</u>	<u>-</u>	<u>1,323</u>	<u>-</u>

14. Trade and other receivables

	31.12.15	31.12.14
Trade receivables	93,503	86,262
Allowance for impairment of trade receivables	(5,763)	(4,488)
	<u>87,740</u>	<u>81,774</u>
Prepayments to suppliers	982	684
Employees	128	640
Value added tax	3,240	4,725
Receivables from related parties (note 39)	15	799
Financial investments disposal	67	67
Receivables from financed projects	1,537	2,889
Other receivables	4,166	4,126
Allowance for impairment of other receivables	(3,356)	(4,059)
	<u>6,779</u>	<u>9,871</u>
	<u>94,519</u>	<u>91,645</u>

The fair value of 'Trade and other receivables' balance approximates its carrying amount.

The carrying amount of this heading plus the balance of 'Accrued income' (see note 15) represents the maximum exposure to credit risk.

The ageing analysis of the carrying amounts of trade receivables is as follows:

	31.12.15	31.12.14
Carrying amount of receivables not due	49,234	47,964
Carrying amount of receivables not impaired		
Past due for less than 6 months	26,706	28,421
Past due for more than 6 months	10,262	5,389
Carrying amount of receivables due and not impaired	36,968	33,810
Carrying amount of receivables impaired		
Past due for less than 6 months	3,741	394
Past due for more than 6 months	3,560	4,094
Carrying amount of receivables due and impaired	7,301	4,488
	93,503	86,262

80% of trade receivables that are neither past due nor impaired is owed by entities with which there is no past experience of default, although might have had some punctual delay in the invoices payment. The remaining 20% are distributed by 280 entities with an average balance of EUR 87 thousand, that the credit department has no information that leads to suppose that there is a high risk of default.

Movements in allowances for impairment of trade and other receivables are analysed as follows:

	Trade receivables		Other receivables		Total	
	31.12.15	31.12.14	31.12.15	31.12.14	31.12.15	31.12.14
Balance at 1 January	4,488	4,434	4,059	3,383	8,547	7,817
Impairment (note 30)	2,296	577	67	681	2,363	1,258
Impairment reversal (note 30)	(851)	(144)	(716)	(52)	(1,567)	(196)
Exchange differences	(170)	(23)	(54)	47	(224)	24
Write-offs	-	(356)	-	-	-	(356)
Balance at 31 December	5,763	4,488	3,356	4,059	9,119	8,547

15. Accrued income

	31.12.15	31.12.14
- Ongoing projects	20,100	20,745
- Other accrued income	1,492	1,302
	21,592	22,047

16. Derivative financial instruments

The fair value of derivative financial instruments can be analysed as follows:

	Assets		Liabilities	
	31.12.15	31.12.14	31.12.15	31.12.14
- Forward foreign exchange contracts	168	88	160	1,323
	168	88	160	1,323

The Group is exposed to foreign exchange risk in sales and purchases in various currencies, primarily with respect to the U.S. Dollar, Kwanza and Metical. Novabase's exposure to currency risk mainly results from the presence of several of its subsidiaries in various markets, namely, Angola and Mozambique, where the activity represents an increasingly important part of the turnover.

The financial instruments used to manage this exchange risk are the forward foreign exchange contracts. The fair value is classified as a non-current asset or liability if the remaining maturity is more than 12 months and as a current asset or liability if the maturity is less than 12 months. In 2015, the derivative financial instruments were classified as current assets and liabilities.

At 31 December 2015, the Group had forward foreign exchange contracts of EUR Call / USD Put with the notional amount of USD 11,149,167 and forward foreign exchange contracts of EUR Put / USD Call with the notional amount of USD 9,806,345. Also, the Group had contracts of EUR Call / GBP Put with the notional amount of GBP 2,597 and of EUR Put / GBP Call with the notional amount of GBP 90,576.

17. Other current assets

The amounts recorded regarding prepayments of contracted services are as follows:

	31.12.15	31.12.14
- Rents	707	397
- Software licensing	374	136
- Hardware and software maintenance and specialized services	3,662	4,615
	4,743	5,148

In order to ensure the proper balancing of the services provided by third parties, costs and income were deferred and will be recognised in profit or loss in the next period.

18. Held-to-maturity investments

	31.12.15	31.12.14
Non-Current		
Angola National bonds	3,753	-
Interest bearing bonds denominated in AOA with embedded exchange rate protection (AOA/USD)	801	-
	4,554	-
Current		
Angola National bonds	845	-
	845	-

19. Cash and cash equivalents

With reference to the consolidated statement of cash flows, the detail and description of **Cash, cash equivalents and bank overdrafts** is analysed as follows:

	31.12.15	31.12.14
- Cash	18	15
- Short term bank deposits	24,275	20,699
Cash and cash equivalents	24,293	20,714
- Overdrafts	-	-
	24,293	20,714

The fair value of 'Cash and cash equivalents' balance approximates its carrying amount.

The carrying amount of this heading represents the maximum exposure to credit risk.

20. Share Capital, share premium, treasury shares and stock options

The share capital at 31 December 2015, fully subscribed and paid of 15,700,697 Euros, is represented by 31,401,394 shares with a nominal value of 0.5 Euros each.

	Number of shares (thousands)	Share capital	Treasury shares	Share premium	Total
Balance at 1 January 2014	31,401	15,701	(295)	43,560	58,966
Treasury shares purchased	-	-	(50)	-	(50)
Treasury shares transferred	-	-	316	-	316
Balance at 31 December 2014	31,401	15,701	(29)	43,560	59,232
Treasury shares purchased	-	-	(165)	-	(165)
Treasury shares transferred	-	-	188	-	188
Balance at 31 December 2015	31,401	15,701	(6)	43,560	59,255

'Treasury shares' heading reflects the number of shares held by the Group at its nominal value.

According to legislation in force, by deliberation of the General Meeting of Shareholders held on 12 April 2007, the purchase of treasury shares by Novabase S.G.P.S. is permitted up to a maximum of 10% of its share capital.

At 31 December 2014, Novabase S.G.P.S. held 57,006 treasury shares, representing 0.18% of its share capital.

During 2015, the Company acquired on the market 330,000 shares at the average price of 2.36 Euros, and transferred 375,049 own shares at the average price of 2.39 Euros, 46,968 of which as bonuses to employees and 328,081 were used for the settlement of the exercised options under the terms of the Stock Options Plan in force.

At 31 December 2015, Novabase S.G.P.S. held 11,957 treasury shares, representing 0.04% of its share capital.

Issuance share premiums resulted from gains obtained with share capital increases. According to the current legislation, the amounts included under this heading can be used only to increase share capital or to absorb losses carried forward (no need for prior use of other reserves), it cannot be used for attribution of dividends or purchase of treasury shares.

Stock options

In 2015, has expired the stock options plan (2012-2014 Plan), approved in Shareholders General Meeting of 3 May 2012, which covered only the shareholders of Novabase S.G.P.S..

This stock options plan was based on granting stock options over Novabase ordinary shares, as a performance bonus for participants of the plan.

The stock options granted had as only condition for its acquisition, the permanency of the employee in the dates defined in the plan, and automatically expired whenever the employee stops working in any of the Group companies.

Under the terms of the plan, exercised options were settled through the attribution of treasury shares held by Novabase (net share settlement).

Movements in the number of share options outstanding are as follows:

	31.12.15		31.12.14	
	Average exercise price per share	Options (thousands)	Average exercise price per share	Options (thousands)
Balance at 1 January		745		1,709
Exercised	2.401	(745)	3.858	(964)
Balance at 31 December		-		745

In the statement of profit and loss, under 'Employee benefit expense' heading, was booked a cost of EUR 16 thousand (2014: EUR 106 thousand) - see note 29.

21. Reserves and retained earnings

According to legislation in force, Portuguese based companies that integrate Novabase Group are required to transfer a minimum of 5% of annual net profit to legal reserves until this balance reaches at least 20% of the share capital. This reserve cannot be distributed to shareholders, though it may be used to absorb losses carried forward or to increase share capital.

In the Annual General Meeting of Shareholders held on April 2015, it was approved the payment to shareholders of an amount of EUR 942 thousand, corresponding to 0.03 Euros per share. The payment occurred in May, 2015.

	31.12.15	31.12.14
Payment to shareholders	936	6,269
Remuneration of the treasury shares held by the Company	6	11
	<u>942</u>	<u>6,280</u>

22. Non-controlling interests

	31.12.15	31.12.14
Balance at 1 January	11,855	11,522
Restated accordingly IAS 8 - see note 2	-	(576)
(*) Change in consolidation universe	9	16
(**) Distribution of dividends to non-controlling interests	(1,036)	(1,394)
Exchange differences on foreign operations	(3,615)	590
Profit attributable to non-controlling interests	981	1,697
Balance at 31 December	<u>8,194</u>	<u>11,855</u>

(*) In 2015, Celfocus UK was established. In 2014, Celfocus Turquia was established.

(**) In 2015, NBASIT (Angola) and Celfocus distributed dividends to its shareholders, from which EUR 630 thousand are still to be settled - see note 26. In 2014, Celfocus distributed dividends to its shareholders.

23. Borrowings

	31.12.15	31.12.14
Non-current		
Bank borrowings	14,387	8,376
Finance lease liabilities	5,247	1,613
	<u>19,634</u>	<u>9,989</u>
Current		
Bank borrowings	3,992	5,561
Finance lease liabilities	1,576	857
	<u>5,568</u>	<u>6,418</u>
Total borrowings	<u>25,202</u>	<u>16,407</u>

The periods in which the current bank borrowings will be paid are as follows:

	31.12.15	31.12.14
6 months or less	1,744	3,203
6 to 12 months	2,248	2,358
	<u>3,992</u>	<u>5,561</u>

The maturity of non-current bank borrowings is as follows:

	31.12.15	31.12.14
Between 1 and 2 years	4,079	4,556
Between 2 and 5 years	8,808	3,820
Over 5 years	1,500	-
	<u>14,387</u>	<u>8,376</u>

The effective interest rates at the reporting date were as follows:

	31.12.15	31.12.14
Bank borrowings	3.080%	5.007%

Gross finance lease liabilities – minimum lease payments:

	31.12.15	31.12.14
No later than 1 year	1,865	1,184
Between 1 and 5 years	5,563	2,059
	<u>7,428</u>	<u>3,243</u>
Future finance charges on finance leases	(605)	(773)
Present value of finance lease liabilities	<u>6,823</u>	<u>2,470</u>

The present value of finance lease liabilities is analysed as follows:

	31.12.15	31.12.14
No later than 1 year	1,576	857
Between 1 and 5 years	5,247	1,613
	<u>6,823</u>	<u>2,470</u>

The covenants of the Group's bank borrowings are as follows:

- Solvability ratio $\geq 40\%$; Net Debt / EBITDA ≤ 3
- Solvability ratio $\geq 35\%$; Net Debt / EBITDA ≤ 2.5 ; Net Debt / Total Equity ≤ 0.5
- Total Equity / Total Assets $\geq 40\%$; Net Debt / EBITDA < 2 ; Net Debt / Total Equity < 0.5 ; EBIT / Interest paid > 3
- Net Debt / EBITDA ≤ 2
- Bond seniority determined pari passu
- Cross Default
- Good standing with tax and social security authorities
- Published accounts
- Information disclosure obligations regarding court disputes
- Active insurance policies

24. Provisions

Movements in provisions are analysed as follows:

	Warranties	Legal Claims	Restructuring	Other Risks and Charges	Total
Balance at 1 January 2014	645	712	-	3,029	4,386
Restated accordingly IAS 8 - see note 2	-	-	-	6,256	6,256
Additional provisions (note 30)	108	-	1,403	756	2,267
Reversals / utilisations (note 30)	(587)	(647)	-	(1,781)	(3,015)
Balance at 31 December 2014	166	65	1,403	8,260	9,894
Additional provisions (note 30)	237	-	-	5,807	6,044
Reversals / utilisations (note 30)	(204)	(15)	(1,343)	(2,878)	(4,440)
Exchange differences	-	-	-	(1)	(1)
Balance at 31 December 2015	199	50	60	11,188	11,497

Provisions balance includes, among others, the following matters:

Warranties - Liabilities related with third parties subcontracts in the supply of hardware for the TV business, to cover the clients' warranty period. Cash outflows relative to such liabilities occurs in the moment the guarantee is exercised.

Legal claims - Responsibility with indemnities to third parties related with the legal processes in progress. The payment of this liability depends on the conclusion of the referred legal actions (see note 40).

Restructuring - Responsibility with indemnities to employees, resulting from the restructuring process implemented in the end of 2014.

Other risks and charges - Refers mainly to responsibilities with costs to be incurred with possible contractual penalties relative to ongoing projects and other probable risks.

25. Other non-current liabilities

	31.12.15	31.12.14
Acquisition of financial interest in Binómio	271	70
	271	70

This heading refers to the contingent consideration for the acquisition of Binómio, Lda. Its fair value was reassessed in 2015 - see note 33.

The due date of these liabilities is as follows:

	31.12.15	31.12.14
Between 1 and 2 years	271	70
Between 2 and 5 years	-	-
	271	70

26. Trade and other payables

	31.12.15	31.12.14
Trade payables	17,038	20,992
Remunerations, vacations and vacation subsidy	9,522	8,939
Bonus	8,691	7,843
Ongoing projects	5,088	4,837
Value added tax	5,910	5,878
Social security contributions	2,067	2,040
Income tax withholding	1,571	1,680
Amount to be paid to non-controlling interests - see note 22	630	-
Employees	217	320
Prepayments from trade receivables	72	820
Acquisition of financial interest in FCR Istart I	-	72
Other accrued expenses	7,273	5,529
Other payables	121	167
	58,200	59,117

The fair value of 'Trade and other payables' balance approximates its carrying amount.

The maturity of these liabilities is as follows:

	31.12.15	31.12.14
No later than 1 year	58,200	59,117
	<u>58,200</u>	<u>59,117</u>

27. Deferred income and other current liabilities

	31.12.15	31.12.14
Research and development subsidies	2,494	4,424
Consulting projects	35,127	25,240
	<u>37,621</u>	<u>29,664</u>

At 31 December 2015, the Group expect to comply with the relevant conditions to receive the following financial incentives for research and development:

	Contracted amount	Acum. received amount
Subsidies:		
- NSRF - Incentive Scheme for Research and Technological Development (R&D)	5,229	4,679
- Other subsidies	2,528	1,541
	<u>7,757</u>	<u>6,220</u>

28. External supplies and services

	31.12.15	31.12.14
Subcontracts	36,854	31,380
Supplies and services		
Commissions and consultancy fees	8,421	7,401
Transportation, travel and accommodation expenses	10,130	8,732
Rents	4,338	4,367
Specialized services	2,676	2,162
Freight	850	870
Advertising and promotion	1,066	1,082
Water, electricity and fuel	830	870
Communications	986	1,033
Insurance	470	445
Utensils, office supplies and technical documentation	210	230
Other supplies and services	1,128	1,326
	<u>31,105</u>	<u>28,518</u>
	<u>67,959</u>	<u>59,898</u>

29. Employee benefit expense

	31.12.15	31.12.14
Board members remuneration	4,638	4,289
Salaries and wages	70,053	66,629
Social security charges	12,214	11,649
Stock options granted (note 20)	16	106
Other personnel expenses	2,774	3,632
	<u>89,695</u>	<u>86,305</u>

Average number of personnel, by business unit, is detailed as follows:

	31.12.15	31.12.14
Business Solutions	1,813	1,667
IMS	413	495
Venture Capital	50	45
Novabase Shared Services	114	119
	<u>2,390</u>	<u>2,326</u>

30. Other gains/(losses) - net

	31.12.15	31.12.14
Impairment and impairment reversal of trade and other receivables (note 14)	(796)	(1,062)
Impairment and impairment reversal of inventories (note 12)	(79)	100
Warranties provision (note 24)	(33)	479
Legal claims provision (note 24)	15	647
Provisions for other risks and charges (note 24)	(2,929)	1,025
Other operating income and expense	325	672
	<u>(3,497)</u>	<u>1,861</u>

31. Depreciation and amortisation

	31.12.15	31.12.14
<i>Property, plant and equipment (note 7):</i>		
Buildings and other constructions	522	408
Basic equipment	837	971
Transport equipment	862	891
Furniture, fittings and equipment	171	163
Other tangible assets	3	3
	<u>2,395</u>	<u>2,436</u>
<i>Intangible assets (note 8):</i>		
Internally generated intangible assets	2,688	2,824
Industrial property and other rights	265	657
	<u>2,953</u>	<u>3,481</u>
	<u>5,348</u>	<u>5,917</u>

32. Finance income

	31.12.15	31.12.14
Interest received	562	318
Positive exchange differences	5,922	1,421
Fair value of financial assets adjustment (note 10)	1,546	-
(*) Gain on disposal of financial assets	1,110	2
Other financial gains	-	89
	<u>9,140</u>	<u>1,830</u>

(*) Feedzai (see note 10).

33. Finance costs

	31.12.15	31.12.14
Interest expenses		
- Borrowings	(673)	(933)
- Finance lease liabilities	(328)	(365)
- Other interest	(41)	(37)
Bank guarantees charges	(168)	(144)
Bank services	(256)	(206)
Negative exchange differences	(3,782)	(1,808)
Fair value of financial assets adjustment (note 10)	(574)	-
Provisions for loans granted to related parties (note 39 ii))	(2,292)	-
Fair value adjustment for contingent consideration (note 25)	(243)	-
Other financial losses	-	(12)
	(8,357)	(3,505)

34. Share of loss of associates

	31.12.15	31.12.14
Fundo Capital Risco NB Capital (note 9)	(200)	(90)
	(200)	(90)

35. Income tax expense

Novabase and its subsidiaries with head offices in Portugal are subject to Corporate Income Tax at the nominal rate of 21%, which can be increased by a Municipal Surcharge up to a maximum rate of 1.5% of taxable income, resulting in a total tax rate of 22.5%. Additionally, taxable income exceeding EUR 1,500 thousand and up to EUR 7,500 thousand is subject to a State Surcharge at the rate of 3%, from EUR 7,500 thousand and up to EUR 35,000 thousand is subject to a State Surcharge at the rate of 5%, and the part of taxable income exceeding EUR 35,000 thousand is subject to a State Surcharge at the rate of 7%.

Since 1 January 2009, Novabase is being taxed in Corporate Income Tax under the Special Taxation Regime for Groups of Companies (Group taxation relief). For taxation purposes, this group includes companies detained in 75% or more by Novabase S.G.P.S. which comply with the further requirements under article 69º and following of the Corporate Income Tax Code.

This heading is analysed as follows:

	31.12.15	31.12.14
Current tax	1,702	3,285
Deferred tax on temporary differences (note 11)	43	(2,428)
	1,745	857

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average rate applicable to profits of the consolidated entities as follows:

	31.12.15	31.12.14
Profit before income tax	10,151	5,455
Income tax expense at nominal rate (23% in 2014, 21% in 2015)	2,132	1,255
Tax benefit on the net creation of employment for young and long term unemployed people	(327)	(303)
Provisions and amortisations not considered for tax purposes	-	64
Recognition of tax on the events of previous years	(34)	(63)
Associates' results reported net of tax	42	21
Autonomous taxation	788	874
Losses in companies where no deferred tax is recognised	79	298
Expenses not deductible for tax purposes	(75)	(269)
Differential tax rate on companies located abroad	(916)	259
Research & Development tax benefit	(558)	(2,202)
Municipal surcharge and State surcharge	574	215
Adjustment for income tax rate	-	382
Impairment of Special Payment on Account, tax losses and withholding taxes	40	326
Income tax expense	1,745	857
Effective tax rate	17.2%	15.7%

36. Earnings per share**Basic**

Basic earnings per share is calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares (note 20).

Diluted

Diluted earnings per share is calculated by adjusting the average weighted number of ordinary shares outstanding to assume the conversion of all dilutive potential ordinary shares. Novabase has just one type of dilutive potential ordinary shares: stock options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares). The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of all the stock options.

Earnings per share are analysed as follows:

	31.12.15	31.12.14
Weighted average number of ordinary shares in issue	31,350,835	31,163,505
Stock options adjustment	-	232,327
Adjusted weighted average number of ordinary shares in issue	31,350,835	31,395,832
Profit attributable to owners of the parent	7,425	3,112
Basic earnings per share (Euros per share)	0.24 Euros	0.10 Euros
Diluted earnings per share (Euros per share)	0.24 Euros	0.10 Euros
Profit from continuing operations attributable to owners of the parent	7,425	2,901
Basic earnings per share (Euros per share)	0.24 Euros	0.09 Euros
Diluted earnings per share (Euros per share)	0.24 Euros	0.09 Euros
Profit from discontinued operations attributable to owners of the parent	-	211
Basic earnings per share (Euros per share)	-	0.01 Euros
Diluted earnings per share (Euros per share)	-	0.01 Euros

37. Dividends per share

The amounts paid in 2015 and 2014 reached EUR 942 thousand (0.03 Euros per share) and EUR 6,280 thousand (0.20 Euros per share), respectively. These amounts differ from the ones shown in the consolidated statement of cash flows due to the remuneration of the treasury shares held by the Company, which remained in Novabase (note 21). In respect to the year 2015, the Board of Directors will propose to the Annual General Meeting of Shareholders of 2016, the payment of 0.12 Euros per share, that is, a total amount of EUR 3,768 thousand. These financial statements do not reflect this dividend payable.

38. Commitments

The financial commitments not included in the consolidated statement of financial position related with bank guarantees provided to third parties for ongoing projects, are detailed as follows:

	Bank	31.12.15	31.12.14
Novabase E.A., S.A.	Novo Banco	-	17
Novabase Business Solutions, S.A.	BPI	48	411
Novabase Business Solutions, S.A.	Novo Banco	790	1,602
Novabase Business Solutions, S.A.	BCP	5,599	1,483
Novabase Business Solutions, S.A.	BAR	534	-
Novabase Serviços, S.A.	Novo Banco	484	390
CelFocus, S.A.	Novo Banco	-	112
CelFocus, S.A.	BAR	500	-
COLLAB – Sol. I. Com. e Colab., S.A.	Novo Banco	-	4
Octal - Engenharia de Sistemas, S.A.	Novo Banco	154	154
Novabase IMS Infr. & Manag. Services, S.A.	Novo Banco	1,353	5,188
Novabase IMS Infr. & Manag. Services, S.A.	BCP	556	122
Novabase IMS Infr. & Manag. Services, S.A.	BPI	-	150
Novabase IMS Infr. & Manag. Services, S.A.	BTB	830	525
Novabase IMS Infr. & Manag. Services, S.A.	BAR	-	31
Novabase Digital TV E.S. Tel. Inter., S.A.	BCP	21	257
Novabase Digital TV E.S. Tel. Inter., S.A.	Novo Banco	-	11
Novabase Sistemas de Informacion, S.A.	Novo Banco	46	35
NBASIT-Sist. de Inf. e Telecomunic., S.A.	BFA	461	403
NBMSIT, Sist. de Inf. e Tecnol., S.A.	BIM	6	-
Binómio, Lda.	Novo Banco	-	5
		11,382	10,900

In 2015, the Group had the following grouped credit line contracted:

Group of companies	Plafond
Novabase IMS; Novabase Digital TV	2.5 M USD

There are commitments resulting from operating leases. At 31 December 2015, these obligations refers mainly to the leases of 'Edifício Caribe', the Company's headquarter and of the facilities of the logistics unit. The minimum lease payments under these operating lease liabilities amounts to EUR 4,843 thousand (2014: EUR 6,542 thousand).

39. Related-party transactions

For reporting purposes, related-party considers subsidiaries, associates, shareholders with management influence and key elements in the Group management.

i) Key management compensation

	31.12.15	31.12.14
Wages and other short-term employee benefits	5,549	4,289
Stock options granted (note 29)	16	106
	5,565	4,395

ii) Other balances with related parties

	Non-current		Current (note 14)	
	31.12.15	31.12.14	31.12.15	31.12.14
Loan to Globaleda, S.A.	-	-	-	784
Loan to Powergrid, Lda	2,050	2,050	-	-
Loan to Bright Innovation, Lda	1,477	1,477	-	-
Loan to SmartGeo Solutions, Lda	99	99	-	-
Loan to Radical Innovation, Lda	994	994	-	-
Loan to Power Data, Lda	248	248	-	-
Loan to City Pulse, Lda	2,410	1,410	-	-
Loan to Livian Technologies, Lda	2,492	1,492	-	-
Loans to other shareholders	-	-	15	15
	<u>9,770</u>	<u>7,770</u>	<u>15</u>	<u>799</u>
Provisions for loans granted to related parties - see note 33	(2,292)	-	-	-
	<u>7,478</u>	<u>7,770</u>	<u>15</u>	<u>799</u>

iii) Transactions with non-controlling interests from subsidiaries

	31.12.15	31.12.14
Microcenter (NBASIT)	1,343	1,777
H. Gamito & Associados (NBMSIT)	939	299

40. Contingencies

At 31 December 2015, the Group was part intervenient in the following legal processes:

- Court procedure brought by the company CES - Comércio de Equipamentos de Escritório, S.A. against Novabase IMS, under which the plaintiff claims (i) the restitution of equipment and furniture that was installed in the premises of the co-defendant of the subsidiary of Novabase and that belongs to it and (ii) the payment of an indemnisation for the damages it suffered to be determined at the time of enforcement of the decision. Under the same proceedings, Novabase's subsidiary in question filled a reply and a counterclaim in the amount of approximately EUR 176 thousand regarding amounts unlawfully paid to the plaintiff. The preliminary hearing has already taken place. The procedure awaits scheduling of the final hearing.
- Court procedure brought by the company Digisat – Digital Satélite, Lda., under which Novabase Digital TV is co-Defendant and has presented its reply. The Court requested the Plaintiff to rectify the terms of the claim in order to clarify the action value (approximately EUR 40 thousand) and the amount of the claim (approximately EUR 100 thousand). The action awaits the pronouncement of the Plaintiff, meanwhile the Plaintiff's lawyer has renounced his power of attorney. To this effect, court procedure is suspended by Judge's Orders as of June 24, 2008. Should the suspension continue for a period in excess of one year due to negligence of the parties in promoting its continuance the procedure will be deemed interrupted. Within two years of interruption of the procedure it will be considered deserted, thereby terminating without any further action. There is no order of the Judge, yet.
- Celfocus, NB SGPS and Octal have been served regarding a procedure brought forward by the Instituto de Gestão Financeira da Segurança Social which refers to alleged absence of payment of social security contributions for some of past years, in the amount of EUR 21, 26 and 4 thousand, respectively. The company has filed opposition demonstrating compliance with applicable laws, payment of all amounts due and providing documents to that respect. The procedure awaits decision by IGFSS.

41. Additional information requested by law

In accordance with article 508-F of the Portuguese Commercial Companies Code, we hereby inform of the following:

- In addition to all operations described in the notes above, as well as in the Management's Report, there are no other operations considered relevant which are not already contained either in the consolidated statement of financial position or its notes;
- The total remuneration paid to the Statutory Auditor in 2015 was 138,809 Euros (2014: 162,394 Euros), of which 110,000 Euros correspond to legal accounts audit services, while the remaining 28,809 Euros relate to tax advisory services;
- Note 39 of the Notes to the Consolidated Financial Statements includes all the related parties' disclosures, in accordance with the International Financial Reporting Standards.

42. Events after the reporting period

The Board of Directors informed on its intention to propose, at the 2016 Annual General Meeting of Shareholders, the distribution of dividends in the amount of EUR 3,768 thousand. This payment, equal to 50.7% of the consolidated net profit, represents a dividend of 12 euro cents per share.

43. Note added for translation

These financial statements are a translation of financial statements originally issued in Portuguese. In the event of discrepancies, the Portuguese language version prevails.

(Page left intentionally blank)

II. REPORTS ISSUED BY THE SUPERVISORY BOARD AND BY THE CMVM REGISTERED AUDITOR

(Page left intentionally blank)

REPORT AND OPINION OF THE AUDIT BOARD ON THE CONSOLIDATED ACCOUNTS

To the Shareholders of
Novabase, S.G.P.S., S.A.

In compliance with the applicable legal and statutory provisions and the mandate given to the Audit Board presents this report for the year ended December 31, 2015.

Supervision

During the financial year, the Audit Board monitored the company's management, the evolution of its business and the business of its most significant subsidiaries, having held meetings with the frequency and extension considered appropriate. Given the matters discussed, these meetings had the presence of the head of finance of the company. The Audit Board also maintained close contact with the chartered accountant and the external auditor, having been kept informed on the audit proceedings and findings. In fulfillment of these functions, the Audit Board has always obtained from the management, the several company departments and the chartered accountant all information and explanations that were requested, in particular in what was necessary for the proper understanding and evaluation of the business development, performance and financial position, as well as of the risk management and internal control systems.

The Audit Board also followed the preparation and disclosure of financial information, as well as the review of the company's consolidated financial statements, and received from the chartered accountant all the information and explanations that were requested. The supervision of the policies, criteria and accounting practices of the company and of its subsidiaries and the reliability of the consolidated financial information was conducted by the Audit Board through the analysis and discussion of the reports made by the chartered accountant and the external auditor.

Whistleblowing procedures

During 2015, the Audit Board did not receive any communications on irregularities through the means established for this purpose.

Related Party Transactions

The company usually reports in its annual report, information on transactions with related parties.

During 2015 no transactions of this nature were submitted to assessment by the Audit Board.

Independence of the External Auditor

Within the procedure of verification of compliance with the independence rules applicable to the External Auditor, the Audit Board has in place a policy of hiring of services not related to the audit activity, in line with the recommendation IV.2 of the Corporate Governance Code of the CMVM, approved in 2013. In addition, the Audit Board verified the effective enforcement of the rules in question during the 2015 financial year.

Internal risk management system

The Audit Board assessed the policies of identification and management of risk adopted by the Company, and monitored its implementation.

Acknowledgement

The Audit Board expresses its appreciation for the cooperation received from the Board of Directors and the company departments.

Opinion on the Consolidated Accounts

In light of the above, the Audit Board is of the opinion that the information contained in the analyzed consolidated financial statements has been drafted in accordance with the applicable legal, statutory and accounting rules and standards, and gives a true and fair view of the assets, liabilities, consolidated financial position and the consolidated results of Novabase SGPS, SA and of the companies included in the consolidation perimeter, and the management report accurately shows the evolution of the business, the performance and the position of the issuer and of the companies included in the consolidation perimeter, containing a description of the principal risks and uncertainties they face. The report on Corporate Governance complies with the provisions of Article 245-A of the Portuguese Securities Code.

As a result of the above, and of the information received from the Board of Directors and the Company's departments, as well as of the conclusions contained in the Chartered Accountant Legal Certification, the Audit Board is of the opinion that the General Meeting is able to approve:

a) The management report, the consolidated financial statements and the accompanying notes;

Lisbon, April 5, 2016

Paulo Soares de Pinho
(Chairman)

Fátima Farinha

Nuno Pires



**KPMG & Associados - Sociedade de Revisores
Oficiais de Contas, S.A.**
Edifício Monumental
Av. Praia da Vitória, 71 - A, 11º
1069-006 Lisboa
Portugal

Telephone: +351 210 110 000
Fax: +351 210 110 121
Internet: www.kpmg.pt

AUDITORS' REPORT

CONSOLIDATED FINANCIAL STATEMENTS

(ISSUED BY THE STATUTORY AUDITOR, A CMVM REGISTERED AUDITOR)

(This report is a free translation to English from the original Portuguese version)

In case of doubt or misinterpretation the Portuguese version will prevail)

Introduction

- 1 In accordance with the applicable legislation, we present our Auditors' Report on the consolidated financial information included in the Board of Directors report and in the accompanying consolidated financial statements as at and for the year ended 31 December 2015 of **Novabase, SGPS, S.A.**, which comprise the consolidated statement of financial position as at 31 December 2015 (showing total assets of 222,641 thousand euros and shareholder's equity attributable to the shareholders of 81,472 thousand euros, including a net profit attributable to the shareholders of 7,425 thousand euros), the consolidated statements of income, the comprehensive income, changes in equity and cash flows for the year then ended, and the corresponding notes.

Responsibilities

- 2 The Board of Directors is responsible for:
 - a) the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") that present fairly the consolidated financial position of the group of companies included in the consolidation, the consolidated results of its operations, the consolidated comprehensive income, the consolidated changes in equity and the consolidated cash flows;
 - b) the historical financial information prepared in accordance with IFRS that is complete, true, current, clear, objective and lawful as required by the Portuguese Securities Market Code ('CVM');
 - c) the adoption of adequate accounting policies and criteria;
 - d) the maintenance of an appropriate internal control system; and,
 - e) the communication of any relevant fact that may have influenced the activity of the companies included in the consolidation, their financial position or results.
- 3 Our responsibility is to verify the consolidated financial information included in the documents referred to above, namely as to whether it is complete, true, current, clear, objective and lawful as required by the CVM in order to issue a professional and independent report based on our audit.

Scope

- 4 We conducted our audit in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors (‘Ordem dos Revisores Oficiais de Contas’), which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. Accordingly our audit included:
- verification that the financial statements of the companies included in the consolidation have been properly audited and in those significant cases in which they were not, verification, on a sample basis, of the documents underlying the figures and disclosures contained therein, and an assessment of the estimates, based on judgments and criteria defined by the Board of Directors, used in the preparation of the referred financial statements;
 - verification of the consolidation procedures and of the application of the equity method;
 - evaluation of the appropriateness of the accounting policies used and of their disclosure, taking into account the applicable circumstances;
 - assessment of the applicability of the going concern principle;
 - assessment of the appropriateness of the overall presentation of the consolidated financial statements; and,
 - assessment of whether the consolidated financial information is complete, true, current, clear, objective and lawful.
- 5 Our audit also included the verification that the consolidated financial information included in the Board of Directors report is consistent with the financial statements, as well as the verification of the disclosures required by numbers 4 and 5 of article 451, of the Portuguese Companies Code (“Código das Sociedades Comerciais”).
- 6 We believe that our audit provides a reasonable basis for our opinion.

Opinion

- 7 In our opinion, the referred consolidated financial statements present fairly, in all material respects, the consolidated financial position of **Novabase, SGPS, S.A.**, as at 31 December 2015, the consolidated results of its operations, the consolidated comprehensive income, the consolidated cash flows and the consolidated changes in equity for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and the information contained therein is complete, true, current, clear, objective and lawful.

Report on other legal requirements

- 8 It is also our opinion that the consolidated financial information included in the Board of Directors report is consistent with the consolidated financial statements and that Corporate Governance report includes the information required by article 245.º-A of CVM.

Lisbon, 5 April 2016

KPMG & Associados -
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
represented by
Paulo Alexandre Martins Quintas Paixão (ROC n.º 1427)

(Page left intentionally blank)

III. SECURITIES ISSUED BY THE COMPANY AND OTHER GROUP COMPANIES, HELD BY BOARD MEMBERS

(Page left intentionally blank)

**DETAIL ON SECURITIES ISSUED BY THE COMPANY AND OTHER GROUP COMPANIES, HELD BY BOARD MEMBERS OF
NOVABASE S.G.P.S.**

	Share Capital	Total Number of Shares / Quotas	Number of Shares / Quotas held by Board Members at 31.12.14	Transactions	Number of Shares / Quotas held by Board Members at 31.12.15	% held by Board Members at 31.12.15
Novabase SGPS, S.A.	15,700,697 €	31,401,394	10,600,078	373,743	10,973,821	34.9%
José Afonso Oom Ferreira de Sousa			1	10,056	10,057	0.0%
Pedro Miguel Quinteiro Marques de Carvalho			2,279,012	10,056	2,289,068	7.3%
Luís Paulo Cardoso Salvado			1	50,281	50,282	0.2%
Francisco Antunes			0	30,335	30,335	0.1%
HNB - SGPS, SA (a)			8,321,019	0	8,321,019	26.5%
NBASIT - Sist. Inf e Telecomunicações, S.A.	47,500,000 AOA	100,000	400	0	400	0.4%
Francisco Paulo Figueiredo Morais Antunes			200	0	200	0.2%
Luís Paulo Cardoso Salvado			200	0	200	0.2%
CelFocus, S.A.	100,000 €	100,000	1	0	1	0.0%
José Afonso Oom Ferreira de Sousa			1	0	1	0.0%
FeedZai, S.A.	150,855 €	18,444,594	450,000	(224,999)	225,001	1.2%
Pedro Miguel Quinteiro Marques de Carvalho			450,000	(224,999)	225,001	1.2%

(a) José Afonso Oom Ferreira de Sousa and Luís Paulo Cardoso Salvado are shareholders of this company.

Novabase reports as directors the company HNB - S.G.P.S., S.A. and the board members of the Company.

(Page left intentionally blank)

STATEMENT OF COMPLIANCE

NOVABASE S.G.P.S., S.A.

(Page left intentionally blank)

Statement of the Board of Directors

(Free translation from the original version in Portuguese)

Under the terms of sub-paragraph c) paragraph 1 of article 245 of the Portuguese Securities Code, the undersigned, as members of the Board of Directors of Novabase S.G.P.S., S.A., below identified declare that to the best of their knowledge:

(i) the information contained in the management report, the annual accounts, the Auditors' Report and all other accounting documentation required by law or regulation, regarding the year ended 31 December 2015, was prepared in compliance with the applicable accounting standards and gives a true and fair view of the assets and liabilities, financial position and results of Novabase S.G.P.S., S.A. and the companies included in the consolidation perimeter; and

(ii) the management report faithfully states the evolution of the businesses, of the performance and of the position of Novabase S.G.P.S., S.A. and the companies included in the consolidation perimeter, containing namely an accurate description of the main risks and uncertainties which they face.

Lisbon, April 5, 2016

Luís Paulo Cardoso Salvado
Chairman and CEO

Francisco Paulo Figueiredo Morais Antunes
CFO

José Afonso Oom Ferreira de Sousa
Non-Executive member of the Board

Pedro Miguel Quinteiro Marques de Carvalho
Non-Executive member of the Board

(Page left intentionally blank)

