accounts

16 annual report and account

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Consolidated Financial Statements
for the year ended 31 December 2016

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

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I. CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016

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

Consolidated Statement of Financial Position as at 31 December 2016

(Amounts expressed in thousands of Euros)

	Note	31.12.16	31.12.15
Assets			
Non-Current Assets			
Property, plant and equipment	7	8,899	9,704
Intangible assets	8	18,104	29,304
Investments in associates	9	575	621
Financial assets at fair value through profit or loss	10	4,353	3,165
Held-to-maturity investments	18	4,859	4,554
Deferred tax assets	11	9,545	16,352
Other non-current assets	39	5,132	7,478
Total Non-Current Assets		**51,467**	**71,178**
Current Assets			
Inventories	12	486	2,824
Trade and other receivables	14	92,712	94,519
Accrued income	15	15,081	21,592
Income tax receivable		3,394	2,479
Derivative financial instruments	16	19	168
Other current assets	17	1,886	4,743
Held-to-maturity investments	18	4,441	845
Cash and cash equivalents	19	35,703	24,293
Total Current Assets		**153,722**	**151,463**
Assets from discontinued operations	40	-	-
Total Assets		**205,189**	**222,641**
Equity			
Share capital	20	15,701	15,701
Treasury shares	20	(4)	(6)
Share premium	20	43,560	43,560
Reserves and retained earnings		16,071	14,792
Profit for the year		9,577	7,425
Total Equity attributable to owners of the parent		84,905	81,472
Non-controlling interests	22	8,151	8,194
Total Equity		**93,056**	**89,666**
Liabilities			
Non-Current Liabilities			
Borrowings	23	18,897	19,634
Provisions	24	9,109	11,497
Other non-current liabilities	25	-	271
Total Non-Current Liabilities		**28,006**	**31,402**
Current Liabilities			
Borrowings	23	6,916	5,568
Trade and other payables	26	47,414	58,200
Income tax payable		6	24
Derivative financial instruments	16	82	160
Deferred income and other current liabilities	27	27,709	37,621
Total Current Liabilities		**82,127**	**101,573**
Liabilities from discontinued operations	40	2,000	-
Total Liabilities		**112,133**	**132,975**
Total Equity and Liabilities		**205,189**	**222,641**

THE CERTIFIED ACOUNTANT 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 2016

(Amounts expressed in thousands of Euros)

	Note	12 M * 31.12.16	12 M * 31.12.15 (*)
Continuing Operations			
Sales	5	101	555
Services rendered	5	135,553	126,622
Cost of sales		(25)	(236)
External supplies and services	28	(46,563)	(40,886)
Employee benefit expense	29	(79,050)	(72,950)
Other gains/(losses) - net	30	(4,111)	(1,107)
Depreciation and amortisation	31	(3,785)	(4,029)
Operating Profit		**2,120**	**7,969**
Finance income	32	3,816	4,318
Finance costs	33	(4,721)	(5,805)
Share of loss of associates	34	(46)	(200)
Profit Before Income Tax		**1,169**	**6,282**
Income tax expense	35	(3,002)	(1,411)
Profit from continuing operations		(1,833)	4,871
Discontinued operations			
Profit from discontinued operations	40	12,881	3,535
Profit for the Year		**11,048**	**8,406**
Profit attributable to:			
Owners of the parent		9,577	7,425
Non-controlling interests	22	1,471	981
		11,048	8,406
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	**(0.11) Euros**	**0.12 Euros**
From discontinued operations	36	**0.41 Euros**	**0.11 Euros**
From profit for the year	36	**0.31 Euros**	**0.24 Euros**
Diluted earnings per share			
From continuing operations	36	**(0.11) Euros**	**0.12 Euros**
From discontinued operations	36	**0.41 Euros**	**0.11 Euros**
From profit for the year	36	**0.31 Euros**	**0.24 Euros**

(*) Restated in accordance with the explanation in notes 2.24, 2.25 and 40.

12 M * - period of 12 months ended

THE CERTIFIED ACOUNTANT

THE BOARD OF DIRECTORS

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

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2016

(Amounts expressed in thousands of Euros)

	Note	12 M * 31.12.16	12 M * 31.12.15
Profit for the Year		11,048	8,406
Other comprehensive income for the year			
Exchange differences on foreign operations		(3,317)	(9,139)
Other comprehensive income for the year		(3,317)	(9,139)
Total comprehensive income for the year		**7,731**	**(733)**
Total comprehensive income attributable to:			
Owners of the parent		7,189	1,901
Non-controlling interests		542	(2,634)
		7,731	(733)

12 M * - period of 12 months ended

THE CERTIFIED ACOUNTANT

THE BOARD OF DIRECTORS

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

Consolidated Statement of Changes in Equity
for the year ended 31 December 2016

(Amounts expressed in thousands of Euros)

	Note	Attributable to owners of the parent							
		Share capital	Treasury shares	Share premium	Legal reserves	Stock options reserves	Reserves and retained earnings	Non-controlling interests	Total Equity
Balance at 1 January, 2015		**15,701**	**(29)**	**43,560**	**3,140**	**154**	**18,631**	**11,855**	**93,012**
Profit for the year		-	-	-	-	-	7,425	981	8,406
Other comprehensive income for the year		-	-	-	-	-	(5,524)	(3,615)	(9,139)
Total comprehensive income for the year		-	-	-	-	-	1,901	(2,634)	(733)
Transactions with owners									
Dividends	21, 22	-	-	-	-	-	(936)	(1,036)	(1,972)
Treasury shares movements	20	-	(141)	-	-	-	(525)	-	(666)
Share-based payments - stock options exercise	20	-	164	-	-	(170)	6	-	-
Share-based payments		-	-	-	-	16	-	-	16
Change in consolidation perimeter	22	-	-	-	-	-	-	9	9
Transactions with owners		-	23	-	-	(154)	(1,455)	(1,027)	(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**	**8,194**	**89,666**
Balance at 1 January, 2016		**15,701**	**(6)**	**43,560**	**3,140**	**-**	**19,077**	**8,194**	**89,666**
Profit for the year		-	-	-	-	-	9,577	1,471	11,048
Other comprehensive income for the year		-	-	-	-	-	(2,388)	(929)	(3,317)
Total comprehensive income for the year		-	-	-	-	-	7,189	542	7,731
Transactions with owners									
Dividends	21, 22	-	-	-	-	-	(3,767)	(585)	(4,352)
Treasury shares movements	20	-	2	-	-	-	9	-	11
Transactions with owners		-	2	-	-	-	(3,758)	(585)	(4,341)
Changes in ownership interests in subsidiaries that do not result in a loss of control									
Transactions with non-controlling interests		-	-	-	-	-	-	-	-
Balance at 31 December, 2016		**15,701**	**(4)**	**43,560**	**3,140**	**-**	**22,508**	**8,151**	**93,056**

THE CERTIFIED ACOUNTANT

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 2016

(Amounts expressed in thousands of Euros)

	Note	12 M * 31.12.16	12 M * 31.12.15
Cash flows from operating activities			
Cash receipts from customers		222,443	223,177
Cash paid to suppliers and employees		(194,936)	(205,211)
Cash generated from operations		27,507	17,966
Income taxes paid		(3,509)	(1,680)
Other operating proceeds / (payments)		(156)	1,525
		(3,665)	(155)
Net Cash from operating activities		**23,842**	**17,811**
Cash flows from investing activities			
Receipts:			
Proceeds from sale of subsidiaries and associates		77	1,270
Proceeds from loans granted to associates		-	139
Disposal of financial assets held-to-maturity	18	1,802	-
Proceeds from sale of property, plant and equipment		113	241
Interest received		945	435
		2,937	2,085
Payments:			
Acquisition of subsidiaries and associates		(28)	(152)
Loans granted to associates		-	(2,000)
Settlement of derivatives		-	(2,364)
Purchases of financial assets held-to-maturity	18	(4,869)	(5,958)
Purchases of property, plant and equipment		(1,988)	(1,490)
Purchases of intangible assets		(189)	(1,585)
		(7,074)	(13,549)
Net Cash used in investing activities		**(4,137)**	**(11,464)**
Cash flows from financing activities			
Receipts:			
Proceeds from borrowings		5,041	19,921
		5,041	19,921
Payments:			
Repayments of borrowings		(4,112)	(15,478)
Dividends paid	21, 22	(4,976)	(1,342)
Payment of finance lease liabilities		(1,077)	(1,166)
Interest paid		(1,013)	(1,098)
Purchase of treasury shares	20	(40)	(778)
		(11,218)	(19,862)
Net Cash from / (used in) financing activities		**(6,177)**	**59**
Cash, cash equivalents and bank overdrafts at 1 January	19	**24,293**	**20,714**
Net increase in cash, cash equivalents and bank overdrafts		**13,528**	**6,406**
Effect from change in consolidation perimeter	19, 40	**(303)**	**-**
Effect from exchange rate fluctuations on cash held		**(1,815)**	**(2,827)**
Cash, cash equivalents and bank overdrafts at 31 December	19	**35,703**	**24,293**

12 M * - period of 12 months ended

THE CERTIFIED ACOUNTANT

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 2016

1. General information

Novabase, Sociedade Gestora de Participações Sociais, SA (hereinafter 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.

The year of 2016 was marked by the sale agreement of Infrastructures & Managed Services business ("IMS Business") - area specialized in engineering solutions and IT management, but focusing on ongoing services for operations, maintenance and management, in particular areas involving infrastructure outsourcing - and the consequent discontinuation of its operations (see note 40). The sale was substantially completed, namely through the approval of the Competition Authority, at the end of 2016.

Consequently, Novabase's activity is now aggregated into 2 business areas:

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

(ii) Venture Capital (VC) - This area develops a corporate venture capital activity throughout Novabase Capital, Sociedade de Capital de Risco, S.A., whose main purpose is 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 (2015: 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 6, 2017. 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 scheduled for May 4, 2017.

2. Significant accounting policies

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 2016.

These statements are presentend in thousands of euro (EUR thousand).

New standards, amendments to existing standards and interpretations that became effective at 1 January 2016

• **IAS 1 (amendment)**, 'Disclosure initiative'. The amendments form a part of the IASB's Disclosure Initiative, which explores how disclosures in International Financial Reporting Standards (IFRS) financial reporting can be improved, and provides guidance on i) materiality and aggregation; ii) the presentation of subtotals; iii) the structure of financial statements and the disclosure of accounting policies; and iv) the presentation of OCI arising from investments accounted for under the equity method.

• **Annual improvements cycle 2010 - 2012**. These improvements affects: IFRS 2 'Share-based Payment', IFRS 3 'Business Combinations', IFRS 8 'Operating Segments', IFRS 13 'Fair Value Measurement', IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets', and IAS 24 'Related Party Disclosures'.

• **Annual improvements cycle 2012 - 2014**. These improvements affects: IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', IFRS 7 'Financial Instruments: Disclosures', IAS 19 'Employee Benefits' and IAS 34 'Interim Financial Reporting'.

The Group adopted the above mentioned amendments, and had no significant impact on its consolidated financial statements.

New standards, amendments to existing standards and interpretations that have been published and are mandatory for the accounting periods beginning after 1 January 2016 or later periods, but that the Group has not early adopted

• **IFRS 9**, 'Financial instruments' (effective for annual periods beginning on or after 1 January 2018). IFRS 9 replaces IAS 39 - 'Financial Instruments: Recognition and Measurement' and brings fundamental change to: (i) classification and measurement of financial assets, introducing a logical approach for the classification driven by the business model in which an asset is held; (ii) recognition in equity of an entity's own credit risk on liabilities elected to be measured at fair value; (iii) impairment recognition on financial assets, by applying the expected credit loss model instead of incurred credit loss model; and (iv) hedge accounting, that aligns the accounting treatment with risk management activities.

• **IFRS 15**, 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 January 2018). This new standard applies only to contracts for the delivery of products or services, and requires an entity to recognise revenue when the contractual obligation to deliver the goods or services is satisfied and for the amount that reflects the consideration the entity is entitled to, following a five-step model.

• IFRS 16, 'Leases' (effective for annual periods beginning on or after 1 January 2019). This standard is still subject to endorsement by the European Union. IFRS 16 replaces IAS 17 - "Leases", with a significant impact on the accounting made by lessees that are required to recognise for all lease contracts, a lease liability, which reflects future lease payments and a "right of use" asset, except for certain short term leases (<12 months) and low value leases (<$ 5,000). The definition of a lease has also been changed, based on the "right to control the use of an identified asset".

• **IAS 7 (amendment)**, 'Disclosure Initiative' (effective for annual periods beginning on or after 1 January 2017). This amendment is still subject to endorsement by the European Union. This amendment will require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including non-cash changes and changes arising from cash flows, and a reconciliation of liabilities whose cash flows were classified as financing activities in the statement of cash flows.

• **IAS 12 (amendment)**, 'Recognition of Deferred Tax Assets for Unrealised Losses' (effective for annual periods beginning on or after 1 January 2017). This amendment is still subject to endorsement by the European Union. This amendment clarifies: i) how to account for deferred tax assets related to debt instruments measured at fair value; ii) how an entity estimate future taxable profit when deductible temporary differences exist; and iii) how an entity assesses the recoverability of deferred tax assets, if tax law restricts apply.

• **IFRS 15 (amendment)**, 'Revenue from contracts with customers - clarifications' (effective for annual periods beginning on or after 1 January 2018). This amendment is still subject to endorsement by the European Union. The amendments comprise clarifications of the guidance on: i) identifying performance obligations; ii) licences of intellectual property; iii) principal versus agent guidance; and iv) practical expedients related to transition to the new revenue standard.

• **Annual improvements cycle 2014 - 2016** (effective, in general, for annual periods beginning on or after 1 January 2018). This improvements cycle is still subject to endorsement by the European Union and affects the following standards: IFRS 1 'First – time Adoption of International Financial Reporting Standards', IFRS 12 'Disclosure of Interests in Other Entities' and IFRS 28 'Investments in Associates and Joint Ventures'.

• **IFRIC 22**, 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018). This interpretation is still subject to endorsement by the European Union. This IFRIC corresponds to an interpretation in IAS 21 - 'The effects of changes in exchange rates', referring to the determination of the 'transaction date' when an entity pays or receives in advance the consideration of contracts denominated in foreign currency, being the factor which determines the exchange rate to be used for currency translation of transactions in foreign currency is the 'transaction date'.

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, except for IFRS 15, for which the Group is assessing full impact.

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 accordance 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. Although these estimates are based on the Management's best knowledge 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 2016, 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 to, 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 value 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 value 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 occurrence. 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 impairment of the asset transferred. Accounting policies of subsidiaries are changed when necessary to ensure consistency with the policies adopted by the Group.

(2) Transactions with non-controlling interests

Non-controlling interests corresponds to the proportion of the fair value of assets, liabilities and contingent liabilities of acquired subsidiaries, 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 a business combination either at fair value or at the non-controlling interest's proportionate share of the 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 impairment of the asset transferred. Accounting policies of associates are changed when necessary to ensure consistency with the policies adopted by the Group.

2.3. Segment reporting

Operating segments are reported consistently 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.

At 31 December 2016, due to the sale of IMS Business, the Group's activity is monitored in 2 distinct segments, Business Solutions 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	**Rate on**		**Average rate**	
(x foreign exchange units per 1 Euro)	**31.12.16**	**31.12.15**	**2016**	**2015**
• Angolan Kwanza (AOA)	181.0204	174.7141	175.3945	138.3236
• Mozambican Metical (MZN)	75.2838	49.3181	74.1217	37.3248
• Turkish Lira (TRY)	3.7072	3.1765	3.3316	3.2124
• US Dollar (USD)	1.0541	1.0887	1.1091	1.1125
• British Pound (GBP)	0.8562	0.7340	0.7779	0.7288

(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 other comprehensive income. 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), 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 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

Research expenses in the search for new technical or scientific knowledge are recognised 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) the Group has the intention and capacity to complete its development; 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 each reporting date.

(3) Industrial property and other rights

Industrial property and other rights are shown at acquisition 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 in an orderly transaction between market participants at the measurement date. 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, retains a portion 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' captions and in non-current assets in 'Other non-current assets' caption.

(3) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that: (i) the Group intends to hold 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' caption, 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 on debt instruments.

(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 unrecoverable, 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, employee benefits, 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 include cash in hand, deposits in 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' caption.

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

Deferred 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 used.

Deferred 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 holiday, holiday allowance and Christmas allowance

In accordance with Portuguese legislation, employees have, annually, the right to receive two months of salary, for a holiday period and a holiday allowance, right earned in the previous year to its settlement. The employees also have, annually, the right to a Christmas allowance, 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

Currently, Novabase does not assign any variable remuneration in stock options.

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) Services rendered

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' captions 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. Grants

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

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

Operating grants are aimed to recovering the costs, incurred and recorded, with training initiatives and projects of research for new technological or scientific knowledge, and are recognised in the statement of profit and loss as the related expenses are incurred, regardless of when the grant 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 inception 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.

At 31 December 2016, the foreign currency reserve includes EUR 2.4 Million, related to the hedging costs of 2014 and 2015 that were determined to be an effective hedge of the net investment in a foreign operation.

(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. Discontinued operations

A discontinued operation is a component of the Group's business that comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group, and:

- represents either a separate major line of business or a geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale and the disposal involves loss of control.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

When an operation is classified as a discontinued operation, the comparatives of the statement of profit and loss and of the statement of other comprehensive income are re-presented as if the operation had been discontinued from the start of the comparative year.

2.25. Comparatives

The consolidated financial statements for the year ended 31 December 2016, except as referred at the beginning of this note, are comparable in all material aspects with the year 2015, 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.

As a result of the discontinuation of IMS Business described in the general information note, and as indicated in note 2.24, the statement of profit and loss for 2015 was restated.

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 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
	110,352	9,752	23,294	8,682	184	152,264
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
	104,794	3,848	8,950	3,862	-	121,454

At 31 December 2016	Euro	Dollar	Kwanza	Metical	Other	Total
Assets						
Other non-current assets	5,132	-	-	-	-	5,132
Financial assets at fair value through profit or loss	4,353	-	-	-	-	4,353
Held-to-maturity investments - non-current	-	-	4,859	-	-	4,859
Trade and other receivables	72,587	6,397	7,312	3,431	31	89,758
Accrued income	14,460	-	248	253	120	15,081
Derivative financial instruments	19	-	-	-	-	19
Held-to-maturity investments - current	-	-	4,441	-	-	4,441
Cash and cash equivalents	22,791	27	9,722	2,696	467	35,703
	119,342	6,424	26,582	6,380	618	159,346
Liabilities						
Borrowings	24,772	-	1,041	-	-	25,813
Trade and other payables	40,319	708	5,027	1,104	256	47,414
Derivative financial instruments	82	-	-	-	-	82
Deferred income and other current liabilities	20,443	-	3,253	4,013	-	27,709
	85,616	708	9,321	5,117	256	101,018

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 2016, 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 2,460 thousand in 2016 (2015: EUR 2,525 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 2016, 15% of the amount obtained through borrowings was 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 2016, 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 63 thousand, in 2016, and in an increase or decrease, respectively, of approximately EUR 13 thousand, in 2015.

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 2016, the 60 customers with greater balances of the Group represented approximately 90% of the total balance (2015: 84%).

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

	31.12.16	**31.12.15**
Portugal	35%	57%
Spain	5%	1%
Rest of Europe	23%	11%
Asia	2%	-
Middle East	4%	4%
Africa	31%	27%
	100%	100%

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

	31.12.16	**31.12.15**
Telecommunications	33%	38%
Consumer electronics	1%	1%
Financial Services	26%	23%
Transport	1%	1%
Public Administration	17%	7%
Information Technology	7%	14%
Energy	9%	9%
Aeronautics	1%	-
Other	5%	7%
	100%	100%

The table below shows the ratings attributed by Moody's Investors Services to the financial institutions with whom the Group as higher balances at 31 December 2016 (excluding financial institutions where net balance is negative):

	31.12.16	31.12.15
A1	5,077	-
Ba2	-	4,598
Ba3	5,978	9,128
B1	12,871	2,658
	23,926	16,384

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	-	-
Banco BPI (BPI)	13,000	-	-
Banco Europeu de Investimento (BEI)	9,000	-	-
Caixa Geral de Depósitos (CGD)	5,000	-	-
Banco Santander Totta (Santander)	4,000	-	-
Banco de Fomento de Angola (BFA)	-	-	200,000
Caixa Geral Angola (CGA)	-	-	188,466
Banco Popular (POP)	8,000	-	-
Banco BIC (BIC)	3,000	-	-
	49,000	-	388,466

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.

	31.12.16	31.12.15
Operating Profit	2,120	7,969
Total Equity	93,056	89,666
Return on Capital	2.3 %	8.9 %

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 2016 is around 9.3% (2015: 9.3%). In 2016, the objective was not 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) Goodwill impairment analysis

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 booked amount of tax credits not yet approved reach EUR 3,567 thousand (2015: EUR 1,455 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 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' captions in the statement of financial position and under 'Services rendered' in the statement of profit and loss.

e) 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' caption, 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

In 2016, as the result of the sale agreement of Infrastructures & Managed Services business entered into with VINCI Energies Portugal SGPS, S.A. (see notes 6 and 40), the IMS Business was discontinued. This situation led to the restatement of the figures presented in 2015.

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	Venture		Disc. operations
	Solutions	**Capital**	**NOVABASE**	**IMS**
At 31 December 2015				
Total segment Sales and services rendered	193,347	5,214	198,561	123,334
Inter-segment Sales and services rendered	70,747	637	71,384	18,919
Sales and services rendered	122,600	4,577	127,177	104,415
Depreciation and amortisation	(3,704)	(325)	(4,029)	(1,319)
Operating profit/(loss)	7,815	154	7,969	1,599
Finance costs – net	(1,362)	(125)	(1,487)	2,270
Share of loss of associates (note 34)	-	(200)	(200)	-
Income tax expense	(1,234)	(177)	(1,411)	(334)
Profit/(Loss) from operations	5,219	(348)	4,871	3,535
Other information:				
(Provisions) / Provisions reversal	(1,842)	(60)	(1,902)	(1,920)

	Business	Venture		Disc. operations
	Solutions	**Capital**	**NOVABASE**	**IMS**
At 31 December 2016				
Total segment Sales and services rendered	193,086	4,828	197,914	80,751
Inter-segment Sales and services rendered	61,457	803	62,260	8,834
Sales and services rendered	131,629	4,025	135,654	71,917
Depreciation and amortisation	(3,173)	(612)	(3,785)	(785)
Operating profit/(loss)	2,911	(791)	2,120	18,101
Finance costs – net	(1,040)	135	(905)	1,008
Share of loss of associates (note 34)	-	(46)	(46)	-
Income tax expense	(1,923)	(1,079)	(3,002)	(6,228)
Profit/(Loss) from operations	(52)	(1,781)	(1,833)	12,881
Other information:				
(Provisions) / Provisions reversal	(4,941)	(30)	(4,971)	(2,398)

6. Companies included in consolidation

The companies consolidated by the full method, as at 31 December 2016, were the following:

	Holding company and Subsidiaries	Principal place of business	Share capital 31.12.16	% Interest held 31.12.16	% Interest held 31.12.15
	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%
(i)	Novabase Neotalent, 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%	100.0%
	Celfocus LTD	UK	15,000 GBP	55.0%	55.0%
	Novabase Sistemas de Informacion, S.A.	Spain	€ 1,000,000	100.0%	100.0%
	IMS (discontinued operations):				
	Novabase Infraestruturas, SGPS, S.A.	Portugal	€ 50,000	100.0%	100.0%
(ii)	Novabase IMS Infr. & Manag. Services, S.A.	Portugal		-	100.0%
	Novabase Infr. Integracion S. Inf., S.A.	Spain	€ 120,202	100.0%	100.0%
(iii)	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%
(iv)	Novabase Digital TV E.S. Tel. Inter., S.A.	Portugal	€ 220,500	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:				
(iv)	Novabase Serviços, S.A.	Portugal	€ 50,000	100.0%	100.0%

(i) In 2015, this company had the designation of NBO Recursos em IT, S.A..

(ii) With reference to December 31, 2016, and following the sale and purchase agreement entered into with VINCI Energies Portugal (see note 40), the Group sold 100% of the share capital of Novabase IMS Infr. & Manag. Services, S.A. (further to the carve-out of the assets which were not part of the IMS Business), as well as 100% of two other companies to which the IMS Business developed by Novabase Digital TV, S.A.and by Novabase Serviços, S.A. was transferred - see paragraph (iv).

(iii) 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.

(iv) Novabase Digital TV, S.A. and Novabase Serviços, S.A. carried out demerger operations in 2016, having transferred the assets and liabilities related to IMS Business for two new companies, which were fully disposed of at the end of 2016 - see paragraph (ii).

The companies consolidated using the equity method, as at 31 December 2016, were the following:

	Associates (see note 9)	Principal place of business	Share capital 31.12.16	% Interest held 31.12.16	% Interest held 31.12.15	Equity 31.12.16	Net Profit 31.12.16
	Fundo Capital Risco NB Capital	Portugal	€ 7,142,857	30.0%	30.0%	1,955	(153)
(v)	Novabase Digital TV Technologies GmbH	Germany	unavailable info	51.0%	51.0%	unavailable info	unavailable info

(v) The Group does not have control over this company, as described in note 2.2, therefore it was considered an associate.

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

	NBMSIT		NBASIT		Celfocus		Collab	
	31.12.16	**31.12.15**	**31.12.16**	**31.12.15**	**31.12.16**	**31.12.15**	**31.12.16**	**31.12.15**
Balance sheet:								
Total Non-Current Assets	658	775	90	193	3,310	3,557	3,932	5,033
Total Current Assets	6,965	11,049	30,782	26,818	38,636	33,793	4,885	4,304
Total Non-Current Liabilities	-	-	-	(144)	(1,477)	(1,795)	(1,334)	(1,564)
Total Current Liabilities	(10,894)	(13,527)	(36,208)	(29,860)	(23,877)	(23,786)	(2,080)	(1,780)
Net Assets	(3,271)	(1,703)	(5,336)	(2,993)	16,592	11,769	5,403	5,993
Net Assets attrib. to NCI	(1,087)	(522)	(3,570)	(2,382)	7,519	5,367	1,079	1,276
Results:								
Sales and Services rendered	8,312	9,815	15,065	23,119	59,211	50,603	4,039	4,334
Earnings Before Taxes	(2,385)	(1,888)	803	(8,020)	5,937	3,372	(530)	483
Income tax expense	389	567	(3,246)	2,634	144	(772)	(271)	(147)
Results from contin. operations	(1,996)	(1,321)	(2,443)	(5,386)	6,081	2,600	(801)	336
Other compr. income for the year	-	-	-	-	-	-	-	-
Total compr. income for the year	(1,996)	(1,321)	(2,443)	(5,386)	6,081	2,600	(801)	336
Compr. income attrib. to NCI	295	(54)	(972)	88	2,737	1,225	(197)	86
Cash Flows:								
Cash, cash eq. at beg. of year	3,811	2,523	7,081	9,524	2,399	217	3	111
Cash, cash eq. at end of year	2,708	3,811	9,812	7,081	7,984	2,399	1	3
Change in cash, cash equiv.	(1,103)	1,288	2,731	(2,443)	5,585	2,182	(2)	(108)
Dividends paid to NCI	-	-	-	412	585	624	-	-

7. Property, plant and equipment

	31.12.16			31.12.15		
	Cost	**Accumulated depreciation**	**Net book value**	**Cost**	**Accumulated depreciation**	**Net book value**
Buildings and other constructions	3,160	2,487	673	4,082	2,832	1,250
Basic equipment	6,095	4,629	1,466	8,050	6,034	2,016
Transport equipment	8,319	2,059	6,260	7,788	1,874	5,914
Furniture, fittings and equipment	1,826	1,329	497	1,893	1,373	520
Other tangible assets	17	14	3	17	13	4
	19,417	10,518	8,899	21,830	12,126	9,704

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

	Balance at 01.01.15	Acquisitions / increases	Write-offs	Exchange differences	Change in consolidation perimeter	Balance at 31.12.15
Cost:						
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
	18,547	6,939	(3,440)	(216)	-	21,830
Accumulated depreciation:						
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
	12,977	2,395	(3,068)	(178)	-	12,126

During 2016, movements in property, plant and equipment were as follows:

	Balance at 01.01.16	Acquisitions / increases	Write-offs	Exchange differences	Change in consolidation perimeter	Balance at 31.12.16
Cost:						
Buildings and other constructions	4,082	172	(8)	-	(1,086)	3,160
Basic equipment	8,050	1,567	(58)	(13)	(3,451)	6,095
Transport equipment	7,788	1,955	(1,375)	(49)	-	8,319
Furniture, fittings and equipment	1,893	197	(18)	(7)	(239)	1,826
Other tangible assets	17	1	-	-	(1)	17
	21,830	3,892	(1,459)	(69)	(4,777)	19,417
Accumulated depreciation:						
Buildings and other constructions	2,832	364	(8)	-	(701)	2,487
Basic equipment	6,034	868	(54)	(7)	(2,212)	4,629
Transport equipment	1,874	734	(517)	(32)	-	2,059
Furniture, fittings and equipment	1,373	174	(17)	(3)	(198)	1,329
Other tangible assets	13	2	-	-	(1)	14
	12,126	2,142	(596)	(42)	(3,112)	10,518

The column 'Change in Consolidation Perimeter' refers mainly to the exit of the consolidation perimeter of the subsidiaries sold in IMS Business.

The amount of depreciation recognised in profit and loss and included in 'Depreciation and amortisation' is EUR 1,599 thousand (2015: EUR 1,689 thousand), and included in 'Profit from discontinued operations' is EUR 543 thousand (2015: EUR 706 thousand).

8. Intangible assets

	31.12.16			31.12.15		
	Cost	Accumulated amortisation	Net book value	Cost	Accumulated amortisation	Net book value
Internally generated intangible assets	13,950	10,866	3,084	13,987	8,488	5,499
Industrial property and other rights	11,049	11,028	21	11,169	11,103	66
Work in progress	113	-	113	-	-	-
Goodwill	14,886	-	14,886	23,739	-	23,739
	39,998	21,894	18,104	48,895	19,591	29,304

During 2015, movements in intangible assets were as follows:

	Balance at 01.01.15	Acquisitions / increases	Impairment ch. / Write-offs	Transfers	Change in consolidation perimeter	Balance at 31.12.15
Cost:						
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
Accumulated amortisation:						
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

During 2016, movements in intangible assets were as follows:

	Balance at 01.01.16	Acquisitions / increases	Impairment ch. / Write-offs	Transfers	Change in consolidation perimeter	Balance at 31.12.16
Cost:						
Internally generated intangible assets	13,987	-	-	72	(109)	13,950
Industrial property and other rights	11,169	4	(77)	-	(47)	11,049
Work in progress	-	185	-	(72)	-	113
Goodwill	23,739	-	(8,853)	-	-	14,886
	48,895	189	(8,930)	-	(156)	39,998
Accumulated amortisation:						
Internally generated intangible assets	8,488	2,387	-	-	(9)	10,866
Industrial property and other rights	11,103	41	(77)	-	(39)	11,028
	19,591	2,428	(77)	-	(48)	21,894

The column 'Change in Consolidation Perimeter' refers mainly to the exit of the consolidation perimeter of the subsidiaries sold in IMS Business.

The amount of amortisation recognised in profit and loss and included in 'Depreciation and amortisation' is EUR 2,186 thousand (2015: EUR 2,340 thousand), and included in 'Profit from discontinued operations' is EUR 242 thousand (2015: EUR 613 thousand).

'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 5.6 Million (2015: EUR 3.9 Million).

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

Movements in **goodwill** were as follows:

	31.12.16	31.12.15
Balance at 1 January	25,358	25,348
Goodwill from Celfocus UK	-	10
Discontinued operations (IMS)	(8,945)	-
Balance at 31 December	16,413	25,358

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

	31.12.16	31.12.15
Balance at 1 January	(1,619)	(1,619)
Discontinued operations (IMS)	92	-
Balance at 31 December	(1,527)	(1,619)

Impairment tests for goodwill

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

		31.12.16	31.12.15
	Business Solutions	14,886	14,888
(*)	IMS	-	8,851
		14,886	23,739

(*) In 2016, the change is the result of the disposal of Infrastructures & Managed Services business (see notes 6 and 40).

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
Discounted rate (pre tax)	11.8%
Perpetual growth rate	2.0%
Annual growth rate of turnover	5.3%

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 directly		Amount	
	31.12.16	31.12.15	31.12.16	31.12.15
Fundo Capital Risco NB Capital (notes 6 and 34)	30.0%	30.0%	575	621
			575	621

10. Financial assets at fair value through profit or loss

		% Interest held directly		Amount	
		31.12.16	31.12.15	31.12.16	31.12.15
(i)	FCR IStart I	11.6%	10.0%	380	300
(ii)	Feedzai, Lda	3.6%	4.0%	3,112	1,795
(iii)	Powergrid, Lda	88.9%	88.9%	-	82
(iv)	Bright Innovation, Lda ("BI")	90.0%	90.0%	80	3
	Globaleda, S.A.	25.1%	25.1%	731	731
	Other			50	254
				4,353	3,165

(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 Armilar Venture Partners SCR.

(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. 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 specialized in incubate projects in the area of Information and Communication Technologies (ICT) and provide integrated services in the administrative and financial areas, training and assistance for ICT SMEs applications, supported by a multi-channel platform. This company is held by FCR NB Capital Inovação e Internacionalização.

Novabase does not have control of the companies held by FCR NB Capital Inovação e Internacionalização, understood as the power to manage the relevant activities of an entity, being exposed to the risks of variation of the return obtained and having the capacity to affect those returns through its power over the entity, therefore they were not considered subsidiaries or associates.

The valuation of these companies was performed based on the discounted cash flow method, using a 5 year business plan forecasted by Management, with the following key assumptions:

	Feedzai	Powergrid	BI
Discounted rate	11.8%	11.8%	12.1%
Perpetual growth rate	0.5%	0.5%	0.5%
Average annual growth rate of turnover	30.0%	4.0%	1.0%

Movements in this caption were as follows:

	31.12.16	31.12.15
Balance at 1 January	3,165	1,544
Acquisitions / share capital increase	-	79
Change in acquisition cost of Globaleda	-	731
Disposals / share capital decrease	(77)	(161)
Profit or loss charge (see notes 32 and 33)	1,265	972
Balance at 31 December	4,353	3,165

11. Deferred tax assets and liabilities

Deferred 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 taxes relate to the same tax authority. The following amounts were determined after its offsetting:

	31.12.16	31.12.15
Deferred tax assets		
To be recovered within 12 months	1,065	3,870
To be recovered after more than 12 months	8,480	12,482
	9,545	16,352
Deferred tax liabilities		
To be recovered within 12 months	-	-
To be recovered after more than 12 months	-	-
	-	-

The movement in the deferred tax assets was as follows:

	31.12.16	31.12.15
Balance at 1 January	16,352	17,228
Change in consolidation perimeter	(542)	-
Exchange differences	(478)	(833)
Profit or loss charge (see note 35)	(5,787)	(43)
Balance at 31 December	9,545	16,352

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 2015	2,371	12,570	2,287	17,228
Profit or loss charge	2,455	(2,703)	205	(43)
Exchange differences	(833)	-	-	(833)
Balance at 31 December 2015	3,993	9,867	2,492	16,352
Profit or loss charge	(2,845)	(3,467)	525	(5,787)
Change in consolidation perimeter	(542)	-	-	(542)
Exchange differences	(478)	-	-	(478)
Balance at 31 December 2016	128	6,400	3,017	9,545

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	-	-	-	-
Between 1 and 2 years	-	36	-	36
Between 2 and 3 years	-	323	-	323
Between 3 and 4 years	-	-	-	-
Between 4 and 5 years	4	-	-	4
Between 5 and 6 years	146	2,383	-	2,529
Over 6 years	161	3,658	-	3,819
With no defined date	(183)	-	3,017	2,834
	128	6,400	3,017	9,545

12. Inventories

	31.12.16	31.12.15
Merchandise	527	3,094
Finished products	-	17
Raw materials, subsidiary goods and consumables	119	119
	646	3,230
Inventory impairment	(160)	(406)
	486	2,824

The decrease in inventories reflects mainly the exit of the consolidation perimeter of the subsidiaries sold in IMS Business.

Movements in inventory impairment are analysed as follows:

	31.12.16	31.12.15
Balance at 1 January	406	382
Impairment	215	309
Impairment reversal	(95)	(230)
Change in consolidation perimeter	(366)	-
Exchange differences	-	(6)
Write-offs	-	(49)
Balance at 31 December	160	406

The amount of impairment and impairment reversal of inventories recognised in profit and loss and included in 'Other gains/(losses) - net' is EUR 0 thousand (2015: EUR -54 thousand), and included in 'Profit from discontinued operations' is EUR -120 thousand (2015: EUR -25 thousand).

13. Financial instruments by category

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
	148,931	3,333	-	9,093	161,357
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
	-	160	121,294	-	121,454

At 31 December 2016	Loans and receivables	Assets/liabilit. at fair value through P&L	Other financial liabilities	Non-financial assets/ liabilities	Total
Assets					
Other non-current assets	5,132	-	-	-	5,132
Financial assets at fair value through profit or loss	-	4,353	-	-	4,353
Held-to-maturity investments - non-current	4,859	-	-	-	4,859
Trade and other receivables	89,758	-	-	2,954	92,712
Accrued income	15,081	-	-	-	15,081
Derivative financial instruments	-	19	-	-	19
Other current assets	-	-	-	1,886	1,886
Held-to-maturity investments - current	4,441	-	-	-	4,441
Cash and cash equivalents	35,703	-	-	-	35,703
	154,974	4,372	-	4,840	164,186
Liabilities					
Other non-current liabilities	-	-	-	-	-
Borrowings	-	-	25,813	-	25,813
Trade and other payables	-	-	47,414	-	47,414
Derivative financial instruments	-	82	-	-	82
Deferred income and other current liabilities	-	-	27,709	-	27,709
	-	82	100,936	-	101,018

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.

	31.12.16			31.12.15		
	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	-	-	4,353	-	-	3,165
Derivative financial instruments	-	19	-	-	168	-
	-	19	4,353	-	168	3,165
Financial liabilities at fair value						
Derivative financial instruments	-	82	-	-	160	-
	-	82	-	-	160	-

14. Trade and other receivables

	31.12.16	31.12.15
Trade receivables	60,199	93,503
Allowance for impairment of trade receivables	(11,160)	(5,763)
	49,039	87,740
Prepayments to suppliers	562	982
Employees	95	128
Value added tax	2,297	3,240
Receivables from related parties (note 39)	1,215	15
Financial holdings disposal	38,365	67
Receivables from financed projects	1,449	1,537
Other receivables	821	4,166
Allowance for impairment of other receivables	(1,131)	(3,356)
	43,673	6,779
	92,712	94,519

The decrease of trade receivables reflects mainly the exit of the consolidation perimeter of the subsidiaries sold in IMS Business.

At 31 December 2016, the balance of 'Financial holdings disposal' caption reflects the price agreed on the sale of IMS Business - see note 40.

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

The carrying amount of this caption 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:

	31.12.16	31.12.15
Carrying amount of receivables not due	30,008	49,234
Carrying amount of receivables not impaired		
Past due for less than 6 months	13,164	26,706
Past due for more than 6 months	5,350	10,262
Carrying amount of receivables due and not impaired	18,514	36,968
Carrying amount of receivables impaired		
Past due for less than 6 months	833	3,741
Past due for more than 6 months	10,844	3,560
Carrying amount of receivables due and impaired	11,677	7,301
	60,199	93,503

80% of trade receivables not due and trade receivables past due and not 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 184 entities with an average balance of EUR 57 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	
	31.12.16	**31.12.15**	**31.12.16**	**31.12.15**	**31.12.16**	**31.12.15**
Balance at 1 January	5,763	4,488	3,356	4,059	9,119	8,547
Change in consolidation perimeter	(1,835)	-	(5)	-	(1,840)	-
Impairment (note 30)	10,306	2,296	992	67	11,298	2,363
Impairment reversal (note 30)	(2,088)	(851)	-	(716)	(2,088)	(1,567)
Exchange differences	(2)	(170)	(6)	(54)	(8)	(224)
Write-offs	(984)	-	(3,206)	-	(4,190)	-
Balance at 31 December	11,160	5,763	1,131	3,356	12,291	9,119

15. Accrued income

	31.12.16	**31.12.15**
- Ongoing projects	14,209	20,100
- Other accrued income	872	1,492
	15,081	21,592

16. Derivative financial instruments

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

	Assets		Liabilities	
	31.12.16	**31.12.15**	**31.12.16**	**31.12.15**
- Forward foreign exchange contracts	19	168	82	160
	19	168	82	160

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.

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 2016, the derivative financial instruments were classified as current assets and liabilities.

At 31 December 2016, the Group had forward foreign exchange contracts of EUR Call / USD Put with the notional amount of USD 9,946,639 and forward foreign exchange contracts of EUR Put / USD Call with the notional amount of USD 334,007.

17. Other current assets

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

	31.12.16	**31.12.15**
- Rents	608	707
- Software licensing	90	374
- Hardware and software maintenance and specialized services	1,188	3,662
	1,886	4,743

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

	31.12.16	31.12.15
Non-Current		
Angola National bonds	4,859	3,753
Financial product denominated in AOA with embedded exchange rate protection (AOA/USD) (*)	-	801
	4,859	4,554
Current		
Angola National bonds	4,441	845
	4,441	845

(*) In 2015, this financial product was considered under this caption because it had a maturity greater than one year.

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:

	31.12.16	31.12.15
- Cash	8	18
- Short term bank deposits	35,695	24,275
Cash and cash equivalents	35,703	24,293
- Overdrafts	-	-
	35,703	24,293

In 2016, the change in consolidation perimeter had a negative impact of EUR 303 thousand.

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

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

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

The share capital at 31 December 2016, 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 2015	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 purchased	-	-	(10)	-	(10)
Treasury shares transferred	-	-	12	-	12
Balance at 31 December 2016	31,401	15,701	(4)	43,560	59,257

'Treasury shares' caption 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 2015, Novabase S.G.P.S. held 11,957 treasury shares, representing 0.04% of its share capital.

During 2016, the Company acquired on the market 20,000 shares at the average price of 1.98 Euros, and transferred 23,342 own shares at the average price of 2.15 Euros, which were used for the settlement of bonuses to employees.

At 31 December 2016, Novabase S.G.P.S. held 8,615 treasury shares, representing 0.03% 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 caption 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:

	31.12.16		31.12.15	
	Average exercise price per share	Options (thousands)	Average exercise price per share	Options (thousands)
Balance at 1 January		-		745
Exercised		-	2.401	(745)
Balance at 31 December		-		-

In the statement of profit and loss, under 'Employee benefit expense' caption, was booked a cost of EUR 0 thousand in 2016 (2015: EUR 16 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.

There is also a reserve of an amount equal to the one by which the treasury shares are accounted for, which, in accordance to the legislation in force, is unavailable for distribution.

In the General Meeting of Shareholders held on May 2016, it was approved the distribution to the shareholders of reserves and retained earnings in the amount of EUR 3,768 thousand, corresponding to 0.12 Euros per share. The payment occurred in May 2016.

	31.12.16	31.12.15
Payment to shareholders	3,767	936
Remuneration of the treasury shares held by the Company	1	6
	3,768	942

22. Non-controlling interests

		31.12.16	31.12.15
	Balance at 1 January	8,194	11,855
(*)	Change in consolidation perimeter	-	9
(**)	Distribution of dividends to non-controlling interests	(585)	(1,036)
	Exchange differences on foreign operations	(929)	(3,615)
	Profit attributable to non-controlling interests	1,471	981
	Balance at 31 December	8,151	8,194

(*) In 2015, Celfocus UK was established.

(**) In 2016, Celfocus distributed dividends to its shareholders. In 2015, NBASIT (Angola) and Celfocus distributed dividends to its shareholders, from which EUR 5 thousand are still to be settled - see note 26.

23. Borrowings

	31.12.16	31.12.15
Non-current		
Bank borrowings	13,907	14,387
Finance lease liabilities	4,990	5,247
	18,897	19,634
Current		
Bank borrowings	5,376	3,992
Finance lease liabilities	1,540	1,576
	6,916	5,568
Total borrowings	25,813	25,202

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

	31.12.16	31.12.15
6 months or less	3,006	1,744
6 to 12 months	2,370	2,248
	5,376	3,992

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

	31.12.16	31.12.15
Between 1 and 2 years	4,407	4,079
Between 2 and 5 years	9,100	8,808
Over 5 years	400	1,500
	13,907	14,387

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

	31.12.16	31.12.15
Bank borrowings	3.124%	3.080%

Gross finance lease liabilities – minimum lease payments:

	31.12.16	31.12.15
No later than 1 year	1,770	1,865
Between 1 and 5 years	5,224	5,563
	6,994	7,428
Future finance charges on finance leases	(464)	(605)
Present value of finance lease liabilities	6,530	6,823

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

	31.12.16	31.12.15
No later than 1 year	1,540	1,576
Between 1 and 5 years	4,990	5,247
	6,530	6,823

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

- Solvability ratio ≥40%; Net Debt / EBITDA ≤3
- Solvability ratio ≥35%; Net Debt / EBITDA ≤2.5 ; Net Debt / Total Equity ≤0.5
- Solvability ratio ≥40%; Net Debt / EBITDA <2; Net Debt / Total Equity <0.5; EBIT / Interest paid >3
- Net Debt / EBITDA ≤2
- An aggregate amount of Cash and Cash Equivalent Investments of at least EUR 15,000,000 (fifteen million euros)
- 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

At 31 December 2016, the Group was complying with the covenants.

24. Provisions

Movements in provisions are analysed as follows:

	Warranties	Legal Claims	Restructuring	Other Risks and Charges	Total
Balance at 1 January 2015	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
Additional provisions (note 30)	4	130	-	2,475	2,609
Reversals / utilisations (note 30)	(148)	(50)	(60)	(4,373)	(4,631)
Change in consolidation perimeter	(55)	-	-	(312)	(367)
Exchange differences	-	-	-	1	1
Balance at 31 December 2016	-	130	-	8,979	9,109

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 41).

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

	31.12.16	31.12.15
Acquisition of financial interest in Binómio	-	271
	-	271

This caption refers to the contingent consideration for the acquisition of Binómio, Lda., whose fair value was reassessed in 2015 - see note 33. At 31 December 2016, the total amount of the contingent consideration is recorded as current liability (note 26).

The due date of these liabilities is as follows:

	31.12.16	31.12.15
Between 1 and 2 years	-	271
	-	271

26. Trade and other payables

	31.12.16	31.12.15
Trade payables	7,242	17,038
Remunerations, holiday and holiday allowance	8,567	9,522
Bonus	8,583	8,691
Ongoing projects	3,335	5,088
Value added tax	3,334	5,910
Social security contributions	2,051	2,067
Income tax withholding	1,579	1,571
Amount to be paid to non-controlling interests - see note 22	5	630
Employees	528	217
Prepayments from trade receivables	5	72
Other accrued expenses	6,835	7,273
Other payables	5,350	121
	47,414	58,200

The decrease of trade payables reflects mainly the exit of the consolidation perimeter of the subsidiaries sold in IMS Business.

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

The maturity of these liabilities is as follows:

	31.12.16	31.12.15
No later than 1 year	47,414	58,200
	47,414	58,200

27. Deferred income and other current liabilities

	31.12.16	31.12.15
Research and development grants	1,518	2,494
Consulting projects	26,191	35,127
	27,709	37,621

At 31 December 2016, the Group expect to comply with the relevant conditions to receive the following financial incentives for research and development:

	Contracted amount	Acum. received amount
Grants:		
- NSRF - Incentive Scheme for Research and Technological Development (R&D)	983	520
- Other grants	1,705	719
	2,688	1,239

28. External supplies and services

	31.12.16	31.12.15
Subcontracts	26,201	22,570
Supplies and services		
Commissions and consultancy fees	5,217	3,131
Transportation, travel and accommodation expenses	8,350	8,660
Rents	2,937	2,450
Freight	33	351
Advertising and promotion	1,038	1,028
Water, electricity and fuel	536	632
Communications	606	728
Insurance	332	331
Utensils, office supplies and technical documentation	206	154
Other supplies and services	1,107	851
	20,362	18,316
	46,563	40,886

29. Employee benefit expense

	31.12.16	31.12.15
Board members remuneration	3,073	4,413
Salaries and wages	62,060	56,068
Social security charges	11,350	10,243
Stock options granted (note 20)	-	16
Other personnel expenses	2,567	2,210
	79,050	72,950

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

	31.12.16	31.12.15
Business Solutions	1,936	1,813
IMS (Discontinued operations)	397	413
Venture Capital	55	50
Novabase Shared Services	96	114
	2,484	2,390

30. Other gains/(losses) - net

	31.12.16	31.12.15
Impairment and impairment reversal of trade and other receivables (note 14)	(5,602)	229
Impairment and impairment reversal of inventories (note 12)	-	(54)
Warranties provision (note 24)	-	4
Legal claims provision (note 24)	(80)	-
Provisions for other risks and charges (note 24)	711	(2,081)
Other operating income and expense	860	795
	(4,111)	(1,107)

31. Depreciation and amortisation

	31.12.16	31.12.15
Property, plant and equipment (note 7):		
Buildings and other constructions	364	522
Basic equipment	612	550
Transport equipment	455	462
Furniture, fittings and equipment	167	153
Other tangible assets	1	2
	1,599	1,689
Intangible assets (note 8):		
Internally generated intangible assets	2,155	2,091
Industrial property and other rights	31	249
	2,186	2,340
	3,785	4,029

32. Finance income

	31.12.16	31.12.15
Interest received	419	174
Positive exchange differences	1,268	1,488
Fair value of financial assets adjustment (note 10)	1,519	1,546
Provisions for loans granted to related parties (note 39 ii))	610	-
Gain on disposal of financial assets (*)	-	1,110
	3,816	4,318

(*) Feedzai (see note 10).

33. Finance costs

	31.12.16	31.12.15
Interest expenses		
- Borrowings	(485)	(621)
- Finance lease liabilities	(175)	(203)
- Other interest	(8)	(7)
Bank guarantees charges	(80)	(114)
Bank services	(112)	(158)
Negative exchange differences	(1,851)	(1,593)
Fair value of financial assets adjustment (note 10)	(254)	(574)
Provisions for loans granted to related parties (note 39 ii))	(1,756)	(2,292)
Fair value adjustment for contingent consideration (note 25)	-	(243)
	(4,721)	(5,805)

34. Share of loss of associates

	31.12.16	31.12.15
Fundo Capital Risco NB Capital (notes 5 and 9)	(46)	(200)
	(46)	(200)

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 caption is analysed as follows:

	31.12.16	**31.12.15**
Current tax	1,638	1,446
Deferred tax on temporary differences (note 11)	1,364	(35)
	3,002	1,411

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:

	31.12.16	**31.12.15**
Profit before income tax	1,169	6,282
Income tax expense at nominal rate (21% in 2016 and 2015)	245	1,319
Tax benefit on the net creation of employment for young and long term unemployed people	(312)	(278)
Provisions and amortisations not considered for tax purposes	1,300	-
Recognition of tax on the events of previous years	(11)	78
Associates' results reported net of tax	9	42
Autonomous taxation	621	583
Losses in companies where no deferred tax is recognised	(59)	(51)
Expenses not deductible for tax purposes	(242)	(114)
Differential tax rate on companies located abroad	(233)	(193)
Research & Development tax benefit	641	(449)
Municipal surcharge and State surcharge	267	437
Impairment of Special Payment on Account, tax losses and withholding taxes	862	30
Other	(86)	7
Income tax expense	3,002	1,411
Effective tax rate	256.8%	22.5%

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:

	31.12.16	31.12.15
Weighted average number of ordinary shares in issue	31,390,277	31,350,835
Stock options adjustment	-	-
Adjusted weighted average number of ordinary shares in issue	31,390,277	31,350,835
Profit attributable to owners of the parent	9,577	7,425
Basic earnings per share (Euros per share)	0.31 Euros	0.24 Euros
Diluted earnings per share (Euros per share)	0.31 Euros	0.24 Euros
Profit from continuing operations attributable to owners of the parent	(3,304)	3,890
Basic earnings per share (Euros per share)	(0.11) Euros	0.12 Euros
Diluted earnings per share (Euros per share)	(0.11) Euros	0.12 Euros
Profit from discontinued operations attributable to owners of the parent	12,881	3,535
Basic earnings per share (Euros per share)	0.41 Euros	0.11 Euros
Diluted earnings per share (Euros per share)	0.41 Euros	0.11 Euros

37. Dividends per share

The amounts paid in 2016 and 2015 reached EUR 3,768 thousand (0.12 Euros per share) and EUR 942 thousand (0.03 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 2016, the Board of Directors will propose to the Annual General Meeting of Shareholders of 2017, the payment of 0.15 Euros per share, that is, a total amount of EUR 4,710 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	31.12.16	31.12.15
Novabase Business Solutions, S.A.	BPI	33	48
Novabase Business Solutions, S.A.	Novo Banco	296	790
Novabase Business Solutions, S.A.	BCP	4,892	5,599
Novabase Business Solutions, S.A.	BAR	242	534
Novabase Business Solutions, S.A.	BTA	35	-
Novabase Serviços, S.A.	Novo Banco	485	484
CelFocus, S.A.	Novo Banco	27	-
CelFocus, S.A.	BAR	581	500
CelFocus, S.A.	POP	50	-
CelFocus, S.A.	BPI	72	-
Octal - Engenharia de Sistemas, S.A.	Novo Banco	-	154
Novabase IMS Infr. & Manag. Services, S.A.	Novo Banco	-	1,353
Novabase IMS Infr. & Manag. Services, S.A.	BCP	-	556
Novabase IMS Infr. & Manag. Services, S.A.	BTA	-	830
Novabase Digital TV E.S. Tel. Inter., S.A.	BCP	12	21
Novabase Sistemas de Informacion, S.A.	Novo Banco	81	46
NBASIT-Sist. de Inf. e Telecomunic., S.A.	BFA	-	461
NBMSIT, Sist. de Inf. e Tecnol., S.A.	BIM	220	6
		7,026	11,382

In 2016, the Group had no grouped credit lines contracted.

To ensure compliance with the responsibilities associated to the December 19, 2014 finance contract between the European Investment Bank (EIB) and Novabase SGPS, there is a Promissory Note signed by Novabase SGPS and endorsed by the remaining Guarantors in favour of EIB. At 31 December 2016, the guarantors are: Novabase Business Solutions, S.A.; Novabase Neotalent, S.A.; Novabase E.A., S.A.; Novabase Digital TV E.S. Tel. Inter., S.A.; Novabase Serviços, S.A.; Octal - Engenharia de Sistemas, S.A.; and Binómio, Lda. (Novabase IMS Infr. & Manag. Services, SA ceased to be a guarantor at December 23, 2016, as a result of the sale of IMS Business, as established in the 1st Consent and Amendment Agreement relating to the Finance Contract and Guarantee and Indemnity Agreement).

Following the sale of IMS Business, Novabase undertook the following commitments:

- A Liability Cap of EUR 5 Million by irrevocable bank guarantee of equal amount for a period of 18 months (duration of guarantees) and EUR 2.5 Million between 18 months and 5 years (expiry of tax and Social Security guarantees);
- Constitution of a basket deductible for further corrections in the amount of EUR 400 thousand, minimis of EUR 40 thousand;
- Non-compete obligation for 3 years between VEP and Novabase in its core business areas.

There are commitments resulting from operating leases. At 31 December 2016, these obligations refers mainly to the leases of 'Edifício Caribe', the Company's headquarter. The minimum lease payments under these operating lease liabilities amounts to EUR 2,893 thousand (2015: EUR 4,843 thousand, however this amount also included EUR 561 thousand related to the facilities of the logistics unit "Parque Oriente", which ceased to be Novabase's responsibility with the sale of IMS Business).

39. Related parties

For reporting purposes, related parties include subsidiaries, associates, shareholders with management influence, key elements in the Group management and entities that provide management services to the Group (Autonomy Mastery and Purpose, S.A. and Groovesnore Investimentos Imobiliários, Lda).

i) Key management compensation

		31.12.16	31.12.15
(*)	Wages and other short-term employee benefits	4,322	5,302
	Stock options granted (note 29)	-	16
		4,322	5,318

(*) Regarding the balance presented in 2015, EUR 247 thousand were considered as part of discontinued operations, therefore were not included in this note.

ii) Other balances with related parties

	Non-current		Current (note 14)	
	31.12.16	31.12.15	31.12.16	31.12.15
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	2,410	-	-
Loan to Livian Technologies, Lda	1,292	2,492	1,200	-
Loans to other shareholders	-	-	15	15
	8,570	9,770	1,215	15
Provisions for loans granted to related parties	(3,438)	(2,292)	-	-
	5,132	7,478	1,215	15

40. Discontinued operations

At October 12, 2016, Novabase has entered into a sale and purchase agreement with VINCI Energies Portugal, SGPS, S.A. (“VINCI Energies”), to sell its Infrastructures & Managed Services business (“IMS Business”), through the sale of the shares representing the whole share capital of Novabase IMS (further to the carve-out of the assets which were not part of the IMS Business), and two other companies to which the IMS Business developed by Novabase Digital TV and by Novabase Serviços would be transferred. The price agreed was EUR 38,365 thousand, to be paid on the date of completion of the transaction, subject to certain adjustments, as established in the sale and purchase agreement.

The sale was substantially completed, namely through the approval of the Competition Authority, at the end of 2016. As a result, Novabase recorded, with reference to December 31, 2016, the gain generated by the sale of the IMS Business to VEP, in the amount of EUR 17,567 thousand.

IMS Business has been discontinued in the beginning of the fourth quarter, following the agreement dated of October 12, 2016. In the statement of profit and loss, comparatives were restated to show continuing operations separately from discontinued operations (see accounting policy, note 2.24).

A. Results of discontinued operations

	31.12.16	31.12.15
Revenue	72,604	104,869
Expenses	(71,062)	(101,000)
Results from operating activities	1,542	3,869
Income tax	(6,228)	(334)
Results from operating activities, net of tax	(4,686)	3,535
Gain on sale of IMS Business	17,567	-
Income tax on gain on sale of IMS Business	-	-
Profit from discontinued operations, net of tax	12,881	3,535

B. Cash flows from (used in) discontinued operations

	31.12.16	31.12.15
Cash flows from operating activities	7,509	6,649
Cash flows used in investing activities	(3,087)	(7,113)
Cash flows used in financing activities	(307)	(1,596)
Net cash flows for the year from discontinued operations	4,115	(2,060)

C. Effect of disposal on the financial position of the Group

		31.12.16
	Property, plant and equipment	(1,665)
(*)	Intangible assets	(8,961)
	Deferred tax assets	(542)
	Inventories	(2,637)
	Trade and other receivables	(26,169)
	Accrued income	(1,167)
	Derivative financial instruments	(209)
	Other current assets	(3,648)
	Cash and cash equivalents	(303)
	Borrowings	463
	Provisions	367
	Trade and other payables	14,557
	Income tax payable	104
	Derivative financial instruments	7
	Deferred income and other current liabilities	11,005
	Net assets and liabilities	(18,798)

(*) Includes the Goodwill allocated to the IMS Business, in the amount of EUR 8,853 thousand - see note 8.

Additionally, a provision of EUR 2 Million was recorded for responsibilities associated to the disposal of IMS Business, under the 'Liabilities from discontinued operations' caption in the consolidated statement of financial position.

41. Contingencies

At 31 December 2016, the Group was part intervenient in the following legal process:

Proceedings against Novabase

- Novabase Business Solutions has been served with a procedure from the Instituto de Gestão Financeira da Segurança Social regarding the alleged absence of payment of social security contributions of some months of 2015, in the amount of 59,290 Euros. The company has filed opposition regarding the allegations demonstrating compliance with applicable laws, payment of all amounts due and providing documents to that respect. The procedure is pending analysis and decision from the IGFSS.

- Novabase Neotalent is defendant in a claim by a former services provider who is arguing that he had an employment contract since October 2002, and claims the payment of holiday and Christmas allowances and training credits since the starting date in the total amount of 185,999 Euros. The defendant argued against the plaintiff's claims maintaining that the relation was that of a provision of services and that plaintiff signed a termination agreement on December 15, 2015 and stated that there was nothing more was due in light of the contract therein ending. The trial is scheduled for March 15, 2017.

- Octal has been served with a procedure from the Instituto de Gestão Financeira da Segurança Social regarding the alleged absence of payment of social security contributions of some months of the years 2012 and 2013, in the amount of 3,750 Euros. The company has filed opposition regarding the allegations demonstrating compliance with applicable laws, payment of all amounts due and providing documents to that respect. The procedure is pending analysis and decision from the IGFSS.
- Novabase SGPS has been served with a procedure from the Instituto de Gestão Financeira da Segurança Social regarding the alleged absence of payment of social security contributions of some months of 2015, in the amount of 25,758 Euros. The company has filed opposition regarding the allegations demonstrating compliance with applicable laws, payment of all amounts due and providing documents to that respect. The procedure is pending analysis and decision from the IGFSS.
- Celfocus has been served with two procedures from the Instituto de Gestão Financeira da Segurança Social regarding the alleged absence of payment of social security contributions of some months of the years 2011 to 2015, and 2015 / 2016 in the total amount of 93,000 Euros. The company has filed opposition regarding the allegations demonstrating compliance with applicable laws, payment of all amounts due and providing documents to that respect. The procedures are pending analysis and decision from the IGFSS.

Proceedings brought by Novabase

- Novabase Business Solutions has filed a suit against Centro Hospitalar de Lisboa Norte, EPE. a public entity, in order to obtain payment of invoices due, in the amount of 161,948 Euros which refers to capital and interest in late payment. The plaintiff has presented arguments against Novabase, whereby Novabase has replied to the plaintiff's arguments and the procedure is pending scheduling by the court of trial date.
- The company Ensul Meci S.A. has filed for insolvency, whereby Novabase Business Solutions has claimed credits in the amount of approximately 42,500 Euros corresponding to the unpaid invoices. General Creditors Assembly took place and voted for dissolution and liquidation of the company. The procedure awaits ulterior terms.
- The company Qimonda Portugal S.A. has filed for insolvency, whereby Novabase Neotalent has claimed credits in the amount of approximately EUR 980 thousand corresponding to the unpaid invoices and compensation for breach of prior notice for termination of contract. General Creditors Assembly has voted the Recovery Plan for the company and process is in place to start making payments to creditors. Of the total amount claimed, Quimonda has paid a total amount of 487,324 Euros in accordance to the amounts accepted and payment terms agreed upon in Creditor's Assembly. Supreme Court of Justice has ordered that the procedure continue regarding creditor's claims on credits not accepted by the Insolvency. Procedure awaits ulterior terms.
- The company Singer – Produtos Eléctricos S.A. has filed for insolvency, and Octal2Mobile has claimed payment of credits in the amount of EUR 52 thousand. Upon dissolution and liquidation of the Plaintiff Octal2Mobile the credit was transferred to its shareholder Octal. The procedure awaits dissolution and liquidation of the company assets for payment of creditors.

42. Additional information required by law

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

(i) 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;

(ii) The total remuneration of the Statutory Auditor in 2016 was 110,000 Euros (2015: 138,809 Euros), which corresponds in full to the legal accounts audit services;

(iii) Note 39 of the Notes to the Consolidated Financial Statements includes all the related parties' disclosures, in accordance with the International Financial Reporting Standards.

43. Events after the reporting period

The following relevant facts occurred in 2017 by the date of issue of this report, details of which have been adequately disclosed as privileged information via Novabase S.G.P.S. and CMVM websites, or is public knowledge:

- **Completion of sale of the Infrastructures & Managed Services business**

At January 5, 2017, Novabase informed that completed the transaction of sale of the Infrastructures & Managed Services business to VINCI Energies Portugal, SGPS, SA, communicated to the market on October 13, 2016. The estimated final price of EUR 44,037 thousand, paid on this date, is still subject to deductions, resulting from the final calculation of working capital and net debt.

- **Acquisition of Own Shares**

At January 12, 2017, Novabase informed the market of the acquisition of 318,000 own shares at the average price of 2.69 Euros, and currently holds 326,615 own shares in treasury, representing 1.04% of the company's share capital.

- **Dividend to shareholders**

Novabase informed the intention of the Board of Directors to propose, at the 2017 Annual General Meeting of Shareholders, the distribution of EUR 4.7 Million to shareholders. This payment, equal to 49.2% of the consolidated net profit, represents a dividend of 15 euro cents per share.

- **Novabase is included in PSI20 Index as of March, 20**

The managing body of the Lisbon Stock Exchange, in a news item dated March 6, 2017, revealed that Novabase will trade as of March 20 on the main stock exchange index of Lisbon, the PSI20.

44. 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 will prevail.

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

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REPORT AND OPINION OF THE AUDIT BOARD ON THE CONSOLIDATED FINANCIAL STATEMENTS OF NOVABASE – SOCIEDADE GESTORA DE PARTICIPAÇÕES SOCIAIS, S.A. FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31, 2016

To the Shareholders

In compliance with the Law and for the purposes of paragraph g) of article 420 of the Portuguese Companies Code and the Company's bylaws, the Audit Board hereby presents for appreciation its Report on the supervising activity that was carried out and issues its Opinion on the Management Report and Consolidated Financial Statements of Novabase – Sociedade Gestora de Participações Sociais for the financial year ended on December 31, 2016.

ACTIVITIES CARRIED OUT

Supervision

During the financial year, the Audit Board regularly followed up the evolution of the company's business and the business of its subsidiaries, ensuring compliance with the law and the relevant bylaws, and monitored the company's management, the efficiency of the risk management and internal control systems and the preparation and disclosure of financial information as well as the regularity of the accounting records, the accuracy of the consolidated financial statements and the accounting policies and metrical valuation criteria adopted by the company, in order to verify that they lead to an adequate expression of its consolidated assets, results and cash flows.

During the year, the Audit Board met seven times and the respective meetings were formally recorded in minutes. At these meetings there was always attendance of 100% of the respective members. In addition, the Audit Board took part in the meeting of the Board of Directors that approved the Management Report and the Consolidated Financial Statements for the 2016 financial year.

Within its duties, the Audit Board maintained the necessary contacts with the representatives of the Chartered Accountants Company and External Auditor, in order to monitor the planning and audit work that was carried out and to take note of the respective findings. The meetings held with the representatives of the Chartered Accountants Company and External Auditor enabled the Audit Board to reach a positive opinion on the integrity, rigor, skill, quality of work and objectivity with which they carried out their work, as well as the reliability of the financial information.

The changes to the audit report, in particular those resulting from the Legal Framework on Audit Supervision (Law no. 148/2015, of September 9, 2015), were also analyzed with the representatives of the Chartered Accountants Company and External Auditor. These changes resulted in a new legal framework applicable to the activity of public supervision on auditors and additional information duties towards the supervisory bodies that auditors have to comply, notably the communication of the relevant auditing matters. As agreed with the representatives of the Chartered Accountants Company and External Auditor, the Audit Board defers to their report on the consolidated financial statements for the description of the essential elements subject to analysis.

During the meetings of the Audit Board, the main risks affecting Novabase - Sociedade Gestora de Participações Sociais, S.A. and the companies included in the consolidation perimeter were analyzed and discussed with Management and the Statutory Auditor, based on presentations prepared by these corporate bodies. The explanations and clarifications considered relevant were duly provided.

Whistleblowing procedures
During the 2016 financial year, the Audit Board did not receive any communications on irregularities through the means established for this purpose.

Related Party Transactions
During the 2016 financial year, the Audit Board approved the "Internal Regulation on transactions with holders of major holdings in Novabase - Sociedade Gestora de Participações Sociais, S.A.". In the same financial year, no transactions were submitted to assessment by the Audit Board under the terms of the approved regulation.

Independence of the External Auditor
The Audit Board received the statement by the Statutory Auditor confirming its independence in relation to the Company and communicating all relationships that may be perceived as a threat to its independence, as well as the safeguards that were implemented.

RESPONSIBILITY STATEMENT

Pursuant to paragraph 1/c) of article 245 of the Portuguese Securities Code, applicable by virtue of paragraph 1/a) of article 8 of the CMVM Regulation no. 5/2008 (Information Duties), we hereby declare that, to the best of our knowledge and belief, the aforementioned financial statements were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, giving a true and appropriate view of the assets and liabilities, financial position and results of Novabase - Sociedade Gestora de Participações Sociais, S.A. and the companies included in the consolidation perimeter, and the management report faithfully describes the evolution of the business, performance and position of Novabase - Sociedade Gestora de Participações Sociais, S.A. and the companies included in the consolidation perimeter, containing an adequate description of the main risks and uncertainties which they face.

OPINION

The Audit Board analyzed the Management Report and the Consolidated Financial Statements for the 2016 financial year, which comprise the Consolidated Statement on the Financial Position as of December 31, 2016, the Consolidated Income Statement, the Consolidated Statement on Comprehensive Income, the Consolidated Statement on the Changes to Equity and the Consolidated Statement on the Cash Flows, as well as the accompanying notes, which were prepared in accordance with the International Financial Reporting Standards, as adopted in the European Union.

Within the duties of the Audit Board, the Legal Certification of Accounts and the Audit Report on the Consolidated Financial Information for the 2016 financial year, prepared by the Statutory Auditor, were analyzed. This document that does not present any reservation and the Audit Board agrees with the same.

The Audit Board further analyzed the Corporate Governance Report for the 2016 financial year, which is attached to the Management Report prepared by the Board of Directors in compliance with the CMVM Regulation no. 4/2013 (Corporate Governance of Listed Companies), and the Audit Board certifies that it includes all the elements referred to in article 245-A of the Portuguese Securities Code.

In this context, it is the Audit Board's opinion that:

- There are no objections to the approval of the Management Report for the 2016 financial year;
- There are no objections to the approval of the Consolidated Financial Statements for the 2016 financial year.

Lisbon, April 6, 2017

The Audit Board

Paulo Soares de Pinho - Chairman

Fátima Farinha - Member

Nuno Pires - Member

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STATUTORY AUDITOR'S REPORT AND AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

(This report is a free translation to English from the original Portuguese version. In case of doubt or misinterpretation the Portuguese version will prevail.)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of **Novabase, SGPS, S.A.** (the Group), which comprise the consolidated statement of financial position as at 31 December 2016 (showing total assets of 205,189 thousand euros and equity of 93,056 thousand euros, including non-controlling interests of 8,151 thousand euros and a net profit attributable to the shareholders of Novabase of 9,577 thousand euros), the consolidated statement of profit and loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the accompanying notes to the consolidated financial statements that include a summary of the significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Novabase, SGPS, S.A. as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and further technical and ethical standards and guidelines issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). Our responsibilities under those standards are further described under "Auditor's responsibilities for the audit of the financial statements" section below. We are independent of the Entity in accordance with the law and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics for Professional Accountants of the Portuguese Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A., a Portuguese company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG & Associados - S.R.O.C., S.A.
Capital Social: 3.916.000 Euros - Pessoa Colectiva Nº PT 502 161 078 - Inscrito na O.R.O.C. Nº 189 - Inscrito na C.M.V.M. Nº 20161489
Matriculada na Conservatória do registo Comercial de Lisboa sob o Nº PT 502 161 078

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Risk	Response
The revenue recognition policy regarding turnkey consulting projects, which represent a significant part of the Group's business, requires judgment as disclosed in note 4(d) of the notes to the consolidated financial statements. The recognition of such projects in accordance with the percentage of completion method, as described in note 2.19(b), involves a number of qualitative factors such as estimated billing, estimated costs, including contingency values for contractual risks, which justify the consideration of this issue as a relevant matter to the audit of the Group's consolidated financial statements as at 31 December 2016.	We have analyzed the revenue recognition policy adopted by the Group with reference to the applicable accounting standards. Our audit procedures included, among others, the following: ▪ We have tested the relevant controls, including application controls and general IT controls, related to the revenue recognition process; ▪ Critical analysis of estimates and assumptions made by management, namely regarding estimated billing, estimated costs and contingencies; ▪ Substantive analytical procedures and tests of detail regarding the accounting records in order to identify and test the risk of fraud and eventual override of controls implemented; and, ▪ Assessment of the Group's disclosure adequacy over revenue recognition considering the applicable accounting standards.

International exposure

Risk	Response
The Group's operations outside Portugal represented more than 50% of total consolidated revenue in 2016. The internationalization process exposes the Group to the risk of foreign exchange fluctuation, mainly to the dollar, kwanza and metical. As disclosed in note 3(a), increased exposure to these currencies and geographies results in increased risks for the Group, mainly: ▪ Foreign exchange risk, in result of the strong devaluation of local currencies against the euro; and, ▪ Liquidity risk, in result of the difficulty of capital repatriation from those geographies; which justify the consideration of this issue as a relevant matter to the audit of the Group's consolidated financial statements as at 31 December 2016.	Our audit procedures included, among others, the following: ▪ We have assessed the degree of exposure to geographies of high exchange and liquidity risks, namely at the level of receivables impairment and going concern; ▪ We have critically assessed estimates and assumptions performed by management, particularly regarding the impairment of receivables and the feasibility of implementing the business plans associated with these geographies units; ▪ We have analyzed the valuation of financial instruments used by the Group to hedge the exchange rate risk; ▪ We have analyzed the currency translation of the financial statements of the subsidiaries located in these geographies by reference to the applicable accounting standards; and, ▪ We have assessed the adequacy of the Group's disclosure over financial risk management policy, considering the applicable accounting standards.

Valuation of intangible assets and goodwill

Risk	Response
As disclosed in note 8, as at 31 December 2016, the net book value of intangible assets amounted to 18,104 thousand euros of which 14,886 thousand euros related to the goodwill of the Business Solutions segment. The determination of the recoverable value of these assets is subjective due to the uncertainty inherent to the financial projections and to the discount of future cash flows, since many key assumptions are based on management expectations, not observable in the market. The Group performs, on an annual basis, goodwill impairment tests based on the discounted cash flows method, considering a 5-year business plan estimated by management, as mentioned in notes 2.6(1), 4(a) and 8. In addition, the Group has been capitalizing expenses with the development of software projects based on expectations of future revenues, as mentioned in notes 2.6(2) and 8. The complexity and the inherent degree of judgment justify the consideration of this issue as a relevant matter to the audit of the Group's consolidated financial statements as at 31 December 2016.	Our audit procedures included, among others, the following: ▪ We have analyzed the budgeting procedures on which the projections are based, by comparing current performance with estimates made in prior periods; ▪ We have analyzed the assumptions and methodology used by management to assess the recoverability of deferred tax assets, namely projections of taxable income; and, ▪ We have assessed the adequacy of the Group's disclosure regarding the recognition of deferred tax assets considering the applicable accounting standards.

Recoverability of deferred tax assets

Risk	Response
As disclosed in note 11, as at 31 December 2016, the amount of deferred tax assets was of 9,545 thousand euros, of which 6,400 thousand euros related to tax benefits arising from Research and Development projects presented under the SIFIDE incentive scheme. The deferred tax assets recorded by management are based on its best estimate on the timing and future amounts required for its recovery, using assumptions that require judgment, as mentioned in notes 2.15 and 4(c). The level of uncertainty associated and the inherent degree of judgment justify the consideration of this issue as a relevant matter to the audit of the Group's consolidated financial statements as at 31 December 2016.	Our audit procedures included, among others, the following: ▪ We have analyzed the budgeting procedures on which the projections are based, by comparing current performance with estimates made in prior periods; ▪ We have analyzed the assumptions and methodology used by management to assess the recoverability of deferred tax assets, namely projections of taxable income; and, ▪ We have assessed the adequacy of the Group's disclosure over recognition of deferred tax assets considering the applicable accounting standards.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for:

— the preparation of consolidated financial statements that give a true and fair view of the consolidated financial position, the consolidated financial performance and the consolidated cash flows of the Group, in accordance with International Financial Reporting Standards, as adopted by the European Union;

— the preparation of the management report, including the corporate governance report, in accordance with the applicable legal and regulatory requirements;

— the implementation and maintenance of an appropriate internal control system to enable the preparation of consolidated financial statements that are free from material misstatement whether due to fraud or error;

— the adoption of accounting policies and criteria adequate to the circumstances; and

— the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, matters that may cast significant doubt on the going concern of the operations.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor´s responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements whether due to fraud or error, and to issue a report comprising our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit and we also:

— identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion;

- communicate with those charged with governance, including the oversight body, among other matters, the scope and planned timing of the audit, and significant audit findings including any significant deficiency in internal control identified during our audit;

- from the matters communicated with those charged with governance, including the oversight body, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter; and,

- we state to the oversight body, that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility also includes the verification of the consistency of the information included in the management report with the financial statements, as well as the verification of the disclosures required by numbers 4 and 5 of the article 451, of the Portuguese Companies Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the management report

In compliance with article 451, nr. 3, e) of the Portuguese Companies Code, we are of the opinion that the management report has been prepared in accordance with the applicable legal and regulatory requirements, the information contained therein is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment of the Group, we have not identified material inaccuracies.

About the corporate governance report

In compliance with article 451, nr. 4, of the Portuguese Companies Code, we are of the opinion that the corporate governance report includes the elements required to the Entity pursuant to article 245 – A of the Securities Code, and no material inaccuracies have been identified in the information disclosed therein, complying with the provisions of paragraphs c), d) , f), h), i) and m) of that article.

On the additional elements provided for in article nr. 10 of Regulation (EU) nr. 537/2014

In compliance with Article nr. 10 of Regulation (EU) nr. 537/2014 of the European Parliament and of the Council of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- We were appointed auditors of Novabase, SGPS, S.A. for the first time at the shareholders' meeting held on 29 April 2015 for the current term from 2015 to 2017;
- The Executive Board of Directors confirmed to us that it is not aware of the occurrence of any fraud or suspected material fraud in the financial statements. In the planning and execution of our audit under ISA we have maintained professional skepticism and designed audit procedures to respond to the possibility of material misstatement of financial statements due to fraud. As a result of our work, we have not identified any material misstatement in the consolidated financial statements due to fraud;
- We confirm that the audit opinion we issue is consistent with the additional report we prepared and delivered to the Group's oversight body on 4 April 2017; and,
- We declare that we have not provided any prohibited services pursuant to article nr. 77, nr. 8 of the Statute of the Statutory Auditors Institute and that we have maintained our independence from the Group during the performance of the audit.

Lisbon, 6 April 2017

SIGNED ON THE ORIGINAL

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

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

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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 31.12.15	Transactions	Number of Shares / Quotas held by Board Members at 31.12.16	% held by Board Members at 31.12.16
Novabase SGPS, S.A.	**15,700,697 €**	**31,401,394**	**10,700,761**	**15,000**	**10,715,761**	**34.1%**
José Afonso Oom Ferreira de Sousa			10,057	0	10,057	0.0%
Pedro Miguel Quinteiro Marques de Carvalho			2,289,068	0	2,289,068	7.3%
Luís Paulo Cardoso Salvado			50,282	15,000	65,282	0.2%
Francisco Antunes			30,335	0	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.	**154,277 €**	**20,316,971**	**225,001**	**0**	**225,001**	**1.1%**
Pedro Miguel Quinteiro Marques de Carvalho			225,001	0	225,001	1.1%

(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.

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STATEMENT OF COMPLIANCE

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

Statement of the Board of Directors

(Free translation from the original version in Portuguese)

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

(i) the information contained in the management report, annual accounts, Auditors' Report and all other accounting documentation required by law or regulation, regarding the year ended 31 December 2016, 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, performance and 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 6, 2017

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

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Statement by the members of the Audit Board under paragraph 1, a) of article 245 of the Portuguese Securities Code

Paulo Soares de Pinho, chairman of the Audit Board of Novabase S.G.P.S. S.A. declares that, to the best of his knowledge, the information contained in the management report, the annual accounts, the chartered accountant legal certification and all other financial statement documentation was drafted in accordance with the applicable accounting standards, give a true and appropriate view of the assets and liabilities, the financial position and the results of the issuer and, when applicable, of the companies included in the consolidation perimeter, and the management reports faithfully state the evolution of the businesses, performance and position of the issuer and, when applicable, of the companies included in the consolidation perimeter, containing a description of the main risks and uncertainties which they face.

Lisbon, April 6, 2017

Fátima Farinha, member of the Audit Board of Novabase S.G.P.S. S.A. declares that, to the best of her knowledge, the information contained in the management report, the annual accounts, the chartered accountant legal certification and all other financial statement documentation was drafted in accordance with the applicable accounting standards, give a true and appropriate view of the assets and liabilities, the financial position and the results of the issuer and, when applicable, of the companies included in the consolidation perimeter, and the management reports faithfully state the evolution of the businesses, performance and position of the issuer and, when applicable, of the companies included in the consolidation perimeter, containing a description of the main risks and uncertainties which they face.

Lisbon, April 6, 2017

Nuno Miguel Dias Pires, member of the Audit Board of Novabase S.G.P.S. S.A. declares that, to the best of his knowledge, the information contained in the management report, the annual accounts, the chartered accountant legal certification and all other financial statement documentation was drafted in accordance with the applicable accounting standards, give a true and appropriate view of the assets and liabilities, the financial position and the results of the issuer and, when applicable, of the companies included in the consolidation perimeter, and the management reports faithfully state the evolution of the businesses, performance and position of the issuer and, when applicable, of the companies included in the consolidation perimeter, containing a description of the main risks and uncertainties which they face.

Lisbon, April 6, 2017

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