NOVABASE
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Accounts 11

ACCOUNTS

11

Consolidated Financial Statements
for the year ended 31 December 2011

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

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I. CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2011

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

Consolidated Statement of Financial Position as at 31 December 2011

(Amounts expressed in thousands of Euros)

	Note	31.12.11	31.12.10
Assets			
Non-Current Assets			
Property, plant and equipment	7	9,000	9,836
Intangible assets	8	31,127	31,229
Investments in associates	9	1,621	1,676
Available-for-sale financial assets		165	21
Deferred income tax assets	10	12,387	10,396
Other non-current assets		-	69
Total Non-Current Assets		**54,300**	**53,227**
Current Assets			
Inventories	11	6,909	10,403
Trade and other receivables	13	92,830	83,285
Accrued income	14	16,414	14,035
Income tax receivable		3,211	3,378
Derivative financial instruments	15	245	197
Other current assets	16	5,236	3,834
Cash and cash equivalents	17	27,157	28,088
Total Current Assets		**152,002**	**143,220**
Assets for discontinued operations	40	-	49
Total Assets		**206,302**	**196,496**
Equity			
Share capital	18	15,701	15,701
Treasury shares	18	(490)	(603)
Share premium	18	43,560	43,560
Reserves and retained earnings	19	31,206	21,063
Profit for the year		2,651	13,053
Total Equity attributable to owners of the parent		92,628	92,774
Non-controlling interests	20	9,811	5,724
Total Equity		**102,439**	**98,498**
Liabilities			
Non-Current Liabilities			
Borrowings	21	12,028	7,879
Provisions	22	1,721	1,633
Deferred income tax liabilities	10	100	909
Other non-current liabilities	23	308	927
Total Non-Current Liabilities		**14,157**	**11,348**
Current Liabilities			
Borrowings	21	5,279	5,333
Trade and other payables	24	60,935	57,101
Income tax payable		17	311
Derivative financial instruments	15	461	353
Deferred income and other current liabilities	25	22,669	22,807
Total Current Liabilities		**89,361**	**85,905**
Liabilities for discontinued operations	40	345	745
Total Liabilities		**103,863**	**97,998**
Total Equity and Liabilities		**206,302**	**196,496**

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

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

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2011

(Amounts expressed in thousands of Euros)

	Note	12 M * 31.12.11	12 M * 31.12.10
Continuing Operations			
Sales	5	96,918	103,975
Services rendered	5	132,715	132,356
Cost of sales		(86,917)	(90,125)
External supplies and services	26	(51,720)	(50,378)
Employee benefit expense	27	(76,210)	(75,607)
Restructuring costs	28	(3,496)	-
Other gains/(losses) - net	29	(543)	1,947
Depreciation and amortisation	30	(6,125)	(5,478)
Operating Profit		**4,622**	**16,690**
Finance income	31	3,770	5,256
Finance costs	32	(4,626)	(5,371)
Share of loss of associates	33	(645)	(255)
Profit Before Income Tax		**3,121**	**16,320**
Income tax expense	34	(884)	(2,628)
Profit from continuing operations		2,237	13,692
Discontinued operations			
Profit from discontinued operations	40	703	-
Profit for the Year		**2,940**	**13,692**
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**2,940**	**13,692**
Profit attributable to:			
Owners of the parent		2,651	13,053
Non-controlling interests	20	289	639
		2,940	13,692
Total comprehensive income attributable to:			
Owners of the parent		2,651	13,053
Non-controlling interests	20	289	639
		2,940	13,692
Earnings per share from continuing and discontinued operations attributable to owners of the parent (Euros per share)			
Basic earnings per share			
From continuing operations	35	0.06 Euros	0.43 Euros
From discontinued operations	35	0.02 Euros	Zero Euros
From profit for the year	35	0.09 Euros	0.43 Euros
Diluted earnings per share			
From continuing operations	35	0.06 Euros	0.43 Euros
From discontinued operations	35	0.02 Euros	Zero Euros
From profit for the year	35	0.09 Euros	0.43 Euros

12 M * - period of 12 months ended

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

Consolidated Statement of Changes in Equity
for the year ended 31 December 2011

(Amounts expressed in thousands of Euros)

	Note	Attributable to owners of the parent						Non-controlling interests	Total Equity
		Share capital	Treasury shares	Share premium	Legal reserves	Stock options reserves	Reserves and retained earnings		
Balance at 1 January, 2010		**15,701**	**(723)**	**49,213**	**1,558**	**379**	**27,370**	**5,644**	**99,142**
Total comprehensive income for the year		-	-	-	-	-	13,053	639	13,692
Transactions with owners									
Share capital reduction	18	(5,652)	-	-	-	-	217	-	(5,435)
Share capital increase	18	5,652	-	(5,652)	-	-	-	-	-
Dividends	19	-	-	-	-	-	(9,662)	-	(9,662)
Legal reserve		-	-	-	807	-	(807)	-	-
Treasury shares movements	18	-	120	-	-	-	816	-	936
Share-based payments	18 / 27	-	-	-	-	697	-	-	697
Changes in consolidation universe	20	-	-	-	-	-	-	173	173
Foreign currency translation reserve		-	-	-	-	-	7	10	17
Transactions with owners		-	120	(5,652)	807	697	(9,429)	183	(13,274)
Changes in ownership interests in subsidiaries that do not result in a loss of control									
Transactions with non-controlling interests	20	-	-	-	-	-	(319)	(742)	(1,061)
Balance at 31 December, 2010		**15,701**	**(603)**	**43,560**	**2,365**	**1,076**	**30,675**	**5,724**	**98,498**
Balance at 1 January, 2011		**15,701**	**(603)**	**43,560**	**2,365**	**1,076**	**30,675**	**5,724**	**98,498**
Total comprehensive income for the year		-	-	-	-	-	2,651	289	2,940
Transactions with owners									
Dividends	19 / 20	-	-	-	-	-	(3,955)	(1,800)	(5,755)
Legal reserve		-	-	-	140	-	(140)	-	-
Treasury shares movements	18	-	113	-	-	-	625	-	738
Share-based payments	18 / 27	-	-	-	-	331	-	-	331
Changes in consolidation universe	20	-	-	-	-	-	-	5,500	5,500
Foreign currency translation reserve		-	-	-	-	-	96	98	194
Transactions with owners		-	113	-	140	331	(3,374)	3,798	1,008
Changes in ownership interests in subsidiaries that do not result in a loss of control									
Transactions with non-controlling interests	19	-	-	-	-	-	(7)	-	(7)
Balance at 31 December, 2011		**15,701**	**(490)**	**43,560**	**2,505**	**1,407**	**29,945**	**9,811**	**102,439**

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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 2011

(Amounts expressed in thousands of Euros)

	Note	12 M * 31.12.11	12 M * 31.12.10
Cash flows from operating activities			
Cash receipts from customers		220,015	245,289
Cash paid to suppliers and employees		(212,351)	(222,270)
Cash generated from operations		7,664	23,019
Income taxes paid		(2,077)	(2,068)
Other operating proceeds		328	2,215
		(1,749)	147
Net Cash generated from operating activities		**5,915**	**23,166**
Cash flows from investing activities			
Receipts:			
Proceeds on disposal of subsidiaries and associates		81	78
Cash of subsidiaries consolidated for the first time (i)		1,650	349
Loan repayments received from associates		414	529
Proceeds on disposal of property, plant and equipment		7	-
Interest received		553	208
		2,705	1,164
Payments:			
Acquisition of subsidiaries and associates		(843)	(444)
Dissolution of subsidiaries		(5)	-
Loans granted to associates		(514)	(420)
Purchases of property, plant and equipment		(1,396)	(3,736)
Purchases of intangible assets		(2,418)	(4,199)
		(5,176)	(8,799)
Net Cash used in investing activities		**(2,471)**	**(7,635)**
Cash flows from financing activities			
Receipts:			
Proceeds from borrowings		9,288	6,767
		9,288	6,767
Payments:			
Repayments of borrowings		(4,188)	(2,043)
Dividends paid	19 / 20	(5,755)	(9,662)
Share capital reduction	36	-	(5,435)
Payment of finance lease liabilities		(1,849)	(1,645)
Interest paid		(842)	(517)
		(12,634)	(19,302)
Net Cash used in financing activities		**(3,346)**	**(12,535)**
Cash, cash equivalents and bank overdrafts at beginning of year		**27,057**	**24,026**
Net increase / (decrease) of cash, cash equivalents and bank overdrafts		**98**	**2,996**
Effect from exchange rate fluctuations on cash held		**2**	**35**
Cash, cash equivalents and bank overdrafts at end of year	17	**27,157**	**27,057**

12 M * - period of 12 months ended

(i) In 2011: FCR NB Capital Inovação e Internacionalização. In 2010: NBASIT-Sist. de Inf. e Telecomunic., S.A..

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1. General information

Novabase, Sociedade Gestora de Participações Sociais, SA (hereunder referred to as Novabase or Group), with its head office in Av. D. João II, Lote 1.03.2.3, Parque das Nações – 1998-031 Lisboa - Portugal, holds and manages financial holdings in other companies as an indirect way of doing business, being the Holding Company of Novabase Group.

Novabase's activity is structured around six industries - Telecoms & Media, Financial Services, Government & Healthcare, Energy & Utilities, Aerospace & Transportation and Manufacturing & Services - and aggregated into four business areas: Business Solutions, Infrastructures & Managed Services, Digital TV and Venture Capital:

(i) **Business Solutions** - This area of Novabase incorporates a number of competencies with technology, management, design and business expertise. During 2011, a new offer model was implemented, which is organized by industries, aimed at being closer to the customers' needs, focused on specialization, with sights clearly set on internationalization. This area now includes the business of Novabase Consulting and the areas of Ticketing and Managed Services (application outsourcing area) previously considered within Novabase IMS.

(ii) **Infrastructures & Managed Services (IMS)** - This area of Novabase focuses its engineering and consulting expertise in Information and Communication Technologies (ICT) to design, plan and deploy complex infrastructures as well as transform, manage, operate and optimize these assets through comprehensive projects such as outsourcing services. During 2011, and for the purpose of developing and focusing its growth on services and expanding internationally, IMS restructured its offer by consolidating its areas of Intelligent Infrastructures and IT Management solutions. Now with just one IMS Solutions portfolio, it still specializes in engineering solutions and IT management, but focusing on ongoing services for operations, maintenance and management, in particular areas involving infrastructure outsourcing.

(iii) **Digital TV -** Novabase Digital TV is now a player on an international scale, positioned in the market in close alignment with the strategy of intellectual property, system integrator and a solid focus on products and services targeting telecommunications, television and media operators. This area of Novabase is a pioneer in developing the latest COB and SIP technologies, with a history of innovation and of launching new products of great customer value on the market.

(iv) **Venture Capital** - This area develops a corporate venture capital activity throughout Novabase Capital, Sociedade de Capital de Risco, S.A., which has as main purpose to identify and support Portuguese ICT business projects, in early development or expanding, with hight value potential and synergies with Novabase. Novabase Capital has ownership in three venture capital funds: FCR Novabase Capital, FCR Novabase Capital Inovação e Internacionalização and FCR IStart I (the first two managed by Novabase Capital).

Novabase is listed on the Euronext Lisbon.

The share capital is represented by 31,401,394 shares (2010: 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 March 29, 2012. 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 Sharehoders.

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 2011.

Standards and interpretations that became effective at 1 January 2011:

• **IAS 32 (amendment)**, 'Financial instruments: Presentation – classification of rights issue'. This amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. If such rights are issued pro rata to an Entity's existing shareholders for a fixed amount of any currency, it is considered a transaction with shareholders and classified as equity. Otherwise, it should be accounted for as derivative liabilities. This amendment had no impact on the Group's financial statements.

• **IFRS 1 (amendment)**, 'First time adoption of IFRS'. This amendment provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7 - 'Financial Instruments: Disclosures', according to which, existing IFRS preparers were granted relief from presenting comparative information for fair value new three-level classification disclosures required by IFRS 7, if comparative period end before 31 December 2009. This amendment had no impact on the Group's financial statements, as Novabase is already reporting under IFRSs.

• **IAS 24 (amendment)**, 'Related party disclosure'. The amended standard removes the general disclosure requirements for Government-related entities, being mandatory the disclosure of the relationship with the Government and any significant transaction occurred with the Government or other Government-related entities. Additionally, related party definition was amended to eliminate inconsistencies in identification and disclosures of related parties. This amendment had a slight impact on the Group's financial statements disclosures.

• **Annual Improvements to IFRSs – 2010**, generally effective for annual periods beginning on or after 1 January 2011. The 2010 annual improvements affects: IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13. These improvements were adopted by the Group, when applicable, except the improvements to IFRS 1 as the Group is already reporting under IFRSs.

• **IFRIC 14 (amendment)**, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. IFRIC 14 clarifies that when asset surplus is a consequence of voluntary prepayments done on account of future minimum funding contribution, the surplus can be recognised as an asset. This amendment had no impact on Group's financial statements.

• **IFRIC 19 (new)**, 'Extinguishing financial liabilities with equity instruments'. This interpretation clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments (shares) to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt. Simple reclassification of debt amount to equity is not allowed. This interpretation had no impact on Group's financial statements.

New standards, amendments to existing standards and interpretations, that although have been published, are only mandatory for annual periods beginning on or after 1 July 2011:

• **IFRS 1 (amendment)**, 'First time adoption of IFRS' (effective for annual periods beginning on or after 1 July 2011). This amendment is still subject to endorsement by European Union. This amendment creates an additional exemption when an entity that has been subject to severe hyperinflation presents for the first time, financial statements in accordance with IFRSs. The exemption allows an entity to elect to measure certain assets and liabilities at fair value; and to use that fair value as the deemed cost in the opening IFRS statement of financial position. Another change refers to the replacement of references to a fixed date with "the date of transition to IFRS" for retrospective adoption exemptions. This amendment will not have an impact on the Group's financial statements.

• **IFRS 7 (amendment)**, 'Financial instruments: Disclosures - transfers of financial assets' (effective for annual periods beginning on or after 1 July 2011). This amendment requires greater transparency in the reporting of asset's transfer transactions, regarding risk exposures and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. This amendment will not have an impact on the Group's financial statements.

• **IAS 12 (amendment)**, 'Income taxes' (effective for annual periods beginning on or after 1 January 2012). This amendment is still subject to endorsement by European Union. This amendment requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale, except for the investment properties measured at fair value model. The amendments also incorporate into IAS 12 the guidance previously contained in SIC 21, which is accordingly withdrawn. This amendment will not have an impact on the Group's financial statements.

• **IAS 1 (amendment)**, 'Presentation of financial statements' (effective for annual periods beginning on or after 1 July 2012). This amendment is still subject to endorsement by European Union. This amendment changes the disclosure of items presented in other comprehensive income (OCI), requiring entities to separate items in OCI on whether or not they may be recycled to profit or loss in the future and the related tax amount if OCI items presented before tax. This amendment will not have an impact on the Group's financial statements.

• **IFRS 9 (new)**, 'Financial instruments - classification and measurement' (effective for annual periods beginning on or after 1 January 2013). This standard is still subject to endorsement by European Union. IFRS 9 refers to the first part of financial instruments new standard and comprises two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. The Group will apply IFRS 9 in the period it becomes effective.

• **IFRS 10 (new)**, 'Consolidated financial statements' (effective for annual periods beginning on or after 1 January 2013). This standard is still subject to endorsement by European Union. IFRS 10 replaces all the guidance on control and consolidation in IAS 27 and SIC 12, changing the definition of control and the criteria applied to determine control. The core principal that a consolidated entity presents a parent and its subsidiaries as a single entity remain unchanged. The Group will apply IFRS 10 in the period it becomes effective.

• **IFRS 11 (new)**, 'Joint arrangements' (effective for annual periods beginning on or after 1 January 2013). This standard is still subject to endorsement by European Union. IFRS 11 focus on the rights and obligations of the arrangements rather than its legal form. Joint arrangements can be Joint operations (rights to the assets and obligations) or Joint ventures (rights to net assets, applying equity method). Proportional consolidation of joint venture is no longer allowed. The Group will apply IFRS 11 in the period it becomes effective.

• **IFRS 12 (new)**, 'Disclosure of interest in other entities' (effective for annual periods beginning on or after 1 January 2013). This standard is still subject to endorsement by European Union. This standard sets out the required disclosures for all forms of interests in other entities, including joint arrangements, associates and special purpose vehicles, to allow the evaluation of the nature, risks and financial effects associated with entity's interests. An entity can provide any or all of the disclosures without having to apply IFRS 12 in its entirety or IFRS 10 or 11, or amended IAS 27 or 28. The Group will apply this standard in the period it becomes effective.

• **IFRS 13 (new)**, 'Fair value measurement and disclosure' (effective for annual periods beginning on or after 1 January 2013). This standard is still subject to endorsement by European Union. IFRS 13 aims to improve consistency by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Group will apply this standard in the period it becomes effective.

• **IAS 27 (revised 2011)**, 'Separate financial statements' (effective for annual periods beginning on or after 1 January 2013). This standard is still subject to endorsement by European Union. IAS 27 was revised after the issuance of IFRS 10 and contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when the entity prepares separate financial statements. The Group will apply this standard in the period it becomes effective.

• **IAS 28 (revised 2011)**, 'Investments in associates and joint ventures' (effective for annual periods beginning on or after 1 January 2013). This standard is still subject to endorsement by European Union. IAS 28 was revised after the issuance of IFRS 11 and prescribes the accounting for investments in associates and sets out the requirements for the application of equity method. The Group will apply this standard in the period it becomes effective.

• **IAS 19 (revised 2011)**, 'Employee benefits' (effective for annual periods beginning on or after 1 January 2013). This amendment is still subject to endorsement by European Union. This amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits and to the disclosures for all employee benefits. Actuarial gains and losses are recognised immediately, and only in OCI (no corridor approach allowed). Finance cost for funded benefit plans are calculated on a net funding basis. Termination benefits qualify for recognition only when the employee has no future-service obligation. The Group will apply this standard in the period it becomes effective.

• **IFRS 7 (amendment)**, 'Disclosures - Offsetting financial assets and liabilities' (effective for annual periods beginning on or after 1 January 2013). This amendment is still subject to endorsement by European Union. This amendment is part of the IASB offsetting project which introduces new disclosure requirements about entity's right of set-off (assets and liabilities), amounts set-off, and the effects of these in the credit exposure. The Group will apply this standard in the period it becomes effective.

• **IAS 32 (amendment)**, 'Offsetting financial assets and financial liabilities' (effective for annual periods beginning on or after 1 January 2014). This amendment is still subject to endorsement by European Union. This amendment is part of the IASB offsetting project which clarifies the meaning of "currently has a legally enforceable right to set-off", and clarifies that some gross settlement systems (clearing houses) may be equivalent to net settlement. The Group will apply this standard in the period it becomes effective.

• **IFRIC 20 (new)**, 'Stripping costs in the production phase of a surface mine' (effective for annual periods beginning on or after 1 January 2013). This interpretation is still subject to endorsement by European Union. This interpretation refers to the accounting of overburden waste removal costs in the production phase of a surface mine, as an asset, considering that the waste removal generates two potential benefits: immediate extraction of mineral resources and improved access to further quantities of mineral resources to be extracted in the future. This interpretation will not have an impact on the Group's financial statements.

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 derivative finacial instruments, which are measured by its fair value (note 15).

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

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

2.2. Consolidation

The consolidated financial statements, as of 31 December 2011, 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 special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date, regardless of the probability of occurring. Subsequent changes to the fair value of the contingent consideration do not affect goodwill (except those made up to 12 months from the date of acquisition).

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

(2) Transactions with non-controlling interests

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

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

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

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

(3) Associates

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

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

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

2.3. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is the responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee, delegated by the Board of Directors.

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 Executive Committee and for which discrete financial information is available.

The Group's activity is monitored in four distinct segments, Business Solutions, IMS, Digital TV and Venture Capital. For the purpose of prepararing this information, Novabase S.G.P.S. (company that includes the top management of the Group) and Novabase Serviços (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 the consolidated statement of comprehensive income as part of the fair value gain or loss. Translation differences on monetary items, such as equities classified as available-for-sale financial assets, are included in reserves in equity.

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

Euro foreign exchange reference rates (x foreign exchange units per 1 Euro)	**Rate on 31.12.11**	**Average rate for the year**
• Angolan kwanza (AOA)	123.2854	116.0210
• United States dollar (USD)	1.2939	1.4002
• United Arab Emirates dirham (AED)	4.7524	5.1515
• Pound sterling (GBP)	0.8353	0.8713

(3) Group companies

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

(i) assets and liabilities at the reporting date are translated at the closing exchange rate in force at the reporting date;

(ii) income and expenses in results are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the statement of comprehensive income 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 new headquarter and in the new facilities of the logistics unit), basic and transport equipment. Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items (purchase price and all the expenses supported direct or indirectly to bring the asset to its current condition).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income 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 indetermined 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 recongnised whenever its carrying amount exceeds its recoverable amount, and are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

(2) Internally generated intangible assets

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

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

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

(3) Industrial property and other rights

Industrial property and other rights are shown at historical cost. These assets have a finite useful life and are recognised at cost less accumulated amortisation for a period of 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 liablilities*

The financial assets and liabilities are recognised in the date of the negotiation or contract, except if there is a contractual or legal estipulation in contrary, saying that the rights and obligations related with the amounts transacted are transferred to a different date. In this case, the relevant date is the last.

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

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

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

The Group classifies its financial assets in the following categories: (i) financial assets at fair value through profit or loss, (ii) loans and receivables and (iii) available-for-sale 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 and reassesses that classification at each reporting date.

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

A financial asset is classified in this category if acquired principally for the purpose of selling in short term. Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured at their fair value. Gains and losses arising from a change in the fair value are included in profit or loss in the period in which they are incurred.

(2) Loans and receivables

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

(3) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that: (i) the Group intends to maintain for indetermined 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. When the medium term expectations point to a significant decline in the fair value of the security below its cost, an impairment loss is recognised in the statement of comprehensive income.

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 comprehensive income under 'Finance income' heading, when the Group's right to receive payments is established.

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

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 comprehensive income. Impairment losses on equity instruments recognised in profit or loss are not reversed through profit or loss, unless if, in a subsequent period, the amount of the impairment loss decreases by any event occurred after the date in which it was recognised.

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

In the case of other financial assets that show objective impairment evidence, their present value is determined, and an impairment loss (which is considered the difference between the asset's present value of estimated future cash flows and the carrying amount) is recognised in the statement of comprehensive income. Several indicators are used to identify if there is objective evidence of impaiment, 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 dificulties of the debtor;
(iv) it becomes probable that the debtor will enter bankruptcy or other financial reorganisation.

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 comprehensive income within 'Other gains/(losses) - net'. The carrying amount of the asset is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the same allowance account. Subsequent recoveries of amounts previously written off are credited against 'Other gains/(losses) - net' in the statement of comprehensive income.

2.10. Inventories

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

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

2.11. Trade and other receivables

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

2.12. Cash and cash equivalents

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

2.13. Share capital

Ordinary shares are classified as equity.

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

Where any Group company purchases the Company’s equity share capital (treasury shares), 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 borrrowings are included in the statement of comprehensive income under 'Finance costs' heading.

2.15. Current and deferred income tax

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

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

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

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

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

2.16. Employee benefits

Bonus

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

Obligations for vacation, vacation subsidy and Christmas subsidy

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

Stock options

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

2.17. Provisions

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

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

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 collectibility of the related receivables is reasonably assured.

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

(b) Sales of services

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

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

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

(c) Dividend income

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

2.20. Subsidies

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

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

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

2.21. Leases

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

Lease contracts for tangible assets where the Group has substantially all the risks and benefits of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between liability and finance charges so as to achieve a constant rate on the finance balance outsanding. 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. Fair value hierarchy of financial instruments

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.

	31.12.11			**31.12.10**		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value						
Derivative financial instruments	-	245	-	-	197	-
	-	245	-	-	197	-
Financial liabilities at fair value						
Derivative financial instruments	-	461	-	-	353	-
	-	461	-	-	353	-

2.23. Dividend distribution

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

2.24. Comparatives

The consolidated financial statements for the year ended 31 December 2011 are comparable in all material aspects with the year 2010, and no changes in accounting policies have occurred when compared to those used for preparation of the financial statements of the previous year, presented for comparative effects.

3. Financial risk management policy

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

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

a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk, mainly arising from U.S. Dollar exposure, since some subsidiaries perform transactions in this currency.

The finance department is responsible for the tracking of the exchange rate of the currency 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 15).

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 2010	**Euro**	**Dollar**	**Other**	**Total**
Assets				
Other non-current assets	69	-	-	69
Trade and other receivables	69,461	11,410	1,111	81,982
Accrued income	14,034	-	1	14,035
Derivative financial instruments	197	-	-	197
Cash and cash equivalents	23,771	189	4,128	28,088
	107,532	11,599	5,240	124,371
Liabilities				
Other non-current liabilities	927	-	-	927
Borrowings	11,432	1,780	-	13,212
Trade and other payables	50,171	6,594	336	57,101
Derivative financial instruments	353	-	-	353
Deferred income and other current liabilities	22,101	-	706	22,807
	84,984	8,374	1,042	94,400

At 31 December 2011	**Euro**	**Dollar**	**Other**	**Total**
Assets				
Trade and other receivables	79,799	8,009	3,693	91,501
Accrued income	16,388	-	26	16,414
Derivative financial instruments	245	-	-	245
Cash and cash equivalents	26,585	477	95	27,157
	123,017	8,486	3,814	135,317
Liabilities				
Other non-current liabilities	308	-	-	308
Borrowings	17,307	-	-	17,307
Trade and other payables	54,744	4,151	2,040	60,935
Derivative financial instruments	461	-	-	461
Deferred income and other current liabilities	21,434	-	1,235	22,669
	94,254	4,151	3,275	101,680

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 2011, 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 487 thousand in 2011 (2010: EUR 742 thousand).

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

The Group's interest-rate risk arises from short term finance investments in banks and borrowings. Short term finance investments in banks expose the Group to cash flow interest-rate risk dependent of changes in market interest rates. 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 2011, most of the Group's borrowings were issued at fixed rates and were mainly denominated in Euros.

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 2011, 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 104 thousand, in 2011 and in an increase or decrease, respectively, of approximately EUR 74 thousand, in 2010.

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 commited 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 2011, the 60 customers with greater balances of the Group represented approximately 83% of the total balance (2010: 82%).

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

	31.12.11	**31.12.10**
Portugal	80%	82%
Germany	1%	1%
Spain	4%	1%
Rest of Europe	-	1%
Asia	2%	2%
Middle East	1%	3%
Africa	12%	10%
	100%	100%

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

	31.12.11	**31.12.10**
Telecommunications	50%	50%
Consumer electronics	6%	5%
Financial Services	17%	18%
Transport	7%	6%
Public Administration	5%	5%
Information Technology	6%	9%
Energy	5%	5%
Aeronautics	1%	-
Other	3%	2%
	100%	100%

The table below shows the ratings atributted by Moody's Investors Services to the financial institutions with whom the Group as higher balances at 31 December 2011 (excluding financial institutions where net balance is negative):

	31.12.11	31.12.10
Aa3	1,220	-
A2	-	11,351
A3	-	15,035
Baa2	4,989	-
Ba2	10,385	-
Ba3	10,194	-
	26,788	26,386

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. Additionally, a regular monitoring is made to the maturity concentration of borrowings and liabilities of the Group.

The plafonds of borrowings contracted by the Group are shown in the table below:

	Euro	Dollar
Banco Espírito Santo (BES)	7,000	2,500
Banco BPI (BPI)	3,075	-
Banco Comercial Português (BCP)	6	-
Banco Santander Totta (Santander)	5,000	-
Barclays Bank (Barclays)	5,250	3,000
Banco Espírito Santo Espanha (BESSA)	750	-
Banco de Fomento de Angola (BFA)	-	2,000
De Lage Landen (DLL)	659	-
	21,740	7,500

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, that 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.

	31.12.11	31.12.10
Operating Profit	4,622	16,690
Total Equity	102,439	98,498
Return on Capital	5 %	17 %

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 2011 is around 9% (2010: 9%). In 2011, the Group didn’t achieve the target because of the financial and economic crisis.

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 the financial statements, as well as income and expenses during the reporting period, consequently future results can differ from the estimated ones. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

a) *Analysis of impairment of goodwill*

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

b) *Income taxes and deferred taxes*

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

The Group recognises deferred tax assets related to tax incentives obtained under SIFIDE based on estimates. The final amount of these tax incentives is only known in future years based on the approval by the competent body of the Group's applications to these incentives. The amount of tax credits not yet approved reach EUR 4,683 thousand (2010: EUR 3,238 thousand).

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

c) *Revenue recognition*

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

d) *Warranties risk*

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

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 off's might be higher than expected.

f) *Inventory impairment*

The Group is exposed to inventory impairment as the result of changes in economical enviroment, 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.

g) *Bonus*

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

5. Segment information

In 2011, a new offer structure was defined aggregated into four business areas: (i) Business Solutions (BS); (ii) Infrastructures & Managed Services (IMS); (iii) Digital TV and (iv) Venture Capital. BS segment now includes the business of Novabase Consulting and the areas of Ticketing and Managed Services previously considered within IMS segment.

The table below shows the amounts of Ticketing and Managed Services areas, included in IMS segment for the period ended 31 December 2010, which moved into Business Solutions segment in 2011.

	Consulting (*)	Ticketing & Managed Serv.	Business Solutions	IMS (*)	Ticketing & Managed Serv.	IMS
At 31 December 2010						
Total segment Sales and services rendered	147,016	8,653	155,669	117,428	(8,653)	108,775
Inter-segment Sales and services rendered	66,357	455	66,812	14,320	(455)	13,865
Sales and services rendered	80,659	8,198	88,857	103,108	(8,198)	94,910
Depreciation and amortisation	(3,210)	(260)	(3,470)	(1,477)	260	(1,217)
Operating profit/(loss)	7,725	636	8,361	7,171	(636)	6,535
Finance costs – net	(211)	(42)	(253)	(131)	42	(89)
Share of loss of associates	(6)	-	(6)	-	-	-
Income tax expense	(1,348)	60	(1,288)	(1,640)	(60)	(1,700)
Profit/(Loss) from operations	6,160	654	6,814	5,400	(654)	4,746
Other information:						
(Provisions) / Provisions reversal	268	682	950	773	(682)	91

(*) Amounts disclosed in 2010 Report and Accounts.

The segment results presented below consider the new internal reporting organization, with the comparatives restated.

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

	Business Solutions	IMS	Digital TV	Venture Capital	Continuing operations	Discontinued operations
At 31 December 2010						
Total segment Sales and services rendered	155,669	108,775	53,325	4,481	322,250	-
Inter-segment Sales and services rendered	66,812	13,865	4,047	1,195	85,919	-
Sales and services rendered	88,857	94,910	49,278	3,286	236,331	-
Depreciation and amortisation	(3,470)	(1,217)	(722)	(69)	(5,478)	-
Operating profit/(loss)	8,361	6,535	1,451	343	16,690	-
Finance costs – net	(253)	(89)	241	(14)	(115)	-
Share of loss of associates (note 33)	(6)	-	-	(249)	(255)	-
Income tax expense	(1,288)	(1,700)	454	(94)	(2,628)	-
Profit/(Loss) from operations	6,814	4,746	2,146	(14)	13,692	-
Other information:						
(Provisions) / Provisions reversal	950	91	445	27	1,513	-
At 31 December 2011						
Total segment Sales and services rendered	157,530	99,793	56,314	2,443	316,080	-
Inter-segment Sales and services rendered	67,882	13,758	3,561	1,246	86,447	-
Sales and services rendered	89,648	86,035	52,753	1,197	229,633	-
Depreciation and amortisation	(3,732)	(1,400)	(805)	(188)	(6,125)	-
Operating profit/(loss)	5,021	2,132	(1,065)	(1,466)	4,622	-
Finance costs – net	(73)	(663)	(111)	(9)	(856)	-
Share of loss of associates (note 33)	(73)	-	-	(572)	(645)	-
Income tax expense	(262)	(1,832)	1,711	(501)	(884)	-
Profit/(Loss) from operations	4,613	(363)	535	(2,548)	2,237	703
Other information:						
(Provisions) / Provisions reversal	418	507	(1,209)	-	(284)	-

6. Companies included in consolidation

The companies consolidated by full method, as at 31 December 2011, were the following:

	Holding company and Subsidiaries	Head Office	Share capital 31.12.11	% Interest held 31.12.11	% Interest held 31.12.10
	Parent company:				
	Novabase S.G.P.S., S.A.	Lisbon - Portugal	€ 15,700,697	-	-
	Business Solutions:				
	Novabase Business Solutions, S.A.	Lisbon - Portugal	€ 3,466,000	100.0%	100.0%
	NBO Recursos em TI, S.A.	Lisbon - Portugal	€ 50,000	100.0%	100.0%
	Novabase Consulting SGPS, S.A.	Lisbon - Portugal	€ 11,629,475	100.0%	100.0%
	Novabase E.A., S.A.	Lisbon - Portugal	€ 150,000	100.0%	100.0%
	CelFocus, S.A.	Lisbon - Portugal	€ 100,000	55.0%	55.0%
(*)	Novabase International Solutions B.V.	Amsterd. - Netherl.		-	100.0%
	Nbase International Investments B.V.	Amsterd. - Netherl.	€ 1,220,800	100.0%	100.0%
	Novabase Solutions Middle East FZ-LLC	Dubai - UAE	2,700,000 AED	100.0%	100.0%
(**)	Octal - Engenharia de Sistemas, S.A.	Lisbon - Portugal	€ 3,000,000	100.0%	100.0%
(**)	Gedotecome Informática, Lda	Lisbon - Portugal	€ 25,000	100.0%	100.0%
(b)	Evolvespace Solutions, Lda.	Lisbon - Portugal	€ 5,000	100.0%	-
	IMS:				
	Novabase Infraestruturas, SGPS, S.A.	Lisbon - Portugal	€ 50,000	100.0%	100.0%
	Novabase IMS Infr. & Manag. Services, S.A.	Lisbon - Portugal	€ 70,500	100.0%	100.0%
	Novabase Consulting Espanha, S.A.	Madrid - Spain	€ 1,000,000	100.0%	100.0%
	Novabase Infr. Integracion S. Inf., S.A.	Madrid - Spain	€ 120,202	100.0%	100.0%
(*)	Novabase Polska Sp. z o.o.	Warsaw - Poland		-	100.0%
(***)	NBASIT-Sist. de Inf. e Telecomunic., S.A.	Luanda - Angola	47,500,000 AOA	49.4%	49.4%
	Discontinued operations - see note 40:				
(*)	Octal 2 Mobile, S.A.	Lisbon - Portugal		-	99.5%
	Digital TV:				
	Novabase Interactive TV SGPS, S.A.	Lisbon - Portugal	€ 278,125	100.0%	100.0%
	Novabase Digital TV E.S. Tel. Inter., S.A.	Lisbon - Portugal	€ 250,000	100.0%	100.0%
	TVLab, S.A.	Lisbon - Portugal	€ 525,000	100.0%	100.0%
	Novabase Digital TV Technologies GmbH	Munich - Germany	€ 25,000	100.0%	100.0%
	Novabase Digital TV, EURL	Caen - France	€ 10,000	100.0%	100.0%
	Venture Capital:				
	Novabase Capital SGCR, S.A.	Lisbon - Portugal	€ 2,500,000	100.0%	100.0%
	COLLAB – Sol. I. Com. e Colab., S.A.	Lisbon - Portugal	€ 61,333	76.9%	76.9%
(a)	FCR NB Capital Inovação e Internacionalização	-	€ 11,360,000	51.6%	-
	Novabase Shared Services:				
	Novabase Serviços, S.A.	Lisbon - Portugal	€ 250,000	100.0%	100.0%

(*) Company dissolved in 2011.

(**) In 2010, this company was considered within IMS segment (note 5).

(***) The Group has the power to govern the financial and operating policies of this company, therefore this financial holding was included in the consolidation by full method.

(a) In the Venture Capital area, it was decided to establish a new venture capital fund, which has two specific provisions, with a contribution from the COMPETE Program of EUR 5.0 Million and the POR Lisboa Program (focused on the Early Stage phase) of EUR 0.5 Million. This fund has already made its first investments in the companies FeedZai and PowerGrid (note 9).

(b) In April 2011, the Group acquired 100% of share capital of Evolvespace Solutions, Lda, a company incorporated in 2004 dedicated to providing services in information technology specialized for the aerospace industry, and which majority business is in countries such as Germany, UK, France and Italy, with the goal to strengthen its focus on the Aerospace & Transportation industry and increase its international presence. This company was included in the consolidation by full method in Business Solutions segment.

Of the total amount invested of EUR 251 thousand, EUR 100 thousand corresponds to the initial investment, paid in cash, and to a contingent consideration of EUR 151 thousand to be paid in 2012 and 2013, based on future goals to be achieved by the subsidiary, in terms of operational performance (see notes 23 and 24).

The Goodwill arising from this acquisition, of EUR 92 thousand, is mainly attributable to the access to the highly skilled workforce of Evolvespace Solutions in that industry.

The total acquisition-related costs of Evolvespace Solutions reached EUR 2 thousand. They are related to the Due Dilligence process, and have been recognized in results within 'External supplies and services' heading.

The income and net profit of Evolvespace Solutions since the acquisition date until 31 December 2011, included in the consolidated financial statements and in the consolidated net profit reached EUR 132 thousand and minus EUR 23 thousand, respectively. If Evolvespace Solutions had been consolidated since 1 January 2011, the Group estimates that the total consolidated income would come increased by EUR 127 thousand. The consolidated net profit would be less EUR 60 thousand.

The following table summarises the consideration paid for Evolvespace Solutions, and the amount of assets acquired and liabilities assumed recognised at the acquistion date:

	Apr-11
Consideration	
Cash	100
Contingent consideration	151
Total consideration	**251**
	Fair value
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	7
Trade and other receivables	349
Trade and other payables	(183)
Provisions	(20)
Borrowings	(13)
Deferred income tax assets	19
Total identifiable net assets	**159**
Goodwill	92
	251

The companies consolidated using the equity method, as at 31 December 2011, were the following:

	Associates (see note 9)	Head Office	Share capital 31.12.11	% Interest held 31.12.11	% Interest held 31.12.10	Equity 31.12.11	Results 31.12.11
	Fundo Capital Risco NB Capital	Lisbon - Portugal	€ 7,142,857	30.0%	30.0%	2,967	(1,905)
(a)	Novabase Atlântico, SI, S.A.	P. Delg. - Portugal	€ 216,875	60.0%	60.0%	137	(123)
(b)	TechnoTrend Holding N.V.	Amsterd. - Netherl.	€ 97,295	-	49.5%	-	-
(b)	TechnoTrend GmbH	Erfurt - Germany	€ 5,263,320	50.0%	49.5%	Unavailable info.	Unavailable info.
(c)	Feedzai, Lda	Coimbra - Portugal	€ 73,500	3.6%	-	1,413	96
	Powergrid, Lda	T. Vedras - Portugal	€ 450,000	45.8%	-	440	(10)

(a) Novabase considers that does not have the power to control the financial and operating policies of the company (see note 9).

(b) TechnoTrend Holding N.V. was dissolved in 2011, having been been distributed to its shareholders the shares in company TechnoTrend GmbH.

(c) Novabase considers that does have significant influence in the company (see note 9).

7. Property, plant and equipment

	31.12.11 Cost	31.12.11 Accumulated depreciation	31.12.11 Net book value	31.12.10 Cost	31.12.10 Accumulated depreciation	31.12.10 Net book value
Buildings and other constructions	4,212	1,388	2,824	4,079	986	3,093
Basic equipment	7,919	4,569	3,350	6,692	2,942	3,750
Transport equipment	4,863	2,865	1,998	4,647	2,547	2,100
Tools and utensils	49	23	26	49	7	42
Furniture, fittings and equipment	1,577	778	799	1,432	585	847
Other tangible assets	8	5	3	8	4	4
	18,628	9,628	9,000	16,907	7,071	9,836

During 2010, movements in property, plant and equipment were as follows:

	Balance at 01.01.10	Acquisitions / increases	Write off's	Transfers	Change in consolidation universe	Exchange differences	Balance at 31.12.10
Cost:							
Buildings and other constructions	3,520	599	-	(40)	-	-	4,079
Basic equipment	5,379	2,645	(894)	(438)	-	-	6,692
Transport equipment	4,929	1,611	(1,893)	-	-	-	4,647
Tools and utensils	-	49	-	-	-	-	49
Furniture, fittings and equipment	1,628	124	(165)	(155)	-	-	1,432
Other tangible assets	8	-	-	-	-	-	8
	15,464	5,028	(2,952)	(633)	-	-	16,907
Accumulated depreciation:							
Buildings and other constructions	472	523	-	(9)	-	-	986
Basic equipment	2,492	1,475	(882)	(143)	-	-	2,942
Transport equipment	3,106	1,097	(1,656)	-	-	-	2,547
Tools and utensils	-	7	-	-	-	-	7
Furniture, fittings and equipment	670	188	(158)	(115)	-	-	585
Other tangible assets	3	1	-	-	-	-	4
	6,743	3,291	(2,696)	(267)	-	-	7,071

During 2011, movements in property, plant and equipment were as follows:

	Balance at 01.01.11	Acquisitions / increases	Write off's	Transfers	Change in consolidation universe	Exchange differences	Balance at 31.12.11
Cost:							
Buildings and other constructions	4,079	133	-	-	-	-	4,212
Basic equipment	6,692	1,280	(65)	-	9	3	7,919
Transport equipment	4,647	1,350	(1,139)	-	-	5	4,863
Tools and utensils	49	-	-	-	-	-	49
Furniture, fittings and equipment	1,432	129	(1)	-	17	-	1,577
Other tangible assets	8	-	-	-	-	-	8
	16,907	2,892	(1,205)	-	26	8	18,628
Accumulated depreciation:							
Buildings and other constructions	986	402	-	-	-	-	1,388
Basic equipment	2,942	1,659	(36)	-	3	1	4,569
Transport equipment	2,547	1,287	(973)	-	-	4	2,865
Tools and utensils	7	16	-	-	-	-	23
Furniture, fittings and equipment	585	178	(1)	-	16	-	778
Other tangible assets	4	1	-	-	-	-	5
	7,071	3,543	(1,010)	-	19	5	9,628

Buildings and other constructions includes construction works in the amount of EUR 2,656 thousand made in the headquarter of the Group and in the new facilities of the logistics unit. These construction works are being depreciated over the estimated period of lease of such facilities.

Depreciation is included in 'Depreciation and amortisation' heading in the statement of comprehensive income (note 30).

'Basic equipment' and 'Transport equipment' headings includes the following finance lease contracts:

	Basic equipment		Transport equipment	
	31.12.11	31.12.10	31.12.11	31.12.10
Acquisition cost	342	-	4,651	4,610
Accumulated depreciation	(49)	-	(2,799)	(2,545)
Net book value	293	-	1,852	2,065
	31.12.11	31.12.10	31.12.11	31.12.10
Depreciation charge	49	-	1,226	1,096

8. Intangible assets

	31.12.11			31.12.10		
	Cost	Accumulated amortisation	Net book value	Cost	Accumulated amortisation	Net book value
Internally generated intangible assets	1,911	434	1,477	1,088	20	1,068
Industrial property and other rights	14,010	10,342	3,668	13,334	8,171	5,163
Work in progress	2,515	-	2,515	1,623	-	1,623
Goodwill	23,467	-	23,467	23,375	-	23,375
	41,903	10,776	31,127	39,420	8,191	31,229

During 2010, movements in intangible assets were as follows:

	Balance at 01.01.10	Acquisitions / increases	Impairment ch. / Write off's	Transfers	Change in consolidation universe	Balance at 31.12.10
Cost:						
Internally generated intangible assets	2,165	746	(2,165)	342	-	1,088
Industrial property and other rights	10,605	1,866	(80)	943	-	13,334
Work in progress	615	1,832	-	(824)	-	1,623
Goodwill	23,375	-	-	-	-	23,375
	36,760	4,444	(2,245)	461	-	39,420
Accumulated amortisation:						
Internally generated intangible assets	1,919	266	(2,165)	-	-	20
Industrial property and other rights	6,063	1,921	(80)	267	-	8,171
	7,982	2,187	(2,245)	267	-	8,191

During 2011, movements in intangible assets were as follows:

	Balance at 01.01.11	Acquisitions / increases	Impairment ch. / Write off's	Transfers	Change in consolidation universe	Balance at 31.12.11
Cost:						
Internally generated intangible assets	1,088	478	-	345	-	1,911
Industrial property and other rights	13,334	673	-	-	3	14,010
Work in progress	1,623	1,267	(30)	(345)	-	2,515
Goodwill	23,375	92	-	-	-	23,467
	39,420	2,510	(30)	-	3	41,903
Accumulated amortisation:						
Internally generated intangible assets	20	414	-	-	-	434
Industrial property and other rights	8,171	2,168	-	-	3	10,342
	8,191	2,582	-	-	3	10,776

Acquisitions of intangible assets includes capitalised employee costs in the amount of EUR 1,471 thousand.

Amortisation is included in 'Depreciation and amortisation' heading in the statement of comprehensive income (note 30).

The balance of '**Industrial property and other rights**' heading is analysed as follows:

	Business	Amortisation period	Company	Cost	Accumulated amortisation	Net book value
(i)	ATX Projects	10 years	Novabase Business Solutions	8,295	6,907	1,388
(ii)	SAP RH and SAP Logística	6 years	Novabase Serviços	714	518	196
(iii)	Commercial patents	3 years	NB Digital TV GmbH	1,000	972	28
(iv)	Software SCADA	5 years	Novabase Business Solutions	750	225	525
(v)	SAP HCM	6 years	Novabase Serviços	292	61	231
(vi)	Other			2,959	1,659	1,300
				14,010	10,342	3,668

(i) Amount paid to Espírito Santo Group, for the acquisition of a service contract, over a period between 6 to 10 years.
(ii) Management information system (mySAP) for the Group internal use.
(iii) Patents of 'Docking Station' and 'Modular digital TV decoder'.
(iv) Management and control platform for wind power production.
(v) Management information system (mySAP), new HR solution - Human Capital Management, for the Group internal use.
(vi) This balance refers mainly to computer software licences.

'**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 7.8 Million (2010: EUR 10.1 Million).

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

Movements in **goodwill** were as follows:

	31.12.11	31.12.10
Balance at 1 January	24,994	24,994
Goodwill arising from the acquisition of new subsidiaries (see note 6)	92	-
Balance at 31 December	25,086	24,994

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

	31.12.11	31.12.10
Balance at 1 January	(1,619)	(1,619)
Balance at 31 December	(1,619)	(1,619)

Impairment tests for goodwill

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

	31.12.11	31.12.10
Business Solutions	14,247	14,155
IMS	685	685
Digital TV	8,535	8,535
	23,467	23,375

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

	Business Solutions	IMS	Digital TV
Discounted rate (pre tax)	12.8%	12.8%	12.8%
Perpetual growth rate	2.0%	2.0%	2.0%
Annual growth rate of turnover	5.0%	2.0%	5.0%

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 reasonably possible change in the key assumptions on which Management has based its determination of the recoverable amount wouldn't cause the carrying amount to exceed its recoverable amount.

9. Investments in associates

		% Interest held					
		% Holding		% held directly		Acquisition cost	
		31.12.11	31.12.10	31.12.11	31.12.10	31.12.11	31.12.10
	Fundo Capital Risco NB Capital (notes 6 and 33)	30.0%	30.0%	30.0%	30.0%	879	1,450
(i)	Feedzai, Lda (note 6)	3.9%	-	7.6%	-	190	-
(ii)	Powergrid, Lda (note 6)	45.8%	-	88.9%	-	400	-
(iii)	Novabase Atlântico, SI, S.A. (notes 6 and 33)	60.0%	60.0%	60.0%	60.0%	135	209
(iv)	Ent. Comerc. Prod. Mobilidade Eléctrica	33.3%	33.3%	33.3%	33.3%	17	17
	TechnoTrend Holding N.V. (note 6)	-	49.5%	-	49.5%	-	-
(v)	TechnoTrend GmbH (note 6)	50.0%	49.5%	50.0%	100.0%	-	-
						1,621	1,676

(i) Company dedicated to developing solutions for processing large volumes of data in real time, acquired by FCR NB Capital Inovação e Internacionalização. This Fund has a significant influence on Feedzai, therefore this financial holding was included in the consolidation by equity method.

(ii) Company acquired by FCR NB Capital Inovação e Internacionalização, focused on developing an application platform for SmartGrids.

(iii) Due to the sale and purchase promise-agreement concluded with Electricidade dos Açores (EDA), and the conditions in shareholders agreement between EDA and Novabase, this company has an option to buy the shareholding held by Novabase in the end of the period of the outsourcing rendered services contract between Novabase and EDA, by the value of the equity of Novabase Atlântico. Thus, Novabase considers that does not have the power to control the financial and operating policies of this company therefore this financial holding was included in the consolidation by equity method.

(iv) The company ECPME has not yet been incorporated, as the future shareholders have not closed the terms associated to the shareholders agreement to be concluded between them.

(v) This company is inactive waiting for dissolution, and additional contingencies for the Group are not expected, therefore its fair value is null.

10. Deferred income tax assets and liabilities

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

	31.12.11	31.12.10
Deferred tax assets		
To be recovered within 12 months	1,848	2,348
To be recovered after more than 12 months	10,539	8,048
	12,387	10,396
Deferred tax liabilities		
To be recovered within 12 months	-	809
To be recovered after more than 12 months	100	100
	100	909

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

	31.12.11	31.12.10
Balance at 1 January	10,396	8,341
Change in consolidation universe	19	-
Reclassifications	(30)	(12)
Exchange differences	2	9
Discontinued operations	592	-
Profit or loss charge (see note 34)	1,408	2,058
Balance at 31 December	12,387	10,396

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

	31.12.11	31.12.10
Balance at 1 January	909	100
Profit or loss charge (see note 34)	(809)	809
Balance at 31 December	100	909

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 2010	3,314	3,414	1,613	8,341
Profit or loss charge	(939)	2,936	61	2,058
Reclassifications	(12)	-	-	(12)
Exchange differences	9	-	-	9
Balance at 31 December 2010	2,372	6,350	1,674	10,396
Profit or loss charge	(51)	1,340	119	1,408
Reclassifications	(30)	-	-	(30)
Change in consolidation universe	19	-	-	19
Exchange differences	2	-	-	2
Discontinued operations	592	-	-	592
Balance at 31 December 2011	2,904	7,690	1,793	12,387

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	688	556	-	1,244
Between 1 and 2 years	264	-	-	264
Between 2 and 3 years	247	649	-	896
Between 3 and 4 years	937	1,802	-	2,739
Between 4 and 5 years	-	2,848	-	2,848
Between 5 and 6 years	-	1,835	-	1,835
Over 6 years	768	-	-	768
With no defined date	-	-	1,793	1,793
	2,904	7,690	1,793	12,387

11. Inventories

	31.12.11	31.12.10
Merchandise	7,243	10,872
Finished products	41	195
Raw materials, subsidiary goods and consumables	199	311
	7,483	11,378
Inventory impairment	(574)	(975)
	6,909	10,403

Movements in inventory impairment are analysed as follows:

	31.12.11	31.12.10
Balance at 1 January	975	857
Impaiment (see note 29)	166	282
Impaiment reversal (see note 29)	(448)	(166)
Gains on inventories	-	2
Write off's	(119)	-
	574	975

The cost of inventories recognised as expense and included in 'Cost of sales' and 'External supplies and services' headings amounted to EUR 98,929 thousand (2010: EUR 102,750 thousand).

12. Financial instruments by category

At 31 December 2010	Loans and receivables	Assets/liabilit. at fair value through P&L	Other financial liabilities	Non-financial assets/ liabilities	Total
Assets					
Other non-current assets	69	-	-	-	69
Trade and other receivables	81,982	-	-	1,303	83,285
Accrued income	14,035	-	-	-	14,035
Derivative financial instruments	-	197	-	-	197
Other current assets	-	-	-	3,834	3,834
Cash and cash equivalents	28,088	-	-	-	28,088
	124,174	197	-	5,137	129,508
Liabilities					
Other non-current liabilities	-	-	927	-	927
Borrowings	-	-	13,212	-	13,212
Trade and other payables	-	-	57,101	-	57,101
Derivative financial instruments	-	353	-	-	353
Deferred income and other current liabilities	-	-	22,807	-	22,807
	-	353	94,047	-	94,400

At 31 December 2011	Loans and receivables	Assets/liabilit. at fair value through P&L	Other financial liabilities	Non-financial assets/ liabilities	Total
Assets					
Trade and other receivables	91,501	-	-	1,329	92,830
Accrued income	16,414	-	-	-	16,414
Derivative financial instruments	-	245	-	-	245
Other current assets	-	-	-	5,236	5,236
Cash and cash equivalents	27,157	-	-	-	27,157
	135,072	245	-	6,565	141,882
Liabilities					
Other non-current liabilities	-	-	308	-	308
Borrowings	-	-	17,307	-	17,307
Trade and other payables	-	-	60,935	-	60,935
Derivative financial instruments	-	461	-	-	461
Deferred income and other current liabilities	-	-	22,669	-	22,669
	-	461	101,219	-	101,680

13. Trade and other receivables

	31.12.11	31.12.10
Trade receivables	85,608	80,409
Allowance for impairment of trade receivables	(2,854)	(2,012)
	82,754	78,397
Prepayments to suppliers	546	537
Employees	133	73
Value added tax	650	693
Receivables from related parties (note 39)	597	494
Financial investments disposal	146	150
Receivables from financed projects	3,040	2,113
Capital subscribers of FCR NB Capital Inovação e Internacionalização	3,850	-
Other receivables	4,775	4,270
Allowance for impairment of other receivables	(3,661)	(3,442)
	10,076	4,888
	92,830	83,285

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

The carrying amount of this heading plus the balance of 'Accrued income' (see note 14) represents the maximum exposure to credit risk.

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

	31.12.11	31.12.10
Carrying amount of receivables not due	51,533	46,085
Carrying amount of receivables not impaired		
Past due for less than 6 months	23,171	24,931
Past due for more than 6 months	8,052	7,343
Carrying amount of receivables due and not impaired	31,223	32,274
Carrying amount of receivables impaired		
Past due for less than 6 months	958	4
Past due for more than 6 months	1,894	2,046
Carrying amount of receivables due and impaired	2,852	2,050
	85,608	80,409

80% of trade receivables that are neither past due nor impaired is owed by entities with which there is no past experience of default, although might have had some ponctual delay in the invoices payment. The remaining 20% are distributed by nearly 300 entities with an average balance of EUR 36 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	
	31.12.11	31.12.10	31.12.11	31.12.10	31.12.11	31.12.10
Balance at 1 January	2,012	3,452	3,442	3,755	5,454	7,207
Change in consolidation universe	62	-	-	-	62	-
Impairment (note 29)	988	203	218	29	1,206	232
Impairment reversal (note 29)	(208)	(1,033)	-	(216)	(208)	(1,249)
Transfers	-	79	-	32	-	111
Recovery of bad debts	-	16	1	-	1	16
Write off's	-	(705)	-	(158)	-	(863)
	2,854	2,012	3,661	3,442	6,515	5,454

14. Accrued income

	31.12.11	31.12.10
- Ongoing projects	14,803	12,775
- Other accrued income	1,611	1,260
	16,414	14,035

15. Derivative financial instruments

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

	Assets		Liabilities	
	31.12.11	31.12.10	31.12.11	31.12.10
- Forward foreign exchange contracts	245	197	461	353
	245	197	461	353

The Group is exposed to foreign exchange risk in sales and purchases in various currencies, primarily with respect to the U.S. Dollar. The financial instruments used to manage this exchange risk are the forward foreign exchange contracts, which are used based on the receipt and payment dates agreed with third parties, in order to fix the exchange rate associated with these transactions. The nature of the hedged risk is the exchange variation registered in transactions denominated in foreign currencies.

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 2011, the derivative financial instruments were classified as current assets and liabilities. Gains and losses arising from fair value variations were recongnised in profit or loss, since the derivative financial instruments were classified as financial assets at fair value through profit or loss.

At 31 December 2011, the Group had forward foreign exchange contracts of EUR Call / USD Put with the notional amount of USD 22,987,750 and forward foreign exchange contracts of EUR Put / USD Call with the notional amount of USD 10,768,500.

16. Other current assets

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

	31.12.11	31.12.10
- Hardware and software maintenance	318	97
- Subcontracts	1,703	1,345
- Rents	255	304
- Software licensing	1	39
- Consulting	438	165
- Other prepayments	2,521	1,884
	5,236	3,834

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.

17. 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:

	31.12.11	31.12.10
- Cash	24	7
- Short term bank deposits	27,133	28,081
Cash and cash equivalents	27,157	28,088
- Overdrafts	-	(1,031)
	27,157	27,057

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

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

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

The share capital at 31 December 2011, 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 2010	31,401	15,701	(723)	49,213	64,191
Share capital reduction	-	(5,652)	-	-	(5,652)
Share capital increase	-	5,652	-	(5,652)	-
Treasury shares transferred	-	-	120	-	120
Balance at 31 December 2010	31,401	15,701	(603)	43,560	58,658
Treasury shares transferred	-	-	113	-	113
Balance at 31 December 2011	31,401	15,701	(490)	43,560	58,771

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

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

At 31 December 2010, Novabase S.G.P.S. held 1,206,643 treasury shares, representing 3.84% of its share capital.

During 2011, the company transferred 226,116 shares at the average price of 3.26 Euros, being those treasury shares used for the settlement of acquisitions to non-controlling interests, and as bonuses to employees.

At 31 December 2011, Novabase S.G.P.S. held 980,527 treasury shares, representing 3.12% of its share capital.

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

Stock options

At 31 December 2011, one stock options plan is in force (2009-2011 Plan), approved in Shareholders General Meeting of 28 April 2009, which covers only the shareholders of Novabase S.G.P.S..

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

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

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

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

	31.12.11		31.12.10	
	Average exercise price per share	**Options (thousands)**	**Average exercise price per share**	**Options (thousands)**
Balance at 1 January		1,960		1,971
Expired		-	4.09	(11)
Balance at 31 December		1,960		1,960

Share options outstanding at the end of the year have the following expiry date and exercise prices:

		Options (thousands)	
Expiry date	**Exercise price**	**31.12.11**	**31.12.10**
2012	4.04	1,960	1,960
		1,960	1,960

In the statement of comprehensive income, under 'Employee benefit expense' heading, was booked a cost of EUR 331 thousand (2010: EUR 697 thousand) - see note 27.

19. Reserves and retained earnings

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

In the annual General Meeting of Shareholders held on 5 May 2011, it was approved the payment to shareholders of an amount of EUR 4,082 thousand, corresponding to 0.13 Euros per share. The payment ocurred in June, 2011.

	31.12.11	**31.12.10**
Payment to shareholders	3,955	9,662
Remuneration of the treasury shares held by the Company	127	386
	4,082	10,048

In 2011, the Group performed operations of acquisitions of financial interests to non-controlling interests, with the following impact (see note 39):

		31.12.11			31.12.10		
		Acquisition/ disposal cost	Equity acquired/ (disposed)	Acquisition difference	Acquisition / disposal cost	Equity acquired/ (disposed)	Acquisition difference
(i)	Acquisition of 12.73% in Novabase Infraest. SGPS	7	-	7	214	-	214
(i)	Acquisition of Digital TV business	-	-	-	(246)	-	(246)
(ii)	Acquisition of 10% in Novabase Internat. Solutions	-	-	-	1,093	742	351
		7	-	7	1,061	742	319

(i) In the sequence of the transactions with non-controlling interests occurred in 2008, the acquisition cost was reviewed based on the achievement of goals by the subsidiary.

(ii) Acquisition of 10% in Novabase International Solutions B.V. and, consequently, of the remaining financial holding in Novabase Solutions Middle East FZ-LLC and in Novabase E.A., S.A., and of 5.5% in Celfocus S.A..

In the operations described above, as the financial holdings were acquired to non-controlling interests in which the Group already had control, the Economic Entity Model Method was applied, and the difference between the acquisition cost and the net assets value of the subsidiaries acquired was booked in Equity, in the total amount of EUR 7 thousand.

20. Non-controlling interests

		31.12.11	31.12.10
	Balance at 1 January	5,724	5,644
	Transactions with non-controlling interests (see note 19)	-	(742)
(*)	Changes in consolidation universe	5,500	173
	Dividends paid by Celfocus to non-controlling interests	(1,800)	-
	Foreign currency translation differences for foreign operations	98	10
	Profit attributable to non-controlling interests	289	639
	Balance at 31 December	9,811	5,724

(*) In 2011, FCR NB Capital Inovação e Internacionalização was incorporated.

21. Borrowings

	31.12.11	31.12.10
Non-current		
Bank borrowings	10,500	6,200
Finance lease liabilities	1,528	1,679
	12,028	7,879
Current		
Bank borrowings	4,053	4,272
Finance lease liabilities	1,226	1,061
	5,279	5,333
Total borrowings	17,307	13,212

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

	31.12.11	31.12.10
6 months or less	2,269	3,097
6 to 12 months	1,784	1,175
	4,053	4,272

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

	31.12.11	31.12.10
Between 1 and 2 years	3,650	2,450
Between 2 and 5 years	6,775	3,600
Over 5 years	75	150
	10,500	6,200

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

	31.12.11	31.12.10
Bank borrowings	5.359%	4.299%
Bank overdrafts	N/A	1.568%

Gross finance lease liabilities – minimum lease payments:

	31.12.11	31.12.10
No later than 1 year	1,672	1,526
Between 1 and 5 years	2,004	2,264
	3,676	3,790
Future finance charges on finance leases	(922)	(1,050)
Present value of finance lease liabilities	2,754	2,740

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

	31.12.11	31.12.10
No later than 1 year	1,226	1,061
Between 1 and 5 years	1,528	1,679
	2,754	2,740

22. Provisions

Movements in provisions are analysed as follows:

	Warranties	Legal Claims	Other Risks and Charges	Total
Balance at 1 January 2010	790	499	956	2,245
Additional provisions (note 29)	178	-	425	603
Reversals (note 29)	(588)	(15)	(612)	(1,215)
Balance at 31 December 2010	380	484	769	1,633
Additional provisions (note 29)	198	-	518	716
Reversals (note 29)	(177)	(244)	(727)	(1,148)
Reclassifications	500	-	-	500
Changes in consolidation universe	-	-	20	20
Balance at 31 December 2011	901	240	580	1,721

Provisions balance includes 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).

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

23. Other non-current liabilities

	31.12.11	31.12.10
Acquisition of financial interests to related parties (note 39)	243	927
Acquisition of financial interest in Evolvespace Solutions (notes 6 and 24)	65	-
	308	927

This heading refers to the non-current balance related to the acquisition of financial holdings to non-controlling interests in which the Group already had control (note 39) and to the non-current portion of the contingent consideration for the acquisition of Evolvespace Solutions (note 6).

The due date of these liabilities is as follows:

	31.12.11	31.12.10
Between 1 and 2 years	308	683
Between 2 and 5 years	-	244
	308	927

24. Trade and other payables

	31.12.11	31.12.10
Trade payables	24,939	19,122
Remunerations, vacations and vacation subsidy	8,147	8,240
Restructuring costs not yet paid (note 28)	546	-
Bonus	7,442	10,160
Ongoing projects	3,727	3,008
Value added tax	7,263	6,954
Social security contributions	2,026	1,954
Income tax withholding	1,590	1,391
Employees	288	181
Prepayments from trade receivables	-	24
Acquisition of financial interests to related parties (note 39)	714	683
Acquisition of financial interest in Evolvespace Solutions (notes 6 and 23)	86	-
Other accrued expenses	4,027	4,524
Other payables	140	860
	60,935	57,101

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

The maturity of these liabilities is as follows:

	31.12.11	31.12.10
No later than 1 year	60,935	57,101
	60,935	57,101

25. Deferred income and other current liabilities

	31.12.11	31.12.10
Research and development subsidies	4 508	2 974
Consulting projects	18 161	19 833
	22,669	22,807

At 31 December 2011, the Group expect to comply with the relevant conditions to receive the following financial incentives for research and development:

	Contracted amount	Acum. received amount
Subsidies:		
- NSRF - Incentive Scheme for Research and Technological Development (R&D)	3 175	1 442
- Other subsidies	2 423	972
	5,598	2,414

26. External supplies and services

	31.12.11	31.12.10
Subcontracts	25,445	23,310
Supplies and services		
Commissions and consultancy fees	7,765	9,554
Transportation, travel and accommodation expenses	6,600	6,834
Rents	3,742	2,776
Specialized services	2,972	1,862
Freight	447	1,002
Advertising and promotion	1,289	1,715
Water, electricity and fuel	1,048	973
Communications	904	824
Insurance	425	447
Utensils, office supplies and technical documentation	217	221
Other supplies and services	866	860
	26,275	27,068
	51,720	50,378

27. Employee benefit expense

	31.12.11	31.12.10
Board members remuneration	4,775	8,057
Salaries and wages	58,909	55,613
Social security charges	10,420	9,330
Stock options granted (note 18)	331	697
Other personnel expenses	1,775	1,910
	76,210	75,607

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

	31.12.11	31.12.10
Business Solutions (*)	1,335	1,263
IMS (*)	345	291
Digital TV	283	306
Venture Capital	47	43
Novabase Shared Services	99	100
	2,109	2,003

(*) The comparatives have been restated, considering the new internal reporting organization (note 5).

28. Restructuring costs

In the end of 2011, Novabase conducted a restructuring process with the objective of improving its competitiveness, by decreasing the average production cost. As a result, restructuring costs relating to indemnities to employees, in the amount of EUR 3,496 thousand (2010: null) were recognised, from which EUR 546 thousand are still to be settled at the reporting date (see note 24).

29. Other gains/(losses) - net

	31.12.11	31.12.10
Impairment and impairment reversal of trade and other receivables (note 13)	(998)	1,017
Impairment and impairment reversal of inventories (note 11)	282	(116)
Warranties provision (note 22)	(21)	410
Legal claims provision (note 22)	244	15
Provisions for other risks and charges (note 22)	209	187
Operating subsidies	122	569
Other operating income and expense	(381)	(135)
	(543)	1,947

30. Depreciation and amortisation

	31.12.11	31.12.10
Property, plant and equipment (note 7):		
Buildings and other constructions	402	523
Basic equipment	1,659	1,475
Transport equipment	1,287	1,097
Tools and utensils	16	7
Furniture, fittings and equipment	178	188
Other tangible assets	1	1
	3,543	3,291
Intangible assets (note 8):		
Internally generated intangible assets	414	266
Industrial property and other rights	2,168	1,921
	2,582	2,187
	6,125	5,478

31. Finance income

	31.12.11	31.12.10
Interest received	562	197
Positive exchange differences	3,198	4,975
Other financial gains	10	84
	3,770	5,256

32. Finance costs

	31.12.11	31.12.10
Interest expenses		
- Borrowings	(478)	(212)
- Finance lease liabilities	(555)	(533)
- Other interest	(61)	(154)
Bank guarantees charges	(131)	(116)
Bank services	(169)	(152)
Negative exchange differences	(3,231)	(4,189)
Other financial costs	(1)	(15)
	(4,626)	(5,371)

33. Share of loss of associates

	Profit / (Loss)	
	31.12.11	31.12.10
Fundo Capital Risco NB Capital (note 9)	(571)	(249)
Novabase Atlântico, SI, S.A. (note 9)	(74)	(6)
	(645)	(255)

34. Income tax expense

Novabase and its subsidiaries with head offices in Portugal are subject to Corporate Income Tax at the nominal rate of 25%, 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 26.5%. Additionally, taxable income exceeding EUR 2,000 thousand is subject to a State Surcharge at the rate of 2.5%.

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 90% or more by Novabase S.G.P.S. which comply with the further requirements under article 69º and following of the Corporate Income Tax Code.

This heading is analysed as follows:

	31.12.11	31.12.10
Current tax	3,101	3,877
Deferred tax on temporary differences (note 10)	(2,217)	(1,249)
	884	2,628

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:

	31.12.11	31.12.10
Profit before income tax	3,121	16,320
Income tax expense at nominal rate (25%)	780	4,080
Tax benefit on the net creation of employment for young and long term unemployed people	(467)	(522)
Provisions and amortisations not considered for tax purposes	207	155
Recognition of tax on the events of previous years	11	12
Associates' results reported net of tax	161	64
Autonomous taxation	342	2,228
Losses in companies where no deferred tax is recognised	(277)	(221)
Expenses not deductible for tax purposes	(21)	124
Differential tax rate on companies located abroad	30	(7)
Research & Development tax benefit	(385)	(3,886)
Municipal surcharge and State surcharge	94	297
Impairment of Special Payment on Account, tax losses and withholding taxes	420	325
Other	(11)	(21)
Income tax expense	884	2,628

35. 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 18).

Diluted

Diluted earnings per share is calculated by adjusting the average weighted number of ordinary shares outsanding 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:

	31.12.11	31.12.10
Weighted average number of ordinary shares in issue	30,376,083	30,138,589
Stock options adjustment	-	-
Adjusted weighted average number of ordinary shares in issue	30,376,083	30,138,589
Profit attributable to owners of the parent	2,651	13,053
Basic earnings per share (Euros per share)	0.09 Euros	0.43 Euros
Diluted earnings per share (Euros per share)	0.09 Euros	0.43 Euros
Profit from continuing operations attributable to owners of the parent	1,948	13,053
Basic earnings per share (Euros per share)	0.06 Euros	0.43 Euros
Diluted earnings per share (Euros per share)	0.06 Euros	0.43 Euros
Profit from discontinued operations attributable to owners of the parent	703	-
Basic earnings per share (Euros per share)	0.02 Euros	-
Diluted earnings per share (Euros per share)	0.02 Euros	-

36. Dividends per share

The amounts paid in 2011 and 2010, reached EUR 4,082 thousand (0.13 Euros per share) and EUR 15,700 thousand (0.5 Euros per share, from which 0.32 Euros per share corresponds to dividends and 0.18 Euros per share to the amounts freed as result of the share capital reduction), 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, that remained in Novabase. In respect to the year 2011, the Board of Directors will propose to the Annual General Meeting of Shareholders of 2012, the payment of 0.03 Euros per share, that is, a total amount of EUR 942 thousand. These financial statements do not reflect this dividend payable.

37. 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	31.12.11	31.12.10
Novabase S.G.P.S., S.A.	BPI	1,546	1,499
Novabase E.A., S.A.	BES	17	60
Novabase Business Solutions, S.A.	BPI	535	966
Novabase Business Solutions, S.A.	BES	4,473	5,002
NBO Recursos em TI, S.A.	BPI	-	10
Novabase Serviços, S.A.	BPI	-	12
Novabase Serviços, S.A.	BES	390	390
CelFocus, S.A.	BES	406	465
COLLAB – Sol. I. Com. e Colab., S.A.	BES	50	229
Octal - Engenharia de Sistemas, S.A.	BCP	472	472
Octal - Engenharia de Sistemas, S.A.	BES	404	513
Novabase IMS Infr. & Manag. Services, S.A.	BES	6,117	5,727
Novabase IMS Infr. & Manag. Services, S.A.	BCP	287	278
Novabase IMS Infr. & Manag. Services, S.A.	BPI	330	330
Novabase Infr. Integracion S. Inf., S.A.	BESSA	-	34
Novabase Digital TV E.S. Tel. Inter., S.A.	BCP	237	237
Novabase Digital TV E.S. Tel. Inter., S.A.	BES	230	183
Novabase Consulting Espanha, S.A.	BESSA	27	68
		15,521	16,475

Novabase Capital has an option to acquire all the units held by IAPMEI in Fundo Capital de Risco NB Capital, and may exercise this option at any time after 31 December 2008, under the conditions set in Article 21 of Fund by law.

Due to the sale and purchase promise-agreement concluded with Electricidade dos Açores (EDA), and the conditions in shareholders agreement between EDA and Novabase, this company has an option to buy the shareholding held by Novabase in the end of the period of the outsourcing rendered services contract between Novabase and EDA, by the value of the equity of Novabase Atlântico.

Fundo Capital de Risco NB Capital has the following put options until June, 2015:

- 40% of the share capital of Dosapac by the lowest between the acquisition cost discounted at Euribor + 1% and its market value
- 20% of the share capital of Forward by the lowest between the acquisition cost discounted at Euribor + 1% and its market value
- 49.9993% of the share capital of Manchete by its nominal value

FCR NB Capital Inovação e Internacionalização as an option to sell Powergrid to its promoter, in the case of dissolution of the Fund, by the price determined by an independent Chartered Accountant.

In 2011, the Group had the following grouped credit lines contracted:

Group of companies	Plafond
Novabase IMS; Novabase Digital TV	2.5 M USD
Novabase S.G.P.S.; Novabase Digital TV	3.0 M USD

There are commitments resulting from operating leases. At 31 December 2011, these obligations refers mainly to the leases of 'Edifício Caribe', the Company's headquarter (whose contract was amended in 2011), and of the new facilities of the logistics unit. The minimum lease payments under these operating lease liabilities amounts to EUR 10,541 thousand (2010: EUR 4,533 thousand).

38. Net Cash

With reference to the Board of Directors' Report, the detail and description of **Net Cash** is analysed as follows:

	31.12.11	31.12.10
Cash (note 17)	24	7
Short term bank deposits (note 17)	27,133	28,081
Treasury shares held by the Company (*)	2,049	3,499
Non-current bank borrowings (note 21)	(10,500)	(6,200)
Current bank borrowings (note 21)	(4,053)	(4,272)
	14,653	21,115

(*) The share price in the Stock Exchange in the last tradable day of 2011 was 2.09 Euros (2010: 2.90 Euros).

39. Related-party transactions

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

The transactions with related parties below identified were performed at arm's length, and are detailed as follows:

i) Key management compensation

	31.12.11	31.12.10
Salaries and other short-term employee benefits	4,775	8,057
Stock options granted (note 27)	331	697
	5,106	8,754

ii) Acquisition of financial interests to related parties (note 19)

	31.12.11	31.12.10
Acquisitions to former shareholders of Novabase Infraestruturas, SGPS	7	214
Acquisitions to former shareholders of Novabase Digital TV, S.A.	-	(246)
Acquisitions to former shareholders of Novabase International Solutions B.V.	-	1,093
	7	1,061

iii) Balances arising from acquisitions of financial interests to related parties (former shareholders)

	Non-current (note 23)		Current (note 24)		Total	
	31.12.11	31.12.10	31.12.11	31.12.10	31.12.11	31.12.10
Novabase Consulting SGPS	-	306	306	307	306	613
Novabase A.C.D.	78	157	109	78	187	235
SAF	32	65	33	32	65	97
Novabase International Solutions B.V.	133	399	266	266	399	665
	243	927	714	683	957	1,610

iv) Other balances with related parties

	31.12.11	31.12.10
Loan to Forward (associate of Fundo Capital de Risco NB Capital)	-	22
Loan to Novabase Atlântico, SI, S.A. (associate)	550	450
Loans to other shareholders	47	22
Receivables from related parties (note 13)	597	494

40. Discontinued operations

In 14 March 2008, by decision of the Board of Directors, the Group has decided to initiate the legal procedures to the discontinuation of the activity in the 'Mobility Solutions' business. A provision of EUR 8.8 Million was booked in that year, for the closure of this area. In the last quarter of 2011, the company was dissolved, but as there are still legal processes pending resolution, it was booked an accrued expense with lawyers in the amount of EUR 320 thousand. The execution of the closure plan has been carried out below the limits of this provision, therefore it was made a reversal of the provision in the amount of EUR 1,120 thousand.

Additionally, it was recognised a cost of EUR 417 thousand related to the outcome of the tax execution procedure against Novabase Brasil, discontinued in 2004.

The assets and liabilities for discontinued operations are detailed as follows:

	31.12.11		31.12.10
	Brasil	Mobile	Mobile
Assets			
Total Non-Current Assets	-	-	-
Trade receivables	-	-	1
Other receivables, accrued income and other current assets	-	-	48
Total Current Assets	-	-	49
Assets for discontinued operations	-	-	49
Liabilities			
Total Non-Current Liabilities	-	-	-
Provisions	25	-	-
Trade and other payables	-	320	745
Total Current Liabilities	25	320	745
Liabilities for discontinued operations	25	320	745

41. Contingencies

At 31 December 2011, the Group was part intervenient in the following legal processes:

- Court procedure brought by the company Drink In against Novabase E.A., under which the plaintiff claims the payment of approximately EUR 716 thousand allegedly for the application of penalties for the delay in implementing and installing a computer system. Under the same proceedings, Novabase’s subsidiary in question filed a reply and a counterclaim in the amount of approximately EUR 404 thousand concerning unpaid invoices in the same project. The hearing has finished and final ruling has been issued by the Court considering unfounded the Plaintiff’s arguments thereby ruling in favour of Novabase and in addition considering the amounts claimed by Novabase to be due. In addition, the court has deemed the Plaintiff’s action to have been abusive. The above-mentioned company Drink In has filed for insolvency whereby Novabase E.A. has claimed credits in the amount of approximately EUR 404 thousand concerning unpaid invoices. Creditors have ruled in favour of the assignment of the plant to Font Salem. The Insolvency Administrator has been granted powers to execute the Agreement with the buyer. The procedure awaits its ulterior terms.
- Novabase E.A. has been served regarding two procedures brought forward by the Instituto de Gestão Financeira da Segurança Social regarding the alleged absence of payment of social security contributions in the years 2004, 2005, 2006 and 2007, in the amount of EUR 42 thousand and EUR 20 thousand. 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 await decision by the competent organism (Centro Distrital da Segurança Social de Lisboa).
- Court procedure brought against Novabase S.G.P.S. and Novabase Capital, under which the plaintiff claims the payment of EUR 905 thousand, plus interests accrued until full payment, as well as the payment of the damages it suffered in a value yet to be established within the procedure. Final ruling has been issued by the Court which was totally in favour of the defendants. The Plaintiff has filed an appeal on the decision. The procedure awaits decision on this appeal.

- A former employee of Gedotecome has brought forward a claim in the Lisbon Labour Court against Novabase S.G.P.S., Octal, Novabase Serviços and Gedotecome, under which the plaintiff claims the existence of an employment contract with Gedotecome and request the payment of compensation by seniority and the payment of wage credits accrued and to be accrued. Novabase S.G.P.S. and its directly holded subsidiaries were called by the plaintiff as solitarily responsible for the payments due by Gedotecome, in case she fails to comply with any court orders against her. It was claimed the illegitimacy of the companies with no direct relation with the employee. The total amount of potential liability under this action is of EUR 154 thousand, added of (i) interests accrued and to be accrued until full payment, (ii) the payment of the salaries accrued and to be accrued until the Courts decision (res judicata) and (iii) readmission of the employee or the payment of a compensation to be determined by the Judge (between 15 and 45 days of salary for each year of seniority). In the final hearing, the Parties entered into a plea agreement: Gedotecome paid the Plaintiff an amount of EURO 50 Thousand and the plaintiff dropped the claim against all other Defendants.

- Court procedure brought by the company Altitude Software, S.A. against Collab, under which the plaintiff claims (i) the seizure of the software, respective documentation and source-code, (ii) that the defendant be restricted from reproducing and commercialising the same software; as well as claims (iii) the payment of moral damages in the amount of EUR 500 thousand, and (iv) the application of a compulsory penalty, in the amount of EUR 1 thousand per day, for non-compliance of the defendant with a possible court decision in its favour. Novabase's subsidiary has presented a reply to this action and under the same proceedings has requested that a fine be imposed to the plaintiff on account of litigation on bad faith. Following the conclusion of experts' analysis of the software, the plaintiff has dropped the claim against Collab, which has been formally determined by a ruling of the judge.

- Collab 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 2006 to 2010, in the amount of EUR 39 thousand. The company has filed opposition regarding the allegations demonstrating compliance with applicable laws, payment of all amounts due and providing documents to that respect. Part of the amount allegedly due was cancelled by the competent authorities, the remaining amount was paid, but Collab has requested that the competent authorities still proceed with the analysis of the opposition filed and, should the decidion be in favour of of Collab, take the amount into consideration as a credit in the payments of future contributions.

- Court procedure brought by the company CES - Comércio de Equipamentos de Escritório, S.A. against Novabase IMS, under which the plaintiff claims (i) the restitution of equipment and furniture that was installed in the premises of the co-defendant of the subsidiary of Novabase and that belongs to it and (ii) the payment of an indenization for de damages it suffered to be determined at the time of enforcement of the decision. Under the same proceedings, Novabase's subsidiary in question filled a reply and a counterclaim in the amount of approximately EUR 176 thousand regarding amounts unlawfully paid to the plaintiff. The preliminary hearing has already taken place. The procedure awaits scheduling of the final hearing.

- A company has filed insolvency procedure against TBZ - Marketing, Acções Promocionais, SA whereby Novabase IMS has claimed credits in the amount of approximately EUR 24 thousand corresponding to the unpaid invoices. The procedure is currently in liquidation of the insolvents' assets in order to pay creditors.

- Court procedure brought by the company Digisat – Digital Satélite, Lda., under which Novabase Digital TV is co-Defendant and has presented its reply. The Court requested the Plaintiff to rectify the terms of the claim in order to clarify the action value (approximately EUR 40 thousand) and the amount of the claim (approximately EUR 100 thousand). The action awaits the pronunciation of the Plaintiff, meanwhile the Plaintiff's lawyer has renounced his power of attorney. To this effect, court procedure is suspended by Judge's Orders as of June 24, 2008. Should the suspension continue for a period in excess of one year due to negligence of the parties in promoting its continuance the procedure will be deemed interrupted. Within two years of interruption of the procedure it will be considered deserted, thereby terminating without any further action. There is no order of the Judge, yet.

- Novabase Digital TV is a defendant in a proceeding brought against it by Wisi Comunicaciones, S.A., who claims the payment of approximately EUR 24 thousand. The company presented a reply to this action. On the final hearing the parties reached a settlement whereby Novabase Digital TV paid the plaintiff the amount of EUR 20 thousand.

- Novabase IMS has a claim against Arcelomittal – Construção Portugal SA (formerly named Haironville Portugal – Indústria de Perfilhados, S.A.) to recover an amount of EUR 10 thousand plus interest in late payment. The defendant brought forward a counter-claim to recover EUR 15 thousand. Final ruling has been issued by the Court totally in favour of Novabase. The Defendant has filed an appeal on the decision which was entirely denied by the appeal court, hereby the Defendant paid the full amount due to IMS accrued of interest.

- The company Qimonda Portugal S.A. has filed for insolvency, whereby NBO 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.

- Novabase Business Solutions S.A. has been served regarding one procedure brought forward by the Instituto de Gestão Financeira da Segurança Social regarding the alleged absence of payment of social security contributions in the years 2004, 2005, 2006 e 2007, in the amount of EUR 131 thousand. 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 awaits decision by the competent organism (Centro Distrital da Segurança Social de Lisboa). According to information provided from the IGFSS, part of the amounts allegedly in debt have been dismissed in favour of Novabase's claim still under analysis.

- Celfocus has been served with a claim brought forward by the Instituto de Gestão Financeira da Segurança Social regarding the alleged absence of payment of social security contributions in the amount of EUR 61 thousand. 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 amount allegedly missing was reassessed almost in total. Celfocus paid the amount of 100 Euros and situation towards Social Security was normalized.

- NBO has been served with two claims brought forward by the Instituto de Gestão Financeira da Segurança Social regarding the alleged absence of payment of social security contributions in the amount of EUR 85 thousand and EUR 438 thousand. The company has filed opposition regarding the allegations demonstrating compliance with applicable laws, payment of all amounts due and providing documents to that respect, as well as the prescription of amounts allegedly owed. The procedures awaits decision by the competent organism.

- Novabase Serviços has been served regarding a procedure brought forward by the Instituto de Gestão Financeira da Segurança Social which refers to alleged absence of payment of social security contributions in the years 2005, 2006, 2007, 2008 and 2009, in the amount of EUR 103 thousand. 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 awaits decision by the competent organism (Centro Distrital da Segurança Social de Lisboa).

- Octal has been served regarding a procedure brought forward by the Instituto de Gestão Financeira da Segurança Social which refers to alleged absence of payment of social security contributions in the years 2006 to 2010, in the amount of EUR 20 thousand. 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 awaits decision by the competent organism (Centro Distrital da Segurança Social de Lisboa).

- Fundo Capital Risco NB Capital, which is managed by the subsidiary Novabase Capital, is co-defendant in a procedure brought forward by a shareholder of a Manchete against the other two shareholders, the Fund and another individual shareholder. The Plaintiff is claiming violation of the Shareholders Agreement and requests (i) payment of a compensation in the amount of EUR 446 thousand in lieu of remunerations he would have received for the remaining period that the Shareholders Agreement would remain in force; (ii) an amount equal to 8.5% of company results before tax related to the years 2010 and further until final decision on the proceeding is issued; (iii) that the defendants are ordered to buy the plaintiff's shares for the price of EUR 750 thousand. The Fund has filed opposition and the procedure awaits scheduling for preliminary hearing.

- The company Singer – Produtos Eléctricos S.A. has filed for insolvency, and Octal 2 Mobile has claimed payment of credits in the amount of EUR 52 thousand. The procedure awaits scheduling for the Creditor's Assembly.

- The company ENGTEL LDA has filed for insolvency, whereby IMS has claimed credits in the amount of approximately EUR 24 thousand corresponding to the unpaid invoices. General Creditors Assembly was scheduled for February 6, 2012.

- Corrections project brought by DGCI – Direcção Geral de Contribuições e Impostos (Portuguese Tax Authority) against former Novabase A.C.D. (merged into Novabase Business Solutions S.A. in 2009), to the tax profit assessed concerning the years 2003, 2004 and 2005, with an estimated impact of EUR 3,534 thousand to the taxable income and EUR 1,060 thousand on the income tax. Novabase presented reply and a counterclaim, with solid arguments to the base of all the proposed corrections, and therefore considered a provision of EUR 383 thousand concerning the risk of an income tax potential adjustment. In 2011 the Tax Authority reviewed the amount to approximately EUR 140 thousand and the provision was reduced.

- Court procedure brought by Fazenda Nacional do Brazil (Brazilian Tax Authority) against Forward Brasil Tecnologias de Informação Ltda (previously named Novabase Brasil, Ldta), referring to tax liabilities concerning the years of 2002 and 2003. The total amount of the claim is to the date of EUR 350 thousand including interests. After the sale of the company back in 2005, Novabase undertook the liabilities for any past contingencies being therefore liable to defend the present court procedures. Novabase counter claimed the procedure and offered a bank guarantee for the claimed amount. Sufficient reasoning as well as documental evidence of the amounts paid to tax authorities in fiscal years at state were also submitted by Novabase. Procedure is now pending a decision. In November 2009, the company has adhered to the tax amnesty granted by the Federal Law nº 11.941, of May 27, 2009, which provides discounts in cases of tax debts payments under discussion. Following that, the company submitted petitions demanding the withdrawal of the embargo to fiscal execution (defenses) that had been presented. In 2011, the company received the notification of the amount to pay for the most of the processes. The company paid the amount of EUR 392 thousand, including EUR 37 thousand for costs with the laywer. The remaining contingency of EUR 25 thousand is provisioned.

42. Additional information requested 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 annex;

(ii) The total remuneration paid to the Chartered Accountant in 2011 was 203,000 Euros (2010: 202,800 Euros), of which 200,000 Euros correspond to legal accounts audit services, while the remaining 3,000 Euros, relate to other reliability assurance services;

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

43. Events after the reporting period

Novabase informs on New Shareholders' Agreement

In order to ensure shareholding stability for the next triennium, a shareholders' agreement (hereafter designated as Shareholders' Agreement) was signed in 30 January 2012 by the shareholders Luís Paulo Cardoso Salvado, João Nuno da Silva Bento, Rogério dos Santos Carapuça, José Afonso Oom Ferreira de Sousa, Pedro Miguel Quinteiro Marques de Carvalho and Álvaro José da Silva Ferreira (hereafter designated as Signatories), regarding 10,488,066 shares of Novabase, Sociedade Gestora de Participações Sociais, S.A. held by these Signatories, corresponding to 33.40% of the voting rights of the aforementioned company. The Shareholders' Agreement will immediately come into force and will remain valid until 30 April 2015, and shall replace the former shareholders' agreement signed between the Signatories.

Cabinet press release of 16 February 2012

The Cabinet resolution of 16 February 2012 decided to authorize the Minister of Science and Education to incur an expense related to acquisition of goods and the corresponding compensation payable to Novabase for unilateral cancellation of the contract for acquiring the services and goods necessary for the infrastructure of the Electronic School Card system for public schools grades 5 to 9 of the basic and secondary education system. The total maximum amount shall be 4,500,000 Euros.

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 prevails.

II. SUPERVISORY BOARD AND AUDITORS REPORT IN RESPECT OF THE CONSOLIDATED FINANCIAL INFORMATION

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NOVABASE

Audit Committee

Opinion of the Audit Committee on the Consolidated Financial Information

Dear Shareholders,

Pursuant to the law, the mandate from our shareholders and the provisions of Article 423-F, Item g) of the Portuguese Company Code and nº of Article 508-D of the same code, we now present a brief summary of our supervisory activities, together with our opinion on the Annual Report and Consolidated Financial Statements presented by the Novabase SGPS, SA Board of Directors for the year ending 31 December 2011.

Over the course of the period ended December 31, 2011, the Audit Committee held 10 formal meetings and several informal meetings to supervise the following:

- Company management, in terms of compliance with the law, the memorandum of association and other regulations in force, as well as in relation to management activities, policies pursued and the transparency, diligence and credibility of conduct;

- The efficacy of risk management systems and internal control and auditing activities; and

- Mechanisms, procedures and activities employed in preparing and disclosing financial information and reviewing the accuracy of the accounting documentation and accounting policies used by the Company, to ensure that these entail an accurate assessment of the Company’s financial status and results.

NOVABASE

Audit Committee

Under the powers given to us, we have confirmed that:

- The Consolidated Annual Report accurately, clearly and fully reflects the most significant aspects of the Company's business and financial situation; similarly, all existing risks of both an operational and financial nature have been duly identified; and

- The Consolidated Financial Statements and corresponding Annex truly and fairly reflect the Company's financial situation.

.

Therefore, in light of the information received from the Board of Directors and the Company's various departments, together with the conclusions of the Statutory Auditors Report of the Limited Review Report which deserved our agreement, it is our opinion that:

- The Annual Report be approved;

- The Consolidated Financial Statements be approved.

Lisbon, 3rd April 2012

The Audit Committee

Luis Mira Amaral (Chairman)

Manuel Alves Monteiro (Member)

João Luís Duque (Member)

Audit Report for Statutory and Stock Exchange Regulatory Purposes on the Consolidated Financial Information

(Free translation from the original in Portuguese)

Introduction

1 As required by law, we present the Audit Report for Statutory and Stock Exchange Regulatory Purposes on the financial information included in the Directors' Report and in the attached consolidated financial statements of Novabase, SGPS, SA., comprising the consolidated statement of financial position as at December, 31, 2011, (which shows total assets of Euros 206.302 thousand and total shareholder's equity of Euros 102.439 thousand including non-controlling interests of Euros 9.811 thousand and a net profit of Euros 2.651 thousand), 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 corresponding notes to the accounts.

Responsibilities

2 It is the responsibility of the Company's Board of Directors (i) to prepare the Directors' Report and the consolidated financial statements which present fairly, in all material respects, the financial position of the Company and its subsidiaries, the consolidated results and the consolidated comprehensive income of their operations, the changes in consolidated equity and the consolidated cash flows; (ii) to prepare historic financial information in accordance with International Financial Reporting Standards as adopted by the European Union and which is complete, true, up-to-date, clear, objective and lawful, as required by the Portuguese Securities Market Code; (iii) to adopt appropriate accounting policies and criteria; (iv) to maintain appropriate systems of internal control; and (v) to disclose any significant matters which have influenced the activity, financial position or results of the Company and its subsidiaries.

3 Our responsibility is to verify the financial information included in the financial statements referred to above, namely as to whether it is complete, true, up-to-date, clear, objective and lawful, as required by the Portuguese Securities Market Code, for the purpose of issuing an independent and professional report based on our audit.

Scope

4 We conducted our audit in accordance with the Standards and Technical Recommendations issued by the Institute of Statutory Auditors which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Accordingly, our audit included: (i) verification that the Company and its subsidiaries' financial statements have been appropriately examined and, for the cases where such an audit was not carried out, verification, on a sample basis, of the evidence supporting the amounts and disclosures in the consolidated financial statements and assessing the reasonableness of the estimates, based on the judgements and criteria of the Board of Directors used in the preparation of the consolidated financial statements; (ii) verification of the consolidation operations and the utilization of the equity method; (iii) assessing the appropriateness of the accounting principles used and their disclosure, as applicable; (iv) assessing the applicability of the going concern basis of accounting; (v)

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Matriculada na Conservatória do Registo Comercial sob o NUPC 506 628 752, Capital Social Euros 314.000

assessing the overall presentation of the consolidated financial statements; and (vi) assessing the completeness, truthfulness, accuracy, clarity, objectivity and lawfulness of the consolidated financial information.

5 Our audit also covered the verification that the information included in the Directors' Report is consistent with the financial statements as well as the verification set forth in paragraphs 4 and 5 of Article 451º of the Companies Code.

6 We believe that our audit provides a reasonable basis for our opinion.

Opinion

7 In our opinion, the consolidated financial statements referred to above, present fairly in all material respects, the consolidated financial position of Novabase, SGPS, SA. as at December, 31, 2011, the consolidated results and the consolidated comprehensive income of its operations, the changes in consolidated equity and the consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and the information included is complete, true, up-to-date, clear, objective and lawful.

Report on other legal requirements

8 It is also our opinion that the information included in the Directors' Report is consistent with the consolidated financial statements for the year and that the Corporate Governance Report includes the information required under Article 245-A of the Portuguese Securities Market Code.

April 3, 2012

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
Registered in the Comissão do Mercado de Valores Mobiliários with no. 9077
represented by:

Jorge Manuel Santos Costa, R.O.C.

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. AND OF OTHER GROUP COMPANIES

	Share Capital	Total Number of Shares	Number of shares held by Board Members at 31.12.10	Transactions	Number of shares held by Board Members at 31.12.11	% of shares held by Board Members at 31.12.11
Novabase S.G.P.S., S.A.	**15,700,697 €**	**31,401,394**	**11,338,168**	**458,643**	**11,796,811**	**37.6%**
José Afonso Oom Ferreira de Sousa			2,514,947	0	2,514,947	8.0%
Pedro Miguel Quinteiro Marques de Carvalho			2,170,679	0	2,170,679	6.9%
Luís Paulo Cardoso Salvado			1,918,040	100,007	2,018,047	6.4%
João Nuno da Silva Bento			1,799,793	100,006	1,899,799	6.1%
Rogério dos Santos Carapuça			1,884,787	0	1,884,787	6.0%
Álvaro José da Silva Ferreira			953,100	236,323	1,189,423	3.8%
Nuno Carlos dos Santos Fórneas			81,017	22,307	103,324	0.3%
Manuel Fernando Macedo Alves Monteiro			9,000	0	9,000	0.0%
Luís Fernando de Mira Amaral			6,305	0	6,305	0.0%
João Luís Correia Duque			500	0	500	0.0%
NBASIT - Sist. Inf. e Telecomunicações, S.A.	**47,500,000 AOA**	**100,000**	**800**	**0**	**800**	**0.8%**
Álvaro José da Silva Ferreira			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**	**3**	**0**	**2**	**0.0%**
Paulo Jorge Barros Pires Trigo			1	0	1	0.0%
Francisco Manuel Martins Pereira do Valle (*)			1	0	N/A	-
José Afonso Oom Ferreira de Sousa			1	0	1	0.0%
COLLAB – Sol. I. Com. e Colab., S.A.	**61,333 €**	**61,333**	**3,750**	**0**	**3,750**	**6.1%**
Pedro Cabrita Quintas			3,750	0	3,750	6.1%
Forward, S.A.	**250,000 €**	**250,000**	**200,000**	**0**	**100,000**	**40.0%**
Bernardo Gomes Pinto (*)			50,000	0	N/A	-
Carlos Costa Brito (*)			50,000	0	N/A	-
Miguel Leite Fragoso			50,000	0	50,000	20.0%
Nuno Baião dos Santos			50,000	0	50,000	20.0%
Manchete, S.A.	**150,000 €**	**150,000**	**37,501**	**0**	**37,501**	**25.0%**
Mª de Fátima da Silva Rebelo			37,501	0	37,501	25.0%
FeedZai, S.A.	**73,500 €**	**7,350,000**	**0**	**5,359,615**	**5,359,615**	**72.9%**
Nuno Jorge da Cruz Sebastião			0	1,700,000	1,700,000	23.1%
Paulo Jorge Pimenta Marques			0	1,700,000	1,700,000	23.1%
Pedro Gustavo Santos Rodrigues Bizarro			0	1,700,000	1,700,000	23.1%
Pedro Miguel Quinteiro Marques de Carvalho			0	259,615	259,615	3.5%
PowerGrid, Lda	**450,000 €**	**450,000**	**0**	**50,000**	**50,000**	**11.1%**
Nelson David Ferreira Teodoro			0	50,000	50,000	11.1%

(*) Ceases to belong to the Corporate Boards.

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STATEMENT OF COMPLIANCE

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

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Statement of the Board of Directors
(Free translation from the original version in Portuguese)

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

(i) the information contained in the management report, the annual accounts, the Auditors' Report and all other accounting documentation required by law or regulation, regarding the year ended 31 December 2011, was prepared in compliance with the applicable accounting standards and gives a true and fair view of the assets and liabilities, financial position and results of Novabase S.G.P.S., S.A. and the companies included in the consolidation perimeter; and

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

Lisbon, March 29, 2012

Rogério dos Santos Carapuça
(Non-Executive Member, Chairman of the Board of Directors)

Luís Paulo Cardoso Salvado
(Executive Member, Chairman of the Executive Committee - CEO)

José Afonso Oom Ferreira de Sousa
(Non-Executive Member)

Pedro Miguel Quinteiro Marques de Carvalho
(Non-Executive Member)

João Nuno da Silva Bento
(Executive Member, Member of the Executive Committee)

Álvaro José da Silva Ferreira
(Executive Member, Member of the Executive Committee)

Nuno Carlos Dias dos Santos Fórneas
(Executive Member, Member of the Executive Committee)

Francisco Paulo Figueiredo Morais Antunes
(Executive Member, Member of the Executive Committee - CFO)

Joaquim Manuel Jordão Sérvulo Rodrigues
(Non-Executive Member)

Luís Fernando de Mira Amaral
(Non-Executive Member, Independent, Chairman of the Audit Committee)

Manuel Fernando Macedo Alves Monteiro
(Non-Executive Member, Independent, Member of the Audit Committee)

João Luís Correia Duque
(Non-Executive Member, Independent, Member of the Audit Committee)

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