ACCOUNTS

10

Consolidated Financial Statements
for the year ended 31 December 2010

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

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I. CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2010

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

Consolidated Statement of Financial Position as at 31 December 2010

(Amounts expressed in thousands of Euros)

	Note	31.12.10	31.12.09
Assets			
Non-Current Assets			
Property, plant and equipment	7	9,836	8,721
Intangible assets	8	31,229	28,778
Investments in associates	9	1,676	1,914
Available-for-sale financial assets		21	25
Deferred income tax assets	10	10,396	8,341
Other non-current assets	11	69	134
Total Non-Current Assets		**53,227**	**47,913**
Current Assets			
Inventories	12	10,403	8,593
Trade and other receivables	14	83,285	94,060
Accrued income	15	14,035	11,055
Income tax receivable		3,378	4,802
Derivative financial instruments	16	197	58
Other current assets	17	3,834	2,485
Cash and cash equivalents	18	28,088	24,972
Total Current Assets		**143,220**	**146,025**
Assets for discontinued operations	40	49	826
Total Assets		**196,496**	**194,764**
Equity			
Share capital	19	15,701	15,701
Treasury shares	19	(603)	(723)
Share premium	19	43,560	49,213
Reserves and retained earnings	20	21,063	16,425
Profit for the year		13,053	12,882
Total Equity attributable to owners of the parent		92,774	93,498
Non-controlling interests	21	5,724	5,644
Total Equity		**98,498**	**99,142**
Liabilities			
Non-Current Liabilities			
Borrowings	22	7,879	3,968
Provisions	23	1,633	2,245
Deferred income tax liabilities	10	909	100
Other non-current liabilities	24	927	1,123
Total Non-Current Liabilities		**11,348**	**7,436**
Current Liabilities			
Borrowings	22	5,333	4,502
Trade and other payables	25	57,101	62,774
Income tax payable		311	290
Derivative financial instruments	16	353	139
Deferred income and other current liabilities	26	22,807	19,662
Total Current Liabilities		**85,905**	**87,367**
Liabilities for discontinued operations	40	745	819
Total Liabilities		**97,998**	**95,622**
Total Equity and Liabilities		**196,496**	**194,764**

THE ACOUNTANT THE BOARD OF DIRECTORS

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

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

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2010

(Amounts expressed in thousands of Euros)

	Note	12 M * 31.12.10	12 M * 31.12.09
Sales	5	103,975	117,634
Services rendered	5	132,356	123,780
Cost of sales		(90,125)	(103,761)
External supplies and services	27	(50,378)	(45,308)
Employee benefit expense	28	(75,607)	(70,503)
Other gains/(losses) - net	29	1,947	(109)
Depreciation and amortisation	30	(5,478)	(5,111)
Operating Profit		**16,690**	**16,622**
Finance income	31	5,256	2,960
Finance costs	32	(5,371)	(2,787)
Share of loss of associates	33	(255)	(1,113)
Profit Before Income Tax		**16,320**	**15,682**
Income tax expense	34	(2,628)	(2,634)
Profit for the Year		**13,692**	**13,048**
Other comprehensive income		-	-
Total comprehensive income for the year		**13,692**	**13,048**
Profit attributable to:			
Owners of the parent		13,053	12,882
Non-controlling interests	21	639	166
		13,692	13,048
Total comprehensive income attributable to:			
Owners of the parent		13,053	12,882
Non-controlling interests	21	639	166
		13,692	13,048
Earnings per share attributable to owners of the parent (Euros per share)			
Basic earnings per share	35	**0.43 Euros**	**0.43 Euros**
Diluted earnings per share	35	**0.43 Euros**	**0.42 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 2010

(Amounts expressed in thousands of Euros)

		Attributable to owners of the parent							
	Note	Share capital	Treasury shares	Share premium	Legal reserves	Stock options reserves	Reserves and retained earnings	Non-controlling interests	Total Equity
Balance at 1 January, 2009		**15,701**	**(429)**	**49,213**	**1,276**	**854**	**16,818**	**5,165**	**88,598**
Total comprehensive income for the year		-	-	-	-	-	12,882	166	13,048
Transactions with owners									
Legal reserve		-	-	-	282	-	(282)	-	-
Treasury shares movements	19	-	(294)	-	-	-	(2,458)	-	(2,752)
Share-based payments (a)	19	-	-	-	-	(854)	854	-	-
Share-based payments	19 / 28	-	-	-	-	379	-	-	379
Changes in consolidation universe	21	-	-	-	-	-	-	(142)	(142)
Transactions with owners		-	(294)	-	282	(475)	(1,886)	(142)	(2,515)
Changes in ownership interests in subsidiaries that do not result in a loss of control									
Transactions with non-controlling interests	20 / 21	-	-	-	-	-	(444)	455	11
Balance at 31 December, 2009		**15,701**	**(723)**	**49,213**	**1,558**	**379**	**27,370**	**5,644**	**99,142**

(a) Transfer of the balance of share options fully vested.

	Note	Share capital	Treasury shares	Share premium	Legal reserves	Stock options reserves	Reserves and retained earnings	Non-controlling interests	Total Equity
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	19	(5,652)	-	-	-	-	217	-	(5,435)
Share capital increase	19	5,652	-	(5,652)	-	-	-	-	-
Dividends to equity holders		-	-	-	-	-	(9,662)	-	(9,662)
Legal reserve		-	-	-	807	-	(807)	-	-
Treasury shares movements	19	-	120	-	-	-	816	-	936
Share-based payments	19 / 28	-	-	-	-	697	-	-	697
Changes in consolidation universe	21	-	-	-	-	-	-	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 / 21	-	-	-	-	-	(319)	(742)	(1,061)
Balance at 31 December, 2010		**15,701**	**(603)**	**43,560**	**2,365**	**1,076**	**30,675**	**5,724**	**98,498**

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THE BOARD OF DIRECTORS

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

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

Consolidated Statement of Cash Flows
for the year ended 31 December 2010

(Amounts expressed in thousands of Euros)

	Note	12 M * 31.12.10	12 M * 31.12.09
Cash flows from operating activities			
Cash receipts from customers		245,289	248,690
Cash paid to suppliers and employees		(222,270)	(223,405)
Cash generated from operations		23,019	25,285
Income taxes paid		(2,068)	(3,356)
Other operating proceeds / (payments)		2,215	(2,181)
		147	(5,537)
Net Cash generated from operating activities		**23,166**	**19,748**
Cash flows from investing activities			
Receipts:			
Proceeds on disposal of subsidiaries and associates		78	78
Cash of Novabase Angola consolidated for the 1st time		349	-
Loan repayments received from associates		529	229
Interest received		208	826
		1,164	1,133
Payments:			
Acquisition of subsidiaries and associates		(444)	(3,417)
Loans granted to associates		(420)	(805)
Loans received from associates		-	(1,505)
Purchases of property, plant and equipment		(3,736)	(1,982)
Purchases of intangible assets		(4,199)	(1,416)
		(8,799)	(9,125)
Net Cash used in investing activities		**(7,635)**	**(7,992)**
Cash flows from financing activities			
Receipts:			
Proceeds from borrowings		6,767	3,188
Proceeds from sale of treasury shares	19	-	45
		6,767	3,233
Payments:			
Repayments of borrowings		(2,043)	(4,274)
Dividends paid	36	(9,662)	-
Share capital reduction	36	(5,435)	-
Payment of finance lease liabilities		(1,645)	(1,707)
Interest paid		(517)	(848)
Purchase of treasury shares	19	-	(3,715)
		(19,302)	(10,544)
Net Cash used in financing activities		**(12,535)**	**(7,311)**
Cash, cash equivalents and bank overdrafts at beginning of year		**24,026**	**19,796**
Net increase in cash, cash equivalents and bank overdrafts		**2,996**	**4,445**
Effect from change in consolidation universe	18	**-**	**(215)**
Effect from exchange rate fluctuations on cash held		**35**	**-**
Cash, cash equivalents and bank overdrafts at end of year	18	**27,057**	**24,026**

12 M * - period of 12 months ended

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

Notes to the Consolidated Financial Statements

for the year ended 31 December 2010

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.

The Group Novabase operates in four business areas:

(i) **Consulting** - This area of Novabase specializes in business process consulting, and in designing and deploying applications solutions to support these processes, with a paramount position in the domestic market and a solid international track record. Consulting has a structure combining, in a consistent yet flexible manner, sector-specific knowledge of primary markets with solid technology specialization organized around the following competencies: Business & IT Consulting, Advanced Custom Development, Business Intelligence, Enterprise Applications & Integration and IT Contracting.

(ii) **Infrastructures & Managed Services (IMS)** - This area of Novabase focuses its engineering and consulting expertise on ICT, primarly in the provision of services involving the life cycles of intelligent information infrastructures. Its comprehensive service portfolio includes planning and deployment, design and process optimization, culminating in the infrastructure's management and operation or outsourcing. IMS is divided into four main service areas: Intelligent Infrastructures, IT Management, Managed Services & Outsourcing and Ticketing & Solutions.

(iii) **Digital TV -** Novabase Digital TV is now a player on an international scale, positioned in the market in closer alignment with the strategy of intellectual property, system integrator and a solid focus on products and services targeting Telecommunication, Television and Media Operators. Created in 2000, this area's product and service portfolio includes solutions for all digital video appliances available on the market, through licensing or COB/SIP.

(iv) **Novabase 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 is the managing company of 'Fundo de Capital de Risco para Investidores Qualificados Novabase Capital'.

Novabase is listed on the Euronext Lisbon.

The share capital is represented by 31,401,394 shares (2009: 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 31, 2011. 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).

a) The impacts of the adoption of standards and amendments to standards that became effective at 1 January 2010, are the following:

Standards

• **IFRS 1 (amendment)**, 'First-time adoption of International Financial Reporting Standards'. This amendment exempt entities that use the full cost method for oil and gas properties from retrospective application of IFRSs. It also exempts entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, 'Determining whether an arrangement contains a lease', as long as the earlier assessment in accordance with the previous GAAP would have resulted in the same outcome. This amendment had no impact on the Group's financial statements, as Novabase is already reporting under IFRSs.

• **IFRS 3 (revised)**, 'Business combinations'. The revised standard continues to apply the acquisition method to business combinations but with some significant changes. For example, all payments to purchase a business are recorded at fair value. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at the non-controlling interest's proportionate share of the acquiree's net assets or at fair value of the assets and liabilities acquired. All acquisition-related costs are expensed. There have been no business combinations until the reporting date.

• **IAS 27 (revised)**, 'Consolidated and separate financial statements'. IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains or losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. There have been transactions with non-controlling interests as disclosed in note 20.

• **IFRS 5 (2008 improvement)**, 'Non-current assets held for sale and discontinued operations'. This improvement clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosures should be made if the subsidiary described above is a disposal group meeting the definition of a discontinued operation. There have been no disposal or partial disposal of any subsidiary until the reporting date.

• **IFRS 2 (amendment)**, 'Group cash-settled share-based payment transactions'. This amendment incorporate IFRIC 8, 'Scope of IFRS 2' and IFRIC 11, 'IFRS 2 - Group and Treasury Share Transactions', and address the classification of group arrangements, in which the entity that receive goods or services in a share-based payment transaction settled by the Group, is not responsible for any payment. The amended IFRS 2 had no impact on the Group's financial statements.

• **IAS 39 (amendment)**, ‘Financial instruments - eligible hedged items’. This amendment clarifies on what principles to apply in specific situations to determine whether a hedged risk or a portion of cash-flows is eligible to be designated as "hedging". This amendment had no impact on the Group’s financial statements.

• **Annual improvements to IFRSs – 2009**. As part of the 'annual improvements project', the IASB decided to improve some standards with the objective to clarify areas of inconsistency in IFRSs. The more significant improvements refers to the amendments to standards IAS 17, IAS 36 and IAS 38. The adoption of these 2009 improvements had no impact on the Group's financial statements.

Interpretations

• **IFRIC 12**, ‘Service concession arrangements’. IFRIC 12 addresses how service concession operators should apply existing International Financial Reporting Standards (IFRSs) to account for the obligations they undertake and rights they receive in service concession arrangements. This interpretation had no impact on the Group’s financial statements.

• **IFRIC 15**, 'Agreements for construction of real estates’. IFRIC 15 clarifies whether IAS 18, ‘Revenue’, or IAS 11, ‘Construction contracts’, should be applied to particular transactions, resulting that a wider range of transactions will qualify for the application of IAS 18, ‘Revenue’. IFRIC 15 had no impact on the Group’s financial statements.

• **IFRIC 16**, ‘Hedges on a net investment in a foreign operation’. IFRIC 16 is applied to group’s that hedges the currency risks resulted from investments in foreign operations and clarifies the conditions that should be satisfied in order to classify it as an accounting hedge. This interpretation also clarifies the amounts that should be reclassified from foreign currency reserve in equity to profit or loss, when the investment in a foreign operation is disposed. IFRIC 16 had no impact on the Group’s financial statements.

• **IFRIC 17**, ‘Distributions of non-cash assets to owners’. This interpretation clarifies that: (a) a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; (b) an entity should measure the dividend payable at the fair value of the net assets to be distributed; (c) an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. This interpretation had no impact on the Group’s financial statements.

• **IFRIC 18**, ‘Transfers of assets from customers’. This interpretation clarifies the accounting for arrangements where an item of property, plant and equipment, which is provided by the customer, is used to provide an ongoing service. This is particularly relevant to the utility sector by involving services such as gas or electricity. IFRIC 18 had no impact on the Group’s financial statements.

b) There are new standards, amendments and interpretations to existing standards, that although have been published, are only mandatory for annual periods beginning on or after 1 February 2010 or later, and have not been early adopted by the Group:

Standards

• **IAS 32 (amendment)**, ‘Financial instruments: presentation - classification of rights issues’ (effective for annual periods beginning on or after 1 February 2010). The amendment to IAS 32 addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. If the rights are issued pro rata to all existing shareholders for a fixed amount in any currency, then these rights should be classified as equity instruments. Otherwise, should be accounted for as a derivative liability. This amendment will not have an impact on the Group’s financial statements.

• **IFRS 1 (amendment)**, ‘First time adoption of International Financial Reporting Standards’ (effective for annual periods beginning on or after 1 July 2010, in EU). This amendment provides first-time adopters with the same transition provisions as included in amendment to IFRS 7, ‘Financial instruments: Disclosures’, regarding comparative information for the three level classification disclosures required by IFRS 7. This amendment do not applies to the Group’s financial statements, as Novabase is already reporting under IFRSs.

• **IAS 24 (amendment)**, ‘Related party disclosures’ (effective for annual periods beginning on or after 1 January 2011). The amended standard eliminates general requirements in respect of certain related party disclosures for public-sector entities, but requires providing information about the relationship of the entity with the Government and significant transactions with the Government or other Government-related entities. Additionally, the definition of a related party has been amended to remove some inconsistencies in the identification and disclosure of related parties. This amendment will not have an impact on the Group’s financial statements.

• **IFRS 9 (new)**, ‘Financial Instruments: recognition and measurement’ (effective for annual periods beginning on or after 1 January 2013). This standard is still subject to the adoption process by EU. IAS 39 establishes 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 objective is to collect contractual cash flows and the cash flows are solely payments of principal and interest on principal. Otherwise, all debt instruments are measured at fair value through profit or loss. Novabase will apply IFRS 9 in the annual period in which becomes effective.

• **Annual improvements to IFRSs – 2010**, generally applicable for annual periods beginning on or after 1 January 2011. These improvements to several standards have not been yet adopted by EU. The annual improvements process provides a vehicle for making non-urgent but necessary amendments to IFRSs and affect six standards and one IFRIC: IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13. Novabase will apply these improvements in the annual periods in which they become effective.

• **IFRS 7 (amendment)**, 'Financial instruments: disclosures - transfers of financial assets' (effective for annual periods beginning on or after 1 July 2011). This amended standard has not been yet adopted by EU. This amendment to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets where a financial asset is transferred but the transferor retains some level of continuing exposure (referred to as 'continuing involvement') in the asset. This amendment will not have an impact on the Group's financial statements.

• **IFRS 1 (amendment)**, 'First-time adoption of International Financial Reporting Standards' (effective for annual periods beginning on or after 1 July 2011). This amendment introduces a new deemed cost exemption for entities that have been subject to severe hyperinflaction. Therefore, when an entity's date of transition to IFRS is on, or after, the functional currency normalisation date, the entity may elect to measure all assets and liabilities, held before the functional currency normalisation date, at fair value on the date of the transition to IFRS. It also remove the legacy fixed dates in IFRS 1 to provide first-time adopters with relief from retrospective restatement of derecognition and day one gain or loss transactions. This amendment will not have an impact on the Group's financial statements.

• **IAS 12 (amendment)**, 'Deferred tax: recovery of underlying assets ' (effective for annual periods beginning on or after 1 January 2012). This amended standard has not been yet adopted by EU. The amendment incorporate SIC 21 - 'Income taxes: recovery of revalued non-depreciable assets', and resulted in the exception to the measuring principle in respect of investment property measured using the fair value model included in SIC 21. Deferred tax on investment property measured at fair value is required to be determined using the rebuttable presumption that the carrying amount of the underlying asset will be recovered through sale. This amendment will not have an impact on the Group's financial statements.

Interpretations

• **IFRIC 14 (amendment)**, 'The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective for annual periods beginning on or after 1 January 2011). IFRIC 14 clarifies that when an asset is consequence of pre-payment of minimum funding contributions in respect of future service, the surplus can be recognised as an asset. This interpretation will not have an impact on the Group's financial statements.

• **IFRIC 19**, 'Extinguishing financial liabilities with equity' (effective for annual periods beginning on or after 1 July 2010). IFRIC 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in profit or loss, based on the fair value of the equity instruments issued and comparing to the carrying amount of the financial liability. The simple reclassification of the financial liability to equity is not allowed. Novabase will apply IFRIC 19 in the annual period in which becomes effective.

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 16).

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

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

2.2. Consolidation

The consolidated financial statements, as of 31 December 2010, 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 uses the acquisition method of accounting 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. 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 cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.

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 and non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity.

(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, Consulting, IMS, Digital TV and Novabase 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 Consulting 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 items 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:

	Rate on 31.12.10	**Average rate for the year**
• Polish Zloty (PLN)	€ 0.2518	€ 0.2497
• Romanian Novo Lei (RON)	-	€ 0.2386
• Kwanza from Angola (AOA)	€ 123.9682	€ 119.3673
• United States of America US Dollar (USD)	€ 1.3362	€ 1.3305
• United Arab Emirates Dirham (AED)	€ 4.8687	€ 4.8857

(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 'Edífício 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: Consulting, IMS, Digital TV and Novabase 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 held for trading, (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 held for trading

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 in the reporting date, an impairment loss is recognised in the statement of comprehensive income, in the 'Share of loss of associates' heading.

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 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 initial 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 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. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

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 using a straight-line basis over the period of the contract.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(d) 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.

Operational 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. 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.

2.23. Comparatives

The consolidated financial statements for the year ended 31 December 2010 are comparable in all material aspects with the year 2009, 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, including the effects of variations in market prices of debt and equity, exchange rates and interest rates.

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 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 2009	**Euro**	**Dollar**	**Other**	**Total**
Assets				
Other non-current assets	134	-	-	134
Trade and other receivables	78,281	12,203	247	90,731
Accrued income	11,055	-	-	11,055
Derivative financial instruments	58	-	-	58
Cash and cash equivalents	24,687	96	189	24,972
	114,215	12,299	436	126,950
Liabilities				
Other non-current liabilities	1,123	-	-	1,123
Borrowings	8,470	-	-	8,470
Trade and other payables	57,874	4,827	73	62,774
Derivative financial instruments	139	-	-	139
Deferred income and other current liabilities	19,662	-	-	19,662
	87,268	4,827	73	92,168

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

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 2010, 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 742 thousand in 2010 (2009: EUR 784 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 2010 and 2009, most of the Group's borrowings were issued at variable 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 2010, 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 74 thousand, in 2010 and in an increase or decrease, respectively, of approximately EUR 82 thousand, in 2009.

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 2010, the 60 customers with greater balances of the Group represented approximately 82% of the total balance (2009: 90%).

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

	31.12.10	31.12.09
Portugal	82%	87%
Germany	1%	1%
Spain	1%	2%
Rest of Europe	1%	-
Asia	2%	4%
Middle East	3%	3%
Africa	10%	3%
	100%	100%

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

	31.12.10	31.12.09
Telecommunications	50%	62%
Consumer electronics	5%	7%
Financial Services	18%	13%
Transport	6%	3%
Public Administration	5%	3%
Information Technology	9%	7%
Energy	5%	3%
Other	2%	2%
	100%	100%

The 20 customers with greater balance at 31 December 2010 (which represent almost 2/3 of the total balance), although might have some ponctual delay in the invoices payment in the past, never represented losses for the Group. The remaining balance includes half thousand customers with an average balance of EUR 60 thousand.

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 2010 (excluding financial institutions where net balance is negative):

	31.12.10	31.12.09
A1	-	23,532
A2	11,351	-
A3	15,035	-
	26,386	23,532

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)	6,000	-
Banco Comercial Português (BCP)	7,500	-
Banco Santander Totta (Santander)	5,000	-
Barclays Bank (Barclays)	8,000	3,000
Banco Espírito Santo Espanha (BESSA)	1,000	-
Banco de Fomento de Angola (BFA)	-	2,000
	34,500	7,500

e) Capital risk management

The Group’s objectives when managing capital, which is a broader concept than ‘equity’ in the 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.

	31.12.10	31.12.09
Operating Profit	16,690	16,622
Total Equity	98,498	99,142
Return on Capital	17 %	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 2010 is around 9% (2009: 9%). In 2010, the strategy of Novabase focused on the rentability and sustainability of its business, based on the value-oriented management to Novabase core business.

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. 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 3,238 thousand (2009: EUR 2,657 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

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 Consulting operating segment.

	Consulting	IMS	Digital TV	Novabase Capital	Novabase
At 31 December 2009					
Sales and services rendered	82,536	84,788	71,559	2,531	241,414
Operating profit/(loss)	9,123	5,462	2,410	(373)	16,622
Finance costs – net	774	(493)	(100)	(8)	173
Share of loss of associates (note 33)	(29)	-	(757)	(327)	(1,113)
Income tax expense	(2,084)	(446)	(357)	253	(2,634)
Profit/(Loss) from operations	7,784	4,523	1,196	(455)	13,048
At 31 December 2010					
Sales and services rendered	80,659	103,108	49,278	3,286	236,331
Operating profit/(loss)	7,725	7,171	1,451	343	16,690
Finance costs – net	(211)	(131)	241	(14)	(115)
Share of loss of associates (note 33)	(6)	-	-	(249)	(255)
Income tax expense	(1,348)	(1,640)	454	(94)	(2,628)
Profit/(Loss) from operations	6,160	5,400	2,146	(14)	13,692

The assets and liabilities by operating segment, as well as capital expenditure, are analysed as follows:

	Consulting	IMS	Digital TV	Novabase Capital	Continuing operations	Discontinued oper. (Mobile)
At 31 December 2009						
Assets	89,087	68,280	29,007	5,650	192,024	826
Associates	215	-	-	1,699	1,914	-
Total assets	89,302	68,280	29,007	7,349	193,938	826
Total liabilities	32,430	39,276	20,737	2,360	94,803	819
Capital expenditure (12 months)	3,003	1,283	1,109	82	5,477	-

	Consulting	IMS	Digital TV	Novabase Capital	Continuing operations	Discontinued oper. (Mobile)
At 31 December 2010						
Assets	96,191	65,156	28,097	5,327	194,771	49
Associates	226	-	-	1,450	1,676	-
Total assets	96,417	65,156	28,097	6,777	196,447	49
Total liabilities	37,139	47,385	10,157	2,572	97,253	745
Capital expenditure (12 months)	5,154	3,121	763	434	9,472	-

Operating segment' assets consist primarily in property, plant and equipment, intangible assets, inventories, receivables and operating cash.

Capital expenditure comprises acquisitions to property, plant and equipment (note 7) and intangible assets (note 8).

6. Companies included in consolidation

The companies consolidated by full method, as at 31 December 2010, were the following:

	Holding company and Subsidiaries	Head Office	Share capital 31.12.10	Shareholding % 31.12.10	Shareholding % 31.12.09
	Parent company:				
	Novabase S.G.P.S., S.A.	Lisbon - Portugal	€ 15,700,697	-	-
	Consulting:				
	Novabase Consulting, 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%
a)	Novabase E. A., S.A.	Lisbon - Portugal	€ 150,000	100.0%	90.0%
a)	CelFocus, S.A.	Lisbon - Portugal	€ 100,000	55.0%	49.5%
a)	Novabase International Solutions B.V.	Amsterd. - Netherl.	€ 18,000	100.0%	90.0%
	Nbase International Investments B.V.	Amsterd. - Netherl.	€ 1,220,800	100.0%	100.0%
a)	Novabase Solutions Middle East FZ-LLC	Dubai - UAE	2,700,000 AED	100.0%	90.5%
	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%
	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%
(b5)	Novabase Infr. Integracion S. Inf., S.A.	Madrid - Spain	€ 120,202	100.0%	100.0%
(b3)	S.C. Novabase S.R.L.	Bucharest - Romania	35,920 RON	-	100.0%
	Novabase Polska Sp. z o.o.	Warsaw - Poland	50,000 PLN	100.0%	100.0%
(b1)	NBASIT-Sist. de Inf. e Telecomunic., S.A.	Luanda - Angola	47,500,000 AOA	49.4%	-
	Mobile (discontinued operations):				
	Octal 2 Mobile,S.A.	Lisbon - Portugal	€ 2,050,000	99.5%	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%
(b4)	OnTV, S.A.	Lisbon - Portugal		-	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%
(b2)	Novabase Digital TV, EURL	Caen - France	€ 10,000	100.0%	100.0%
	Novabase 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%
	Novabase Shared Services:				
	Novabase Serviços, S.A.	Lisbon - Portugal	€ 250,000	100.0%	100.0%

The following changes occurred in the consolidation universe, in 2010:

a) Acquisitions of financial holdings to non-controlling interests (see notes 20 and 21):

In the first half of 2010, it was acquired the remaining financial holding 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..

b) Entries and exits of the consolidation universe:

(b1) In the first half of 2010, NBASIT - Sistema de Informação e Telecomunicações, S.A., in Angola, was incorporated, to strengthen the international presence of the Group.

(b2) In the first half of 2010, it was also incorporated Novabase Digital TV EURL, in France, in the Caen region, a company dedicated to the Research and Development (R&D) of technologies for Digital TV area.

(b3) In the last quarter of 2010, S.C. Novabase S.R.L. was dissolved.

(b4) In the last quarter of 2010, OnTV, S.A. was dissolved.

(b5) In 2010, Novabase Infr. Integracion S. Inf., S.A. stop being considered in discontinued operations, and start being considered in IMS, since the current operations relate to IMS business, and no longer is expected any impact from Mobile closure.

The companies consolidated using the equity method, as at 31 December 2010, were the following:

	Associates (see note 9)	Head Office	Share capital 31.12.10	Shareholding % 31.12.10	Shareholding % 31.12.09	Equity 31.12.10	Results 31.12.10
	Fundo Capital Risco para Invest. Qualif.	Lisbon - Portugal	€ 7,142,857	30.0%	30.0%	4,872	(620)
(*)	Novabase Atlântico - Sist. Informação,S.A.	P. Delg. - Portugal	€ 216,875	60.0%	60.0%	260	(10)
	TechnoTrend Holding N.V.	Amsterd. - Netherl.	€ 97,295	49.5%	49.5%	Unavailable info.	Unavailable info.

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

7. Property, plant and equipment

	31.12.10			31.12.09		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Buildings and other constructions	4,079	986	3,093	3,520	472	3,048
Basic equipment	6,692	2,942	3,750	5,379	2,492	2,887
Transport equipment	4,647	2,547	2,100	4,929	3,106	1,823
Tools and utensils	49	7	42	-	-	-
Furniture, fittings and equipment	1,432	585	847	1,628	670	958
Other tangible assets	8	4	4	8	3	5
	16,907	7,071	9,836	15,464	6,743	8,721

During 2009, movements in property, plant and equipment were as follows:

	Balance at 01.01.09	Acquisitions / increases	Write off's	Transfers	Balance at 31.12.09
Cost:					
Buildings and other constructions	3,114	702	(306)	10	3,520
Basic equipment	4,196	1,635	(606)	154	5,379
Transport equipment	4,773	1,311	(1,155)	-	4,929
Tools and utensils	5	-	(5)	-	-
Furniture, fittings and equipment	1,946	130	(441)	(7)	1,628
Other tangible assets	12	-	(4)	-	8
	14,046	3,778	(2,517)	157	15,464
Accumulated depreciation:					
Buildings and other constructions	498	205	(231)	-	472
Basic equipment	1,626	1,259	(393)	-	2,492
Transport equipment	3,005	1,256	(1,155)	-	3,106
Tools and utensils	3	-	(3)	-	-
Furniture, fittings and equipment	787	240	(357)	-	670
Other tangible assets	6	1	(4)	-	3
	5,925	2,961	(2,143)	-	6,743

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

	Balance at 01.01.10	Acquisitions / increases	Write off's	Transfers	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

Buildings and other constructions includes construction works in the amount of EUR 2,919 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).

'Transport equipment' heading includes the following finance lease contracts:

	31.12.10	31.12.09
Acquisition cost	4,610	4,929
Accumulated depreciation	(2,545)	(3,106)
Net book value	2,065	1,823

	31.12.10	31.12.09
Depreciation charge	1,096	1,256

8. Intangible assets

	31.12.10			31.12.09		
	Cost	Accumulated amortisation	Net book value	Cost	Accumulated amortisation	Net book value
Internally generated intangible assets	1,088	20	1,068	2,165	1,919	246
Industrial property and other rights	13,334	8,171	5,163	10,605	6,063	4,542
Work in progress	1,623	-	1,623	615	-	615
Goodwill	23,375	-	23,375	23,375	-	23,375
	39,420	8,191	31,229	36,760	7,982	28,778

During 2009, movements in intangible assets were as follows:

	Balance at 01.01.09	Acquisitions / increases	Impairment ch. / Write off's	Transfers	Balance at 31.12.09
Cost:					
Internally generated intangible assets	2,748	-	(583)	-	2,165
Industrial property and other rights	11,639	1,258	(2,305)	13	10,605
Work in progress	344	441	-	(170)	615
Goodwill	23,375	-	-	-	23,375
	38,106	1,699	(2,888)	(157)	36,760
Accumulated amortisation:					
Internally generated intangible assets	1,663	744	(488)	-	1,919
Industrial property and other rights	6,962	1,406	(2,305)	-	6,063
	8,625	2,150	(2,793)	-	7,982

During 2010, movements in intangible assets were as follows:

	Balance at 01.01.10	Acquisitions / increases	Impairment ch. / Write off's	Transfers	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

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 Consulting	8,295	6,076	2,219
(ii)	SAP RH and SAP Logística	6 years	Novabase Serviços	714	399	315
(iii)	Commercial patents	3 years	NB Digital TV GmbH	1,000	639	361
(iv)	Software SCADA	5 years	Novabase Consulting	750	75	675
(v)	SAP HCM	6 years	Novabase Serviços	292	-	292
	Other			2,283	982	1,301
				13,334	8,171	5,163

(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.

'**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 10.1 Million (2009: EUR 9.1 Million).

Movements in **goodwill** were as follows:

	31.12.10	31.12.09
Balance at 1 January	24,994	24,994
Balance at 31 December	24,994	24,994

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

	31.12.10	31.12.09
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.

	31.12.10	31.12.09
Consulting	14,155	14,155
IMS	685	685
Digital TV	8,535	8,535
	23,375	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:

	Consulting	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 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

		Shareholding %		Acquisition cost	
		31.12.10	31.12.09	31.12.10	31.12.09
	Fundo Capital Risco (note 6)	30.0%	30.0%	1,450	1,699
(i)	Novabase Atlântico, SI, S.A. (note 6)	60.0%	60.0%	209	215
(ii)	Ent. Comerc. Prod. Mobilidade Eléctrica	33.3%	-	17	-
	TechnoTrend Holding N.V. (note 6)	49.5%	49.0%	-	-
				1,676	1,914

(i) 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 the equity method.

(ii) 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.

10. Deferred income tax assets and liabilities

The Group Novabase recognises the tax effects on timing differences that arise between the tax basis of assets and liabilities and their carrying amount in the consolidated financial statements, in accordance with IAS 12 - Income Taxes.

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:

	31.12.10	31.12.09
Deferred tax assets:		
To be recovered within 12 months	2,348	2,637
To be recovered after more than 12 months	8,048	5,704
	10,396	8,341
Deferred tax liabilities:		
To be recovered within 12 months	809	-
To be recovered after more than 12 months	100	100
	909	100

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

	31.12.10	31.12.09
Balance at 1 January	8,341	10,092
Transfers	(12)	224
Exchange differences	9	-
Profit or loss charge	2,058	(1,975)
Balance at 31 December	10,396	8,341

The movement in the deferred income tax liabilities refers to the cost of autonomous taxation, to be paid in 2012.

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 2009	4,121	4,380	1,591	10,092
Profit or loss charge	(1,026)	(966)	17	(1,975)
Transfers	219	-	5	224
Balance at 31 December 2009	3,314	3,414	1,613	8,341
Profit or loss charge	(939)	2,936	61	2,058
Transfers	(12)	-	-	(12)
Exchange differences	9	-	-	9
Balance at 31 December 2010	2,372	6,350	1,674	10,396

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	33	-	-	33
Between 1 and 2 years	774	668	-	1,442
Between 2 and 3 years	280	88	-	368
Between 3 and 4 years	263	700	-	963
Between 4 and 5 years	244	3,364	-	3,608
Between 5 and 6 years	-	1,530	-	1,530
Over 6 years	778	-	-	778
With no defined date	-	-	1,674	1,674
	2,372	6,350	1,674	10,396

11. Other non-current assets

	31.12.10	31.12.09
Financial investments disposal	69	134
	69	134

This heading refers to the non-current amount related to the disposal of the financial holding in Sapi 2 ci, Consultadoria Informática, S.A..

The fair value of 'Other non-current assets' balance approximates its carrying amount.

12. Inventories

	31.12.10	31.12.09
Merchandise	10,872	6,740
Finished products	195	2,252
Raw materials, subsidiary goods and consumables	311	458
	11,378	9,450
Inventory impairment	(975)	(857)
	10,403	8,593

Movements in inventory impairment are analysed as follows:

	31.12.10	31.12.09
Balance at 1 January	857	1,508
Impaiment (see note 29)	282	111
Impaiment reversal (see note 29)	(166)	(77)
Gains on inventories	2	-
Write off's	-	(685)
	975	857

The cost of inventories recognised as expense and included in 'Cost of sales' and 'External supplies and services' headings amounted to EUR 102,750 thousand (2009: EUR 108,674 thousand).

13. Financial instruments by category

At 31 December 2009	Loans and receivables	Assets/liabilit. at fair value through P&L	Other financial liabilities	Non-financial assets/ liabilities	Total
Assets					
Other non-current assets	134	-	-	-	134
Trade and other receivables	90,731	-	-	3,329	94,060
Accrued income	11,055	-	-	-	11,055
Derivative financial instruments	-	58	-	-	58
Other current assets	-	-	-	2,485	2,485
Cash and cash equivalents	24,972	-	-	-	24,972
	126,892	58	-	5,814	132,764
Liabilities					
Other non-current liabilities	-	-	1,123	-	1,123
Borrowings	-	-	8,470	-	8,470
Trade and other payables	-	-	62,774	-	62,774
Derivative financial instruments	-	139	-	-	139
Deferred income and other current liabilities	-	-	19,662	-	19,662
	-	139	92,029	-	92,168

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

14. Trade and other receivables

	31.12.10	31.12.09
Trade receivables	80,409	91,580
Allowance for impairment of trade receivables	(2,012)	(3,452)
	78,397	88,128
Prepayments to suppliers	537	1,011
Employees	73	151
Value added tax	693	2,167
Receivables from related parties (note 39)	753	896
Financial investments disposal	150	149
Receivables from financed projects	2,113	1,206
Other receivables	4,011	4,107
Allowance for impairment of other receivables	(3,442)	(3,755)
	4,888	5,932
	83,285	94,060

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

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

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

	31.12.10	31.12.09
Carrying amount of receivables not due	46,085	48,837
Carrying amount of receivables not impaired		
Past due for less than 6 months	24,931	33,395
Past due for more than 6 months	7,343	5,857
Carrying amount of receivables due and not impaired	32,274	39,252
Carrying amount of receivables impaired		
Past due for less than 6 months	4	438
Past due for more than 6 months	2,046	3,053
Carrying amount of receivables due and impaired	2,050	3,491
	80,409	91,580

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

	Trade receivables		Other receivables		Total	
	31.12.10	31.12.09	31.12.10	31.12.09	31.12.10	31.12.09
Balance at 1 January	3,452	2,693	3,755	3,960	7,207	6,653
Impairment (note 29)	203	978	29	66	232	1,044
Impairment reversal (note 29)	(1,033)	(219)	(216)	(225)	(1,249)	(444)
Transfers	79	-	32	(232)	111	(232)
Recovery of bad debts	16	-	-	-	16	-
Write off's	(705)	-	(158)	186	(863)	186
	2,012	3,452	3,442	3,755	5,454	7,207

15. Accrued income

	31.12.10	31.12.09
- Ongoing projects	12,775	10,132
- Other accrued income	1,260	923
	14,035	11,055

16. Derivative financial instruments

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

	Assets		Liabilities	
	31.12.10	31.12.09	31.12.10	31.12.09
- Forward foreign exchange contracts	197	58	353	139
	197	58	353	139

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 2010, 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 held for trading.

At 31 December 2010, the Group had forward foreign exchange contracts of EUR Call / USD Put with the notional amount of USD 16,278,000 and forward foreign exchange contracts of EUR Put / USD Call with the notional amount of USD 8,620,000.

17. Other current assets

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

	31.12.10	31.12.09
- Hardware and software maintenance	97	134
- Subcontracts	1,345	511
- Rents	304	506
- Software licensing	39	284
- Consulting	165	227
- Other prepayments	1,884	823
	3,834	2,485

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

18. 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:

	31.12.10	31.12.09
- Cash	7	4
- Short term bank deposits	28,081	24,968
Cash and cash equivalents	28,088	24,972
- Overdrafts	(1,031)	(946)
	27,057	24,026

In 2009, the change in consolidation universe refers to the dissolution of the subsidiary Contactless SBCA, S.A., which had a negative impact of EUR 215 thousand.

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

The maximum exposure to credit risk at the reporting date is the carrying amount mentioned above.

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

The share capital at 31 December 2010, 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 2009	31,401	15,701	(429)	49,213	64,485
Treasury shares purchased	-	-	(416)	-	(416)
Treasury shares transferred	-	-	117	-	117
Treasury shares disposed	-	-	5	-	5
Balance at 31 December 2009	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

In the annual General Meeting of Shareholders held on 29 April 2010, it was approved:

(i) The reduction of the share capital to 10,048,446 Euros, to be carried out by means of a reduction of the nominal value of all the shares representing the share capital. Each share will have the nominal value of 0.32 Euros and the freed amount of 5,652,251 Euros shall be directly allocated to shareholders, corresponding to 0.18 Euros per share; and

(ii) The increase of the share capital to 15,700,697 Euros by incorporation of 5,652,251 Euros from share premium reserve, to be carried out by means of an increase of the nominal value of all the shares representing the share capital in the amount of 0.18 Euros. As a result of the share capital increase, each share will have the nominal value of 0.50 Euros.

As a result of the registration of these operations, the nominal value of all shares representing Novabase's share capital, at 31 December 2010, is 0.50 Euros, as prior to the execution of such operations.

'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 2009, Novabase S.G.P.S. held 1,445,905 treasury shares, representing 4.60% of its share capital.

During 2010, the company transferred 239,262 shares at the average price of 3.91 Euros, being those treasury shares used for the settlement of acquisitions to non-controlling interests, and as bonuses to employees.

At 31 December 2010, Novabase S.G.P.S. held 1,206,643 treasury shares, representing 3.84% 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 2010, 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 each 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 and their related weighted average exercise prices are as follows:

	31.12.10		31.12.09	
	Average exercise price per share	**Options (thousands)**	**Average exercise price per share**	**Options (thousands)**
Balance at 1 January		1,971		1,610
Granted		-	4.04	1,960
Exercised		-	4.09	(11)
Expired	4.09	(11)	6.39	(1,588)
Balance at 31 December		1,960		1,971

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

Expiry date	Exercise price	Options (thousands) 31.12.10	Options (thousands) 31.12.09
2010	4.09	-	11
2012	4.04	1,960	1,960
		1,960	1,971

In the statement of comprehensive income, under 'Employee benefit expense' heading, was booked a cost of EUR 697 thousand (2009: EUR 379 thousand) - see note 28.

20. 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.

In 2010, the Group performed operations of acquisitions to non-controlling interests, with the following impact (see note 39):

		31.12.10			31.12.09		
		Acquisition/ disposal cost	Equity acquired/ (disposed)	Acquisition difference	Acquisition / disposal cost	Equity acquired/ (disposed)	Acquisition difference
(i)	Acquisition of 12.73% in Novabase Infr. SGPS	214	-	214	180	-	180
(i)	Acquisition of Digital TV business	(246)	-	(246)	(206)	-	(206)
(ii)	Reorganization Novabase EA	-	-	-	-	(727)	727
	Acquisition of 24.5% in Collab	-	-	-	15	272	(257)
(iii)	Acquisition of 10% in Novabase Int. Solutions	1,093	742	351	-	-	-
		1,061	742	319	(11)	(455)	444

(i) In the sequence of the transactions with non-controlling interests occurred in 2008, the acquisition cost was reviewed, in 2009 and in 2010, based on the achievement of goals by the subsidiary.

(ii) Internal reorganization of Novabase EA with dilution effect in the Group share.

(iii) 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 319 thousand. The non-controlling interests decreased by EUR 742 thousand.

21. Non-controlling interests

	31.12.10	31.12.09
Balance at 1 January	5,644	5,165
Transactions with non-controlling interests - see note 20	(742)	455
Changes in consolidation universe (*)	173	(142)
Foreign currency translation differences for foreign operations	10	-
Profit attributable to non-controlling interests	639	166
Balance at 31 December	5,724	5,644

(*) In 2009, Contactless SBCA, S.A. was dissolved, being lapsed the balance of non-controlling interests (EUR 142 thousand). In 2010, NBASIT - Sistema de Informação e Telecomunicações, S.A. (Angola) was incorporated.

22. Borrowings

	31.12.10	31.12.09
Non-current		
Bank borrowings	6,200	2,500
Finance lease liabilities	1,679	1,468
	7,879	3,968
Current		
Bank borrowings	4,272	3,162
Finance lease liabilities	1,061	1,340
	5,333	4,502
Total borrowings	13,212	8,470

The fair value of 'Borrowings' balance approximates its carrying amount.

The periods in which the current bank borrowings will be paid and negotiated with different conditions are as follows:

	31.12.10	31.12.09
6 months or less	3,097	1,980
6 to 12 months	1,175	1,182
	4,272	3,162

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

	31.12.10	31.12.09
Between 1 and 2 years	2,450	1,000
Between 2 and 5 years	3,600	1,500
Over 5 years	150	-
	6,200	2,500

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

	31.12.10	31.12.09
Bank borrowings	4.299%	2.658%
Bank overdrafts	1.568%	2.016%

Gross finance lease liabilities – minimum lease payments:

	31.12.10	31.12.09
No later than 1 year	1,526	1,817
Between 1 and 5 years	2,264	1,989
	3,790	3,806
Future finance charges on finance leases	(1,050)	(998)
Present value of finance lease liabilities	2,740	2,808

The present value of finance lease liabilities is as follows:

	31.12.10	31.12.09
No later than 1 year	1,061	1,340
Between 1 and 5 years	1,679	1,468
	2,740	2,808

23. Provisions

Movements in **Provisions** are analysed as follows:

	Warranties	Legal claims	Other risks and charges	Total
Balance at 1 January 2009	791	100	959	1,850
Additional provisions (note 29)	626	15	460	1,101
Used during the year (note 29)	(627)	-	(300)	(927)
Transfers	-	384	(163)	221
Balance at 31 December 2009	790	499	956	2,245
Additional provisions (note 29)	178	-	425	603
Used during the year (note 29)	(588)	(15)	(612)	(1,215)
Balance at 31 December 2010	380	484	769	1,633

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.

24. Other non-current liabilities

	31.12.10	31.12.09
Acquisition of financial interests to non-controlling interests (note 39)	927	1,123
	927	1,123

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 20).

The fair value of 'Other non-current liabilities' balance approximates its carrying amount.

The due date of these liabilities is as follows:

	31.12.10	31.12.09
Between 1 and 2 years	683	595
Between 2 and 5 years	244	528
	927	1,123

25. Trade and other payables

	31.12.10	31.12.09
Trade payables	19,122	27,512
Remunerations, vacations and vacation subsidy	8,240	7,468
Bonus	10,160	10,413
Ongoing projects	3,008	1,959
Value added tax	6,954	7,000
Social security contributions	1,954	1,704
Income tax withholding	1,391	1,050
Employees	181	122
Prepayments from trade receivables	24	205
Acquisition of financial interests to non-controlling interests (note 39)	683	646
Other accrued expenses	4,524	4,099
Other payables	860	596
	57,101	62,774

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

The maturity of these liabilities is as follows:

	31.12.10	31.12.09
No later than 1 year	57,101	62,774
	57,101	62,774

26. Deferred income and other current liabilities

	31.12.10	31.12.09
Subsidies		
- Research and development subsidies	2 974	1 253
- Training subsidies	-	109
Consulting projects	19 833	18 300
	22,807	19,662

At 31 December 2010, the Group expect to comply with the relevant conditions to receive the following financial incentives for research, development and training:

	Contracted amount	Acum. received amount
Subsidies:		
- NSRF - Incentive Scheme for Research and Technological Development (R&D)	2 346	1 080
- Other subsidies	1 120	273
	3,466	1,353

27. External supplies and services

	31.12.10	31.12.09
Subcontracts	23,310	20,102
Supplies and services:		
Commissions and consultancy fees	9,554	9,792
Transportation, travel and accommodation expenses	6,834	5,774
Rents	2,776	2,860
Specialized services	1,862	1,703
Freight	1,002	1,175
Advertising and promotion	1,715	1,023
Water, electricity and fuel	973	844
Communications	824	651
Insurance	447	368
Utensils, office supplies and technical documentation	221	150
Other supplies and services	860	866
	27,068	25,206
	50,378	45,308

28. Employee benefit expense

	31.12.10	31.12.09
Board members remuneration	8,057	7,609
Salaries and wages	55,613	52,501
Social security charges	9,330	8,367
Stock options granted to employees and board members	697	379
Other personnel expenses	1,910	1,647
	75,607	70,503

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

	31.12.10	31.12.09
Consulting	1,141	1,044
IMS	413	375
Digital TV	306	308
Novabase Capital	43	35
Novabase Shared Services	100	99
	2,003	1,861

29. Other gains/(losses) - net

	31.12.10	31.12.09
Impairment and impairment reversal of trade and other receivables	1,017	(600)
Impairment and impairment reversal of inventories	(116)	(34)
Warranties provision	410	1
Legal claims provision	15	(15)
Provisions for other risks and charges	187	(160)
Operational subsidies	569	319
Other operational gains and losses	(135)	380
	1,947	(109)

30. Depreciation and amortisation

	31.12.10	31.12.09
Property, plant and equipment:		
Buildings and other constructions	523	205
Basic equipment	1,475	1,259
Transport equipment	1,097	1,256
Tools and utensils	7	-
Furniture, fittings and equipment	188	240
Other tangible assets	1	1
	3,291	2,961
Intangible assets:		
Internally generated intangible assets	266	744
Industrial property and other rights	1,921	1,406
	2,187	2,150
	5,478	5,111

31. Finance income

	31.12.10	31.12.09
Interest received	197	825
Positive exchange differences	4,975	2,106
Other financial gains	84	29
	5,256	2,960

32. Finance costs

	31.12.10	31.12.09
Interest expenses		
- Borrowings	(212)	(184)
- Finance lease liabilities	(533)	(484)
- Factoring	-	(16)
- Other interest	(154)	(57)
Bank guarantees charges	(116)	(123)
Bank services	(152)	(144)
Negative exchange differences	(4,189)	(1,778)
Other financial losses	(15)	(1)
	(5,371)	(2,787)

33. Share of loss of associates

		Profit / (Loss) - see note 9	
		31.12.10	31.12.09
	Fundo Capital Risco and its subsidiaries	(249)	(417)
	Gains on financial investment disposal in Superemprego, S.A.	-	90
	Novabase Atlântico - Sist. Informação,S.A.	(6)	(29)
(*)	TechnoTrend GmbH	-	(757)
		(255)	(1,113)

(*) Since the beginning of October 2008, Novabase lost the power to govern the financial and operating policies of this company, therefore, has abandoned the full method and has adopted the equity method of consolidation. In the end of that year, the fair value of this financial holding was considered null, and the Group recognised its total impairment. In 2009, the Group paid approximately EUR 757 thousand to end the legal dispute with Goetzpartner investment bank regarding intermediation services in the disposal of the associate TechnoTrend GmbH, of which EUR 700 thousand refers to the agreement with the bank and EUR 57 thousand are costs incurred in the process.

34. Income tax expense

Since 1 January 2009, Novabase is subject to 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:

	31.12.10	**31.12.09**
Current tax	3,877	659
Deferred tax on temporary differences	(1,249)	1,975
	2,628	2,634

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:

	31.12.10	**31.12.09**
Profit before income tax	16,320	15,682
Income tax expense at nominal rate (25%)	4,080	3,921
Tax benefit on the net creation of employment for young and long term unemployed people	(522)	(368)
Provisions and amortisations not considered for tax purposes	155	226
Recognition of tax on the events of previous years	12	-
Non taxable gains arising from financial holdings disposals	-	(23)
Associates' results reported net of tax	64	112
Autonomous taxation	2,228	558
Losses in companies where no deferred tax is recognised	(221)	(26)
Expenses not deductible for tax purposes	124	-
Differential tax rate on companies located abroad	(7)	-
Research & Development tax benefit	(3,886)	(2,078)
Municipal surcharge	297	299
Impairment of Special Payment on Account and tax losses	325	-
Other	(21)	13
Income tax expense	2,628	2,634

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 19).

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:

	31.12.10	**31.12.09**
Weighted average number of ordinary shares in issue	30,138,589	30,257,068
Stock options adjustment	-	104,663
Adjusted weighted average number of ordinary shares in issue	30,138,589	30,361,730
Profit attributable to owners of the parent	13,053	12,882
Basic earnings per share (Euros per share)	0.43 Euros	0.43 Euros
Diluted earnings per share (Euros per share)	0.43 Euros	0.42 Euros

36. Dividends per share

The amounts paid in 2010, in the total amount of EUR 15,700 thousand, 0.5 Euros per share, corresponds to dividends paid to Novabase' shareholders, in the amount of EUR 10,048 thousand, 0.32 Euros per share, and the amounts freed as result of the share capital reduction, in the amount of EUR 5,652 thousand, 0.18 Euros per share. 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 2010, the Board of Directors will propose to the Annual General Meeting of Shareholders of 2011, the payment of 0.13 Euros per share, that is, a total amount of EUR 4.1 Million. These financial statements do not reflect this dividend payable.

37. Commitments

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

	Bank	31.12.10	31.12.09
Novabase S.G.P.S., S.A.	BPI	1,499	2
Novabase E. A., S.A.	BES	60	-
Novabase Consulting, S.A.	BPI	966	1,540
Novabase Consulting, S.A.	BES	5,002	4,762
NBO Recursos em TI, S.A.	BPI	10	473
NBO Recursos em TI, S.A.	BES	-	73
Novabase Serviços, S.A.	BPI	12	17
Novabase Serviços, S.A.	BES	390	371
CelFocus, S.A.	BES	465	112
COLLAB – Sol. I. Com. e Colab., S.A.	BES	229	186
Octal - Engenharia de Sistemas, S.A.	BCP	472	472
Octal - Engenharia de Sistemas, S.A.	BES	513	493
Novabase IMS Infr. & Manag. Services, S.A.	BES	5,727	5,361
Novabase IMS Infr. & Manag. Services, S.A.	BCP	278	13
Novabase IMS Infr. & Manag. Services, S.A.	BPI	330	-
Novabase Infr. Integracion S. Inf., S.A.	BESSA	34	103
Novabase Digital TV E.S. Tel. Inter., S.A.	BCP	237	237
Novabase Digital TV E.S. Tel. Inter., S.A.	BBVA	-	237
Novabase Digital TV E.S. Tel. Inter., S.A.	BES	183	-
Novabase Consulting Espanha, S.A.	BESSA	68	49
		16,475	14,501

Novabase Capital has an option to acquire all the units held by IAPMEI in Fundo Capital de Risco, 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.

In 2010, the Group had the following grouped credit lines contracted:

Group of companies	Plafond
Novabase IMS; Novabase Digital TV	2.5 M€
Novabase S.G.P.S.; Novabase IMS	5.0 M€
Novabase S.G.P.S.; Novabase Digital TV	3.0 M USD

There are commitments resulting from operating leases. At 31 December 2010, these obligations refers mainly to the leases of 'Edifício Caribe', the Company's headquarter, and of the new facilities of the logistics unit. The minimum lease payments under these operating lease liabilities amounts to EUR 4,533 thousand (2009: EUR 6,207 thousand).

38. Net Cash

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

	31.12.10	**31.12.09**
Cash (note 18)	7	4
Short term bank deposits (note 18)	28,081	24,968
Treasury shares held by the Company (*)	3,499	6,420
Non-current bank borrowings (note 22)	(6,200)	(2,500)
Current bank borrowings (note 22)	(4,272)	(3,162)
	21,115	25,730

(*) The share price in the Stock Exchange in the last tradable day of 2010 was 2.90 Euros (2009: 4.44 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) Sales of goods and services rendered

	31.12.10	**31.12.09**
BES Group	13,960	26,287
	13,960	26,287

ii) Purchases of goods and services

	31.12.10	**31.12.09**
BES Group	582	211
	582	211

iii) Key management compensation

	31.12.10	**31.12.09**
Salaries and other short-term employee benefits	8,057	7,609
Stock options granted (note 28)	697	379
	8,754	7,988

iv) Advanced payments / loans to key elements in the Group management

	31.12.10	**31.12.09**
Advanced payments	-	98
	-	98

v) Balances arising from purchases / sales of goods and services

	31.12.10	**31.12.09**
Receivables from related parties		
BES Group	3,835	6,607
	3,835	6,607
Payables from related parties		
BES Group	68	-
	68	-

vi) Acquisition of financial interests to related parties (see note 20)

	31.12.10	**31.12.09**
Acquisitions to former shareholders of Novabase Infraestruturas, SGPS	214	180
Acquisitions to former shareholders of Novabase Digital TV, S.A.	(246)	(206)
Acquisitions to former shareholders of Collab	-	15
Acquisitions to former shareholders of Novabase International Solutions B.V.	1,093	-
	1,061	(11)

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

	Non-current (note 24)		Current (note 25)		Total	
	31.12.10	31.12.09	31.12.10	31.12.09	31.12.10	31.12.09
Novabase Consulting SGPS	306	612	307	307	613	919
Novabase Infraestruturas, SGPS	-	-	-	50	-	50
Novabase Dig. TV, Novabase Int.TV e OnTV	-	179	-	178	-	357
Novabase A. C. D.	157	235	78	78	235	313
SAF	65	97	32	33	97	130
Novabase International Solutions B.V.	399	-	266	-	665	-
	927	1,123	683	646	1,610	1,769

viii) Other balances with related parties

	31.12.10	31.12.09
Loan to Mind	259	259
Loan to Forward	22	22
Loan to Novabase Atlântico	450	559
Loans to other associates	22	56
Receivables from related parties (note 14)	753	896
Provisions for loans granted to associates	(259)	(259)
	494	637

ix) Bank deposits and finance investments (including overdrafts)

	31.12.10	31.12.09
BES Group	11,351	7,692

x) Interest paid on loans from related parties

	31.12.10	31.12.09
BES Group	-	6

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 the Mobility Solutions area, which already includes all risks and costs involved in the closure of the activity. The implementation of the closure plan has been carried out as forecasted and is almost finalized. The pending situations involve legal processes and negotiations with suppliers.

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

	31.12.10	31.12.09
Assets		
Tangible and intangible assets	-	53
Deferred income tax assets	-	(17)
Total Non-Current Assets	-	36
Trade receivables	1	83
Other receivables, accrued income and other current assets	48	707
Cash and cash equivalents	-	-
Total Current Assets	49	790
Assets for discontinued operations	49	826
Liabilities		
Provisions	-	50
Total Non-Current Liabilities	-	50
Borrowings	-	19
Trade and other payables	745	750
Total Current Liabilities	745	769
Liabilities for discontinued operations	745	819

The cash flows for discontinued operations are detailed as follows:

	31.12.10	31.12.09
Cash flows from operating activities	-	350
Cash flows from investing activities	-	-
Cash flows from financing activities	-	(350)
Cash and bank overdrafts from discontinued operations - net	-	-

41. Contingencies

At 31 December 2010, 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). This case awaits final hearing. Preliminary hearing has been scheduled for March 11, 2011. On the appointed date for the preliminary hearing the parties failed to agree, having been drawn up specifications and questionnaires, and was designated the date of final hearing for January 9, 2012.

- 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. The procedure is pending conclusion of experts' appointed by the parties and the Court analysis of the software, after which the judge will determine the date for final hearing.

- 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. The procedure awaits decision by the competent organism (Centro Distrital da Segurança Social de Lisboa).

- 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. Final hearing has been scheduled fo May 4, 2011.

- 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. The procedure awaits decision on this appeal.

- 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 Consulting 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, only EUR 28 thousand are 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 procedure awaits decision by the competent organism (Centro Distrital da Segurança Social de Lisboa).

- NBO 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 85 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 procedure awaits decision by the competent organism (Centro Distrital da Segurança Social de Lisboa).

- 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).

- The Capital Fund for Qualified Investors Novabase/FCR FIQ, 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.

- Corrections project brought by DGCI – Direcção Geral de Contribuições e Impostos (Portuguese Tax Authority) against former Novabase A.C.D. (merged into Novabase Consulting 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. The Tax Authority reviewed the amount of the corrections and the contingency was reduced to approximately EUR 682 thousand. Novabase presented hierarchical appeal and is awaiting decision, but mantained the provision of EUR 383 thousand.

- 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, which are awaiting decision. Currently, the company is awaiting for the next stage of the tax amnesty program that will define the exactly discounts that will be obtained and the amount to be paid.

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 statement of financial position or its annex;

(ii) The total remuneration paid to the Chartered Accountant in 2010 was 202,800 Euros, of which 200,000 Euros correspond to legal accounts audit services, while the remaining 2,800 Euros, relate other works;

(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 the intention to implement a shareholder remuneration policy

The Board of Directors announced its intention to propose to the annual General Meeting of 2011 the implementation of a shareholder remuneration policy with the following main terms and conditions: (i) payment, in 2011, of a cash dividend of 0.13 Euros per share, corresponding to a global amount of EUR 4.1 Million; and (ii) as from 2011 onwards, annual payment of a dividend in the amount corresponding to between 30% and 40% of the consolidated net profit of each financial year.

Novabase received approval for its applications for SAFPRI

Taking into account the enlargement of its activities, Novabase Capital received approval from the Steering Committees of the COMPETE and POR Lisboa, for its applications for SAFPRI (Support System for the Financing and Risk Sharing of Innovation) under the NSRF, framework co-financed by the European Union via the ERDF, to create two venture capital funds, 'Novabase Capital Inovação e Internacionalização' and 'Novabase Capital Early Stage'. The 'Novabase Capital Inovação e Internacionalização' fund, with a maximum provision of EUR 10.1 Million, including a contribution from the COMPETE program of EUR 5 Million, will focus on investments in technology-based SMEs in the area of Information Technologies in the Northern, Central and Alentejo regions and the 'Novabase Capital Early Stage' fund, with a maximum provision of EUR 1.26 Million, including a contribution from the POR Lisboa program of EUR 0.5 Million, for the Lisbon region.

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

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 2010.

Over the course of the period ended December 31, 2010, the Audit Committee held 14 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

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, 31st March 2011

The Audit Committee

Luis Mira Amaral (Chairman)

Manuel Alves Monteiro (Member)

João Luís Duque (Member)

Statutory Auditors Report in respect of the Consolidated Financial Information

(Free translation from the original version in Portuguese)

Introduction

1 As required by law, we present the Statutory Auditors Report in respect of the Consolidated Financial Information included in the consolidated Board of Directors' Report and the consolidated financial statements of Novabase, SGPS, SA., comprising the Consolidated statement of financial position as at December, 31, 2010, (which shows total assets of Euros 196.496 thousand, total non-controlling interests of Euros 5.724 thousand and a total shareholder's equity of Euros 98.498 thousand including a net profit of Euros 13.053 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 consolidated Directors' Report and consolidated financial statements which present fairly, in all material respects, the financial position of the company and its subsidiaries, the consolidated changes in equity, the consolidated comprehensive income of their operations and their consolidated cash flows; (ii) to prepare historic financial information in accordance with International Financial Reporting Standards as adopted by the EU and which is complete, true, timely, clear, objective and licit, as required by the Portuguese Securities Market Code; (iii) to adopt adequate accounting policies and criteria; (iv) to maintain appropriate systems of internal control; and (v) to disclose any relevant matters which have influenced the activity, the financial position or results of the company and its subsidiaries.

3 Our responsibility is to verify the consolidated financial information included in the documents referred to above, namely if it is complete, true, timely, clear, objective and licit, as required by the Portuguese Securities Market Code, and to issue an independent and professional report based on our audit.

Scope

4 We conducted our audit in accordance with the Standards and Technical Recommendations approved 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 of material misstatement. Accordingly, our audit included: (i) verification that the subsidiary's financial statements have been properly 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 Management used in the preparation of the consolidated financial statements; (ii) verification of the consolidation operations, and, when applicable, the utilization of the equity method; (iii) assessing the appropriateness and consistency of the accounting principles used and their disclosure, as applicable; (iv) assessing the applicability of the going concern basis of accounting; (v) assessing the overall presentation of the consolidated financial statements;

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Sede: Palácio Sottomayor, Rua Sousa Martins, 1 - 3º, 1069-316 Lisboa, Portugal
Tel +351 213 599 000, Fax +351 213 599 999, www.pwc.com/pt
Matriculada na Conservatória do Registo Comercial sob o NUPC 506 628 752, Capital Social Euros 314.000

and (vi) assessing whether the consolidated financial information is complete, true, timely, clear, objective and licit.

5 Our audit also covered the verification that the information included in the consolidated Directors' Report is in agreement with the other documents as well as the verification set forth in paragraphs 4 and 5 of Article 451 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, 2010, the consolidated changes in equity, the comprehensive income of their operations and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the information included is complete, true, timely, clear, objective and licit.

Report on other legal requirements

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

March, 31, 2011

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
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 31.12.09	Transactions	Number of shares held by Board Members at 31.12.10	% of shares held by Board Members at 31.12.10
Novabase S.G.P.S., S.A.	**15,700,697 €**	**31,401,394**	**11,270,757**	**67,411**	**11,338,168**	**36.1%**
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			1,903,040	15,000	1,918,040	6.1%
Rogério dos Santos Carapuça			1,884,787	0	1,884,787	6.0%
João Nuno da Silva Bento			1,799,793	0	1,799,793	5.7%
Álvaro José da Silva Ferreira			920,000	33,100	953,100	3.0%
Nuno Carlos dos Santos Fórneas			61,706	19,311	81,017	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**	**0**	**800**	**800**	**0.8%**
Álvaro José da Silva Ferreira			0	400	400	0.4%
Francisco Paulo Figueiredo Morais Antunes			0	200	200	0.2%
Luís Paulo Cardoso Salvado			0	200	200	0.2%
CelFocus, S.A.	**100,000 €**	**100,000**	**3**	**0**	**3**	**0.0%**
Paulo Jorge Barros Pires Trigo			1	0	1	0.0%
Francisco Manuel Martins Pereira do Valle			1	0	1	0.0%
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**	**200,000**	**80.0%**
Bernardo Gomes Pinto			50,000	0	50,000	20.0%
Carlos Costa Brito			50,000	0	50,000	20.0%
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%
Novabase International Solutions, B.V.	**18,000 €**	**18,000**	**1,080**	**(1,080)**	**0**	**0.0%**
Paulo Jorge Barros Pires Trigo			720	(720)	0	0.0%
Jamie Bridel			360	(360)	0	0.0%

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STATEMENT OF COMPLIANCE

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

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Statement of the Board of Directors

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 2010, 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 31, 2011

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, Independent)

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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NOVABASE
like life

Av. D. João II, Lote 1.03.2.3,
Parque das Nações
1998-031 Lisboa, Portugal
T. +351 213 836 300
F. +351 213 836 301

www.novabase.pt