NEUROsoft

ANNUAL

FINANCIAL REPORT

for the year

ended December 31, 2010

INDEX TO THE FINANCIAL STATEMENTS

BOARD OF DIRECTORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS 3
INDEPENDENT AUDITOR'S REPORT 5
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2010 7
STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2010 8
STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY FOR THE YEAR ENDED DECEMBER 31, 2010 9
CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010 10
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010 11

1. CORPRORATE INFORMATION: 11
2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS: 12
3. PRINCIPAL ACCOUNTING POLICIES: 16
4. GROUP SEGMENT INFORMATION: 25
5. PAYROLL COST: 25
6. DEPRECIATION AND AMORTISATION: 26
7. FINANCIAL INCOME / (EXPENSES): 26
8. ANALYSIS OF EXPENSES: 27
9. INCOME TAXES: 27
10. SUBSIDIARIES - GOODWILL: 29
11. PROPERTY, PLANT AND EQUIPMENT: 31
12. INTANGIBLE ASSETS: 32
13. INVENTORIES: 32
14. TRADE ACCOUNTS RECEIVABLE: 33
15. PREPAYMENTS AND OTHER RECEIVABLES: 34
16. CASH AND CASH EQUIVALENTS: 34
17. SHARE CAPITAL: 34
18. OTHER RESERVES: 35
19. DIVIDENDS: 35
20. SHORT-TERM BORROWINGS: 36
21. TRADE ACCOUNTS PAYABLE: 36
22. ACCRUED AND OTHER CURRENT LIABILITIES: 36
23. RESERVE FOR STAFF RETIREMENT INDEMNITIES: 37
24. (LOSS) / EARNINGS PER SHARE: 38
25. RELATED PARTIES: 39
26. COMMITMENTS AND CONTINGENCIES: 40
27. FINANCIAL INSTRUMENTS: 40
28. SUBSEQUENT EVENTS: 42

BOARD OF DIRECTORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

of
«Neurosoft S.A.»

Regarding the consolidated Financial Statements
for the year ended December 31, 2010

At its meeting of May 31st, 2011, the Board of Directors of the Company approved the audited consolidated financial statements of NEUROSOFT SA for the financial year ending 31st of December 2010.

Group results include the results of the subsidiaries Gaeknar Ventures Ltd, Rockberg Holdings Ltd, Kestrel Information Systems SA and Neurosoft Romania SRL. Group turnover for the financial year of 2010 amounted to euro 2.880.396 compared to euro 3.657.320 for financial year 2009.

Losses before tax in 2010 amounted to euro 4.532.807, compared to euro 307.598 of losses for financial year 2009. The amount of losses was mainly due to the dramatic change of the economic climate in Greece.

The turnover for the parent company amounted to euro 424.000 and for the Group amounted to € 2.88 million. The drop of the turnover by area of activity was due to the following main factors:

1. Business Intelligence

As the activity of the company in this business area is basically in Greece, due to the general crisis, planned projects have been postponed, cancelled or reduced significantly. As a consequence, projects that were expected to be completed until the end of 2010, have been transferred to 2011. It is very positive, that the most important of those have been budgeted by our clients (mostly banking institutions) for the following years and therefore this area of activity is expected to grow significantly in the upcoming years.

2. Factoring

The reduction of revenues in this area was due to the delayed implementation of contracts from the clients. The implementation of the contracts is expected in the current financial year and therefore normalization of the situation is expected. Neurosoft's solution has dominated the domestic market to a big extent through a substantial, systematic and effective outward-looking planning and has become known in the wider Balkan region and southern Europe in general. In the next phase, our goal is Neurosoft to become a regional player in the wider area.

3. Sports betting

The company has devoted considerable energy to stabilize and improve the functionality of BOLT, as well as to customize the system in the best way for its two main shareholders. At the same time, the foundations were laid for the development of innovative risk management tools in the sports betting area (additional to BOLT). At a commercial level, with emphasis in the area of the WLA Lotteries, recognition has been achieved for both, Neurosoft and BOLT.

4. Information Systems - Telecommunications Solutions (KESTREL)

There was a significant reduction in revenue attributed primarily to the crisis that hit the country particularly in the telecommunications sector. There was a significant wave of mergers of telecommunications providers who were customers of KESTREL as well as freeze of major projects in the public sector in which the company was to participate, projects that had been estimated in the annual budget.

Cost of sales for the Group for 2010 amounted to € 4, 41 million compared to € 1, 98 million in 2009. The increase reflects the incorporation of the higher cost of sales of our subsidiary company named Kestrel (about € 2,04 million) as well as the decision of the company not to capitalize R&D expenses. (capitalization of € 0 in 2010 compared to € 845.000 in 2009).

The total cost of Neurosoft SA amounted to € 4,47 million in 2010 compared with € 2,69 million in 2009. The difference is partly to accounting estimates of the Management (accounts receivables impairment of € 423 thousand) and includes loss of € 150 thousand paid as deposit for the acquisition of Fasbet.

The payroll costs for Neurosoft SA in 2010 amounted to EUR € 1,84 million compared to € 2,04 million in 2009. This reduction of 10%, reflects the first results of the company's reorganization effort.

Both market conditions and in particular the economic situation of the company at the end of 2010, required significant revisions. The Board has already decided, under a revised business plan, to make a radical restructuring and rationalization of resources and expenses of the company, so that the company returns to profitability in 2011, without abandoning its strategy for development. This will be achieved and is already being implemented by rational cost cutting and redefining of the objectives of the areas of activity of the company. This restructuring program will be introduced for discussion in the General Assembly of the company, where all the changes already implemented will be presented.

In 2010, despite adverse prevailing conditions, main objectives of the company have been achieved allowing for greater optimism and future perspective. Indicatively, at the end of 2010 a strategic agreement with G2-Gtech has been accomplished, to promote the company's products to customers of this international group (more than 80 state and private lotteries worldwide).

THIS REPORT HAS BEEN TRANSLATED FROM THE ORIGINAL VERSION IN GREEK

INDEPENDENT AUDITOR'S REPORT

To the shareholders of

«NEUROSOFT SOFTWARE PRODUCTION S.A.»

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of «NEUROSOFT SOFTWARE PRODUCTION S.A.» and its subsidiaries (the «Group»), which comprise the consolidated statement of financial position as at December 31, 2010, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards of Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2010, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Matter of emphasis

Without qualifying our opinion, we draw your attention to the fact that the Group's net results for the year were losses of € 4.776.905 and the accumulated net deficit as at December 31, 2010 amounted to € 6.645.352 for an equity of € 3.091.926. The operating cash flows for the year 2010 were negative, amounting to € 3.125.696. The above circumstances imply the existence of material uncertainty which may cast significant doubt to the Group's ability to continue as a going concern.

Athens, May 31st 2011
The Certified Auditor-Accountant

Georgios A. Batsoulis
BDO Certified & Registered Auditors AE

ANNUAL

FINANCIAL STATEMENTS

for the year ended

December 31, 2010

In accordance with the International Financial Reporting Standards as adopted by the European Union

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2010

	Notes	01.01-31.12.2010	01.01-31.12.2009
Revenues	4	2.880.396	3.657.320
Cost of sales	8	(4.412.416)	(1.985.737)
Gross profit/(loss)		**(1.532.021)**	**1.671.583**
Selling expenses	8	(1.122.775)	(736.402)
Administrative expenses	8	(1.805.250)	(1.269.175)
Other income		1.020	15.537
Financial income	7	20.158	56.539
Financial expenses	7	(93.940)	(45.680)
Loss before income taxes		**(4.532.807)**	**(307.598)**
Income taxes	9	(244.099)	(101.500)
Net loss after taxes (A)		**(4.776.905)**	**(409.096)**
Other total comprehensive income after tax (B)		**-**	**-**
Total comprehensive income after tax (A)+(B)		**(4.776.905)**	**(409.096)**
Attributable to:			
Equity holders of the parent		(4.727.175)	(409.096)
Non controlling interests		(49.730)	-
		(4.776.905)	**(409.096)**
Profit per share (Basic and diluted)	**24**	(0,1911)	(0,0418)
Weighted Average Number of Shares (Basic)		25.000.000	9.775.342

The accompanying notes are an integral part of the Financial Statements

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2010

	Notes	31.12.2010	31.12.2009
ASSETS			
Non current assets			
Property, Plant and Equipment	11	245.347	232.929
Intangible assets	12	1.078.007	1.035.216
Provisional goodwill	10	-	269.899
Investments in subsidiaries	10	-	-
Investments in associates		37.000	5.000
Other non-current assets		43.226	24.463
Deferred tax assets	9	396.036	471.379
Total non current assets		**1.799.616**	**2.038.885**
Current assets			
Inventories	13	351.142	304.322
Trade Receivables	14	3.304.660	3.995.656
Prepayments and other receivables	15	776.547	1.302.496
Intragroup balances		-	-
Financial assets valued through profit and loss		3.325	6.650
Cash and cash equivalents	16	314.347	2.461.843
Total Current Assets		**4.750.021**	**8.070.967**
TOTAL ASSETS		**6.549.637**	**10.109.853**
EQUITY AND LIABILITIES			
Equity			
Share capital	17	8.750.000	8.750.000
Share premium	17	600.000	600.000
Other reserves	18	163.330	163.330
Accumulated deficit		(6.645.352)	(1.918.177)
Total		**2.867.978**	**7.595.153**
Non controlling interest		223.948	273.678
Total equity		**3.091.926**	**7.868.831**
Non-current liabilities			
Long-term leases		15.854	-
Reserve for staff retirement indemnities	23	97.405	106.501
Deferred tax liabilities	9	33.005	-
Total Non-Current Liabilities		**146.264**	**106.501**
Current Liabilities			
Trade accounts payable	21	1.042.456	926.612
Short-term borrowings	20	1.526.548	387.185
Short-term leases		13.484	4.291
Income tax payable		132.341	211.093
Accrued and other current liabilities	22	596.619	605.339
Total Current Liabilities		**3.311.447**	**2.134.520**
Total liabilities		**3.457.711**	**2.241.022**
TOTAL LIABILITIES AND EQUITY		**6.549.637**	**10.109.853**

The accompanying notes are an integral part of the Financial Statements

STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY FOR THE YEAR ENDED DECEMBER 31, 2010

	Attridutable to equity holders of the parent company					Non controlling interest	Total Equity
	Share capital	Share premium	Other reserves	Accumulated deficit	Total		
Total Equity as at January 1, 2009	**700.000**	**-**	**156.193**	**1.210.347**	**2.066.540**	**-**	**2.066.540**
Total comprehensive income after income taxes of the year	-	-	-	(472.279)	(472.279)	63.183	(409.096)
Dividends paid	-	-	-	(200.000)	(200.000)	-	(200.000)
Issuance of share capital	8.050.000	600.000	-	(1.050.000)	7.600.000	-	7.600.000
Acquisition of subsidiary	-	-	7.137	(1.556)	5.581	210.495	216.076
Listing expenses (net of deferred tax)	-	-	-	(1.404.688)	(1.404.688)	-	(1.404.688)
Total Equity as at December 31, 2009	**8.750.000**	**600.000**	**163.330**	**(1.918.177)**	**7.595.153**	**273.678**	**7.868.831**
Total Equity as at January 1, 2010	**8.750.000**	**600.000**	**163.330**	**(1.918.177)**	**7.595.153**	**273.678**	**7.868.831**
Total comprehensive income after income taxes of the year	-	-	-	(4.727.175)	(4.727.175)	(49.730)	(4.776.905)
Total Equity as at December 31, 2010	**8.750.000**	**600.000**	**163.330**	**(6.645.352)**	**2.867.979**	**223.948**	**3.091.925**

The accompanying notes are an integral part of the Financial Statements

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010

	01.01-31.12.2010	01.01-31.12.2009
Cash flows from Operating Activities		
Loss before income taxes	(4.532.807)	(307.598)
Adjustments for:		
Depreciation and amortisation	339.397	212.102
Financial (income)/expenses	73.782	(10.860)
Allowance for doubtful accounts receivable	(431.643)	-
	50.000	27.476
Operating loss before working capital changes	**(4.501.271)**	**(78.880)**
(Increase)/Decrease in:		
Inventories	(46.819)	31.926
Trade accounts receivable	1.122.638	(42.167)
Prepayments and other receivables	550.333	(471.188)
Intragroup balances receivable		
Increase/(Decrease) in:		
Trade accounts payable	115.843	749.607
Accrued and other current liabilities	(8.720)	28.393
Interest paid	(73.355)	(14.319)
Tax paid	(228.730)	(880.647)
Payment of staff retirement indemnities	(59.096)	(13.505)
Increase in other long-term assets	3.481	(8.581)
Net cash used in Operating Activities	**(3.125.696)**	**(699.360)**
Cash flows from Investing Activities		
Capital expenditure for property, plant and equipment	(159.389)	(1.286.878)
Interest and related income received	5.180	48.667
Financial assets valued through profit and loss	-	(2.850)
Increase in investment in associates	(32.000)	(5.000)
Acquisition of subsidiary	-	(761.055)
Net cash used in Investing Activities	**(186.209)**	**(2.007.116)**
Cash flows from Financing Activities		
Net proceeds from the issuance of share capital	-	7.600.000
Listing expenses	-	(1.824.270)
Dividends paid	-	(200.000)
Net change in short-term borrowings	1.139.362	(1.228.876)
Net Change in leases	25.047	(10.918)
Net cash from Financing Activities	**1.164.409**	**4.335.936**
Net increase/(decrease) in cash and cash equivalents	**(2.147.497)**	**1.629.460**
Cash and cash equivalents at the beginning of the year	**2.461.843**	**814.295**
Cash and cash equivalents of acquired companies	**-**	**18.088**
Cash and cash equivalents at the end of the year	**314.347**	**2.461.843**

The accompanying notes are an integral part of the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

1. CORPRORATE INFORMATION:

Neurosoft Software Production S.A (the Company) is a société anonyme Company incorporated and domiciled in Greece whose shares are publicly traded at the AIM MILANO multilateral trading facility.

Neurosoft is a Greek software company, which specialises in the design, development, customisation and maintenance of integrated software systems for its three core business areas: Sports Betting & Gaming Analytics, Business Intelligence and Core Factoring, as well as the provision of advanced information technology services in both the Greek and international markets

The Group's number of employees at December 31, 2010, amounted to 51 while that of the Company to 32. At December 31, 2009, the respective number of employees was 55 for the Group and 42 for the Company.

Information on the Subsidiaries:

<u>Kestrel Information Systems S.A.</u>

On November 30, 2009, the Company acquired 70% of Kestrel Information Systems.
Kestrel Information Systems is a Systems Integrator for Telecommunications solutions, operating in several countries of South-eastern Europe including Cyprus, Romania, Bulgaria, Serbia, Albania and, of course, Greece. Kestrel Information Systems is primarily operating on the sector of Fixed and Mobile Telecommunications Operators partnering with leading worldwide equipment and software vendors. The company is focusing on providing high quality design, implementation and support services to its Customers through its specialized and certified personnel. Kestrel Information Systems is constantly reviewing the international and local market trends attempting to expand its product and services portfolio.

<u>Gaeknar Ventures Ltd</u>

On October 7, 2008, the Company acquired 100% of the share capital of Gaeknar, a company incorporated under the laws of Cyprus.

<u>Neurosoft Romania</u>

On June 23, 2008, Gaeknar and Mr. Paschalidis (currently a member of the Company's Board of Directors) established Neurosoft Romania, a software company which is based in Bucharest and is expected to service the market needs for Neurosoft's products in Eastern Europe. At 31 December 2009, Gaeknar holds 95% of the shares in Neurosoft Romania and Mr. Paschalidis holds the remaining 5%.

<u>Rockberg Holdings Ltd</u>

On February 2, 2009, the Company established Rockberg Holdings Ltd as a limited liability company under the laws of Cyprus. Rockberg owns the intellectual property rights related to the use and commercial exploitation of the website:www.betonews.com, which provides statistical analysis and historical data on soccer and basketball events.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS:

(a) Basis of Preparation of Financial Statements:

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (E.U.).

These financial statements have been prepared under the historical cost convention except for the valuation of financial assets at fair value through profit or loss, at fair value.

The preparation of financial statements, in accordance with International Financial Reporting Standards (IFRS), requires the use of critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies which have been adopted. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2(d).

The Group has adopted the following new and amended IFRS and IFRIC interpretations as of January 1, 2010. Their adoption has had no effect on the financial statements of the Group or the Company:

- **IFRIC 17** Distributions of Non-cash Assets to Owners
- **IAS 39** Financial Instruments: Recognition and Measurement (Amended) – eligible hedged items
- **IFRS 2** Group Cash-settled Share-based Payment Transactions (Amended)
- **IFRS 3** Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)
- **Improvements to IFRSs (May 2008)** All amendments issued are effective as at December 31, 2009, apart from the following: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a non-controlling interest after the sale transaction. The amendment is applied prospectively.
- **Amendments resulting from improvements to IFRSs (April 2009) to the following standards which had or did not have an effect on the accounting policies, financial position or performance of the Group and the Company:**

  - **IFRS 2 Share-based Payment**
  - **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations**
  - **IFRS 8 Operating Segment Information**
  - **IAS 1 Presentation of Financial Statements**
  - **IAS 7 Statement of Cash Flows**
  - **IAS 17 Leases**
  - **IAS 18 Revenue**
  - **IAS 36 Impairment of Assets**
  - **IAS 38 Intangible Assets**
  - **IAS 39 Financial Instruments: Recognition and Measurement**
  - **IFRIC 9 Reassessment of Embedded Derivatives**
  - **IFRIC 16 Hedges of a Net Investment in a Foreign Operation**

Standards issued but not yet effective and not adopted earlier

- **IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments**

  The interpretation is effective for annual periods beginning on or after 1 July 2010. This interpretation addresses the accounting treatment when there is a renegotiation between the entity and the creditor regarding the terms of a financial liability and the creditor agrees to accept the entity's equity instruments to settle the financial liability fully or partially. IFRIC 19 clarifies such equity instruments are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The Group and the Company do not expect that the amendment will have impact on the financial position or performance.

- **IFRIC 14 Prepayments of a Minimum Funding Requirement (Amended)**

  The amendment is effective for annual periods beginning on or after 1 January 2011. The purpose of this amendment was to permit entities to recognise as an asset some voluntary prepayments for minimum funding contributions. This Earlier application permitted and must be applied retrospectively. The Group and the Company do not expect that the amendment will have impact on the financial position or performance.

- **IFRS 9 Financial Instruments – Phase 1 financial assets, classification and measurement**

  The new standard is effective for annual periods beginning on or after 1 January 2013. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial assets. Early adoption is permitted. This standard has not yet been endorsed by the EU. The Group and the Company are in the process of assessing the impact of the new standard on the financial position or performance.

- **IAS 32 Classification on Rights Issues (Amended)**

  The amendment is effective for annual periods beginning on or after 1 February 2010. This amendment relates to the rights issues offered for a fixed amount of foreign currency which were treated as derivative liabilities by the existing standard. The amendment states that if certain criteria are met, these should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment is to be applied retrospectively The Group and the Company do not expect that the amendment will have impact on the financial position or performance.

- **IAS 24 Related Party Disclosures (Revised)**

  The revision is effective for annual periods beginning on or after 1 January 2011.This revision relates to the judgment which is required so as to assess whether a government and entities known to the reporting entity to be under the control of that government are considered a single customer. In assessing this, the reporting entity shall consider the extent of economic integration between those entities. Early application is permitted and adoption shall be applied retrospectively. The Group and the Company do not expect that the amendment will have impact on the financial position or performance.

In May 2010 the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The effective dates of the improvements are various and the earliest is for the financial year beginning July 1, 2010. Early application is permitted in all cases and this annual improvements project has not yet been endorsed by the EU.

- **IFRS 1 First-time adoption,** effective for annual periods beginning on or after January 1, 2011.

  This improvement clarifies the treatment of accounting policy changes in the year of adoption after publishing an interim financial report in accordance with IAS 34 Interim Financial Reporting, allows first-time adopters to use an event-driven fair value as deemed cost and expands the scope of 'deemed cost' for property, plant and equipment or intangible assets to include items used subject to rate regulated activities.

- **IFRS 3 Business Combinations,** effective for annual periods beginning on or after July 1, 2010.

  This improvement clarifies that the amendments to IFRS 7 Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

  Moreover, this improvement limits the scope of the measurement choices (fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets) only to the components of non-controlling interest that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets.

  Finally, it requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post combination expenses.

- **IFRS 7 Financial Instruments: Disclosures,** effective for annual periods beginning on or after 1 January 2011.

  This improvement gives clarifications of disclosures required by IFRS 7 and emphasises the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments.

- **IAS 1 Presentation of Financial Statements,** effective for annual periods beginning on or after 1 January 2011.

  This amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

- **IAS 27 Consolidated and Separate Financial Statements,** effective for annual periods beginning on or after 1 July 2010.

  This improvement clarifies that the consequential amendments from IAS 27 made to IAS 21 The Effect of Changes in Foreign Exchange Rates, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures apply prospectively for annual periods beginning on or after 1 July 2009 or earlier when IAS 27 is applied earlier.

- **IAS 34 Interim Financial Reporting,** effective for annual periods beginning on or after 1 January 2011.

  This improvement provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements.

- **IFRIC 13 Customer Loyalty Programmes,** effective for annual periods beginning on or after 1 January 2011.

  This improvement clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

IFRS 7 Financial Instruments: Disclosures as part of its comprehensive review of off balance sheet activities (Amended)

The amendment is effective for annual periods beginning on or after 1 July 2011. The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitisations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendments broadly align the relevant disclosure requirements of IFRSs and US GAAP. This amendment has not yet been endorsed by the EU. The Group and the Company do not expect that this amendment will have an impact on the financial position or performance, however additional disclosures may be required.

IAS 12 Deferred tax: Recovery of Underlying Assets (Amended)

The amendment is effective for annual periods beginning on or after 1 January 2012. This amendment concerns the determination of deferred tax on investment property measured at fair value and also incorporates SIC-21 Income Taxes — Recovery of Revalued Non-Depreciable Assets into IAS 12 for non-depreciable assets measured using the revaluation model in IAS 16. The aim of this amendment is to include a) a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and b) a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. This amendment has not yet been endorsed by the EU. The Group and the Company do not expect that this amendment will have an impact on the financial position or performance.

(b) Approval of Financial Statements:

The Board of Directors of Neurosoft S.A. approved the separate and consolidated financial statements for the period ended at December 31, 2010, on May 30th, 2011.

(c) Significant Accounting Judgements and Estimates:

The Group makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgments 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 that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(a) ***Allowance for doubtful accounts receivables***: The Group's Management periodically reassess the adequacy of the allowance for doubtful accounts receivable in conjunction with its credit policy and taking into consideration reports from its legal department, which are prepared following the processing of historical data and recent developments of the cases they are handling.

(b) ***Provision for income taxes:*** According to IAS 12, income tax provisions are based on estimations as to the taxes that shall be paid to the tax authorities and includes the current income tax for each fiscal year, the provision for additional taxes which may arise from future tax audits and the recognition of future tax benefits. The final clearance of income taxes may be different from the relevant amounts which are included in these financial statements.

(c) ***Depreciation rates:*** The Group's assets are depreciated over their estimated remaining useful lives. These useful lives are periodically reassessed to determine whether the original period continues to be appropriate. The actual lives of these assets can vary depending on a variety of factors such as technological innovation and maintenance programs.

(d) ***Impairment of property, plant and equipment***: Property, plant and equipment are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows (note 3i).

(e) ***Deferred tax assets:*** Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimated future taxable profits together with future tax planning strategies.

3. PRINCIPAL ACCOUNTING POLICIES:

The principal accounting policies adopted in the preparation of the accompanying financial statements are as follows:

(a) Basis of Consolidation: The accompanying consolidated financial statements include the financial statements of Neurosoft S.A. and all subsidiaries where Neurosoft has the power to control. All subsidiaries (companies in which the Group has direct or indirect ownership of 50% or more voting interest or has the power to control the Board of the investees) have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

All intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements. Where necessary, accounting policies for subsidiaries have been revised to ensure consistency with the policies adopted by the Group. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

The financial statements of the subsidiaries are prepared for the same reporting date with that of the parent company.

Losses of subsidiaries are attributed to the non-controlling interest even if that results in a deficit balance.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parents' share of components previously recognised in other comprehensive income to profit or loss

Investments in subsidiaries in the separate financial statements are accounted for at cost less any accumulated impairment.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between NCI and the parent shareholders.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments at 1 January 2010 have not been restated.

Basis of consolidation from 1 January 2010

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest (previously minority interests) in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value as at the acquisition date through profit and loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be re-measured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Paragraph (f) outlines the accounting policy on goodwill.

Business combinations prior to 1 January 2010

In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill. When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

(b) Investments in Associates: The Group's investments in other entities in which it exercises significant influence are accounted for using the equity method. Under this method the investment in associates is recognised at cost and subsequently increased or decreased to recognize the investor's share of the profit or loss of the associate, changes in the investor's share of other changes in the associate's equity, distributions received and any impairment in value. The consolidated statements of income reflect the Group's share of the results of operations of the associate. Investments in associates in the separate financial statements are accounted for at cost less any accumulated impairment.

(c) Foreign Currency Translation: The Group's measurement as well as reporting currency is the Euro. Transactions involving other currencies are converted into Euro using the exchange rates, which were in effect at the time of the transactions. At the balance sheet dates, monetary assets and liabilities which are denominated in other currencies are adjusted to reflect the current exchange rates.

Gains or losses of the period ended resulting from foreign currency re-measurements are reflected in the accompanying statement of income. Gains or losses resulting from transactions are also reflected in the accompanying statement of income.

(d) Property, Plant and Equipment: Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Repairs and maintenance costs are expensed as incurred. Significant improvements are capitalised to the cost of the related asset if such improvements increase the life of the asset, increase its production capacity or improve its efficiency. The cost and related accumulated depreciation of assets retired or sold are removed from the accounts at the time of sale or retirement and any gain or loss is included in the statement of income.

Profit and losses arising from the write-off of assets are included in the income of statement that this asset is written-off.

(e) Depreciation: Depreciation is computed based on the straight-line method at rates, which approximate average useful lives. The useful lives used are as follows:

Classification	**Useful lives**
Installations on buildings	10-12 years
Transportation means	6-7 years
Furniture and other equipment	3-5 years

(f) Goodwill: Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary, at the date of acquisition. Goodwill on acquisitions of subsidiaries is reflected separately in the balance sheet. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. 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.

Negative goodwill is recognised where the fair value of the Group's interest in the net assets of the acquired entity exceeds the cost of acquisition and is taken to income immediately.

(g) Intangible Assets: Intangible assets include costs of purchased and internally generated software. Purchased intangible assets acquired separately are capitalised at cost while those acquired from a business combination are capitalised at fair value at the date of acquisition. Internally generated software includes costs such as payroll, materials and services used and any other expenditure directly incurred in developing computer software and in bringing the software into its intended use.

Intangible assets with finite useful lives are being amortised using the straight-line method over their estimated useful lives. The carrying amount of each intangible asset is reviewed annually and adjusted for impairment where the carrying amount exceeds the recoverable amount. The useful lives and residual values of intangible assets are reassessed on an annual basis. Amortisation periods for intangible assets with finite useful lives vary in accordance with the conditions in the relevant industries, but are subject to the following maximum limits:

Classification of Intangible asset	Years
Software	3.3
Customers' base	8.0

(h) Research and Development Costs: Research costs are expensed as incurred. Development expenditure is mainly incurred for developing software. Costs incurred for the development of an individual project are recognised as an intangible asset only when the requirements of IAS 38 "Intangible Assets" are met. Following initial recognition, development expenditure is carried at cost until the asset is ready for its intended use at which time all costs incurred for that asset are transferred to intangible assets or machinery and are amortised over their average useful lives.

(i) Impairment of Assets: With the exception of goodwill which is tested for impairment on an annual basis, the carrying values of other non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Whenever the carrying value of an asset exceeds its recoverable amount an impairment loss is recognised in the statement of income. The recoverable amount is measured as the higher of net selling price and value in use. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, after deducting any direct incremental selling costs, while value in use is the present value of estimated future cash flows expected to arise from continuing use of the asset and from its disposal at the end of its useful life.

For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. Impairment losses which were accounted for in prior years are reversed only when there is sufficient evidence that the assumptions used in determining the recoverable amount have changed. In these circumstances, the related reversal is recognised as income. Probable impairment of goodwill is not reversed.

(j) Investments and Other (primary) Financial Assets: (Primary) Financial assets which fall within the scope of IAS 39 are classified based on their nature and characteristics in the following three categories:

- Financial assets at fair value through profit and loss,
- Loans and receivables,
- Available-for-sale financial assets.

Financial assets are initially recognised at acquisition cost which represents the fair value and, in certain circumstances, plus directly attributable transaction costs. The purchase and sale of investments is recognised on the date of the transaction which is the date on which the Group commits to purchase or sell the related financial asset.

The classification of the above mentioned financial assets is determined after initial recognition and, where allowed the designation is re-assessed periodically.

(i) Financial assets at fair value through profit and loss:

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in income.

(ii) Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iii) Available-for-sale financial assets:

Available-for-sale financial assets (primary) are those non-derivative financial assets that are designated as available for sale or are not classified in any of the two preceding categories. After initial recognition available-for sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the statement of income.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models.

The available for sale financial assets for which their fair value cannot be measured reliably, are carried at cost less any impairment in accordance to IAS 39.

(k) Inventories: Inventories are stated at the lower of cost or net realisable value. Cost is determined based on the yearly weighted average price. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. A reserve is established when such items are determined to be obsolete or slow moving.

(l) Trade and Other Accounts Receivables: Trade accounts receivable, which generally have 30-90 day payment terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Accounts receivable for pay-tv are pre-received at the beginning of each month. An estimate for doubtful debts is made when collection is no longer probable. The provision for doubtful debts is charged to the statement of income. Bad debts are written-off against the established reserve when identified.

(m) Cash and Cash Equivalents: The Group considers time deposits and other highly liquid investments with original maturity of three months or less, to be cash equivalents. For the purpose of the cash flow statement, cash and cash equivalents consist of cash at hand and in banks and of cash and cash equivalents as defined above.

(n) Borrowing Costs: Borrowing costs are recognised as an expense in the period in which they are incurred in accordance with the basic treatment of IAS 23 "Borrowing Costs".

(o) Loan Agreements: All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, they are subsequently measured at amortised cost using the effective interest rate method. Gains or losses are recognised in the statement of income either through the amortisation process or where the liabilities are written-off.

(p) Leases: Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, at the fair value of the leased item, or if lower at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly against income. Capitalised leased assets are depreciated over the estimated useful life of the asset.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised equally as an expense during the lease agreement in the statement of income.

(q) Provisions and Contingencies: Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle this obligation and a reliable estimate of the amount of the obligation can be made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the present value of the expenditure expected to be required to settle the obligation. When the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate the risks specific to the liability.

Contingent liabilities are not recognised in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in the financial statements but are disclosed when an inflow of economic benefits is probable.

(r) Income Taxes (Current and Deferred): Current and deferred income taxes are computed based on the separate financial statements of each of the entities included in the consolidated financial statements, in accordance with the tax rules in force in Greece or other tax jurisdictions in which entities operate.

Income tax expense consists of income taxes for the current year based on each entity's profits as adjusted in its tax returns, additional income taxes resulting from the audits of the tax authorities and deferred income taxes, using substantively enacted tax rates.

Deferred income taxes are provided using the liability method for all temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- Except where the deferred income tax liability arises from goodwill amortisation or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax losses can be utilized.

- Except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future and there will be available taxable profit which will be used against temporary differences.

Deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

For transactions recognised directly in equity, any related tax effects are also recognised directly in equity and not in the statement of income.

(s) **Revenue Recognition:** Revenue is accounted for on an accrual basis and is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

(t) **Earnings/(Loss) per Share:** Basic earnings/(loss) per share are computed by dividing net income/(loss) attributable to the shareholders of the parent by the weighted average number of ordinary shares outstanding during each year, excluding the average number of shares purchased as treasury shares.

Diluted earnings/(loss) per share amounts are calculated by dividing the net income/(loss) attributable to shareholders of the parent by the weighted average number of ordinary shares outstanding each year as adjusted for the impact on the convertible redeemable preference shares (i.e. stock option plan).

(u) Reserve for Staff Retirement Indemnities: Staff retirement obligations are calculated at the present value of the future retirement benefits deemed to have accrued, based on the employees earning retirement benefit rights steadily throughout the working period. The reserve for retirement obligations is calculated on the basis of financial and actuarial assumptions and are determined using the projected unit credit actuarial valuation method. Net pension costs for the period are included in payroll in the accompanying statement of income and consist of the present value of benefits earned in the period, interest cost on the benefit obligation, prior service cost, actuarial gains or losses and the cost of additional pension charges. Past service costs are recognised on a straight-line basis over the average period until the benefits under the plan become vested. Actuarial gains or losses are recognised based on the corridor approach over the average remaining service period of active employees and included as a component of net pension cost for a year if, as of the beginning of the year it exceeds 10% of the projected benefit obligation. The retirement benefit obligations are not funded.

(v) Segment Reporting: The Group's primary segment reporting is categorised by business activity because the risks and profitability of the Group is mainly affected by the type of the product and services offered. Each segment represents a different business area of activity: (i) Business Intelligence, (ii) Core Factoring, (iii) Sports Betting & Gaming Analytics and (iv) Telecommunications.

Business Intelligence: Business Intelligence is defined as the provision of "concepts, methods and tools to improve business decision making". In order to assist its clients with their business intelligence needs, Neurosoft develops, markets and supports an integrated line of statistical software products which enable its clients to effectively bring marketplace and enterprise data together to bear on their decision-making.

Core Factoring: In order to penetrate in the growing market of Factoring, Neurosoft has developed and introduced Proxima+, a powerful, flexible and scalable business factoring software solution, which aims to assist factoring companies meet their objectives in a cost-efficient and timely manner.

The Company entered the core factoring business in 2004 with a client/server implementation called dynaFactor. Proxima+ was loosely based on dynaFactor and has incorporated many of the latest technological and business improvements available.

Sports Betting & Gaming Analytics: In order to serve the area of the Sports Betting Analytics, Neurosoft has developed a business intelligence solution, which provides liability monitoring capabilities to Betting Operators. Based on specially-designed technological architecture and complex algorithms, BOLT ensures the real time measurement of liability and visual analysis. The primary goal of the technology is to enable a betting operator to continually and accurately monitor liability in an effort to minimise payout and, by default, maximise revenues.

Telecommunications: The activities of the subsidiary Kestrel Information Systems, which concern the sale and service of telecommunication integrated equipment, is regarded as a different segment for the Group.

(w) 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 General Meeting of the Company's Shareholders.

(x) Share Capital: Share capital represents the value of the Parent company's shares in issue. Any excess of the fair value of the consideration received over the par value of the shares issued is recognised as the "Share premium" in shareholders' equity. Incremental external costs directly attributable to the issue of new shares are shown as a deduction in equity, net of tax, from the proceeds.

(y) De-recognition of Financial Assets and Liabilities:

(i) Financial assets: A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired.

- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement.

- The Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the assets, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

  Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay. Where continuing involvement takes the form of a written and/or purchase option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(ii) Financial liabilities: A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

3.1 Going concern assumption

The Group's net losses for the year amounted € 4.776.905 and the accumulated net deficit as at December 31, 2010 amounted to € 6.645.352 for an equity of € 3.091.926. The operating cash flows for the year 2010 were negative, amounting to € 3.125.696. The above, combined with the international economic adversity produced increased liquidity risk. The above circumstances imply the existence of material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

In view of the above, Management has prepared a restructuring plan, which provides for bank loan, closing down of non-profitable subsidiaries, and possible sale of subsidiaries or business segments.

In light of these initiatives from Management, the financial statements of the Group have been prepared according to the going concern assumption. Correspondingly, the group financial statement do not include adjustments relevant to the recovery and classification of assets and amounts and classification of liabilities or other adjustments that would have been the result of inability of the group to continue to operate as a going concern.

Despite the above, the possibility of not materializing the above mentioned restructuring plan successfully, implies the existence of uncertainty as to the ability of the Group to operate as a going concern.

4. GROUP SEGMENT INFORMATION:

The Group's operations are divided into four segments, as described above innote 3(v):

1) Business Intelligence
2) Core factoring
3) Sports betting & Gaming analytics
4) Telecommunications

Transactions between business segments are set on arm's length basis in a manner similar to transactions with third parties.

The segment information for the year ended December 31, 2010 and 2009 is analysed as follows:

	BUSINESS INTELLIGENCE	FACTORING & FINANCIALS	SPORT BETTING & GAMING ANALYTICS	TELECOMS	OTHER	**TOTAL**
Revenue	-	283,208	135,000	2,390,037	72,150	**2,880,395**
Loss before tax	-	(2,479,600)	(1,579,858)	(64,021)	(409,328)	**(4,532,807)**
Trade receivables	-	614,843	-	2,689,817	-	**3,304,660**

	BUSINESS INTELLIGENCE	FACTORING & FINANCIALS	SPORT BETTING & GAMING ANALYTICS	TELECOMS	OTHER	**TOTAL**
Revenue	1,389,092	849,794	135,000	1,129,434	154,000	**3,657,320**
(Loss)/ Profit before tax	(241,226)	(189,148)	(23,444)	292,342	(146,122)	**(307,598)**
Trade receivables	696,038	827,291	634,870	1,786,458	51,000	**3,995,656**

5. PAYROLL COST:

Payroll cost in the accompanying financial statements is analysed as follows:

	December 31,	
	2010	**2009**
Wages and salaries	1,894,927	1,704,280
Social security costs (Note 23)	432,814	406,652
Staff retirement indemnities (Note 23)	51,454	56,332
Other staff costs	3,536	28,986
Total	**2,382,731**	**2,196,250**
Less: Amounts capitalised	-	(845,020)
Payroll Cost (Note 8)	**2,382,731**	**1,351,231**

6. DEPRECIATION AND AMORTISATION:

Depreciation and amortisation in the accompanying financial statements are analysed as follows:

	December 31, 2009	December 31, 2009
Depreciation on buildings	4,430	2,543
Depreciation on transportation means	233	22
Depreciation on furniture and equipment	77,659	81,353
Depreciation on property, plant and equipment (Note 11)	**82,322**	**83,918**
Amortisation on software and other intangible assets	257,075	128,184
Amortisation on intangible assets (Note 12)	**257,075**	**128,184**
Depreciation and amortisation (Note 8)	**339,397**	**212,102**

7. FINANCIAL INCOME / (EXPENSES):

Financial income (expenses) in the accompanying financial statements are analysed as follows:

	December 31, 2010	December 31, 2009
Interest on short-term borrowings (Note 20)	(49,501)	(7,541)
Finance charges paid under finance leases	(5,362)	(726)
Other financial costs	(39,077)	(37,413)
Total financial expenses	**(93,940)**	**(45,680)**
Interest earned on cash at banks and on time deposits (Note 16)	4,479	41,060
Other financial income	15,679	15,479
Total financial income	**20,158**	**56,539**
Total financial income/(expenses), net	**(73,782)**	**10.859**

8. ANALYSIS OF EXPENSES:

Expenses (cost of sales, selling and distribution, administrative) are analysed as follows:

	December 31,	
	2010	**2009**
Payroll and related costs (Note 5)	2,382,731	1,351,231
Third party fees and services	2,039,914	1,500,065
Taxes and duties	27,315	26,406
Sundry expenses	734,023	400,848
Depreciation and amortisation (Note 6)	339,397	212,102
Losses from advance payment	150,000	-
Receivables write-off	423,643	-
Other operating expenses	161,615	-
Cost of sales of inventory and consumables	1,081,803	500,662
Total expenses	**7,340,441**	**3,991,314**

The above expenses are analysed as follows:

	December 31,	
	2010	**2009**
Cost of sales	4,412,416	1,985,737
Selling and distribution expenses	1,122,775	736,402
Administrative expenses	1,805,250	1,269,175
TOTAL	**7,340,441**	**3,991,314**

9. INCOME TAXES:

In accordance with the tax Law, the corporate tax rate which is effective to the Greek société anonyms up to December 31, 2010 is 24%. In accordance with the new tax Law 3946/2011, the corporate tax rate of the société anonyms decreases to 20% from 2011 onwards.

The amounts of income taxes which are reflected in the accompanying statement of income are analysed as follows:

	December 31,	
	2010	**2009**
Current income taxes	-	74,679
Prior years' taxes	135,751	-
Deferred income taxes	108,348	26,821
Total income taxes (credit) / debit reflected in the statement of comprehensive income	**244,099**	**101,500**

The reconciliation of income taxes reflected in statements of income and the amount of income taxes determined by the application of the Greek statutory tax rate to pretax income is summarized as follows:

	December 31, 2010	December 31, 2009
(Loss) / Profit before tax	**(4,109,164)**	**(307,598)**
Income tax calculated at the nominal applicable tax rate (25%)	(986,199)	(76,900)
Tax effect of non tax deductible expenses and non taxable income	22,639	54,091
Prior year income taxes	135,751	27,536
Effect of higher tax rates in Greece	38,855	50,277
Losses carried forward, for which no deferred tax was calculated	1,033,053	-
Tax effect of change in tax rates	-	46,496
Income tax reported in the consolidated income statement	**244,099**	**101,500**

Greek tax laws and regulations are subject to interpretations by the tax authorities. Tax returns are filed annually but the profits or losses declared for tax purposes remain provisional until such time, as the tax authorities examine the returns and the records of the taxpayer and a final assessment is issued. Tax losses, to the extent accepted by the tax authorities, can be used to offset profits of the five fiscal years following the fiscal year to which they relate.

Neurosoft has not been audited by the tax authorities for the fiscal year 2010. As for Neurosoft's subsidiaries, they have not been audited for the fiscal years shown as follows:

SUBSIDIARY COMPANIES	UNAUDITED TAX YEARS/PERIODS
Gaeknar Venture Ltd	-
Rockberg Holding Ltd	-
Neurosoft Romania Srl	23/6/2008-31/12/2010
Kestrel Information Systems S.A.	31/12/2007 – 31/12/2010

In a future tax audit of the unaudited tax years it is possible that additional taxes and penalties may be assessed to Neurosoft and to its subsidiaries. The Group believes that they have provided adequate provision (€ 54,336) for probable future tax assessments based upon previous years' tax examinations and past interpretations of the tax laws. Moreover, the Group has not recorded a deferred tax asset on tax losses amounting to approximately € 4,2 million, in order to cover probable additional taxes that may be assessed in a future tax audit.

The movement of the deferred tax asset is as follows:

	December 31, 2010	December 31, 2009
Beginning balance	**471,379**	**35,294**
Income taxes [credit/(debit)]	(108,348)	(27,749)
Tax charged to equity (listing expenses)	-	419,582
Tax of acquired companies	-	44,452
Ending balance	**363,031**	**471,379**

The movement in deferred tax assets/(liabilities) during the year is as follows:

	January 1st, 2010	Debit/ (Credit) to P&L	December 31st, 2010
Deferred income tax asset:			
Provision for bad debts	28,800	-	28,800
Staff retirement indemnities	13,385	1,064	14,449
Provision for obsolete stock	800	-	800
Tax losses carried forward	256,612	-	256,612
Intangible assets	191,544	(106,297)	85,247
Total	**491,141**	**(107,361)**	**383,780**
Deferred income tax liability:			
Expenses on acquisition	(14,653)	2,931	(11,722)
Finance lease	(5,109)	(3,918)	(9,027)
Total	**(19,762)**	**(987)**	**(20,749)**
Net deferred income tax asset	**471,379**	**(108,348)**	**363,031**

10. SUBSIDIARIES - GOODWILL:

a) Neurosoft's subsidiaries which are included in the accompanying consolidated financial statements are as follows:

Subsidiary	Country of Incorporation	Consolidation Method	Participation Relationship	Equity Interest	
				31.12.2010	31.12.2009
Gaeknar Venture Ltd	Cyprus	Full	Direct	100%	100%
Rockberg Holding Ltd	Cyprus	Full	Direct	100%	100%
Neurosoft Romania Srl	Romania	Full	Indirect*	95%	95%
Kestrel Information Systems S.A	Athens, Greece	Full	Direct	70%	70%

*: Neurosoft Romania Srl is a subsidiary of Gaeknar Venture Ltd.

b) Acquisition of Kestrel Information Systems S.A

On November 30, 2009, Neurosoft S.A completed the acquisition of 70% of shares in Kestrel Information Systems S.A, against payment of a total consideration of € 761,055.

The goodwill that arose due to the above acquisition, is included in the accompanying consolidated balance sheet, was based on the carrying fair values of the balance sheet of the acquired company as at November 30, 2009 and is considered provisional. The procedure of determination of the fair value of assets, liabilities and contingent liabilities of the acquired company, the purchase price allocation on the basis and the provisions of IFRS 3 "Business Combinations" and the resulting final determination of goodwill will be concluded subsequently, as the acquirer has made use of the option provided in the abovementioned standard.
Based on such option the acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date.

The carrying fair values of the balance sheet of the acquired company, the total cost of acquisition and the provisional goodwill for the Group as at November 30, 2009, date of the acquisition, are as follows:

ASSETS	CARRYING VALUES	FAIR VALUE AT ACQUISITION DATE
Property, plant and equipment – Intangible assets	49,064	318,963
Deferred tax asset	43,324	43,324
Inventories	336,249	336,249
Current assets	2,273,385	2,273,385
Cash and cash equivalents	18,088	18,088
Total assets	**2,720,110**	**2,990,009**
LIABILITIES		
Short-term borrowings	(1,563,332)	(1,563,332)
Other long-term liabilities	(122,324)	(122,324)
Other short-term liabilities	(332,803)	(332,803)
Total liabilities	**(2,018,459)**	**(2,018,459)**
Net Assets	**701,651**	**971,055**
Non-controlling interest (30%)		(210,495)
Total net assets acquired		**761,055**
Provisional goodwill during acquisition		-
Total acquisition cost		**761.055**
The total acquisition cost is analyzed as follows:		
Cash		700,000
Acquisition expenses		61.055
Net assets acquired		**761.055**

After the purchase price allocation the provisional goodwill was allocated to intangible assets and more specific to the category 'Customers' base'.

Cash outflow at the acquisition date:

Cash and cash equivalents acquired	18,088
Net cash flow used in acquisition	(761,055)
Total cash outflow at the acquisition date	**(742,967)**

11. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment in the accompanying financial statements for the Group are analysed as follows:

	Buildings	Transportation Means	Furniture & Other Equipment	Total
COST				
At January 1, 2009	**30,200**	**-**	**209,613**	**239,814**
Additions	12,701	1,550	164,904	179,155
Business combinations	-	-	124,155	124,155
Disposals/ Write-offs	-	-	-	-
At December 31, 2009	**42,901**	**1,550**	**498,672**	**543,123**
Additions	18,458	-	76,282	94,740
Disposals/ Write-offs	-	-	-	-
At December 31, 2010	**61,359**	**1,550**	**574,954**	**637,863**
DEPRECIATION				
At January 1, 2009	**(1,812)**	**-**	**117,349**	**(119,161)**
Depreciation from Business combinations	(6,595)	(927)	(122,569)	(130,091)
Depreciation expense	(2,543)	(22)	(81,483)	(84,048)
Disposals/Write-offs	-	-	- 23,106	- 23,106
At December 31, 2009	**(10,950)**	**(949)**	**(298,294)**	**310,194**
Depreciation expense	(4,430)	(233)	(77,659)	(82,322)
Disposals/Write-offs	-	-	-	-
At December 31, 2010	**(15,380)**	**(1,182)**	**(375,953)**	**(392,516**
NET BOOK VALUE				
At January 1, 2009	**28,388**	**-**	**92,265**	**120,653**
At December 31, 2009	**31,951**	**601**	**200,377**	**232,929**
At December 31, 2010	**45,978**	**368**	**199,001**	**245,347**

There is no property, plant and equipment that have been pledged as security. The title of the capitalized leased assets has been retained by the lessor. The net book value of the Group's capitalized leased (furniture and computers) assets at December 31, 2010 and 2009, amounted to € 64,696 and € 25,580, respectively.

12. INTANGIBLE ASSETS:

Intangible assets in the accompanying financial statements for the Group are analysed as follows:

The Group	Purchased Software	Licenses & Other Intangibles	Customer base	Intangibles Under Development	Total
COST					
At January 1, 2009	-	-	-	-	-
Additions	113,109	150,000	-	901,020	**1,164,128**
At December 31, 2009	**113,109**	**150,000**	**-**	**901,020**	**1,164,128**
Additions	29,967	-	269,899	-	**299,866**
At December 31, 2010	**143,073**	**150,00**	**269,899**	**901,020**	**1,463,995**
AMORTIZATION					
At January 1, 2009	-	-		-	-
Amortization expense	(11,763)	(30,000)	-	(87,149)	**(128,912)**
At December 31, 2009	**(11,763)**	**(30,000)**	**-**	**(87,149)**	**(128,912)**
Amortization expense	(44,976)	(30,000)	(33,737)	(148,362)	**(257,075)**
At December 31, 2010	**(56,739)**	**(60,000)**	**(33,737)**	**(235,511)**	**(385,987)**
NET BOOK VALUE					
At January 1, 2009	-	-	-	-	-
At December 31, 2009	**101,345**	**120,000**	**-**	**813,871**	**1,035,216**
At December 31, 2010	**86,337**	**90,000**	**236,162**	**665,509**	**1,078,007**

13. INVENTORIES:

Inventories in the accompanying financial statements are analysed as follows:

	December 31, 2010	December 31, 2009
Merchandise	354,475	304,322
Consumables	(3,333)	-
Total	**351,142**	**304,322**

14. TRADE ACCOUNTS RECEIVABLE:

Trade accounts receivable in the accompanying financial statements are analysed as follows:

	December 31,	
	2010	**2009**
Trade customers	3,320,746	4,093,833
Cheques and notes receivable	115,357	38,323
Unbilled revenue	361,200	7,500
	3,797,303	**4,139,656**
Less: Allowance for doubtful accounts receivable	(492,643)	(144,000)
Balance of trade accounts receivable	**3,304,660**	**3,995,656**

The movement in the allowance for doubtful accounts receivable is analysed as follows:

	December 31,	
	2010	**2009**
Beginning balance	**144,000**	**84,000**
Acquisition of subsidiary	-	60,000
Provision for the year	423,643	-
Used provision	(75,000)	-
Ending balance	**492,643**	**144,000**

The ageing analysis of trade receivables is as follows:

	December 31,	
	2010	**2009**
Neither past due nor impaired	2,553,369	3,426,648
Part due not impaired (more than 90 days)		
90-150 days	126,562	108,127
151-180 days	21,016	-
181-365 days	178,080	237,881
>365 days	425,633	223,000
Total	**3,304,660**	**3,995,656**

Trade receivables are non-interest bearing and are normally settled on Group and Company 30-90 days' terms.

15. PREPAYMENTS AND OTHER RECEIVABLES:

Prepayments and other receivables in the accompanying financial statements are analyzed as follows:

	December 31,	
	2010	2009
Income tax advance	517,233	404,127
Prepaid expenses	168,542	155,589
Value Added Tax	-	20,705
Advances to employees and contractors	84,431	509,212
Advances for the establishment / purchase of subsidiaries	-	150,000
Advances to suppliers	-	38,643
Other debtors	6,341	24,220
Total of other receivables and prepayments	**776,547**	**1,302,496**

16. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents in the accompanying financial statements are analyzed as follows:

	December 31,	
	2010	2009
Cash in hand	36,158	73,608
Cash at banks	278,189	2,388,335
Total	**314,347**	**2,461,843**

Cash at banks earns interest at floating rates based on monthly bank deposit rates. Interest earned on cash at banks and time deposits is accounted for on an accrual basis and for the year ended December 31, 2010, amounted to € 41,060, (for the year ended December 31, 2009, € 40,773) and is included in financial income in the accompanying income statements .

17. SHARE CAPITAL:

Neurosoft's ordinary share capital at December 31, 2008 amounted to € 700,000 divided into 2,000,000 ordinary shares of € 0.35 par value each.
Following the decision of Shareholders' General Meeting in April,1 2009 the Company's ordinary share capital increased to € 2,100,000 divided into 6,000,000 ordinary shares of € 0.35 par value each.

An increase of share capital by the amount of € 6,650,000 was decided in the resolution passed by the Company's General Meeting on 28.09.2009, by use of part of the available funds of the relevant special share premium reserve account, which resulted from the share capital increase realized after the Shareholders' General Meeting of 01.04.2009, by issuance of 19,000,000 new ordinary registered voting shares, of a par value of € 0.35 each, and the free ensuing proportional allocation to shareholders of 19 new shares for each 6 shares held.

Following the above increase, the Company's share capital amounts to € 8,750,000, divided into 25,000,000 ordinary shares of a par value € 0.35 each.

18. OTHER RESERVES:

Other reserves are analysed as follows:

	December 31,	
	2010	2009
Legal reserve	158,489	158,489
Special reserves	4,841	4,841
Total reserve	**163,330**	**163,330**

Legal Reserve: Under Greek corporate law, corporations are required to transfer a minimum of 5% of their annual net profit as reflected in their statutory books to a legal reserve, until such reserve equals one-third of the paid-in share capital. This reserve cannot be distributed through the life of the corporation.

Special Reserve: Under Greek corporate law, corporations may establish a special reserve without a particular purpose after the decision of the shareholders at their Annual General Meeting or if required by its Articles of Association. The special reserve has been created from non-distributed prior years' after tax profits.

19. DIVIDENDS:

Under Greek corporate law, companies are required each year to distribute in cash, to the shareholders at least 35% of net profit, after allowing for the legal reserve and certain profits from the sale of shares described under par. 1 of art. 3, of Law 148/1967. The above provisions do not apply, if the General Shareholders Meeting by a majority of at least 65% resolves not to distribute profits. In this case, the non distributed - profits are transferred to a "special reserves account". The Company is obliged within four years from the formation of reserves to capitalize these reserves by the issuance of new shares which it grants free to the beneficiaries (par. 2 art. 3 of the Law 148/1967). The above provisions of par. 1 and 2 do not apply, if approved by the General Shareholders Meeting by a majority of at least 70% of the paid up share capital. Furthermore, Greek corporate law requires certain conditions to be met before dividends can be distributed, which are as follows:

(a) No dividends can be distributed to the shareholders as long as a company's net equity, as reflected in its financial statements, is, or after such distribution, will be less than the outstanding capital plus non-distributable reserves.

(b) No dividends can be distributed to the shareholders as long as the unamortised balance of "pre-operating expenses", as reflected in its financial statements, exceeds the aggregate of distributable reserves plus retained earnings.

No dividends were proposed for approval at the annual general meeting for the year ended December 31, 2010 (December 31,2009: NIL).

20. SHORT-TERM BORROWINGS:

The acquired company Kestrel Information Systems S.A has short-term borrowings with annual variable interest rates of three months Euribor plus a margin of 1,5%-2,5%. The table below presents the credit lines available to the Group as well as the utilized portion.

	December 31, 2010	December 31, 2009
Credit lines available	2,200,000	3,100,000
Unused portion	(673,452)	(2,712,815)
Used portion	**1,526,548**	**387,185**

The total interest expense for short-term borrowings for the years ended December 31, 2010 and 2009, amounted to € 49,501 and € 2,255 respectively, and is included in financial expenses (Note 7), in the accompanying statements of comprehensive income.

21. TRADE ACCOUNTS PAYABLE:

Trade accounts payables in the accompanying financial statements are analysed as follows:

	December 31, 2010	December 31, 2009
Domestic and foreign suppliers	996,373	478,357
Post dated cheques payable	46,083	448,255
	1,042,456	**926,612**

22. ACCRUED AND OTHER CURRENT LIABILITIES:

Accrued and other current liabilities in the accompanying financial statements are analysed as follows:

	December 31, 2010	December 31, 2009
Social security payable	93,160	113,820
Value added tax and withheld taxes	248,693	258,962
Third-party fees payable	107,504	53,292
Customer advances	-	14,823
Accrued expenses	119,901	120,590
Other current liabilities	27,361	43,852
	596,619	**605,339**

23. RESERVE FOR STAFF RETIREMENT INDEMNITIES:

a) State Pension: The Company's employees are covered by one of several Greek State sponsored pension funds. Each employee is required to contribute a portion of their monthly salary to the fund, with the Company also contributing a portion. Upon retirement, the pension fund is responsible for paying the employees retirement benefits. As such, the Company has no legal or constructive obligation to pay future benefits under this plan. The contributions to the pension funds for the years ended December 31, 2010 and 2009, amounted to € 432,814 and € 406,652, respectively.

b) Staff Retirement Indemnities: Under Greek labor law, employees and workers are entitled to termination payments in the event of dismissal or retirement with the amount of payment varying in relation to the employee's or worker's compensation, length of service and manner of termination (dismissed or retired). Employees or workers who resign or are dismissed with cause are not entitled to termination payments. The indemnity payable in case of retirement is equal to 40% of the amount which would be payable upon dismissal without cause. In Greece, local practice is that pension plans are not funded. In accordance with this practice, the Company does not fund these plans. The Company charges income from continuing operations for benefits earned in each period with a corresponding increase in retirement indemnity liability. Benefits payments made each period to retirees are charged against this liability.

An independent actuary evaluated the Group's liabilities arising from the obligation to pay retirement indemnities. The details and principal assumptions of the actuarial study as at December 31, 2010 and 2009, are:

	December 31,	
	2010	**2009**
Present value of unfunded obligations	98,859	106,501
Net Liability in Balance Sheet	**98,859**	**106,501**
Components of net periodic pension cost		
Service cost	45,604	53,088
Interest cost	1,649	3,120
Amortisation of unrecognised net loss	3,998	14,006
Total charge to operations	**51,454**	**56,332**
Reconciliation of benefit obligation		
Present value of liability at start of period	106,501	39,963
Liability from acquisition		22,447
Service cost	44,604	53,088
Interest cost	1,649	3,121
Benefits paid	(59,096)	(26,124)
Actuarial gains/(loss)	4,201	14,006
Present value of liability at the end of year	**98,859**	**106,501**
Principal Assumptions:		
Discount Rate	5.0%	5.0%
Rate of compensation increase	3.5%	6.0%
Inflation rate	3.0%	3.0%

24. (LOSS) / EARNINGS PER SHARE:

Basic (loss)/profit per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year.
Diluted loss per share amounts are calculated by dividing the net loss attributable to ordinary shareholders of the Parent by the weighted average number of ordinary shares outstanding during the year, adjusted for the impact on the convertible redeemable preference shares (i.e. stock option plan).
The following reflects the net loss and share data used in the basic and diluted earnings per share computations as at December 31, 2010 and 2009:

	December 31,	
	2010	**2009**
Net (loss) /income attributable to the shareholders of the parent	**(4,303,533)**	**(409,096)**
Total weighted average number of ordinary shares	**25,000,000**	**9,775,342**
Adjusted weighted average number of ordinary shares for diluted (loss)/ income per share	**(0.0418)**	**(0.1741)**

25. RELATED PARTIES:

The Group purchase goods and services from and provides services to certain related parties in the normal course of business. These related parties consist of companies that have a significant influence over the Group (shareholders) or are associates of the Group.

The Group's transactions and account balances with related companies are as follows:

Related Party	Relation with the Group	Fiscal Years	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
MANIOUDAKIS GEORGIOS	Shareholder	2010	-	55,035	-	-
		2009	-	35,650	-	1,856
VASILONIKOLIDAKIS NIKOLAOS	Shareholder	2010	-	81,945	-	-
		2009	-	20,550	3,564	-
SKANDALOS SERAFEIM	Member of the Board	2010	-	9,404	-	-
		2009	-	-	4,460	-
PEDIADITAKIS KOSTAS	Member of the Board	2010	-	20,038	-	-
		2009	-	15,000	852	-
ANGELOPOULOS MAVROIDES	Shareholder	2010	-	40,000	-	-
		2009	-	25,000	-	-
PASCHALIDIS NODAS	Shareholder	2010	-	-	-	-
		2009	-	11,250	-	-
PAZAITIS DIMITRIOS	Member of the Board	2010	-	95,614	-	-
		2009	-	20,625	-	-
KALENA Ltd.	Associated	2010	-	-	-	-
		2009	-	77,000	-	-
VERTICAL SOLUTIONS SA	Associated	2010	-	-	-	6,000
		2009	-	-	-	2,380
	Total	**2010**	**-**	**302,036**	**-**	**-**
	Total	**2009**	**-**	**205,075**	**8,876**	**4,236**

Salaries and fees for the members the Board of Directors and the General Managers of the Group for the fiscal years 2010 and 2009, are analysed as follows:

	December 31,	
	2010	2009
Salaries and fees for executive members of the BoD	206,422	149,500
Salaries and fees for Senior Managers	213,513	256,428
Total	**412,935**	**405,928**

26. COMMITMENTS AND CONTINGENCIES:

Litigation and Claims: The Group is currently involved in a number of legal proceedings and has various claims pending arising in the ordinary course of business. Based on currently available information, management and its legal counsel believe that the outcome of these proceedings will not have a significant effect on the Group's and Company's operating results or financial position.

Commitments:

Rent: The Group has entered into commercial operating lease agreements for the lease of, office space and vehicles. These lease agreements have an average life of 5 to 10 years with renewal terms included in certain contracts. Future minimum rentals payable under non-cancelable operating leases as at December 31, 2010 and 2009, are as follows:

	December 31,	
	2010	2009
Within one year	76,132	141,795
2-5 years	100,789	587,523
Over 5 years	-	594,041
Total	**176,921**	**1,323,359**

Guarantees: Letters of guarantee are issued by the Group to various beneficiaries and as at December 31, 2010 and 2009, are analysed as follows:

	December 31,	
	2010	2009
Good execution of agreements	399,740	444,349
Participation in biddings	-	25,000
Guarantee for advance payments received	-	11,040
Total	**399,740**	**480,389**

27. FINANCIAL INSTRUMENTS:

Fair Value: The carrying amounts reflected in the accompanying balance sheets for cash and cash equivalents, trade and other accounts receivable, prepayments, trade and other accounts payable and accrued and other current liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

The fair value of variable rate loans and borrowings approximate the amounts appearing in balance sheets.

Credit Risk: The Group's maximum exposure to credit risk, due to the failure of counter parties to perform their obligations as at December 31, 2010, in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the accompanying balance sheets. The Group has no significant concentrations of credit risk with any single counter party.

Foreign Currency Risk: As the Group's transactions are mainly in euro, it is not exposed to variations in foreign currency exchange rate.

Interest Rate Risk: With respect to short-term borrowings, Management monitors on a constant basis the interest rate variances and evaluates the need for assuming certain positions for the hedging of such risks.

The following table demonstrates the sensitivity of the Group' profit before tax (through the impact of the outstanding floating rate borrowings at the end of the period on profits) to reasonable changes in interest rates, assuming all other variables to be constant.

Sensitivity Analysis of Group's Borrowings due to interest rate changes:

	December 31,2010	
	Interest Rate Variation	**Effect on income**
EURO	1.0%	(19,659)
	-1.0%	19,659

	December 31,2009	
	Interest Rate Variation	**Effect on income**
EURO	1.0%	(3,878)
	-1.0%	3,878

Note: Table above excludes the positive impact of interest received from deposits.

Liquidity Risk: The Group manages liquidity risk by monitoring forecasted cash flows and ensuring that adequate banking facilities and reserve borrowing facilities are maintained. The Group has sufficient undrawn committed and uncommitted borrowing facilities that can be utilized to fund any potential shortfall in cash resources.

Prudent liquidity risk management implies the availability of funding through adequate amounts of committed credit facilities, cash and marketable securities and the ability to close out those positions as and when required by the business or project.

The table below summarizes the maturity profile of financial liabilities at December 31, 2010 and 2009, respectively, based on contractual undiscounted payments.

Year ended December 31, 2010	**On demand**	**Less than 6 months**	**6 to 12 months**	**1 to 5 years**	**>5 years**	**Total**
Borrowings	-	801,437	801,438	-	-	1,602,875
Leases	-	6,742	6,742	15,854	-	29,338
Trade and other payables	341,853	648,611	648,611	-	-	1,639,075
Total	**341,853**	**1,456,790**	**1,456,791**	**15,854**	**-**	**3,721,288**

Year ended December 31, 2009	On demand	Less than 6 months	6 to 12 months	1 to 5 years	>5 years	Total
Borrowings	-	-	406,544	-	-	406,544
Leases	-	4,291	-	-	-	4,291
Trade and other payables	215,310	825,358	825,358	-	-	1,435,406
Total	**215,310**	**829,649**	**1,231,902**	**-**	**-**	**1,435,406**

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong internal calculation credit rating and healthy capital ratios in order to support its operations and maximize shareholder value. The Group's policy is to maintain leverage targets in line with an investment grade profile. The Group monitors capital with the use of the ratio and Net indebtedness to EBITDA. The Group includes within Net indebtedness, interest bearing loans and borrowings, less cash and cash equivalents.EBITDA is defined as Earnings before interest taxes, depreciation and amortization.

	December 31,	
	2010	**2009**
Short-term borrowings	1,526,548	387,185
Total Debt	1,526,548	387,185
Less : Cash and cash equivalents	314,347	2,461,843
Net Debt/(cash)	(1,212,201)	2,074,658
-EBITDA	(3,706,440)	(106,355)

28. SUBSEQUENT EVENTS:

There are no subsequent events that should be taken into account for the preparation of the Financial Statements for the year ended December 31, 2010.

Athens, April 14th, 2011

President of the BoD	Chief Executive Officer	Head Accountant
Mavroeides Angelopoulos	Nikolaos Vassilonikolidakis	Leonidas Dimitroulias