



**ANNUAL
FINANCIAL REPORT**

**For the year
Ended December 31, 2016**

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BOARD OF DIRECTORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS
of «Neurosoft S.A. »

Regarding the consolidated Financial Statements
For the year ended December 31, 2016

This Annual Board of Directors Report, which follows, (hereinafter referred for brevity as the "**Report**" or "**Annual Report**"), refers to the fiscal year 2016 (01.01.2016-31.12.2016), was prepared in accordance with the relevant provisions of Article 136 and 43a of Codified Law 2190/1920 and contains in a concise but meaningful, substantive and comprehensive manner all relevant information required by law to provide substantial and detailed information about the activity, during this period, of the company under the name «NEUROSOFT SA COMPANY of SOFTWARE PRODUCTION (hereinafter referred to as the "**Company**" or «**NEUROSOFT**») and the NEUROSOFT Group of companies, in which Group are included at the end of the fiscal year apart from the Company the following affiliated companies:

- a) «Neurosoft Cyprus Ltd», headquartered in Cyprus, in which the Company holds a stake of 100%,
- b) «Neurosoft Romania Srl» headquartered in Romania, in which the Company holds a stake of 95% indirectly through its subsidiary Neurosoft Cyprus Ltd.

Notes in relation to the consolidation requirements:

- i) On 07-10-2008, the Company acquired a 100% stake of the share capital of «GAEKNAR VENTURES LTD», with registered offices in Cyprus. In virtue of the 03-05-2011 approval decision of the District Court of Limassol, the mentioned company was merged with the company «Neurosoft Cyprus LTD» which is the above subsidiary of the Company.
- ii) On 23-06-2008 «GAEKNAR VENTURES LTD» and Mr Paschalides, a member of the Board of Directors of the Company established the Company under the trade name «NEUROSOFT ROMANIA SRL» headquartered in Bucharest, which during the fiscal years 2011, 2012, 2013, 2014 and 2015 remained inactive.

This report accompanies the annual consolidated financial statements for the fiscal year 2016 (01.01.2016-31.12.2016) and since the Company prepares consolidated financial statements, this report is single, with main and primary reference to the consolidated financial data of the Company and its related companies. The report along with the financial statements and other information and statements required by law are included in the Annual Financial Report for the fiscal year 2016.

The sections of this Report and the contents thereof, are as follows:

SECTION A**Significant events that occurred during the year 2016**

The significant events that occurred during the year 2016 (01.01.2016-31.12.2016) with calendar series, as well as any impact on the annual financial statements are summarised as follows:

1. Annual Ordinary General Meeting of the Shareholders of the Company

On Thursday, June 23rd, 2016, the Annual Ordinary General Meeting of the Company was held at the offices of the Company in Iraklio Attikis, which was attended in person or by proxy by shareholders representing **23,668,887** ordinary shares and voting rights, i.e. 92,512% of total 25,584,594 shares and equal voting rights in the Company.

The Annual Ordinary General Meeting of the Shareholders of the Company adopted the resolutions on the agenda:

- The shareholders approved in their entirety the annual corporate and consolidated financial statements for the financial year 2015 as well as the Board of Directors' Report (Management Report) and the Auditors' Report for the same fiscal year 2015.
- The shareholders approved the distribution of profits as depicted in the annual financial statements for the financial year 2015 and in particular approved no dividend distribution.
- The shareholders' Meeting discharged the Directors and the Auditors from any liability related to the results of the financial year 2015 as well as the annual financial statements of the said fiscal year.
- The shareholders approved the remuneration payable to the Board of Directors for the fiscal year 2015 and for the first semester of 2016 and also pre-approved the remuneration to be paid to the Board of Directors for the second semester of 2016 as well as for the first semester of 2017.
- The shareholders approved the appointment of the auditing firm HELLENIC AUDITING COMPANY SA (SOEL Reg. Number: 156) as Certified Auditors for the financial year 2016 (auditing of the financial statements corporate and consolidated), approving also their fees.
- The shareholders adopted the approval - validation of contracts between the Company and persons of article 23a of Codified Law 2190/1920. Authorisation to Board members for their participation in the management of other companies of the Group, in accordance with article 23 par. 1 of Codified Law 2190/1920.
- The shareholders approved the extension of the object of the Company and the respective amendment of article 3 of the Articles of Association. Codification of the Articles of Association.

The Chairman of the General Meeting outlined the goals and prospects of this fiscal year, as mentioned in detail in the annual Financial Report and also noted that the outlook for the current fiscal year 2016 looks positive for the Group.

2. Barclays Bank PLC

Neurosoft participated in the ReFINA (Barclays Open Account/Sales Finance products -hereinafter Project) Request for Proposal (“RFP”) issued by Barclays on 16 Dec 2015. Barclays evaluated the proposals received, using the evaluation criteria advised in the RFP, and selected Neurosoft S.A. as its preferred vendor for the provision and implementation of a private cloud solution (the “Contract Services”). Neurosoft was initially instructed to perform a “Discovery Phase” system evaluation which was completed in June 2016 and at the same time proceeded to finalise the Order Form for the main Project. For this purpose, the General Framework Agreement and Order Form for the Discovery Phase were signed, the Order Form for the main Project remaining pending. On the 30th of August, Barclays notified Neurosoft that the Booking Platform for Barclays Open Account/Sales Finance products (main contract), had been put on hold until further notice. This was on the back of a Barclays Group decision to adjust investments in support of regulatory programmes and ensure that the Bank’s commitments to shareholders and regulators are fully met. Neurosoft at that time was under negotiations as to the next actions regarding the Project.

3. SCF and New Sales Finance Modules

Neurosoft proceeded to redesign and augment its offering in the Supply Chain Finance area. This effort entailed technological overhaul such as a 100% responsive interface using Angular 2, as well as introduction of new modules such as Syndication, Asset Based lending (including stock financing) and Confidential Invoice Discounting. The new offering brings Proxima+ and Tesla to the frontiers, allowing our customers to have one of the most complete product portfolio in the area of Sales Finance.

4. Betbuzz

In December 2016, Neurosoft launched Betbuzz.com which is a one of a kind sports betting service, based on the principle that the player gets better prices (odds) as more events are added to the wager. The service supports accumulators only, for football to start with, and will be available in the UK under a licence governed by UKGC (United Kingdom Gambling Commission) and MGA (Malta Gaming Authority), offering the best prices for multiples compared to competition. Neurosoft provides pricing, risk management and trading tools where third parties supply the transaction engine, user interface and regulatory compliance. Neurosoft’s Risk Management tools allow real-time risk exposure calculation for accumulators which is paired by its unique pricing algorithms, allowing a holistic view of risk. These tools are an integral part of the service offering. Neurosoft’s service, which is under a revenue sharing model, will have a profit margin of 70% of the GGR (Gross Gaming Revenue).

5. Trendz

In 2015, Neurosoft completed B-BOLT, Bettracker and Alkemi, three tools that are needed for risk management and pricing of its innovative product, BOOM. In 2016, roadmapped to have a complete independent end-to-end solution for BOOM, we started the development of Trendz, an open-standard

sports betting transaction engine. The plan includes its own CRM, PAM(Players Account Management) and Direct Payment Gateway interfaces. The whole suite is designed in such a way that modules can work together as an independent system or bypass modules (such as CRM and PAM) in case intergration with third party systems is needed. Development will continue in 2017 when completion is envisaged.

6. SNFCC S.A. - Operations Services

In 2015, Neurosoft was awarded the implementation of the ICT Infrastructure of the Stavros Niarchos Foundation Cultular Center. The project was completed in a timely manner and handed over to the end-customer in August 2016, following a strict international supervision process. From that point onwards following a tendering procedure, Neurosoft was awarded a 5-year contract undertaking the on-site Operations for the entire ICT infrastructure. The scope of the project includes the day-to-day operations based on the end-users' ICT needs, the overall IT needs of the Data Centers in addition to the entire telecom wired and wireless infrastructure of the SNFCC campus.

7. Nokia - Telecom support and Implementation

Neurosoft started cooperating with Alcatel-Lucent on field services in the telecom sector back in 2008. Since then the field services department has grown significantly on three fronts : people, geographical coverage and technologies covered. In mid 2016 Nokia finalised the acquisition of Alcatel-Lucent. Throughout 2016 Neurosoft was engaged in extensive negotiations with Nokia Procurement about Support and Implementation services for Nokia equipment in Telecom Service Providers networks. Neurosoft not only managed to sustain the business but also further grow it under the Nokia umbrella.

8. Cyber Maritime - Managed Security Offering

The gradual and inevitable proliferation of the IoT (Internet of Things) even in the maritime industry, has contributed to the need for increased Cyber Security in that specific sector. Neurosoft has identified that growing need and formed an alliance with Navarino in order to introduce a maritime Security offering. Navarino is one of the world's leading providers of satellite communications solutions to the merchant marine market. Navarino is also the designer and distributor of Infinity, the world's most successful bandwidth optimisation solution.

Neurosoft together with Navarino have engaged into the exploration and extensive testing of an end-to-end Cyber Security offering for vessels at sea. The alliance will cover all aspects of the service, i.e. Technical, Operational and Commercial yielding a unique business case.

9. Vodafone Security Assessment - Frame Contract

In Q3-2016 Neurosoft participated in a closed tendering procedure launched by Vodafone Greece, for a frame agreement covering Security Assessment services for all corporate and new services of the Telecom giant. Neurosoft was shortlisted and finally included in the list of preferred companies. Since then

Vodafone GR has awarded various Security Assessment activities to Neurosoft ranging from Web to Mobile services.

10. Ilicium - New Product Development

Neurosoft made a strategic decision in mid 2016 to capitalise on the extensive and focused know-how of the Security Assessment team and join forces with the Software Development team aiming to follow a proven business paradigm of in-house product development. Among the various ideas that were discussed, it was decided to develop a Cyber Deception tool as a pilot of Intra-department cooperation. The project was named Ilicium and the concept of the product is a centrally managed platform with various agents aiming to enhance the defence process of any organisation by deploying multiple decoys throughout the ICT infrastructure. The design process was initiated in late Q3-2016 and the first operating prototype is expected in mid Q2-2017. The target market is clearly not bound by national borders.

11. VLT Project - Implementation & Support

The VLT Project remained idle for a little over a year, since June 2015. While anticipating the project launch either in late Q4-2016 or early Q1-2017, Neurosoft started preparations in Q4-2016 by re-evaluating procedures and processes in order to achieve high readiness standards for the upcoming project launch.

12. ISO Certifications

In view of Services and Operations standardisation, Neurosoft was certified in Q4-2016 under the ISO27001:2013 international standard for Information Security Management, while already being certified under ISO9001:2008 Quality and OHSAS18001:2007. In an attempt to increase the quality of the provided service levels, Neurosoft has started an internal, targeted restructuring process to achieve certification under the ISO20000 for IT Service Management aimed primarily at IT outsourcing projects. The target date for certification has been set for Q3-2017.

SECTION B

Principal risks and uncertainties

The Company operates in a highly competitive and especially challenging international environment, which is rapidly changing. Over the last few years the Company has systematically tried to enhance its extroversion in the geographical areas of interest, with emphasis on a continuous upgrade of products and provided solutions, while in the meantime it develops new products and promotes its entry into new markets, with a view to further penetrating new markets and thus strengthening its competitiveness.

The usual financial and other risk exposures of the Company and the risks which may be encountered over the course of the current fiscal year 2016 (01.01.2016-31.12.2016) are market risk, credit risk, liquidity risk etc.

1. Credit risk

The Management of the Company ensures that sales are addressed to customers with high credit trustworthiness and ability. Due to the expansion of the Company's activities abroad, this risk becomes real especially with respect to foreign customers from other countries for which the effective control of credibility is not always easy. Therefore, the Company continuously develops and further evolves its internal risk management mechanisms in order to fully confront this risk. As a consequence, this risk, although real in view of the general adverse economic environment, is currently evaluated as controlled.

2. Currency risk

The Group's revenues are mainly based on Euro denominated agreements and therefore the Group is not exposed to foreign exchange risk. However, the Group's management continuously monitors the foreign exchange risks that may arise and evaluates the need for such measures.

3. Interest rate risk

Regarding short-term borrowings, Management monitors on a continuous basis, fluctuations in interest rates and evaluates the need for taking relevant positions to hedge against such risks.

The following table shows the changes in the Group's profit before tax (through the impact of the loan balances at year end with a floating interest rate on profits) in possible changes in interest rates, holding other variables constant.

Sensitivity analysis of the Group's borrowings to interest rate changes:

31 December 2016		
	Interest rates volatility	Effect on Comprehensive Income Statement
Euro	1.0%	(9,898)
	(1.0) %	9,898
31 December 2015		
	Interest rates volatility	Effect on Comprehensive Income Statement
Euro	1.0%	(10,199)
	(1.0) %	10,199

Note: The above table does not include the positive impact of the interest earned on deposits.

4. Cash flow risk

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that there are always secure credits to use. The existing undrawn credit to the Group is absolutely sufficient to cover any potential lack of cash. The Group maintains sufficient cash reserves and enjoys high credibility with banks due to its dynamic progress in the Greek market. Prudent liquidity management is achieved with credit availability through approved bank credits and available cash.

The table below summarises the maturity profile of financial liabilities as of 31 December 2016 and 2015 respectively.

Year ended December 31, 2016	On demand	Less than 6 months	6 to 12 months	1 to 5 years	>5 years	Total
Borrowings	-	183,000	180,600	491,704	-	855,304
Trade and other payables	305,802	699,206	429,035	-	-	1,434,043
Total	305,802	882,306	609,635	491,704	-	2,289,347

Year ended December 31, 2015	On demand	Less than 6 months	6 to 12 months	1 to 5 years	>5 years	Total
Borrowings	-	154,557	154,803	678,609	-	987,969
Trade and other payables	933,859	800,452	489,165	-	-	2,223,476
Total	933,859	955,009	643,968	678,609	-	3,211,445

SECTION C

Important related party transactions

This section includes the most significant transactions between the Company and its affiliated persons (related parties) as defined in International Accounting Standard 24.

Particularly this section includes:

- Transactions between the Company and any related party incurred during the fiscal year 2016 (01.01.2016-31.12.2016) that have materially affected the financial situation or performance of the Company during this period.
- Any changes in the transactions between the Company and any related party described in the last annual report, which could have a material effect on the financial situation or performance of the Company during 2016.

Note that the reference to the above transactions, which follows, includes the following:

- the amount of such transactions for the year 2016 (01.01.2016-31.12.2016)
- the outstanding balance at the end of the year (31.12.2016)
- the nature of the related party relationship with the Company and
- any information on transactions, which are necessary for an understanding of the financial position of the Company, but only if such transactions are important and have not been made under normal market conditions.

The related parties of the company are as follows:

- “Neurosoft Cyprus LTD” headquartered in Cyprus, in which the Company holds a stake of 100%.
- “Neurosoft Romania SRL headquartered in Romania, in which the Company holds a stake of 95% indirectly through its subsidiary Neurosoft Cyprus Ltd.

Intercompany sales and other revenue	31.12.2016	31.12.2015
Neurosoft Romania Srl	-	-
Neurosoft Cyprus Ltd	-	-
Total	-	-

Intercompany purchases	31.12.2016	31.12.2015
Neurosoft Romania Srl	-	-
Neurosoft Cyprus Ltd	15,000	22,500
Total	15,000	22,500

The balances of receivables and payables of the Company and its related companies during the current fiscal year are analysed as follows:

Intercompany balances (receivables)	31.12.2016	31.12.2015
Neurosoft Romania Srl	352,450	352,450
Neurosoft Cyprus Ltd	126,000	126,000
Total	478,450	478,450

Intercompany balances (payables)	31.12.2016	31.12.2015
Neurosoft Romania Srl	-	-
Neurosoft Cyprus Ltd	800	800
Total	800	800

Transactions and balances with related individuals, as defined by the International Accounting Standard 24, for the 12 months of 2016 and 2015 respectively are as follows:

	2016	2015
Executives and management members' remuneration	528,388	573,263

Further to the above we note:

- No loans or credit facilities have been granted to the members of the Board or to other executive members of the Company (and their families).
- These transactions contain no exceptional or individual characteristic, which would make further analysis per related party imperative.
- Apart from the above remuneration no other transactions between the Company and the aforementioned executives and Board members exist.
- No transaction has taken place outside and beyond normal market conditions.
- No transaction exists, the value of which exceeds 10% of the value of the assets of the Company, as reflected in the latest published statements.

SECTION D

Detailed information in accordance with the provisions of article 4, paragraph 7 of Law 3556/2007, as in force and relevant explanatory report

1. Share capital structure

Following the resolution of the Extraordinary General Shareholders Meeting held on 25/11/2014 the new share capital of the Company amounts to 8,954,608.00 million euros, is fully paid up and is divided into 25,584,594 ordinary shares with a nominal value of Euro 0.35 each.

For each share all the rights and obligations are defined by law and the Articles of Association. The ownership of the share automatically entails acceptance of the Articles of Association and the decisions taken in accordance with the law and the Statute of the various corporate bodies.

Each share carries the right to one (1) vote.

All shares of the Company are listed on the Milan Stock Exchange and traded on the AIM/MAC Italia market of the Stock Exchange of Milan.

2. Restrictions on the transfer of shares of the Company

There are no restrictions on the transfer of shares.

3. Significant direct or indirect participations

a) "Neurosoft Cyprus Ltd", headquartered in Cyprus, in which the Company holds a stake of 100%,

b) "Neurosoft Romania Srl" headquartered in Romania, in which the Company holds a stake of 95% indirectly through its subsidiary Neurosoft Cyprus Ltd.

Further to the above, the significant direct or indirect holdings in the share capital and voting rights of the Company within the meaning of Articles 9 to 11 of Law 3556/2007as in force are as follows:

- Mavroeidis Angelopoulos: 1,686,353 shares and voting rights (percentage 6.59%)
- TWILLIN LIMITED: 8,802,444 shares and voting rights (percentage 34.40%)
- OPAP INTERNATIONAL Ltd: 6,401,241 shares and voting rights (percentage 25.02%)
- OPAP CYPRUS Ltd: 1,154,315 shares and voting rights (percentage 4.51%)
- IGT PLC: 4,176,537 shares and voting rights (percentage 16.32%)
- Nikolaos Vasilonikolidakis: 654,840 shares and voting rights (percentage 2.55%)

Important Notes:

- It is noted that the above percentages have been extracted pursuant to the completion of all the merger procedures with Kestrel SA in front of the Milan Stock Exchange as well
- Mr Vasilonikolidakis is listed above, despite the fact that his stake is less than 3%, for clarity reasons and as he is the Company's executive director.

4. Shares with special control rights

There are no shares with special control rights.

5. Restrictions on voting rights

No restrictions to holders of voting shares are known to the Company.

6. Shareholders' agreements

The Company is not aware of any agreements between shareholders which impose limitations on the transfer of shares or on the exercise of voting rights.

7. Rules governing the appointment and replacement of Board members and amendments of the Articles of Associations which differ from those envisaged in Codified Law 2190/1920 as in force today.

Regarding the appointment and replacement of Board members as well as the amendment of the Memorandum of Association, there are no rules that differ from the provisions of Codified Law 2190/1920, as in force.

8. Jurisdiction of the Board or some of its members to issue new shares or acquire treasury shares of the Company in accordance with Article 16 of Codified Law 2190/1920.

There is no specific authority of the Board of Directors or of certain members of the Board of Directors to issue new shares or acquire treasury shares in accordance with Article 16 of Codified Law 2190/1920, as in force.

9. Significant agreements which become operative, modified or terminated upon a change of control of the Company following a public offer.

There is no significant agreement concluded by the Company, which is set in force, modified or terminated upon a change of control following a public offer.

10. Significant agreements with members of the Board or employees of the Company

There isn't any agreement between the Company and members of its Board of Directors or staff, which provides compensation in case of resignation or dismissal without cause or termination of office or employment due to any public offer.

Explanatory report on the information, which is prepared in accordance with article 4, paragraph 8 of Law 3556/2007.

The numbering in this explanatory report (drafted in accordance with Article 4, paragraph 8 of Law 3556/2007) follows the same numbering of the relevant information under Article 4, paragraph 7 of Law 3556/2007, as the information listed above:

1. The structure and mode of formation of the share capital of the Company is set out in detail in Article 5 of the Articles of Association.

The Company's shares were listed on the Milan Stock Exchange on May 8, 2009 and are traded in the above Stock Exchange continuously to date.

2. No such restriction exists under the law or the Articles of Association, or any other agreement.

3. Data on the number of shares and voting rights of persons who have significant participation, are drawn from the Company's share register and relevant disclosures notified to the Company by law.
4. There are no other classes of shares, only common shares with voting right.
5. The Company has not been notified of any such limitations.
6. Nor has the Company been notified of such agreements.
7. In these specific issues the Articles of Association do not deviate from the provisions of Codified Law 2190/1920 as in force.
8. No such special responsibility exists.
9. In the absence of such agreement, there is no need for any explanation.
10. Similarly, in the absence of such agreements there is no need for any explanation.

SECTION E

Information on labor and environmental issues

1. The Group as of 31.12.2016 employs 114 people, compared to 96 people, as of 31.12.2015.
2. The basic principle governing the Group operation is the continuous training and education of its personnel and the strengthening of corporate consciousness at all operation levels and activities of the Group. The Group's main concern is to constantly train and keep all staff on the cutting edge of knowledge.
3. The Group recognises the need for continuous improvement of its environmental performance based on the principles of sustainable development and in compliance with legislation and international standards, aiming to achieve a balanced economic development in harmony with the natural environment. Following the above-mentioned principles, the Group carries out its activities in a manner that ensures the protection of the environment on the one hand and the protection of the health and safety of its personnel on the other.

SECTION F

Evolution, performance and position of the Company and Group - Financial and non-key performance indicators

This section includes a proper and concise representation of the development, performance activity and position of the whole business included in consolidation. This display has been created in such a way as to provide a balanced and comprehensive analysis of the above categories of issues, which corresponds to the size and complexity of these companies' activities. Furthermore, at the end of this display some indicators are provided (financial or not) which the Board of Directors evaluates as useful for a better understanding of the above issues.

1. Group achievements in numbers

The main financial numbers for the Group are as follows:

Group	31.12.2016	31.12.2015
Total Assets	12,768,051	10,740,024
Total Equity	9,162,206	7,237,705
Sales	8,744,788	12,433,822
Gross Profit	4,134,013	4,179,743
EBT	2,860,518	2,630,309
Earnings after tax	1,924,501	1,970,801

2. Group financial ratios

Below are listed several ratios (financial or not) related to the essential performance, position and economic situation of both the Group and the Company:

Group			
	31/12/16	31/12/15	
Fixed Assets ratio	29%	21%	This ratio shows the percentage of fixed assets to total assets
Total equity to fixed assets ratio	2,46	3,26	This ratio shows the capital structure of the Group
Total Liabilities to liabilities and equity ratio	31%	33%	Debt percentage ratio
Total equity to total liabilities and equity	72%	67%	
Debt to equity ratio	9%	14%	The percentage of debt to equity
Working Capital ratio	3,86	2,61	This ratio shows how many times the current assets cover the current liabilities of the Group
Assets return ratio	15%	18%	Net profit after tax as a percentage of the total assets
Total equity return ratio	21%	27%	Net profit after tax as a percentage of the equity
Gross profit margin	47%	34%	The ratio shows the Gross profit margin
Net profit margin	22%	16%	The ratio shows the net profit attributable to the group as a percentage of sales.

Company			
	31/12/16	31/12/15	
Fixed Assets ratio	33%	26%	This ratio shows the percentage of fixed assets to total assets
Total equity to fixed assets ratio	2,24	2,73	This ratio shows the capital structure of the Group
Total Liabilities to liabilities and equity ratio	29%	30%	Debt percentage ratio
Total equity to total liabilities and equity	74%	70%	
Debt to equity ratio	8%	12%	The percentage of debt to equity
Working Capital ratio	4,01	2,49	This ratio shows how many times the current assets cover the current liabilities of the Group
Assets return ratio	15%	17%	Net profit after tax as a percentage of the total assets

Total equity return ratio	20%	25%	Net profit after tax as a percentage of the equity
Gross profit margin	47%	34%	The ratio shows the Gross profit margin
Net profit margin	23%	16%	The ratio shows the net profit attributable to the group as a percentage of sales.

SECTION G

Anticipated course and Company development for the year 2017

Based on the up-to-date estimations for 2017 there is cautious optimism regarding the achievement of the economic objectives, despite the clearly difficult financial circumstances that continue to dominate the domestic market and economy. The Company will continue to invest in added value technological products in 2017, in line with the requirements of our times, which are expected to yield a dynamic response in the targeted markets, while in the meantime it will focus on further enhancing its extroversion. In any case, taking into consideration the overall liquidity that prevails, the future cannot be predicted with accuracy. The extremely dynamic sectors (ICT and MICT & CSS) allow the diversification of its portfolio on the one hand, and cross synergies that were not in-place in the previous years on the other. The strategy of the company will be international expansion with two poles, one in the UAE for factoring and ICT infrastructure and London for factoring, sports betting and cyber security.

SECTION H

Further Information

As of the day of the drafting of this report, there are no significant events that have occurred since the end of the current fiscal year apart from the following:

- None of the companies included in the consolidation owns shares or stakes as per paragraph 5 of Article 103 of the Codified Law 2190/1920.
- Regarding the planned growth of the Company as well as that of the Group, relevant analysis is presented in Section G of this Report.

SECTION I

Corporate Governance Statement

This Corporate Governance Statement (Declaration) is drafted according to Article 43a par. 3d of Codified Law 2190/1920, as in force; it consists of a special section of the Annual Board of Directors Report and contains all statutory data information.

In particular, the structure of this Corporate Governance Statement is as follows:

- Statement of Compliance with the Corporate Governance Code
- Divergence from the Corporate Governance Code and Justification of these divergences
- Corporate governance practices applied by the Company in addition to the provisions of law.

D. Description of the internal control and risk management system(s) regarding the preparation process of financial statements

E. Data on the control status of the company (information (c), (d), (f), (h) and (i) of paragraph 1 of Article 10 of Directive 2004/25/EC)

F. Board of Directors and Committees

G. General Meeting and Shareholders' Rights

A. Statement of Compliance with Corporate Governance Code

Law 3873/2010, which has incorporated in Greek law and legal order, the European Union Directive 2006/46/EC, basically enacts the adoption of the Corporate Governance Code by companies, while in the meantime it establishes the obligation of drafting this Declaration.

The Company, compliant with the requirements and regulations of this Law, has drafted and implemented its own Corporate Governance Code, the text of which is available on the legally registered Company's website www.neurosoft.gr

The preparation of this Code, which the Company has decided to apply on its own initiative, aims for the continuous improvement of the corporate and institutional framework, of the broader business environment as well as for the improvement of the Company's competitiveness as a whole.

During the establishment of this Code all the principles of corporate governance followed by the Company have been taken into consideration according to the existing legislation (Codified Law 2190/1920, Law 3016/2002, as amended and in force today, Laws 3693/2008 and 3884/2010), as well as recommendations and general content of the Corporate Governance Code which was written by the Hellenic Federation of Enterprises, and then amended in the first revision by the Hellenic Corporate Governance Council and published in October 2013.

It is noted that for reasons of completeness the Corporate Governance Code, which has been drafted and implemented by the Company (hereinafter referred for brevity as the "**Code**"), has been approved by adoption of resolution of the Company's Board of Directors on 21/6/2012.

B. Divergences from the Corporate Governance Code and Justification of those divergences

The Company has decided on its own initiative to prepare and apply its own Corporate Governance Code, so as for a corporate governance framework to be established, taking into consideration the specific features of its operation and the identification of any needs dictated by the organisation and operation of the Company.

The configuration of this Code however is a dynamic process, which in view of the consultation that takes place at the moment for the amendment of the Law 3016/2012 is expected to be continued.

Within this framework, especially due to the small size of the Company at this time, the Company shows some divergences in relation to the content of the Corporate Governance Code (which the Company applies on its own initiative), and these are summarised as follows:

A Remuneration Committee does not exist. The size of the Company and the small number of executives make the existence of such a Commission unnecessary at this point.

An Audit Committee does not exist, as the range of the Company's transactions is very small to justify the existence of such a Commission.

C. Corporate governance practices applied by the Company in addition to the provisions of legislation

The Company, as far as corporate governance issues are concerned, applies the provisions of laws 2190/1920, 3016/2002 and 3693/2008, which has incorporated in the Articles of Association, the Internal Operation Regulation and the Audit Manual. Additionally, the Company has its own Corporate Governance Code, which is compatible with the provisions of the above legislation and includes a series of additional corporate governance practices, which are included as a whole in the Code provisions, the text of which is available on the legally registered Company's website www.neurosoft.gr

D. Description of the internal control and risk management systems of the Company regarding the process of financial statements preparation

The internal Audit system consists of all those functions established by the Company in order to ensure its belongings, to identify and manage the key risks it is facing or might face in the future, ensure that the data, based on which the financial statements have been prepared, is correct and accurate, as well as that the current legal framework is compiled and law principles and policies adopted by the Administration are being applied.

The object of the internal control system consists of the rational allocation of the Company resources, the protection of business reputation, the adoption of better operation methods based on the experience gained and therefore a better possibility of evaluating risks arising from the business activity.

The existence of an advanced system of internal audit involves the further development of the company, the improvement of its performance through the adjustment of strategic options and corporate goals, the reduction in incidences of losses by recording the various types of risk, the compliance with regulatory mechanisms and treatment of adverse conditions, with the ultimate aim of improving the efficiency of the Company.

To ensure that the financial figures are being adopted for the drafting of the Company's and the Group's financial statements, and that it is correct and precise, the Company implements specific control procedures which provide the following:

- Entries from the accounting department of the Company are submitted under a specific procedure that requires all documents to be original and have the appropriate authorised signature,
- The accounting department performs periodic reconciliation of payroll accounts, customers, suppliers, VAT etc.
- The Company maintains authenticated fixed asset record, performs depreciations based on the International Accounting Standards and the tax rates provided, which are controlled by the person responsible for the operation of financial services.
- The Group annually prepares the consolidated and the individual subsidiary budgets per Group for the next financial year which are presented to the Board of Directors for approval.
- Every month a detailed presentation of the financial results per subsidiary and consolidated at Group level is prepared and communicated to the Group's Management.

- Companies that comprise the Group follow single accounting applications and processes in accordance with the International Financial Reporting Standards.
- Relationships and transactions between the Company and its affiliated companies are being checked.
- Regular and emergency inventories are conducted.
- Accounting and general computerised systems of the Company are being checked.
- The legality of fees and all kinds of benefits to the Board of Directors members are being checked as well as the compliance and renewal of the Company's operating regulations, as they have been established by the Board of Directors, its Articles of Association and the general legislation.
- At the end of each period, the accounting departments of the parent Company and its subsidiaries prepare their financial statements pursuant to the International Financial Reporting Standards.
- The financial departments of the Group collect all the necessary data from the subsidiaries, the consolidation entries are carried out and the financial statements are prepared according to the International Financial Reporting Standards.
- There are specific procedures for closing the financial statements of the budget year which include submission deadlines, responsibilities and updating for the required disclosures.
- The financial statements are audited by the Audit Committee and the Board of Directors.

Finally, the software system used by the Company is developed and constantly upgraded by its IT department in order to be adjusted to the constantly expanding and specialised needs with the aim of supporting the long-term goals and prospects of the company. The IT department, is among other things, responsible for the implementation of the security processes (backups on a daily basis, access to files, also all programs have specific people using their own passwords, etc.) and of security procedures which have been established by the Company (anti-virus software, email protection).

The Board of Directors continuously monitors the adequacy of the Company's Internal Audit System so far as:

- it has approved the Internal Operating Regulation of the Company which includes adequate policies, procedures and regulations that comprise the Internal Audit System applied by the Company,
- The Members of the Company's Board of Directors are recipients of the reports prepared by the Internal Audit of the Company. Through these reports various areas / operations of the Company are evaluated, as well as the adequacy of the Internal Control Systems applicable to them.

E. Information regarding the status control of the Company (information (c), (d), (f), (h) and (i) of paragraph 1 of Article 10 of Directive 2004/25/EC)

1. Article 10, paragraph 1 of Directive 2004/25/EC of the European Parliament and of the Council of April 21st 2004 on takeover bids, provides the following for companies the shares of which are admitted to trading on a regulated market:

"1. Member States ensure that the companies referred to in Article 1, paragraph 1 publish detailed information on the following:

- a) capital structure, including titles which are not traded on a regulated market of a Member State and, where appropriate, an indication of the different classes of shares, with the rights and obligations attached to each class of shares and the percentage of the total share capital represented,

- b) all the restrictions on the transfer of titles, such as limitations on titles holding or the obligation of approval by the Company or other titles holders, according to Article 46 of Directive 2001/34/EC,
- c) significant direct and indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings) according to Article 85 of Directive 2001/34/EC,
- d) the holders of any titles with special control rights and the description of these rights,
- e) the control system that might be provided in an employee participation system, where the control rights are not exercised directly by the employees;
- f) any restrictions on voting rights, such as limitations of the voting rights of holders of a specific percentage or number of votes, deadlines for exercising voting rights, or systems whereby, in cooperation with the Company, the financial rights attached to titles are separated from the holding of titles,
- g) agreements between shareholders which are known to the Company and may result in restrictions on the transfer of titles and / or voting rights within the meaning of Directive 2001/34/EC,
- h) the rules governing the appointment and replacement of board members as well as the amendment of the Articles of Association,
- i) the powers of Board Members, regarding the possibility of issuing or repurchasing shares in particular,
- j) any significant agreements in which the Company participates and which shall come into force, be amended or expire upon change of Company control following a public offer, and the effects thereof, unless its disclosure would cause serious damage to the Company by its nature. This exception does not apply when the Company is specifically obliged to disclose such information under any other legal requirements, any agreement between the Company and its board members or employees, which provides compensation in case of resignation or dismissal without valid reason or if their employment ceases because of a public offer."

2. The above information is given in detail in Chapter 6 of this Board report. As far as elements c, d, f, h and i of paragraph 1 of Article 10 are concerned, the Company states the following:

- Relative to point c: significant direct and indirect shareholdings of the Company are as follows:
 - a) "Neurosoft Cyprus Ltd", headquartered in Cyprus, in which the Company holds a stake of 100%,
 - b) "Neurosoft Romania Srl" headquartered in Romania, in which the Company holds a stake of 95% indirectly through its subsidiary Neurosoft Cyprus Ltd.

Furthermore, significant direct or indirect shareholdings in the share capital and voting rights of the Company according to Articles 9 to 11 of Law 3556/2007 are as follows:

- Mavroeidis Angelopoulos: 1,686,353 shares and voting rights (percentage 6.59%)
- TWILLIN LIMITED: 8,802,444 shares and voting rights (percentage 34.40%)
- OPAP INTERNATIONAL Ltd: 6,401,241 shares and voting rights (percentage 25.02%)
- OPAP CYPRUS Ltd: 1,154,315 shares and voting rights (percentage 4.51%)
- IGT PLC: 4,176,537 shares and voting rights (percentage 16.32%)
- Nikolaos Vasilonikolidakis: 654,840 shares and voting rights (percentage 2.55%)

Important Notes:

It is noted that the above percentages have been extracted pursuant to the completion of all the merger procedures with Kestrel SA in front of the Milan Stock Exchange.

- Mr Vasilonikolidakis is listed above, despite the fact that his stake is less than 3%, for clarity reasons and as he is the Company's executive director
- Relative to point d: there are not any kind of titles (including shares), which confer special audit rights.
- Relative to point f: no restrictions on voting rights are known (such as restrictions on voting rights of holders of a specific percentage or number of votes, deadlines for exercising voting rights, or systems whereby, in cooperation with the Company, the financial rights attached to titles are separated from the holding of titles. Regarding the exercise of voting rights at the General Assembly, extensive reference is made in Section 3 of this Corporate Governance Statement.
- Relative to point h: regarding the appointment and replacement of members of the Board of Directors of the Company as well as the amendment of the Articles of Association of the Company, there are no rules that differ from the provisions of the Codified Law 2190/1920, as currently applicable. These rules are described in detail in Section 2.1 of this Corporate Governance Statement.
- As to point i: there are not any special powers of the Board of Directors regarding issuing or repurchasing shares.

F. Board of Directors and Committees
1. Board of Directors

The Board of Directors consists of five (5) to seven (7) executive and non-executive members. At least three (3) of them are non-executive members. The Board members are elected by the General Meeting of Shareholders for five (5) years. The executive members are involved in the daily management issues of the Company while the non-executive directors are responsible for the progress of all corporate issues.

If a position of a Director becomes vacant due to death, resignation or for any other reason, then the remaining Directors, provided that they are at least three (3), must elect a provisional replacement for the remaining term of office of the Director being replaced. This election is submitted for approval to the following Ordinary or Extraordinary General Meeting of Company's Shareholders. The actions of the provisional replacement elected by the Board of Directors are valid even if the General Meeting refuses to validate his/her election and elects another definitive Director. The current Board consists of seven (7) members, of which two (2) executive, four (4) non-executive and one (1) independent non-executive.

The following table includes the members of the Board:

Board of Directors Member	Position
Mavroeidis Angelopoulos	Chairman of BoD (executive)
Nikolaos Vasilonikolidakis	CEO of the Company (executive)
Evangelos Kollias	Member of BoD (non-executive)
Athanasios Rigas	Member of BoD (non-executive)

Michele Fusella	Member of BoD (non-executive)
Michal Houst	Member of BoD (non-executive)
Ioannis Papanikolaou	Independent Member of BoD (non-executive)

Note:

All the aforementioned members of the Board have Greek citizenship, except for Mr Michal Houst who has Czech citizenship and Mr Michele Fusella who has Italian citizenship.

2. Powers of the Board of Directors

The Board of Directors manages and represents the Company and is competent to decide on every matter concerning the company's management, the pursuit of the objectives of the company's scope and the management of its assets, except for those matters under the exclusive jurisdiction of the General Meeting according to the Law or the Articles of Association. Any actions of the Board of Directors, even actions not included in the company's scope, are binding on the company before third parties, except where it is proven that the third party involved was aware or should have been aware of this encroachment. Adherence to publication formalities with regard to the company's Articles of Association or its amendment does not constitute proof on its own. Any limitations to the power of the Board of Directors by the Articles of Association or by a resolution of the General Meeting cannot be used against third parties acting in good faith, even if they have been subject to the publication formalities. The Board of Directors may, in writing only, assign the exercising of all its powers and jurisdiction (except for those demanding collective action), as well as the company's representation, to one or more persons, who may or may not be Directors, while also determining the extent of this assignment. In any case, the jurisdiction of the Board of Directors is subject to articles 10 and 23a of Codified Law 2190/1920, as in force.

The main, non-assignable responsibilities of the Board (meaning that the decision requires prior approval by the Board of Directors or, if necessary, subsequent validation on behalf of the Board), include:

- the approval of the long-term strategic and operational objectives of the Company,
- the approval of the annual budget and business plan and decision-making on major capital expenditures, acquisitions and divestitures,
- the selection and, if necessary, replacement of the executive management of the company, as well as the supervision of succession planning,
- the performance control of senior management and the harmonisation of remuneration of senior executives with the long-term interests of the Company and its shareholders,
- the assurance of the reliability of the financial statements and figures of the Company, the financial information systems and the data available in public, as well as the assurance of the effectiveness of internal and risk management control.
- the vigilance regarding existing and potential conflicts of interest between the company and the company's management, Board members or major shareholders (including shareholders with direct or indirect power to modulate or influence the composition and the behaviour of the Board), and the appropriate handling of such conflicts
- the assurance of an effective regulatory process of Company Compliance,

- the responsibility for decision-making and monitoring of the effectiveness of the Company's management system, including decision-making and delegation of powers and duties to other employees, and
- the formulation, dissemination and application of the basic values and principles governing the Company's relations with all parties, whose interests are connected with those of the Company.

3. Board of Directors operation

Regarding the operation of the Board of Directors, the Articles of Association provide the following:

Convening of the Board of Directors

Upon its election, the Board of Directors meets and is constituted as a body, electing its Chairman, its Vice-chairman and the Managing Director(s). The same person may be Chairman or Vice-Chairman and Managing Director at the same time.

The Chairman of the Board of Directors presides at the meetings. When the Chairman is absent or unable to perform their duties, they are represented in their full responsibilities by the Vice-chairman. If the Vice-chairman is absent or unable to perform their duties, they are replaced by the Managing Director, following a related decision of the Board of Directors. Finally, in similar cases the Managing Director is replaced by another Director, who is appointed by the Board of Directors. Also, the Board of Directors may elect its Secretary, who may, but does not have to, be a Director.

Role of the Chairman of the Board of Directors

The Chairman shall preside over the Board of Directors. He is responsible for setting the agenda, besides all the other possible responsibilities, ensuring the proper execution of tasks regarding the organisation of the Board and the effective conduct of its meetings. The Chairman is also responsible for ensuring prompt and accurate reporting to the members of the Board of Directors and effective communication with all shareholders, focusing on fair and equitable treatment of the interests of all shareholders.

CEO

The CEO is responsible for the implementation of the strategic objectives of the Group and the case management (day - to - day management) of the Company. The CEO reports to the Board of Directors. He is in charge of all sectors and departments of the Company and is responsible among other things for:

- the implementation of the objectives of the annual budget,
- the evaluation of risks and the implementation of measures and procedures to effectively deal with them,
- the coordination of the senior management team, overseeing and ensuring profitability for the proper operation of the Company,
- suitability assessment - systems and procedures regarding the operation of the Company and the suggestion and / or implementation of improvements
- the monitoring of the progress of projects, taking corrective actions where necessary and the efficient allocation of resources between projects,
- ensuring the implementation of the Company's decisions, as well as updating the Board of Directors and the Management Board on matters of the Company. The CEO is responsible for the coordination of

individual departments of the company and the submission of recommendations to the Management Board, with respect to matters within the competence of the Board.

Decision Making

The Board is in quorum and validly convenes when it is present or when half the Board plus one Director are represented, never though, when the number of Directors who attend in person is less than three (3). For calculating the quorum, any resulting vote shall be omitted.

Resolutions of the Board shall be taken by an absolute majority of the directors who are present and represented except in cases of Article 5 § 2 of the Articles of Association.

Representation of members of the Board

A director who is prevented from attending can only be represented by another Director. Each Director may represent only one absent member. In this case this Director has two (2) votes.

4. Board of Directors' Meetings

The Board shall meet regularly at the company's headquarters following the Chairman's invitation. The Board can also validly convene elsewhere, either at home or abroad, as long as all the Members are present or represented and no one disagrees that the meeting and decision making should take place.

The Board shall be convened by the Chairman, by invitation notified to the members of the Board at least (2) two working days before the meeting. All the items of the agenda must be clearly indicated in the invitation, otherwise decision making is allowed only if all members of the Board are present or represented and no one disagrees with the decision making.

During 2016, eleven Board meetings took place.

Minutes of the Board of Directors

The minutes of the discussions and decisions of the Board of Directors are kept in a special book and are signed by the Directors present at the meeting. Any Director in disagreement may request that a summary of their opinion be recorded in the relevant meetings. Copies or excerpts of the Minutes of the Board of Directors are validated by the Chairman or the Vice-Chairman or the Managing Director.

Compensation of Directors

An amount set annually by a specific resolution of the Ordinary General Meeting may be paid to each Director for transportation expenses and as remuneration for attendance of each Board meeting or as any other type of remuneration or compensation for any reason.

G. General Meeting and Shareholders' Rights

1. Competence of the General Meeting

The General Meeting, convening in accordance with the Articles of Association and the Law, represents all the shareholders and constitutes the supreme body in the company, having the authority to make

decisions on every corporate matter. Its lawful resolutions are also binding on the partners who are absent or disagree with them. The General Meeting is the only competent body for making decisions on:

- a) The extension of duration, merger, except for absorption pursuant to article 78 of Codified Law 2190/1920, dissolution of the company, conversion, split, revival;
- b) The amendment of the Articles of Association;
- c) The increase or reduction of the share capital, except in the case of paragraph 2 of article 5 of the Articles of Association;
- d) Issuing of corporate bonds and other bonds, as described in articles 3a, 3b and 3c of Codified Law 2190/1920, as in force, except in the case of paragraph 2 of article 5 of the Articles of Association;
- e) The election of Directors, except in the case of article 22 of the Articles of Association;
- f) The election of auditors;
- g) The election of liquidators;
- h) The approval of annual accounts (annual financial statements);
- i) The appropriation of net profits; and
- j) The acquisition or sale of significant holdings in companies. Significant holdings in companies shall mean holdings in terms of shares or assets which, assessed as a whole for a period of 12 months, meet one of the following conditions:
 - (aa) The total acquisition or sale price of the aforementioned holdings exceeds the Company's open market value, calculated on the basis of the stock exchange price of the Company's share at the time of acquisition or sale, or
 - (bb) The total assets, turnover or profits of the company, relating to significant holdings, multiplied by the ratio of the holding acquired or sold to the total financials of the relevant company, exceed the corresponding figure for the Company, and
- k) Any other matter provided by law or by the Articles of Association.

2. Convocation of the General Meeting

The General Meeting of shareholders is convoked by the Board of Directors and convenes regularly, once a year, at the company's registered offices and within the first six months from the end of each fiscal year. The Board of Directors may convoke an extraordinary General Meeting whenever it deems it to be necessary. Exceptionally, the General Meeting may convene in a different location in Greece, following special permission granted by the competent authority, which the terms of this permission shall also be defined. This permission is not required when the Meeting is attended by shareholders or their proxies representing the total share capital and no shareholder is opposed to hold a meeting and pass a resolution.

Invitations for the convocation of an Ordinary or Extraordinary General Meeting, except for repeat meetings and their equivalents, are published at least twenty (20) full days prior to the set meeting date. It is clarified that non-business days are also counted. Both the day the invitation is issued and day of the Meeting are not counted.

3. Representation of Shareholders in the General Meeting

Shareholders entitled to attend the General Meeting may be represented therein by a legally authorised person.

4. Chairman of the General Meeting

The Chairman of the Board of Directors or, when the Chairman is unable to perform their duties, the Vice-Chairman or, when the Vice-Chairman is also unable or there is no Vice-Chairman, the most senior among present Directors presides temporarily over the shareholders' Meeting. After the list of shareholders with voting rights has been approved, the meeting proceeds to the election of its Chairman and one Secretary, who count the votes as well. The aforementioned persons are elected by roll call. The Chairman of the General Meeting must necessarily be a shareholder or a shareholder's proxy. The Secretary may not be a shareholder.

5. Obligations arising from the provisions of Law 3884/2010

Twenty (20) days before the General Assembly the Company will publish on its website, both in Greek and English, information on:

- the date, time and place of the General Meeting of Shareholders;
 - the basic rules and practices of participation, including the right to propose items for the daily agenda and ask questions, and the deadlines for exercising these rights;
 - Voting procedures, terms of representation by proxy and the forms used for proxy voting;
 - the proposed daily agenda for the meeting, including drafts of the resolutions upon the discussion and voting, and accompanying documentation as well;
 - the proposed list of candidates for Board membership and their resumes in case of election of members;
- and
- the total number of shares and voting rights on the date of convocation.

A summary of the minutes of the General Meeting of Shareholders, including the results of voting for each resolution of the General Meeting, will be available on the Company's website within fifteen (15) days from the General Meeting of Shareholders, translated into English, if that is required by the shareholder structure of the Company and is economically feasible.

The Chairman of the Board of Directors or optionally the independent Vice Chairman, the Chief Executive Officer or the General Manager where applicable, even the chairmen of the committees of the Board, as well as the auditor will be attending the General Meeting in order to provide the shareholders with accurate information regarding issues of their competence and further clarifications, following the questions addressed. Consequently, the Chairman of the General Meeting shall provide the shareholders with the essential time to this purpose.

6. Participation and voting rights

The share rights and options are proved by a relevant certificate, issued by the Company or any other person expressly authorised to do so by the Board of Directors. For the exercise of the share right, if the shares are traded on AIM Italia, the above-mentioned certificate shall be filed in the Company, and if the shareholder wants to participate in the General Meeting of Shareholders of the Company a certificate of share blocking shall also be filed in the Company. The above-mentioned certificates may be included in

the same document. In each case, persons registered in the shareholders' register are considered as shareholders of the Company.

7. Minority Shareholders' Rights

A. Following the request of shareholders representing at least one twentieth (1/20) of the paid up share capital, the Board of Directors is obliged to convene an Extraordinary General Meeting of Shareholders, setting the date for this meeting, which shall not be later than forty-five (45) days from the day the request has been addressed to the Chairman of the Board. The invitation shall contain the items of the daily agenda. In case the General Meeting is not convened by the Board within twenty (20) days following the request, it shall be convened by the requesting shareholders at the expense of the Company, pursuant to the judgment of the one-member Court of First Instance rendering preliminary injunction at the Company's headquarters. The place, time as well as the items of the daily agenda shall be indicated.

B. Upon request of shareholders representing at least one twentieth (1/20) of the paid up share capital, the Board is obliged to include additional items in the daily agenda of the General Meeting, which has already been convoked, if the relevant request has been received by the Board fifteen (15) days before the General Meeting. Additional items shall be published or disclosed under the responsibility of the Board pursuant to Article 26 of the Codified Law 2190/20, at least (7) days before the General Meeting.

C. Upon request of shareholders representing at least one twentieth (1/20) of the paid up share capital, the Chairman of the Meeting is obliged to postpone only once the adoption of resolution by the General Meeting, Ordinary or Extraordinary, regarding the items of the agenda partly or as a whole, defining at the same time the date of the meeting, as defined in the shareholders' request, which cannot be later than thirty (30) days from the date of postponement. The General Meeting following the postponement is a continuation of the previous one, it does not require that the formalities of publication of shareholders invitation be repeated and it can be attended by new shareholders, pursuant to the provisions of Articles 27 § 2 and 28 of Codified Law 2190/1920.

D. Upon request of any shareholder of the Company at least five (5) full days before the General Meeting, the Board of Directors is obliged to provide to the General Meeting the requested information regarding the matters of the Company, to the extent that they are useful for the assessment of the items of the agenda.

E. Furthermore, upon request of shareholders representing at least one twentieth (1/20) of the paid up share capital, the Board of Directors must notify the General Meeting, if it is an ordinary one, of the amounts paid to each member of the Board or manager of the Company during the last two years, as well as of any benefit paid to such persons for any cause or under any contract.

In any of the above cases the Board may decline to provide such information for substantial reason, which is mentioned in the minutes. Such a reason may be, under specific circumstances, the representation of the requesting shareholders in the Board pursuant to paragraphs 3 or 6 of article 18 of Codified Law 2190/1920.

F. Upon request of shareholders representing one fifth (1/5) of the paid up share capital, which is submitted to the Company within the period of the aforementioned paragraph, the Board is obliged to provide the General Meeting with information referring to the progress of corporate matters and the

financial status of the Company. The Board may refuse to provide such information for substantial reason, which shall be mentioned in the minutes.

Such reason may be, under specific circumstances, the representation of the requesting shareholders in the Board pursuant to paragraphs 3 or 6 of Article 18 of the Codified Law 2190/20, since the respective members of the Board of Directors have received the relevant information adequately.

G. Upon request of shareholders representing one twentieth (1/20) of the paid up share capital, resolutions on any item of the daily agenda of the General Meeting are adopted by roll call.

H. The right to request an audit of the Company from the one-member Court of First Instance at the Company's headquarters according to non-contentious proceedings is given to:

- a) shareholders representing at least one twentieth (1/20) of the paid up share capital
- b) the Exchange Commission
- c) the Minister of Development, or the competent supervisory body respectively.

This audit is ordered in case actions violating the provisions of the law or the Articles of Association or resolutions of the General Meeting are suspected. In any case, the audit request must be submitted within three (3) years from the approval of the financial statements for the fiscal year within which the offending acts have been committed. Shareholders representing one fifth (1/5) of the paid up share capital have the right to ask the court of par. 9 for an audit of the Company, if it is believed that the management of corporate issues is not carried out as required by the proper and prudent management.

8. Shareholders' rights and way of exercising

The Company has issued ordinary shares listed for trading on the Milan Stock Exchange.

The acquisition of shares of the Company automatically implies the acceptance of the Articles of Association and the legal decisions of the competent bodies. Each share provides equal rights according to the percentage of the share capital represented. Shareholders' liability is limited to the nominal value of their shares. In case of joint ownership of a share, co-owners exercise their rights solely by a joint representative thereof. The joint owners are equally and severally responsible for the fulfillment of the obligations arising from the common share.

Each share incorporates all the rights and obligations established by Codified Law 2190/1920 and the Articles of Association, and in particular:

- the right of participation and vote in the General Meeting,
- the right to receive dividends from the profits of the Company,
- the right to the proceeds of liquidation or, respectively, of amortisation of capital corresponding to the share, if so decided by the General Meeting. The General Meeting of the Shareholders of the Company reserves all of its rights during the liquidation,
- the right of preference in any increase of the Company's share capital in cash and the issue of new shares, and the right of preference in each issue of convertible bonds, unless the General Meeting decides to approve the increase,
- the right to receive a copy of the financial statements and the reports of the auditors and the Board of the Company,
- the above-mentioned rights of minority shareholders.

This Corporate Governance Statement (Declaration) contains all the necessary information pursuant to the law, constitutes part of the Annual Report of the Board of the Company and is incorporated unchanged in it.

Independent Certified Accountant - Auditor's Report
To the Shareholders of the Company
“NEUROSOFT SOFTWARE PRODUCTION S.A.”

Report on the Financial Statements

We have audited the accompanying separate and consolidated financial statements of “NEUROSOFT SOFTWARE PRODUCTION S.A.”, which comprise the separate and consolidated statement of financial position as of December 31, 2016, the separate and consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies as well as other explanatory information.

Management's Responsibility for the Separate and Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these company consolidated financial statements based on our audit. Our audit has been conducted in accordance with the International Standards on Auditing, which have been incorporated into Greek Law (FEK/B 2848/23.10.2012). Those standards require that we comply with ethical requirements, plan and perform the audit to obtain reasonable assurance about 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the separate and consolidated financial statements in order to design appropriate audit procedures for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the company.

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 separate and consolidated 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 separate and consolidated financial statements present fairly, in all material respects, the financial position of the Company “NEUROSOFT SOFTWARE PRODUCTION S.A.” and its subsidiaries as of December 31, 2016, its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Reference to Other Legal and Regulatory Requirements

Considering that management is responsible for preparing the Board of Directors Report and the Corporate Governance Statement included in this report, pursuant to paragraph 5 of Article 2 (Part B) of Law. 4336/2015, it is noted that:

- a) The Board of Directors Report includes a Corporate Governance Statement which provides the information set out in Article 43vv of Ref. N. 2190/1920.
- b) In our opinion, the Board of Directors Report has been prepared in accordance with the legal requirements of Articles 43 and 107A and paragraph 1, cases c and d of Article 43vv of Ref. Law 2190/1920 and its content corresponds to the accompanying separate and consolidated financial statements for the year ended 31/12/2016.
- c) Based on the knowledge gained during our audit, the Company “NEUROSOFT SOFTWARE PRODUCTION S.A.”, and the environment, we have not identified any material misstatements in the Management Report of the Board of Directors.

Athens, May 11, 2017

ANDREAS D. TSAMAKIS

Certified Public Accountant Auditor
Institute of CPA (SOEL) Reg. No. 17101
HELLENIC AUDITING COMPANY SA

ANNUAL FINANCIAL STATEMENTS

For the year ended
December 31, 2016

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	Group		Company	
		01.01- 31.12.2016	01.01- 31.12.2015	01.01- 31.12.2016	01.01- 31.12.2015
Revenues	4	8,744,788	12,433,822	8,691,682	12,406,463
Cost of services	8	(4,610,775)	(8,254,079)	(4,598,089)	(8,188,887)
Gross profit		4,134,013	4,179,743	4,093,593	4,217,576
Selling and distribution expenses	8	(470,866)	(550,474)	(413,339)	(562,152)
Administrative expenses	8	(804,278)	(990,784)	(748,649)	(984,964)
Other income		54,604	96,029	54,604	96,029
Financial income	7	1,853	2,462	1,853	2,462
Financial costs	7	(54,808)	(106,667)	(53,368)	(106,336)
Profit before income taxes		2,860,518	2,630,309	2,934,694	2,662,614
Income taxes	9	(936,017)	(659,508)	(936,017)	(659,508)
Net Profit (A)		1,924,501	1,970,801	1,998,677	2,003,106
Other total comprehensive income after tax (B)		-	-	-	-
Total comprehensive income after tax (A)+(B)		-	-	-	-
Profit attributable to:		1,924,501	1,970,801	1,998,677	2,003,106
Equity holders of the parent		1,924,501	1,970,801	1,998,677	2,003,106
Non-controlling interests		-	-	-	-
		1,924,501	1,970,801	1,998,677	2,003,106
		-	-	-	-
Total weighted average number of ordinary shares	24	25,584,594	25,584,594	25,584,594	25,584,594
Adjusted weighted average number of ordinary shares for diluted (loss)/ income per share	24	25,584,594	25,584,594	25,584,594	25,584,594
Income per share (basic and diluted)	24	0.0752	0.0770	0.0781	0.0783

The accompanying notes are an integral part of the Financial Statements

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2016

	Note	Group		Company	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
ASSETS					
Non-Current Assets					
Property, plant and equipment	11	524,658	554,940	524,658	554,940
Intangible assets	12	3,068,906	1,551,375	3,005,325	1,430,268
Goodwill		-	-	51,852	51,852
Investments in subsidiaries		37,000	37,000	850,500	850,500
Other non-current assets		94,956	88,285	94,956	88,285
Total Non-Current Assets		3,725,520	2,231,600	4,527,291	2,975,845
Current Assets					
Inventories	13	548,924	549,732	548,924	549,732
Trade accounts receivable	14	3,927,532	2,886,950	3,897,132	2,856,550
Prepayments and other receivables	15	1,457,203	1,111,531	1,428,037	1,095,189
Receivables from intra Group Companies		-	-	150,750	150,750
Cash and cash equivalents	16	3,108,874	3,960,210	3,108,465	3,947,409
Total Current Assets		9,042,532	8,508,423	9,133,307	8,599,630
TOTAL ASSETS		12,768,051	10,740,024	13,660,597	11,575,475
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent company					
Share capital	17	8,954,608	8,954,608	8,954,608	8,954,608
Share premium		600,000	600,000	600,000	600,000
Other reserves	18	347,536	196,067	377,638	208,391
Retained earnings		(739,938)	(2,512,970)	187,955	(1,641,474)
Total equity		9,162,206	7,237,705	10,120,202	8,121,525
Minority interests		-	-	-	-
Total equity		9,162,206	7,237,705	10,120,202	8,121,525
Non-Current Liabilities					
Reserve for staff retirement indemnities	23	296,945	212,863	296,945	212,863
Deferred tax liability	9	965,218	29,201	965,218	29,201
Total Non-Current Liabilities		1,262,163	242,064	1,262,163	242,064
Current Liabilities					
Trade accounts payable	21	750,284	1,661,692	708,701	1,640,109
Short-term borrowings	20	855,304	987,969	855,304	987,969
Income tax payable		54,336	48,811	54,336	48,811
Accrued and other current liabilities	22	683,759	561,784	659,892	534,998
Total Current Liabilities		2,343,683	3,260,255	2,278,233	3,211,886
Total Liabilities		3,605,845	3,502,319	3,540,396	3,453,950
TOTAL LIABILITIES AND EQUITY		12,768,051	10,740,024	13,660,597	11,575,475

The accompanying notes are an integral part of the Financial Statements

STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY FOR THE YEAR ENDED DECEMBER 31, 2016

Group	Share Capital	Share Premium	Reserves	Retained Earnings	Total	Non-Controlling Interests	Total
Total Equity as at 1 Jan 2015	8,954,608	600,000	196,067	(4,483,772)	5,266,904	-	5,266,904
Total operating income after tax	-	-	-	1,970,801	1,970,801	-	1,970,801
Total Equity as at 30 Dec 2015	8,954,608	600,000	196,067	(2,512,970)	7,237,705	-	7,237,705
Total Equity as at 1 Jan 2016	8,954,608	600,000	196,067	(2,512,970)	7,237,705	-	7,237,705
Total operating income after tax	-	-	151,469	1,773,032	1,924,501	-	1,924,501
Total Equity as at 31 Dec 2016	8,954,608	600,000	347,536	(739,938)	9,162,206	-	9,162,206

Company	Share Capital	Share Premium	Reserves	Retained Earnings	Total
Total Equity as at 1 Jan 2015	8,954,608	600,000	208,391	(3,644,580)	6,118,419
Total operating income after tax	-	-	-	2,003,106	2,003,106
Total Equity as at 30 Dec 2015	8,954,608	600,000	208,391	(1,641,474)	8,121,525
Total Equity as at 1 Jan 2016	8,954,608	600,000	208,391	(1,641,474)	8,121,525
Total operating income after tax	-	-	169,247	1,829,430	1,998,677
Total Equity as at 31 Dec 2016	8,954,608	600,000	377,638	187,956	10,120,202

The accompanying notes are an integral part of the Financial Statements

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2016

	Group		Company	
	01.01- 31.12.2016	01.01- 31.12.2015	01.01- 31.12.2016	01.01- 31.12.2015
Cash flows from Operating Activities				
Profit before income taxes	2,860,518	2,630,309	2,934,694	2,662,614
Adjustments for:				
Depreciation and amortisation	559,409	392,305	501,236	334,778
Other Provisions	91,896	100,099	91,896	100,099
Financial (income)/expenses	52,955	104,205	51,515	103,874
Operating profit before working capital changes	3,564,778	3,226,919	3,579,341	3,201,366
(Increase)/Decrease in:				
Inventories	808	259,264	808	259,264
Trade accounts receivables	(1,027,975)	(812,259)	(1,027,329)	(812,259)
Prepayments and other receivables	(345,671)	(87,234)	(332,847)	(77,708)
Trade accounts payable	(911,408)	15,378	(931,408)	21,628
Accrued and other current liabilities	121,975	58,067	124,894	55,064
Interest paid	(54,808)	(106,667)	(53,368)	(106,336)
Tax paid	(7,725)	(5,525)	(7,725)	(5,525)
Payment for staff indemnity	(7,815)	-	(7,815)	-
Other long term liabilities	(6,671)	(10,225)	(6,671)	(10,225)
Net cash from Operating Activities	1,325,487	2,537,719	1,337,879	2,525,270
Cash flows from Investing Activities				
Capital expenditure for property, plant and equipment	(2,046,012)	(969,281)	(2,046,012)	(969,281)
Interest and related income received	1,853	2,462	1,853	2,462
Net cash used in Investing Activities	(2,044,159)	(966,819)	(2,044,159)	(966,819)
Cash flow from financing activities				
Net change in short-term borrowings	(132,664)	-	(132,664)	-
Net cash from Financing Activities	(132,664)	-	(132,664)	-
Net increase (decrease) in cash and cash equivalents	(851,336)	1,570,900	(838,944)	1,558,451
Cash and cash equivalents at the beginning of the year	3,960,210	2,389,308	3,947,409	2,388,956
Cash and cash equivalents at the end of the year	3,108,874	3,960,210	3,108,465	3,947,409

The accompanying notes are an integral part of the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

1. CORPORATE INFORMATION:

Neurosoft Software Production S.A (the Company) is a société anonyme incorporated and domiciled in Greece, at 466, Irakliou Ave. & Kiprou, 141 22 Iraklio Attica, whose shares are publicly traded on the AIM/ MAC MILANO multilateral trading facility. The duration of the Company according to its Articles of Association is 100 years from the date of its incorporation with a possible extension upon approval of the Shareholders' General Meeting.

1) Neurosoft is a Greek software company, which specialises in the design, development, customisation and maintenance of integrated software systems in its four core business areas: (i) Factoring and Financials, (ii) Sports Betting & Gaming Analytics, (iii) ICT and (iv) MICT & CSS as well as in the provision of advanced information technology services in both the Greek and international markets.

The number of employees for both the Group and the Company on December 31, 2016, amounted to 114. On December 31, 2015, the respective number of employees was 96 for both the Group and the Company.

Information on the Subsidiaries:

Neurosoft Cyprus Ltd

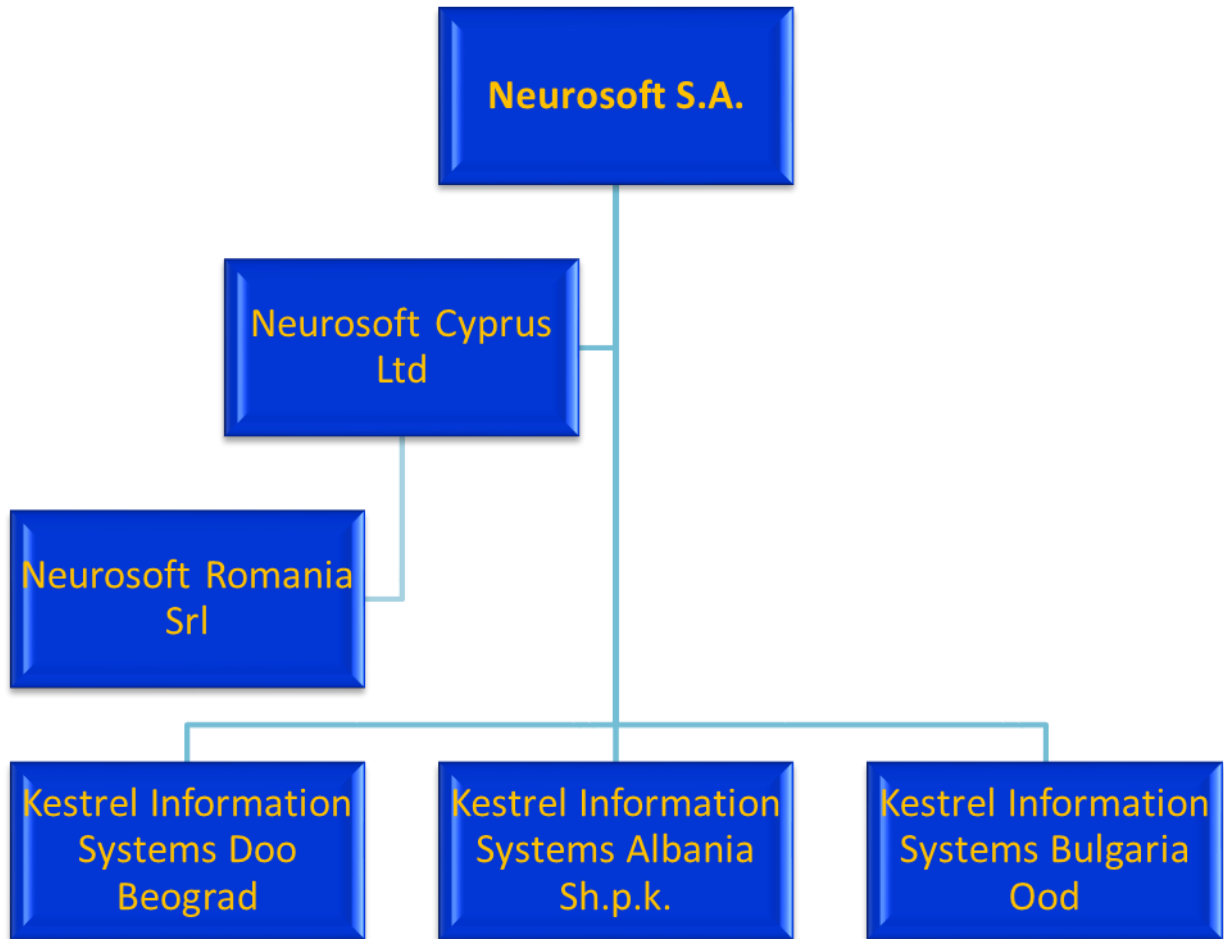
On February 2, 2009, the Company established "Rockberg Holdings Ltd" as a limited liability company under the laws of Cyprus. "Rockberg Holdings Ltd" owns the intellectual property rights related to the use and commercial exploitation of the website: "<http://betonews.com/>", which provides statistical analysis and historical data on soccer and basketball events. On May 3rd, 2011, following the approval of the Court of Limassol, a merger between "Rockberg Holdings Ltd" and "Gaeknar Ventures Ltd" took place.

In 2014 the company "Rockberg Holdings Ltd" changed its name to "Neurosoft Cyprus Ltd".

Neurosoft Romania Srl

On June 23, 2008, "Rockberg Holdings Ltd" and Mr Paschalidis established "Neurosoft Romania Srl", a software company which is based in Bucharest and is expected to serve the market needs for "Neurosoft's S.A." products in Eastern Europe. As at December 31, 2016, "Rockberg Holdings Ltd" holds 95% of the shares in "Neurosoft Romania Srl" and Mr Paschalidis holds the remaining 5%.

Group Organisation chart



2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS:**(a) Basis of Preparation of Financial Statements:**

The financial statements have been prepared in accordance with the 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, which are measured at fair value.

The preparation of financial statements, in accordance with the International Financial Reporting Standards (IFRS), requires the use of critical accounting estimates. It also requires management to exercise its judgment 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(c).

(b) Basis of Consolidation of Financial Statements:

The accompanying separate and consolidated financial statements comprise the financial statements of Neurosoft S.A. and all subsidiaries where Neurosoft S.A. 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 intra-group 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 as that of the parent company.

Gain or losses of subsidiaries, along with other income, 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.

(c) Changes in accounting policies and disclosures:

The accounting policies adopted in the preparation of the annual financial statements, are consistent with those followed for the year ended December 31, 2015, except for the adoption of new standards and interpretations applicable for fiscal periods beginning on January 1, 2016. However, those standards have either no significant effect on the Financial Statement of the Group and the Company, or no application to the Group and the Company.

- **IAS 27 Separate Financial Statements (amended)**
- **IAS 1: Initiative on disclosures (Amendment)**
- **IAS 16 Property, Plant & Equipment and IAS 38 Intangible assets (Amendment): Clarification of Acceptable Methods of Depreciation and Amortisation**
- **IFRS 11 Joint arrangements (Amendment): Accounting for Acquisitions of Interests in Joint Operations**
- **IAS 19 Employee benefits (Amended): Employee Contributions**

The IASB has issued the Annual Improvements to IFRSs 2010 - 2012 Cycle, which is a collection of amendments to IFRSs.

- **IFRS 2 Share-based Payment**
- **IFRS 3 Business combinations**
- **IFRS 8 Operating Segments**
- **IFRS 13 Fair Value Measurement**
- **IAS 16 Property Plant & Equipment**
- **IAS 24 Related Party Disclosures**
- **IAS 38 Intangible Assets**

The IASB has issued the Annual Improvements to IFRSs 2012 - 2014 Cycle, which is a collection of amendments to IFRSs.

- **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations**
- **IFRS 7 Financial Instruments**
- **IAS 19 Employee Benefits**
- **IAS 34 Interim Financial Reporting**

Standards issued but not yet effective and not early adopted**• IFRS 9 Financial Instruments: Classification and Measurement**

The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The Group and the Company are in the process of assessing the impact of the new standard on their financial position or performance.

• IFRS 15 Revenue from Contracts with Customers

The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The Group and the Company are in the process of assessing the impact of the new standard on their financial position or performance.

• IFRS 15: Revenue from Contracts with Customers (Clarifications)

The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 Revenue from Contracts with Customers, particularly the accounting of identifying performance obligations, amending the wording of the "separately identifiable" principle, of principal versus agent considerations, including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing, providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or elect to apply the modified retrospective approach. These Clarifications have not yet been endorsed by the EU. The standard will be applied by the Group on January 1, 2018. Regarding the effect of contracts that remain open on January 1, 2018 from earlier periods, a cumulative adjustment (cumulative catch-up adjustment) to the Group's equity of January 1, 2018 will be recorded. The management of the Group and the Company is assessing the effect of the amendment on the financial position or performance and is in the process of quantifying the impact of the implementation of the standard.

- **IFRS 16: Leases**

The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognise most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The 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 their financial position or performance.

- **Amendment of IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment, indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have 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 their financial position or performance.

- **IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)**

The Amendments become effective for annual periods beginning on or after 1 January 2017 with earlier application permitted. The objective of the Amendments is to clarify the requirements of deferred tax assets for unrealised losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed, relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combined versus separate assessment. These amendments have 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 their financial position or performance.

- **IAS 7: Disclosure Initiative (Amendments)**

The Amendments are effective for annual periods beginning on or after January 1, 2017 with earlier application permitted. The objective of the Amendments is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The

Amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. These Amendments have 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 their financial position or performance.

- **IFRS 2: Classification and Measurement of Share-based Payment Transactions (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. These Amendments have 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 their financial position or performance.

- **IAS 40: Transfers to Investment Property (Amendments)**

The Amendments are effective for annual periods beginning on or after January 1, 2018 with earlier application permitted. The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These Amendments have not yet been endorsed by the EU. The standard is not applicable for the Company and the Group.

- **IFRIC INTERPRETATION 22: Foreign Currency Transactions and Advance Consideration**

The Interpretation is effective for annual periods beginning on or after January 1, 2018 with earlier application permitted. The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation 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 their financial position or performance.

The IASB has issued the **Annual Improvements to IFRSs 2014 - 2016 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after January 1, 2017 for IFRS 12 Disclosure of Interests in Other Entities and on or after January 1, 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. These annual improvements have 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 their financial position or performance.

- IFRS 1 First-time Adoption of International Financial Reporting Standards: This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.
- IAS 28 Investments in Associates and Joint Ventures: The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity which is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
- IFRS 12 Disclosure of Interests in Other Entities: The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarised financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, held for distribution, or as discontinued operations in accordance with IFRS 5.

(d) Approval of Financial Statements:

The Board of Directors of Neurosoft S.A. approved the separate and consolidated financial statements for the period ended December 31, 2016, on May 11, 2017. The above-mentioned financial statements are subject to the final approval of the General Meeting of the Shareholders.

(e) 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:

- (i) **Allowance for doubtful accounts receivables:** The Group's Management periodically reassesses 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.
- (ii) **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 include 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 included in these financial statements.
- (iii) **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 programmes.
- (iv) **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).
- (v) **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) **Business Combinations and Goodwill:** 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 Group 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 remeasured at 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 on 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 remeasured until it is finally settled within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

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.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation of this unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

- (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 recognise 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. On 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 remeasurements 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:

<u>Classification</u>	<u>Useful lives</u>
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, on 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 on 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:

<u>Classification of Intangible asset</u>	<u>Years</u>
Software	5
Customers’ base	8

- (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 its disposal at the end of its useful life.

For the purpose of assessing impairment, assets are grouped at the lowest levels 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 reassessed 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 substantially transfer to the Group 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 substantially retains 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 on 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;
- 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 utilised.

- 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 on 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 utilised.

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 on 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 is 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 are mainly affected by the type of the product and services offered. Each segment represents a different business area of activity: (i) Factoring and Financials, (ii) Sports Betting & Gaming Analytics, (iii) ICT and (iv) ICT MICT&CSS .

Factoring and Financials: 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 at assisting factoring companies to 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. Furthermore, the company developed Tesla, a web interface for the clients and debtors of a factoring company as well as FOLs, an integrated Risk management and anti-fraud tool tailored for factoring companies.

Sports Betting & Gaming Analytics: In order to serve the area of Sports Betting Analytics, Neurosoft has developed a business intelligence solution, which provides Betting Operators with liability monitoring capabilities. Based on specially-designed technological architecture and complex algorithms, BOLT ensures 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. Alongside with BOLT the company developed Qualytor, a tool that monitors market trends and ensures that the operator stays within "acceptable" limits in their pricing, and thus avoids hedging and arbitrage. Lately, the company has been developing a full book making and pricing tool based on state-of-the-art algorithms that allows operators to have the edge on the pricing of their events.

ICT: The ICT department is the main driver of new solutions and services for the existing and future telecom and IT needs of our customers. Training and research are paramount values for the department which apart from the design and implementation of new solutions, undertakes the mission of supporting our carrier-grade customers with sensitive SLAs.

The ICT Department offers Field services aiming at providing implementation and support services on strict Service Level Agreements. Field services have grown substantially over the past couple of years both in terms of geographical coverage and breadth of technologies. Neurosoft today has the capacity to provide services throughout the country for technologies ranging from IT&T (Fixed Access, Microwave, Optical Transport, IT) to non-IT&T (Air-conditioning, Power) environments, utilising its own personnel and a selective network of partners covering the respective needs of our customers.

MICT&CSS: With Information Security threats growing both in number and complexity, Neurosoft has identified Cyber Security as an area of growth for the coming years. The department is growing, aiming primarily at a Service-oriented model rather than a solely product-based one. The company focuses on niche market segments and solutions. In addition, we capitalise on the company's strong software development background in order to develop our in-house offering.

- (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 derecognised 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.

4. GROUP SEGMENT INFORMATION:

The Group's operations are divided into five segments, as described above in note 3(v):

- 2) Factoring and Financials
- 3) Sports betting & Gaming analytics
- 4) ICT
- 5) MICT & CSS

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

The segment information for the year ended December 31, 2016 and 2015 is analysed as follows:

F.Y. 2016	Factoring and Financials	Sport Betting & Gaming Analytics	ICT	MICT & CSS	Total
Revenue	554,899	1,108,731	5,024,589	2,056,569	8,744,788
Cost of Revenue	288,547	576,540	2,696,837	1,048,850	4,610,775
EBITDA	310,743	493,385	1,681,600	987,153	3,472,882
Trade receivables	155,372	453,138	2,311,303	1,007,719	3,927,532
Other Receivables	57,432	166,310	904,410	329,051	1,457,203
Liabilities	271,901	576,540	1,708,554	1,048,850	3,605,845

F.Y. 2015	Factoring and Financials	Sport Betting & Gaming Analytics	ICT	MICT & CSS	Total
Revenue	564,690	3,174,236	7,672,994	1,021,902	12,433,822
Cost of Revenue	319,465	2,283,772	4,878,222	772,620	8,254,079
EBITDA	268,711	1,366,440	1,152,135	339,534	3,126,820
Trade receivables	110,911	726,698	1,638,151	411,190	2,886,950
Other Receivables	23,037	322,192	643,500	122,902	1,111,531
Liabilities	213,112	1,421,212	1.280.833	587,162	3,502,319

5. PAYROLL COST:

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

	Group		Company	
	January 1 - December 31		January 1 - December 31	
	2016	2015	2016	2015
Wages and salaries	1,219,918	1,662,515	1,219,918	1,662,515
Social security costs	245,805	328,991	245,805	328,991
Staff retirement indemnities	91,897	86,099	91,897	86,099
Other staff costs	24,920	13,981	24,920	13,981
Total Payroll Cost (Note 8)	1,582,540	2,091,586	1,582,540	2,091,586

6. DEPRECIATION AND AMORTISATION:

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

	Group		Company	
	January 1 - December 31		January 1 - December 31	
	2016	2015		
Depreciation on buildings	41,089	21,860	41,089	21,860
Depreciation on equipment	3,924	1,433	3,924	1,433
Depreciation on transportation means	3,643	7,952	3,643	7,952
Depreciation on furniture and equipment	64,959	43,247	64,959	43,247
Depreciation on property, plant and equipment	113,615	74,492	113,615	74,492
Amortisation on software and other intangible assets	445,794	317,813	387,621	260,286
Amortisation on intangible assets	445,794	317,813	387,621	260,286
Depreciation and amortisation	559,409	392,305	501,236	334,778

7. FINANCIAL INCOME / (EXPENSES):

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

	Group		Company	
	January 1 - December 31		January 1 - December 31	
	2016	2015		
Interest on short-term borrowings (Note20)	(42,192)	(71,753)	(42,192)	(71,753)
Other financial costs	(12,616)	(34,914)	(11,176)	(34,583)
Total financial expenses	(54,808)	(106,667)	(53,368)	(106,336)
Interest earned on cash at banks and on time deposits (Note 16)	1,853	2,462	1,853	2,462
Total financial income	1,853	2,462	1,853	2,462
Total net financial income/(expenses)	(52,955)	(104,205)	51,515	(103,874)

8. ANALYSIS OF EXPENSES:

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

	Group		Company	
	January 1 - December 31		January 1 - December 31	
	2016	2015	2016	2015
Payroll and related costs (Note 5)	1,582,540	2,091,586	1,582,540	2,091,586
Third party fees and services	2,180,502	2,662,207	2,119,966	2,645,400
Taxes and duties	10,037	11,941	10,037	11,941
Sundry expenses	457,806	1,287,900	450,673	1,302,900
Depreciation and amortisation (Note 6)	559,409	392,305	501,236	334,778

Other operating expenses	64,915	111,870	64,915	111,870
Cost of sales of inventory and consumables	1,030,710	3,237,528	1,030,710	3,237,528
Total expenses	5,885,919	9,795,337	5,760,077	9,736,003

The above expenses are analysed as follows:

	<u>Group</u>		<u>Company</u>	
	<u>January 1 - December 31</u>		<u>January 1 - December 31</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Cost of sales	4,610,775	8,254,079	4,598,089	8,188,887
Selling and distribution expenses	470,866	550,474	413,339	562,152
Administrative expenses	804,278	990,784	748,649	984,964
Total expenses	5,885,919	9,795,337	5,760,077	9,736,003

9. INCOME TAXES:

According to the new Greek tax law L.4334/GG A' 80/16.07.2015, the tax rate for the Sociétés Anonymes in Greece, was raised from 26% to 29%, for the fiscal years beginning January 1, 2015.

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

	<u>Group</u>		<u>Company</u>	
	<u>January 1 - December 31</u>		<u>January 1 - December 31</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current income taxes	-	-	-	-
Prior years' taxes	-	-	-	-
Deferred income taxes	936,017	659,508	936,017	659,508
Total income taxes (credit) / debit reflected in the statement of comprehensive income	936,017	659,508	936,017	659,508

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 summarised as follows:

	<u>Group</u>		<u>Company</u>	
	<u>January 1 - December 31</u>		<u>January 1 - December 31</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Profit before tax	2,860,518	2,630,309	2,934,694	2,662,614
Income tax calculated at the nominal applicable tax rate	829,550	762,790	851,061	772,158
Tax effect of non-tax deductible expenses and non-taxable income	106,467	272,128	84,956	262,760
Recognition of deferred tax asset on prior years' tax losses	-	(145,000)	-	(145,000)

Utilisation of previously unrecognised tax losses	-	(248,744)	-	(248,744)
Tax effect of change in tax rates	-	18,334	-	18,334
Income tax reported in the consolidated income statement	936,017	659,508	936,017	659,508

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.

Tax Compliance certificate

From the financial year 2011 and onwards, all Greek Sociétés Anonymes and Limited Liability Companies that are required to prepare audited statutory financial statements must in addition obtain an "Annual Tax Certificate" as provided for by paragraph 5 of Article 82 of L.2238/1994. This "Annual Tax Certificate" must be issued by the same statutory auditor or audit firm that issues the audit opinion on the statutory financial statements. Upon completion of the tax audit, the statutory auditor or audit firm must issue to the entity a "Tax Compliance Report" which will subsequently be submitted electronically to the Ministry of Finance, by the statutory auditor or audit firm. This "Tax Compliance Report" must be submitted to the Ministry of Finance, within ten days from the date of approval of the financial statements by the General Meeting of Shareholders. The Ministry of Finance will subsequently select a sample of at least 9% of all companies for which a "Tax Compliance Report" has been submitted for the performance of a tax audit by the relevant auditors from the Ministry of Finance. The audit by the Ministry of Finance must be completed within a period of eighteen months from the date on which the "Tax Compliance Report" was submitted to the Ministry of Finance.

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
Neurosoft Cyprus Ltd	-
Neurosoft Romania Srl	23/6/2008 - 31/12/2016

For the fiscal year 2015 Neurosoft S.A. has been tax audited by its statutory auditors in accordance with Article 65^a of L.4174/2013. No significant additional tax liabilities arose, in excess of those provided for and disclosed in the financial statements.

The tax compliance certificate for the financial year 2016 is still in progress based on the provisions of article 65^a of L.4174/2013. No significant additional tax liabilities are expected to arise, in excess of those provided for and disclosed in the financial statements.

In a future tax audit of the unaudited tax years it is possible that additional taxes and penalties may be addressed to Neurosoft and 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.

The movement of the deferred tax asset is as follows:

	<u>Group</u>		<u>Company</u>	
	<u>January 1 - December 31</u>		<u>January 1 - December 31</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Beginning balance	29,201	(630,308)	29,201	(630,308)
Income taxes [credit/(debit)]	936,017	659,508	936,017	659,508
Ending balance	<u>965,218</u>	<u>29,201</u>	<u>965,218</u>	<u>29,201</u>

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

	<u>January 1st, 2016</u>	<u>Debit/ (Credit)to P&L</u>	<u>December 31st, 2016</u>
Deferred income tax asset:			
Provision for bad debts	15,365	-	15,365
Staff retirement indemnities	61,730	24,384	86,114
Tax losses carried forward	145,000	(145,000)	-
Intangible assets	(347,762)	(468,474)	(816,236)
Total	<u>(125,667)</u>	<u>(589,090)</u>	<u>(714,757)</u>
Deferred income tax liability:			
Other	96,465	(172,869)	(76,403)
Unbilled revenue	-	(174,058)	(174,058)
Total	<u>96,465</u>	<u>(346,927)</u>	<u>(250,461)</u>
Net deferred income tax asset	<u>(29,201)</u>	<u>(936,017)</u>	<u>(965,218)</u>
	<u>January 1st, 2015</u>	<u>Debit/ (Credit)to P&L</u>	<u>December 31st, 2015</u>
Deferred income tax asset:			
Provision for bad debts	139,065	(123,700)	15,365
Staff retirement indemnities	32,959	28,771	61,730
Provision for obsolete stock	400	(400)	-
Currency differences	(59)	59	-
Tax losses carried forward	496,998	(351,998)	145,000

Intangible assets	(59,483)	(288,279)	(347,762)
Total	609,880	(735,547)	(125,667)
Deferred income tax liability:			
Other	66,170	30,295	96,465
Unbilled revenue	(42,451)	42,451	-
Finance lease	(3,291)	3,291	-
Total	20,428	76,037	96,465
Net deferred income tax asset	630,308	(659,508)	(29,201)

10. SUBSIDIARIES - GOODWILL:

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

Company Name	Group			
	31/12/2016		31/12/2015	
	Book Value	%	Book Value	%
NEUROSOFT CYPRUS LTD	-	100%	-	100%
NEUROSOFT ROMANIA SRL	-	95%	-	95%
Other	37,000		37,000	
	37,000		37,000	

Company Name	Company			
	31/12/2016		31/12/2015	
	Book Value	%	Book Value	%
NEUROSOFT CYPRUS LTD	813,500	100%	813,500	100%
NEUROSOFT ROMANIA SRL	-	95%	-	95%
Other	37,000		37,000	
	850,500		850,500	

11. PROPERTY, PLANT AND EQUIPMENT:

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

	Buildings	Machinery	Transportation Means	Furniture & Other Equipment	Total
<u>COST</u>					
On January 1, 2015	122,451	-	66,790	623,656	812,897
Additions	243,452	33,362	-	121,751	398,565
Disposals / Write-offs	-	-	(36,282)	(1,012)	(37,294)
On December 31, 2015	365,903	33,362	30,508	744,395	1,174,168
Additions	24,150	3,246	-	55,533	82,929
Disposals / Write-offs	-	-	-	-	-
On December 31, 2016	390,053	36,608	30,508	799,928	1,257,097
<u>DEPRECIATION</u>					
On January 1, 2015	(33,129)	-	(21,715)	(513,060)	(567,904)
Depreciation expense	(21,860)	(1,433)	(7,952)	(43,247)	(74,492)
Disposals / Write-offs	-	-	22,582	586	23,168
On December 31, 2015	(54,989)	(1,433)	(7,085)	(555,721)	(619,228)
Depreciation expense	(41,089)	(3,924)	(3,643)	(64,959)	(113,615)
Disposals / Write-offs	-	(492)	-	896	404
On December 31, 2016	(96,078)	(5,849)	(10,728)	(619,784)	(732,439)
<u>NET BOOK VALUE</u>					
On December 31, 2015	310,914	31,929	23,423	188,674	554,940
On December 31, 2016	293,975	30,759	19,780	180,144	524,658

There is no property, plant and equipment pledged as security. The title of the capitalised leased assets has been retained by the lessor.

12. INTANGIBLE ASSETS:

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

	Purchased Software	Development of Software	Licenses & Other Intangibles	Customer Base	Various Intangibles	Total
<u>COST</u>						
On January 1, 2015	73,688	1,248,425	150,000	392,817	901,020	2,765,950
Additions	46,117	608,011	-	-	-	654,128
Disposals / Write-offs	-	-	-	-	-	-
On December 31, 2015	119,805	1,856,436	150,000	392,817	901,020	3,420,078
Additions	21,415	1,941,264	-	-	-	1,962,679
Disposals / Write-offs	-	-	-	-	-	-

On December 31, 2016	141,220	3,797,700	150,000	392,817	901,020	5,382,757
DEPRECIATION						
On January 1, 2015	(61,469)	(224,219)	(150,000)	(214,182)	(901,020)	(1,550,890)
Depreciation expense	(10,601)	(249,685)	-	(57,527)	-	(317,813)
Disposals / Write-offs	-	-	-	-	-	-
On December 31, 2015	(72,070)	(473,904)	(150,000)	(271,709)	(901,020)	(1,868,703)
Depreciation expense	(16,334)	(371,287)	-	(57,527)	-	(445,148)
Disposals / Write-offs	-	-	-	-	-	-
On December 31, 2016	(88,404)	(845,191)	(150,000)	(329,236)	(901,020)	(2,313,851)
NET BOOK VALUE						
On December 31, 2015	47,735	1,382,532	-	121,108	-	1,551,375
On December 31, 2016	52,816	2,952,509	-	63,581	-	3,068,906

13. INVENTORIES:

Inventories in the accompanying financial statements are analysed as follows:

	Group		Company	
	January 1 - December 31		January 1 - December 31	
	2016	2015	2016	2015
Merchandise	548,924	549,732	548,924	549,732
Provision for obsolete stock	-	-	-	-
Total	548,924	549,732	548,924	549,732

14. TRADE ACCOUNTS RECEIVABLE:

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

	Group		Company	
	January 1 - December 31		January 1 - December 31	
	2016	2015	2016	2015
Trade customers	3,833,112	2,792,530	3,802,712	2,762,130
Cheques and notes receivable	59,774	59,774	59,774	59,774
Doubtful customers	105,306	105,306	105,306	105,306

Less: Allowance for doubtful accounts receivable	(70,660)	(70,660)	(70,660)	(70,660)
Balance of trade and other receivables	<u>3,927,532</u>	<u>2,886,950</u>	<u>3,897,132</u>	<u>2,856,550</u>

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

	<u>Group</u>		<u>Company</u>	
	<u>January 1 - December 31</u>		<u>January 1 - December 31</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Beginning balance	70,660	552,542	70,660	552,542
Provision for the year	-	14,000	-	14,000
Used provision	-	(495,882)	-	(495,882)
Ending balance	<u>70,660</u>	<u>70,660</u>	<u>70,660</u>	<u>70,660</u>

15. PREPAYMENTS AND OTHER RECEIVABLES:

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

	<u>Group</u>		<u>Company</u>	
	<u>January 1 - December 31</u>		<u>January 1 - December 31</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Blocked deposits	2,115	173,190	2,115	173,190
Tax withheld	55,593	89,744	55,593	89,744
Prepaid expenses	981,392	225,745	981,392	225,745
Advances to employees and contractors	4,112	10,317	2,662	8,882
Other debtors	413,991	612,534	386,275	597,628
Balance of trade and other receivables	<u>1,457,203</u>	<u>1,111,531</u>	<u>1,428,037</u>	<u>1,095,189</u>

16. CASH AND CASH EQUIVALENTS:

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

	<u>Group</u>		<u>Company</u>	
	<u>January 1 - December 31</u>		<u>January 1 - December 31</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Cash in hand	162,815	242,325	162,406	242,325
Cash at banks	2,946,059	3,717,885	2,946,059	3,705,084
Total	<u>3,108,874</u>	<u>3,960,210</u>	<u>3,108,465</u>	<u>3,947,409</u>

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, 2016, amounted to € 1,853 (December 31, 2015: € 2,462) for both the Group and the Company and is included in financial income in the accompanying income statements.

17. SHARE CAPITAL:

Neurosoft's ordinary share capital on December 31, 2008 amounted to € 700,000 divided into 2,000,000 ordinary shares of € 0.35 par value each.

Following the decision of the General Meeting of the Shareholders on 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 realised after the General Meeting of the Shareholders on 01.04.2009, by issue 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.

On November 25, 2014, the merge through absorption of the company under the name "KESTREL INFORMATION SYSTEMS SOCIÉTÉ ANONYME" was completed. The property of the Absorbed Company (assets and liabilities) was transferred to the Absorbing Company, based on its property condition which appears in the Merger Balance Sheet of May 31st, 2014. As a result, the share capital of "Neurosoft S.A." increased simultaneously and in parallel:

- a) by the amount of the remaining contributed share capital of the Absorbed Company amounting to € 204,607.76 and
- b) as a result of capitalisation for the purpose of rounding the nominal value of the shares, part of the share premium account of the Absorbing Company, at the amount of € 0.14.

As a consequence, the total amount of the (net) share capital increase of Neurosoft S.A. will be € 204,607.90, and its total share capital will amount to €8,954,607.90, divided into 25,584,594 ordinary nominal (par value) shares with voting rights at a nominal value of € 0.35 each.

The participation ratio of the shareholders of the Merging Companies to the new share capital of the Absorbing Company, as resulting from the Merger, will be 98.44% for the shareholders of Neurosoft S.A. and 1.56% for the shareholders of Kestrel S.A. Consequently, regarding the new total share capital of the Absorbing Company, which amounts to €8,954,607.90, now divided into 25,584,594 ordinary nominal (par value) shares with voting rights, 25,184,594 shares will correspond to the

shareholders of Neurosoft S.A. and 400,000 shares to the shareholders of Kestrel S.A. (except for those of the Absorbing Company).

Following the above, the major shareholders of the Company's share capital as at December 31, 2016, are analysed as follows:

Major Shareholders	No. of shares	% of participation
Twillin Ltd	8,802,444	34.40%
OPAP International	6,401,241	25.02%
IGT PLC	4,176,537	16.32%
Mavroeidis Angelopoulos	1,686,353	6.59%
OPAP Cyprus Ltd	1,154,315	4.51%
Nikolaos Vassilonikolidakis	654,840	2.55%
Other shareholders < 2%	2,708,864	10.61%
Total	25,584,594	100.00%

18. RESERVES:

Other reserves are analysed as follows:

	Group		Company	
	January 1 - December 31		January 1 - December 31	
	2016	2015	2016	2015
Legal reserve	342,690	191,221	372,792	203,545
Special reserves	4,846	4,846	4,846	4,846
Total reserve	347,536	196,067	377,638	208,391

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 after tax profits of previous years.

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 Meeting of the Shareholders 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 capitalise these reserves by the issue 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 Meeting of the Shareholders 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 paid or proposed during the years ended December 31, 2016 and 2015.

20. SHORT-TERM BORROWINGS:

The short-term borrowings refer to a loan provided by Alpha Bank initially on March 18, 2004, to Kestrel S.A., which was absorbed by Neurosoft S.A. during the fiscal year 2014. The initial amount of the loan which amounted to € 200,000.00, increased to € 3,245,000.00 over the years, with annual variable interest rates of three months Euribor plus a margin of 4.5%. As of December 31, 2016 the total amount due to Alpha Bank is € 855,304.

The total interest expense for short-term borrowings for the years ended December 31, 2016 and 2015, amounted to € 42,192 and € 71,753 for both the Group and the Company, 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:

	Group		Company	
	January 1 - December 31		January 1 - December 31	
	2016	2015	2016	2015
Domestic and foreign suppliers	750,284	1,629,637	708,701	1,608,054
Post-dated cheques payable	-	32,055	-	32,055
Total	750,284	1,661,692	708,701	1,640,109

22. ACCRUED AND OTHER CURRENT LIABILITIES:

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

	Group		Company	
	January 1 - December 31		January 1 - December 31	
	2016	2015	2016	2015
Social security payable	177,995	135,313	177,995	135,313
Value added tax and withheld taxes	401,432	328,922	401,432	328,922
Accrued expenses	18,114	76,065	14,649	69,731
Other current liabilities	86,218	21,484	65,816	1,032
Total	683,759	561,784	659,892	534,998

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.
- 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 for both the Group and the Company, as a December 31, 2016 and 2015 are:

	December 31,	
	2016	2015
Present value of unfunded obligations	296,945	212,863
Net Liability in Balance Sheet	296,945	212,863

Components of net periodic pension cost

Service cost	70,982	71,223
Interest cost	13,100	14,876
Amortisation of unrecognised net loss	-	-
Total charge to operations	84,082	86,099

Reconciliation of benefit obligation

Present value of liability at start of period	207,512	126,764
Liability from acquisition	-	-
Service cost	73,300	71,223
Interest cost	16,133	14,876
Benefits paid	-	-
Actuarial gains/(loss)	-	-
Present value of liability at the end of year	296,945	212,863

Principal Assumptions:

Discount Rate	4.0%	4.0%
Rate of compensation increase	1.0%	1.0%
Inflation rate	2.0%	2.0%

24. PROFIT (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, 2016 and 2015:

	Group		Company	
	January 1 - December 31		January 1 - December 31	
	2016	2015	2016	2015
Net (loss) /income attributable to the shareholders of the parent	1,924,501	1,970,801	1,998,677	2,003,106
Total weighted average number of ordinary shares	25,584,594	25,584,594	25,584,594	25,584,594
Adjusted weighted average number of ordinary shares for diluted (loss)/ income per share	25,584,594	25,584,594	25,584,594	25,584,594
Income per share (basic and diluted)	<u>0.0752</u>	<u>0.0770</u>	<u>0.0781</u>	<u>0.0783</u>

25. RELATED PARTIES:

Related party transactions refer to purchases of goods and services from and services provided to certain related parties in the normal course of business.

Particularly related parties' transactions include:

- (a) Transactions between the Company and any related party incurred during the fiscal year 2016 (01.01.2016-31.12.2016) which have materially affected the financial situation or performance of the Company during this period.
- (b) Any changes in the transactions between the Company and any related party described in the last annual report, which could have a material effect on the financial situation or performance of the Company during 2016.

Note that the reference to the above transactions, which follows, includes the following:

- (a) the amount of such transactions for the year 2016 (01.01.2016-31.12.2016)
- (b) the outstanding balance at the end of the year (31.12.2016)
- (c) the nature of the related party's relationship with the Company and
- (d) any information on transactions, which are necessary for an understanding of the financial position of the Company, but only if such transactions are important and have not been made under normal market conditions.

The related parties of the company are as follows:

- a) "Neurosoft Cyprus Ltd" headquartered in Cyprus, in which the Company holds a stake of 100%.
- b) "Neurosoft Romania SRL" headquartered in Romania, in which the Company holds a stake of 95% indirectly through its subsidiary Neurosoft Cyprus Ltd.

Intercompany sales and other revenue	31.12.2016	31.12.2015
Neurosoft Romania Srl	-	-
Neurosoft Cyprus Ltd	-	-
Total	-	-

Intercompany purchases	31.12.2016	31.12.2015
Neurosoft Romania Srl	-	-
Neurosoft Cyprus Ltd	15,000	22,500
Total	15,000	22,500

The balances of receivables and payable of the Company and its related companies during the current fiscal year are analyzed as follows:

Intercompany balances (receivables)	31.12.2016	31.12.2015
Neurosoft Romania Srl	352,450	352,450
Neurosoft Cyprus Ltd	126,000	126,000
Total	478,450	478,450

Intercompany balances (payables)	31.12.2016	31.12.2015
Neurosoft Romania Srl	-	-
Neurosoft Cyprus Ltd	800	800
Total	800	800

The receivable amount of € 352,450 refers to non-interest loan provided by Neurosoft Cyprus Ltd to Neurosoft Romania Srl.

The receivable amount of € 126,000 refers to non-interest loan provided by Neurosoft S.A. to Neurosoft Cyprus Ltd.

Transactions and balances with related individuals, as defined by the International Accounting Standard 24, for the year ended on December 31, 2016 and 2015 are as follows:

	December 31,	
	2016	2015
Salaries and fees for executive members of the BoD	273,901	319,320
Salaries and fees for Senior Managers	265,287	253,943
Total	539,188	573,263

Further to the above we note:

- No loans or credit facilities have been granted to the members of the Board or to other executive members of the Company (and their families).
- These transactions contain no exceptional or individual characteristic, which would make further analysis per related party imperative.
- Apart from the above remuneration no other transactions between the Company and the aforementioned executives and Board members exist.
- No transaction has taken place outside and beyond normal market conditions.

- No transaction exists, the value of which exceeds 10 % of the value of the assets of the Company, as reflected in the latest published statements.

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 the Company's operating results or financial position.

Rent: The Group and the Company have 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, 2016 and 2015, are as follows:

	Group		Company	
	January 1 - December 31		January 1 - December 31	
	2016	2015	2016	2015
Within one year	339,220	208,520	339,220	208,520
2-5 years	1,176,124	850,435	1,176,124	850,435
Over 5 years	208,429	433,555	208,429	433,555
Total	1,449,861	1,492,510	1,449,861	1,492,510

Guarantees: Letters of guarantee are issued by the Group and the Company to various beneficiaries and as at December 31, 2016 and 2015, are analysed as follows:

	Group		Company	
	January 1 - December 31		January 1 - December 31	
	2016	2015	2016	2015
Good execution of agreements	516,271	491,854	516,271	491,854
Good operation	196,656	237,025	196,656	237,025
Collateral		172,943		172,943
Participation in biddings		4,700		4,700
Total	712,927	906,522	712,927	906,522

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 Management of the Company ensures that sales are addressed to customers with high credit trustworthiness and ability. Due to the expansion of the Company's activities abroad, this risk becomes real especially with respect to foreign customers from other countries (particularly in Asia), for which the effective control of their credibility is not always easy. Therefore, the Company continuously develops and further evolves its internal working mechanisms in order to fully confront this risk. As a consequence, this risk, although real in view of the general adverse economic environment, is currently evaluated as controlled.

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's 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, 2016		December 31, 2015	
	Interest Rate Variation	Effect on income	Interest Rate Variation	Effect on income
Euro (€)	1.0%	(9,898)	1.0%	(10,199)
	(1.0) %	9,898	(1.0) %	10,199

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 utilised 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 summarises the maturity profile of financial liabilities on December 31, 2016 and 2015, respectively, based on contractual undiscounted payments.

<u>Year ended December 31, 2016 (Group)</u>	<u>On demand</u>	<u>Less than 6 months</u>	<u>6 to 12 months</u>	<u>1 to 5 years</u>	<u>>5 years</u>	<u>Total</u>
Borrowings	-	183,000	180,600	491,704	-	855,304
Trade and other payables	305,802	699,206	429,035	-	-	1,434,043
Total	305,802	882,206	609,635	491,704	-	2,289,347

<u>Year ended December 31, 2016 (Company)</u>	<u>On demand</u>	<u>Less than 6 months</u>	<u>6 to 12 months</u>	<u>1 to 5 years</u>	<u>>5 years</u>	<u>Total</u>
Borrowings	-	183,000	180,600	491,704	-	855,304
Trade and other payables	240,352	699,206	429,035	-	-	1,368,593
Total	240,352	882,206	609,635	491,704	-	2,223,897

<u>Year ended December 31, 2015 (Group)</u>	<u>On demand</u>	<u>Less than 6 months</u>	<u>6 to 12 months</u>	<u>1 to 5 years</u>	<u>>5 years</u>	<u>Total</u>
Borrowings	-	154,557	154,803	678,609	-	987,969
Trade and other payables	933,859	800,452	489,165	-	-	2,223,476
Total	933,859	955,009	643,968	678,609	-	3,211,445

Year ended December 31, 2015 (Company)	On demand	Less than 6 months	6 to 12 months	1 to 5 years	>5 years	Total
Borrowings	-	154,557	154,803	678,609	-	987,969
Trade and other payables	885,490	800,452	489,165	-	-	2,175,107
Total	885,490	955,009	643,968	678,609	-	3,163,076

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 maximise 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 amortisation.

	Group		Company	
	January 1 - December 31		January 1 - December 31	
	2016	2015	2016	2015
Short-term borrowings	855,304	987,969	855,304	987,969
Total Debt	855,304	987,969	855,304	987,969
Less: Cash and cash equivalents	(3,108,874)	(3,960,210)	(3,108,465)	(3,947,409)
Net Debt/(cash)	(2,253,570)	(2,972,241)	(2,253,161)	(2,959,440)
EBITDA	3,472,882	3,126,820	3,487,445	3,101,267

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, 2016.

Athens, May 11, 2017

President of the BoD
Mavroeides Angelopoulos

Chief Executive Officer
Nikolaos Vassilonikolidakis

Head Accountant
Michalis Amanitis

**WEBSITE PLACE OF UPLOADING THE PARENT STATEMENTS, CONSOLIDATED FINANCIAL STATEMENTS AND
THE FINANCIAL STATEMENTS OF SUBSIDIARIES**

The annual separate and consolidated financial statements of the Company, the Auditor's report and the Reports of management are registered on the internet at the URL www.neurosoft.gr

The financial statements of consolidated companies are registered on the internet at the URL www.neurosoft.gr.