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**ANNUAL REPORT  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

Limassol, March 30<sup>th</sup>, 2018



Siarhei Kostevitch  
Chairman & CEO

#### Dear Shareholders,

If 2016 was year of recovery and stabilization, 2017 has been a year of growth. The excellent result was a combination of consumer demand recovery across multiple markets and execution of the Company's strategy.

The major growth drivers leading to our very good results were the following:

Apple Value Add Distribution demonstrated growth in all major countries, namely; Ukraine, Belarus, Kazakhstan, Georgia, Azerbaijan, Armenia, Moldova, following a complex approach to all routes to market and by all lines of the business.

Our VAD strategy to focus on Data Center infrastructures to multiple targeted verticals resulted in double digit net growth on IT components, despite a decline in the PC segment. We enhanced our products and solutions portfolio, like Supermicro, Intel, Infinidat, Melanox, Infortrend and many more as well as competences needed for optimal IT system architectures and have already become a recognized player in the projects distribution. A-branded business, like Dell-EMC, HP and Cisco also demonstrated a strong growth.

Our master distribution project with Logitech has been extended to Middle East geo in the second half of 2017, following a successful implementation in the CIS region. This has contributed well to our overall results and to a mutual benefit, both for the Company and the supplier.

Electronic distribution ("ED") of consumer software and other virtual products based on developed in-house ED platform gave very good results during the end of 2017 and set good foundations for growth in the coming years. We continue to keep a tight control of operations and overall costs and plan to adhere to this strategy going forward.

We see our future business not only in IT distribution and OEM under own brands, but also aim to become a leading IT, IoT, AI solutions provider to the markets where we operate. This is an integral part of our vision now forming ASBIS's "3<sup>rd</sup> horizon" which allows us to feel very comfortable for the years to come.

Finally, I would like to assure our shareholders that all new developments we invest into, have a short time frame of Return On Investment in order to maximize value in the coming years.

Siarhei Kostevitch  
Chairman & CEO

**Directors' report on the Group operations**  
**For the fiscal year ended 31 December 2017**

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ASBISc Enterprises Plc is one of the leading distributors of Information Technology ("IT") products in Europe, Middle East and Africa ("EMEA") Emerging Markets: Central and Eastern Europe, the Baltic States, the Former Soviet Union, the Middle East and Africa, combining a broad geographical reach with a wide range of products distributed on a "one-stop-shop" basis. Our main focus is on the following countries: Slovakia, Poland, Czech Republic, Romania, Croatia, Slovenia, Bulgaria, Serbia, Hungary, Middle East countries (i.e. United Arab Emirates, KSA, Qatar and other Gulf states), Russia, Belarus, Kazakhstan and Ukraine.

The Group distributes IT components (to assemblers, system integrators, local brands and retail), as well as A-branded finished products like desktop PCs, laptops, servers, and networking to SMB and retail. Our IT product portfolio encompasses a wide range of IT components, blocks and peripherals, and mobile IT systems. We currently purchase the majority of our products from leading international manufacturers, including Apple, Intel, Advanced Micro Devices ("AMD"), Seagate, Western Digital, Samsung, Microsoft, Toshiba, Dell, Acer, Lenovo and Hitachi. In addition, an important part of our revenue is comprised of sales of IT products and mobile devices under our private labels, Prestigio and Canyon.

ASBISc commenced business in 1990 in Belarus and in 1995 we incorporated our holding Company in Cyprus and moved our headquarters to Limassol. Our Cypriot headquarters support, through two master distribution centres (located in the Czech Republic and the United Arab Emirates), our network of 31 warehouses located in 24 countries. This network supplies products to the Group's in-country operations and directly to its customers in approximately 60 countries.

The Company's registered and principal administrative office is at Diamond Court, 43 Kolonakiou Street, Ayios Athanasios, CY-4103 Limassol, Cyprus.

We have prepared this annual report as required by Paragraph 82 section 1 point 3 of the Regulation of the Ministry of Finance dated 19 February 2009 on current and periodic information to be published by issuers of securities and rules of recognition of information required by the law of non-member country as equivalent.

In this annual report all references to the Company apply to ASBISc Enterprises Plc and all references to the Group apply to ASBISc Enterprises Plc and its consolidated subsidiaries. Expressions such as "we", "us", "our" and similar apply generally to the Group (including its particular subsidiaries, depending on the country discussed), unless from the context it is clear that they apply to the Company alone. "Shares" refers to our existing ordinary shares traded on the Warsaw Stock Exchange.

### ***Forward-Looking Statements***

This annual report contains forward-looking statements relating to our business, financial condition and results of operations. You can find many of these statements by looking for words such as "may", "will", "expect", "anticipate", "believe", "estimate" and similar words used in this annual report. By their nature, forward-looking statements are subject to numerous assumptions, risks and uncertainties. Accordingly, actual results may differ materially from those expressed or implied by the forward-looking statements. We caution you not to place undue reliance on such statements, which speak only as of the date of this annual report.

The cautionary statements set out above should be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. We do not undertake any obligation to review or confirm analysts' expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of this annual report.

## **Industry and Market Data**

In this annual report, we set out information relating to our business and the market in which we operate and compete. The information regarding our market, market share, market position, growth rates and other industry data relating to our business and the market in which we operate consists of data and reports compiled by various third-party sources, discussions with our customers and our own internal estimates. We have obtained market and industry data relating to our business from providers of industry data, including:

- Gartner and GfK - leading research companies on IT,
- IDC – a dedicated organization on publishing data for IT industry, and
- Other independent research conducted on our sector

We believe that these industry publications, surveys and forecasts are reliable, but we have not independently verified them and cannot guarantee their accuracy or completeness. The data of independent surveyors might not have taken into consideration recent developments in the markets we operate and therefore in certain instances might have become outdated and not represent the real market trends.

In addition, in many cases we have made statements in this annual report regarding our industry and our position in the industry based on our experience and our own investigation of market conditions. We cannot assure you that any of these assumptions are accurate or correctly reflect our position in the industry, and none of our internal surveys or information have been verified by any independent sources.

## **Financial and Operating Data**

This annual report contains financial statements and financial information relating to the Group. In particular, this annual report contains our audited consolidated financial statements for the twelve months ended 31 December 2017. The financial statements appended to this annual report are presented in U.S. dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The functional currency of the Company is U.S. dollars. Accordingly, transactions in currencies other than our functional currency are translated into U.S. dollars at the exchange rates prevailing on the applicable transaction dates.

Certain arithmetical data contained in this annual report, including financial and operating information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables contained in this annual report may not conform exactly to the total figure given for that column or row.

All numbers are presented in thousands, except share, per share and exchange rate data, unless otherwise stated.



## PART I

### ITEM 1. KEY INFORMATION

#### *Currency Presentation and Exchange Rate Information*

Unless otherwise indicated, all references in this annual report to "U.S. \$" or "U.S. dollars" are to the lawful currency of the United States; all references to "€" or the "Euro" are to the lawful currency of the member states of the European Union that adopt the single currency in accordance with the EC Treaty, which means the Treaty establishing the European Community (signed in Rome on 25 March 1957), as amended by the Treaty on European Union (signed in Maastricht on 7 February 1992) and as amended by the Treaty of Amsterdam (signed in Amsterdam on 2 October 1997) and includes, for this purpose, Council Regulations (EC) No. 1103/97 and all references to "PLN" or "Polish Zloty" are to the lawful currency of the Republic of Poland.

All references to U.S. dollars, Euro, Polish Zloty and other currencies are in thousands, except share and per share data, unless otherwise stated.

The following tables set out, for the periods indicated, certain information regarding the average of the 11:00 a.m. buying/selling rates of the dealer banks as published by the National Bank of Poland, or NBP, for the zloty, the "effective NBP exchange rate", expressed in Polish Zloty per dollar and Polish Zloty per Euro. The exchange rates set out below may differ from the actual exchange rates used in the preparation of our consolidated financial statements and other financial information appearing in this annual report. Our inclusion of the exchange rates is not meant to suggest that the U.S. dollars amounts actually represent such Polish Zloty or Euro amounts or that such amounts could have been converted into Polish Zloty or Euros at any particular rate, if at all.

	<u>Year ended December 31,</u>				
<u>Year (Polish Zloty to U.S. dollar)</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Exchange rate at end of period .....	3.01	3.51	3.90	4.18	3.48
Average exchange rate during period <sup>(1)</sup> .....	3.16	3.18	3.79	3.97	3.74
Highest exchange rate during period.....	3.37	3.55	4.04	4.25	4.23
Lowest exchange rate during period .....	3.01	3.00	3.56	3.72	3.48

<sup>(1)</sup> The average exchange rate as certified for customs purposes by NBP on the last business day of each month during the applicable period

Month (Polish Zloty to U.S. dollar)	Highest exchange rate during the month	Lowest exchange rate during the month
January 2017.....	4.23	4.04
February 2017.....	4.09	3.98
March 2017.....	4.10	3.92
April 2017.....	4.00	3.87
May 2017.....	3.88	3.72
June 2017.....	3.81	3.71
July 2017.....	3.75	3.63
August 2017.....	3.65	3.54
September 2017.....	3.67	3.52
October 2017.....	3.68	3.59
November 2017.....	3.67	3.53
December 2017.....	3.59	3.48
January 2018.....	3.50	3.33
February 2018.....	3.43	3.32

The following table shows for the dates and periods indicated the period-end, average, high and low Euro to U.S. dollar exchange rate as calculated based on the rates reported by the National Bank of Poland.

Year ended December 31 (Euro to U.S. dollar)	2013	2014	2015	2016	2017
Exchange rate at end of period .....	0.7263	0.8228	0.9154	0.9447	0.8347
Average exchange rate during period <sup>(1)</sup> .....	0.7532	0.7586	0.9063	0.9067	0.8819
Highest exchange rate during period.....	0.7828	0.8228	0.9489	0.9629	0.9607
Lowest exchange rate during period .....	0.7236	0.7163	0.8293	0.8706	0.8289

The average NBP exchange rate, euro per U.S. \$, on the last business day of each month during the applicable period

Month (Euro to U.S. dollar)	Highest exchange rate during the month	Lowest exchange rate during the month
January 2017.....	0.9607	0.9301
February 2017.....	0.9516	0.9246
March 2017.....	0.9507	0.9209
April 2017.....	0.9446	0.9168
May 2017.....	0.9203	0.8890
June 2017.....	0.8975	0.8753
July 2017.....	0.8816	0.8524
August 2017.....	0.8530	0.8291
September 2017.....	0.8521	0.8289
October 2017.....	0.8600	0.8430
November 2017.....	0.8645	0.8382
December 2017.....	0.8520	0.8347
January 2018.....	0.8376	0.8028
February 2018.....	0.8183	0.7982

### ***Selected Financial Data***

The following table set forth our selected historical financial data for the years ended December 31, 2017 and 2016 and should be read in conjunction with Item 3. *“Operating and Financial Review and Prospects”* and the consolidated financial statements (including the notes thereto) included elsewhere in the annual report. We have derived the financial data presented in accordance with IFRS from the audited consolidated financial statements.

For your convenience, certain U.S. \$ amounts as of and for the year ended 31 December 2017, have been converted into Euro and PLN as follows:

- Individual items of the balance sheet – based at average exchange rates quoted by the National Bank of Poland 31 December 2017, that is: 1 US\$ = 3.4813 PLN and 1 EUR = 4.1709 PLN.
- Individual items in the income statement and cash flow statement – based at exchange rates representing the arithmetic averages of the exchange rates quoted by the National Bank of Poland for the last day of each month in a period between 1 January to 31 December 2017, that is 1 US\$ = 3.7439 PLN and 1 EUR = 4.2447 PLN.

Period from 1 January to 31 December

	2017			2016
	USD	PLN	EUR	USD
Revenue	1,484,912	5,559,363	1,309,719	1,137,709
Cost of sales	(1,408,177)	(5,272,073)	(1,242,037)	(1,072,295)
Gross profit	76,736	287,290	67,682	65,414
Selling expenses	(34,745)	(130,081)	(30,646)	(28,838)
Administrative expenses	(17,585)	(65,835)	(15,510)	(16,339)
Profit from operations	24,406	91,374	21,527	20,237
Financial expenses	(16,006)	(59,925)	(14,118)	(14,855)
Financial income	1,598	5,983	1,410	590
Other gains and losses	(985)	(3,689)	(869)	42
Profit before taxation	9,013	33,744	7,950	6,014
Taxation	(2,104)	(7,878)	(1,856)	(1,378)
Profit after taxation	6,909	25,866	6,094	4,636
Attributable to:				
Non-controlling interest	(47)	(176)	(42)	18
Owners of the Company	6,956	26,042	6,135	4,617
	6,909	25,866	6,094	4,636

	USD (cents)	PLN (grosz)	EUR (cents)	USD (cents)
Earnings per share				
Weighted average basic and diluted earnings per share from continuing operations	12.53	46.92	11.05	8.32

	USD	PLN	EUR	USD
Net cash inflows from operating activities	42,053	157,442	37,092	9,434
Net cash outflows from investing activities	(2,103)	(7,874)	(1,855)	(2,311)
Net cash outflows from financing activities	(553)	(2,072)	(488)	(4,876)
<b>Net increase in cash and cash equivalents</b>	<b>39,396</b>	<b>147,496</b>	<b>34,748</b>	<b>2,247</b>
Cash at the beginning of the year	6,537	24,473	5,766	4,290
Cash at the end of the year	45,933	171,969	40,514	6,537

	As of 31 December 2017			As of 31 December 2016
	USD	PLN	EUR	USD
Current assets	495,568	1,725,219	413,632	387,011
Non-current assets	28,356	98,714	23,667	28,475
Total assets	523,923	1,823,933	437,300	415,486
Liabilities	429,455	1,495,063	358,451	329,591
Equity	94,468	328,871	78,849	85,895



## **Risk Factors**

*This section describes significant risks and uncertainties affecting our business. The risks and uncertainties described below are not the only ones we face. There may be additional risks and uncertainties not presently known to us or that we currently deem immaterial. Any of these risks could adversely affect our business, financial condition, our results of operations or our liquidity.*

### **Risk factors relating to our business and industry**

#### ***The in-country financial conditions affecting our major markets, gross profit and gross profit margin***

Throughout the years of operation, the Company has from time to time suffered from specific in-country problems, emanating from the deterioration of the specific country's financial situation, due to a number of issues including but not limited to the political instability. We need to monitor any developments, react fast and weather every risk showing up in specific market to secure our results.

We always need to keep in mind, that different in-country problems might arise at any time and affect our operations. Despite the fact that we improved our procedures, we cannot be sure that all risks are mitigated.

#### ***Fluctuation in the value of currencies in which operations are conducted and activities are financed relative to the U.S. dollar could adversely affect our business, operating results and financial condition.***

The Company's reporting currency is the U.S. dollar. In 2017 approximately 40% of our revenues were denominated in U.S. dollars, while the balance is denominated in Euro and other currencies, certain of which are linked to the Euro. Our trade payable balances are principally (about 80%) denominated in U.S. dollars. In addition, approximately half of our operating expenses are denominated in U.S. dollars and the other half in Euro or other currencies, certain of which are linked to the Euro. As a result, reported results are affected by movements in exchange rates, particularly in the exchange rate of the U.S. dollar against the Euro and other currencies of the countries in which we operate, including the Russian Rouble, the Ukrainian Hryvnia, the Czech Crown, the Polish Zloty, the Croatian Kuna, the Kazakhstani Tenge and the Hungarian Forint.

In particular, a strengthening of the U.S. dollar against the Euro and other currencies of the countries in which we operate may result in a decrease in revenues and gross profit, as reported in U.S. dollars, and foreign exchange loss relating to trade receivables and payables, which would have a negative impact on our operating and net profit despite a positive impact on our operating expenses. On the other hand, a devaluation of the U.S. dollar against the Euro and other currencies of the countries in which we operate may have a positive impact on our revenues and gross profit, as reported in U.S. dollars, which would have a positive impact on operating and net profit despite a negative impact on our operating expenses. In addition, foreign exchange fluctuation between the U.S. dollar and the Euro or other currencies of the countries in which we operate may result in translation gains or losses affecting foreign exchange reserve. Furthermore, a major devaluation or depreciation of any such currencies may result in disruption in the international currency markets and may limit the ability to transfer or to convert such currencies into U.S. dollars and other currencies.

Despite all efforts of the Company there can be no assurance that fluctuations in the exchange rates of the Euro and/or other currencies of the countries in which we operate against the U.S. dollar will not have a material adverse effect on our business, financial condition and results of operations. Therefore, careful observation of the currency environment remains a crucial factor for our success.



### ***Worldwide financial environment***

The Group is exposed to the global financial environment, which always affects all markets we operate in. Traditionally we suffer if any of major economies faces challenges.

There are many uncertainties about the world economy following turmoils in different countries, volatility of currencies and fragility of demand in many markets. Additionally, from time to time, unpredictable situations may happen in selected markets.

This is undoubtedly one of our major risk factors since the financial and economic situation dictates the business environment in which the Company operates. Demand might be negatively affected and the results of the Company could be negatively impacted, despite the experience we have gained from management of similar situations in the past.

***Credit risk faced by us due to our obligations under supply contracts and the risk of delinquency of customer accounts receivable could have a material adverse effect on our business, operating results and financial position.***

The Company buys IT products from its suppliers on its own account and resells them to its customers. The Company extends credit to some of its customers at terms ranging from 21 to 90 days or, in a few cases, to 120 days. The Company's payment obligations towards its suppliers under such agreements are separate and distinct from its customers' obligations to pay for their purchases, except in limited cases where the Company's arrangements with its suppliers require the Company to resell to certain resellers or distributors. Thus, the Company is liable to pay its suppliers regardless of whether its customers pay for their respective purchases. As the Company's profit margin is relatively low compared to the total price of the products sold, in the event where the Company is not able to recover payments from its customers, it is exposed to a financial liquidity risk. The Company has in place credit insurance which covers such an eventuality for approximately 60% of its revenue.

Due to the recent market developments following the changes in credit rating of certain countries and regions where the Group operates in, credit risk has become one of the most important risk factors that might affect the Group's results in the future. The Group Directors has decided to enhance risk management procedures.

***Competition and price pressure in the industry in which we operate on a global scale may lead to a decline in market share, which could have a material adverse effect on our business, operating results and financial condition.***

The IT distribution industry is a highly competitive market, particularly with regards to products selection and quality, inventory, price, customer services and credit availability and hence is open to margin pressure from competitors and new entrants. The Company competes at the international level with a wide variety of distributors of varying sizes, covering different product categories and geographic markets. In particular, in each of the markets in which the Company operates it faces competition from:

- a) international distributors such as Avnet Inc., Tech Data Corp., Ingram Micro Inc. and Arrow Electronics Inc., which are much larger than the Company, but do not always cover the same geographic regions with local presence as the Company does,
- b) regional or local distributors, such as Elko, mainly in the Baltic States, Russia, Ukraine, Merlion in the Former Soviet Union, AB, ABC Data in Poland and ATC and ED System-BGS Levi in the Czech Republic and Slovakia.

Competition and price pressures from market competitors and new market entrants may lead to significant reductions in the Company's sales prices. Such pressures may also lead to a loss of market share in certain of the Group's markets. Price pressures can have a material adverse effect on the Company's profit margins and its overall profitability, especially in view of the fact that its gross profit margins, like those of most of its competitors, are low and sensitive to sales price fluctuations.



The Group is obliged to follow up with competition and undertake all possible measures to be competitive at all times.

***The IT distribution and mobile devices business have low profit margins, which means that operating results are highly sensitive to increased operating costs, which if not successfully managed could have a material adverse effect on our business, results of operations and financial condition.***

The Company's business is both traditional distribution of third party products and own brand sales. This allows the Company to deliver healthier gross profit margins when conditions are favourable. However, the own brand business, has been significantly affected by new entrants and the margins have been lowered.

In the traditional distribution business, the Company's gross profit margins, like those of other distributors of IT products, are low and the Company expects that in the distribution arm of its business they will remain low in the foreseeable future. Increased competition arising from industry consolidation and low demand for certain IT products may hinder the Company's ability to maintain or improve its gross margins. A portion of the Company's operating expenses is relatively fixed, and planned expenditures are based in part on anticipated orders that are forecasted with limited visibility of future demand. As a result, the Company may not be able to reduce its operating expenses as a percentage of revenue in order to mitigate any reductions in gross margins in the future.

In an effort to increase gross margins, the Company has developed the own brand business, that allows for higher gross profit margins. It also engaged in distribution contracts with a significant number of mobile technologies suppliers. However, this business is also connected with risks, including the risk of technology change, the risk of changes in demand and customer preferences. Therefore, it is extremely important for the Company to foresee market demand changes and offer new products right in time to satisfy consumer needs and be able to sell the previous technology as well.

***Inventory obsolescence and price erosion in the industry in which we operate may have a material adverse effect on our business, financial condition and results of operations.***

The Company is often required to buy components and finished products according to forecasted requirements and orders of its customers and in anticipation of market demand. The market for IT finished products and components is characterized by rapid changes in technology and short product shelf life, and, consequently, inventory may rapidly become obsolete. Due to the fast pace of technological changes, the industry may sometimes face a shortage or, at other times, an oversupply of IT products. As the Company increases the scope of its business and, in particular, of inventory management for its customers, there is an increasing need to hold inventory to serve as a buffer in anticipation of the actual needs of the Company's customers. This increases the risk of inventory becoming devalued or obsolete and could affect the Company's profits either because prices for obsolete products tend to decline quickly, or as a result of the need to make provisions for write-offs. In an oversupply situation, other distributors may elect to proceed with price reductions in order to dispose of their existing inventories, forcing the Company to lower its prices to stay competitive. The Company's ability to manage its inventory and protect its business against price erosion is critical to its success.

A number of the Company's most significant contracts with its major suppliers contain advantageous contract terms that protect the Company against exposure to price fluctuations, defective products and stock obsolescence.

***Our business is highly dependent on distribution contracts with a limited number of suppliers; a loss of or change in the material terms of these contracts could have a material adverse effect on our business, operating results and financial condition.***

The part of our business consisting of distribution of third party products is dependent on the decisions and actions of a limited number of suppliers. In the year ended 31 December 2017, the Company held contracts with namely Apple, Intel, Advanced Micro Devices (AMD), Seagate, Microsoft, Dell, Toshiba,



Acer, Lenovo and other international suppliers. Contracts with these suppliers are typically on a non-exclusive basis, allow for termination with or without cause and are open-ended with respect to requirements and output rather than imposing any commitment to a specific volume of business or scope of work.

We face a risk of termination of our distribution agreements, in the event that we do not perform pursuant to the supplier's expectations or for any other reason, including a number of factors outside our control. Changes in the suppliers' business strategies, including moving part or all of their distribution arrangements to our competitors, or directly distributing products to end-users, could result in the termination of the respective distribution contracts. Any of these suppliers may merge with, acquire or be acquired by, any of our competitors which already has its own distribution network in the market. Any supplier may consider us redundant as a distributor and may terminate our distribution agreement or may experience financial difficulties, as a result of which it may not be able to grant beneficial credit terms and/or honor financial terms in the relevant distribution agreements, such as those relating to price protection, stock returns, rebates, performance incentives, credit from returned materials and reimbursement of advertising expenses incurred during joint promotion campaigns. Termination or material change in the terms of a vendor contract due to any of the aforesaid factors could have a material adverse effect on our business, results of operations and financial condition.

***Our inability to maintain or renew our distribution and supply contracts on favorable terms with key customers and suppliers, could have a material adverse effect on our business, operating results and financial condition.***

In the part of our business related to distribution of third party products, we have significant contracts with a limited number of customers and other business partners, some of which are oral agreements, the precise terms of which and the enforceability of which, remain uncertain, or are agreements that may be terminated without cause or by written notice at the expiry of their term.

In addition, a number of our most significant contracts with our major suppliers contain terms that protect us against exposure to price fluctuations, defective products and stock obsolescence. Specifically, our contracts terms including terms such as (i) a price protection policy, which allows us to request reimbursement from the suppliers for inventory in transit or held at our warehouses in the event that product prices decline; (ii) a stock rotation policy under which we have the right to return to the supplier slow moving inventory in exchange for credit, which reduces our exposure to obsolescence of inventory; and (iii) a return material authorization policy under which we can return defective items to our suppliers in return for either credit, replacements or refurbished products. If we are unable to maintain or enforce our significant contracts, or if any of our significant suppliers refuses to renew contracts with us on similar terms, or new significant suppliers of ours do not make such terms available to us, we could face a higher risk of exposure to price fluctuations and stock obsolescence, which given our narrow gross profit margins, could have a material adverse effect on our business, operating results and financial condition.

***Our suppliers' increasing involvement in e-commerce activities, which would enable them to directly sell to our customers, could threaten our market share, and therefore adversely affect our business, operating results and financial condition.***

In the third party products distribution part of our business, we operate as a distributor, or a "middleman", between manufacturers and our customers. Manufacturers are sometimes able to outsource their sales and marketing functions by engaging the services of a distributor and concentrating on their core competencies. With the emergence, however, of new internet technologies and e-commerce, more manufacturers are developing their own online commerce platforms with the capability to accept orders and conduct sales through the internet. Global distributors have also set up their own web-sites to enable sales and purchases to be conducted online. Although we have developed the IT4Profit platform, an online purchasing platform for electronic dealing with our customers (B2B), there can be no assurance that any of our suppliers or competing distributors will not successfully implement similar electronic purchasing platforms and manage to fully satisfy our customers' needs, in which case our risks losing a significant part of our business. In addition, market prices of components may deteriorate as a result of increasing online competition, as online customers have the ability to search globally for the cheapest



available components. If we are unable to effectively leverage our internet technologies and e-commerce or successfully compete with emerging competitors offering online services, this could have a material adverse effect on our business, operating results and financial condition.

***Our success is dependent on our own logistics and distribution infrastructure and on third parties that provide those services, a loss of which could adversely affect our business, operating results and financial performance.***

We maintain two large regional distribution centers from which the great majority of our products are shipped. As a result, we are highly dependent on third party providers for logistics such as courier and other transportation services. An interruption or delay in delivery services causing late deliveries could result in loss of reputation and customers and could force us to seek alternative, more expensive delivery services, thereby increasing operating costs, which would have an adverse effect on our business, operating results and financial performance. An important part of our strategy to achieve cost efficiencies while maintaining turnover growth is the continued identification and implementation of improvements to our logistics and distribution infrastructure. We need to ensure that our infrastructure and supply chain keep pace with our anticipated growth. The cost of this enhanced infrastructure could be significant and any delays to such expansion could adversely affect our growth strategy, business, operating results and financial performance. Therefore, any significant disruption to the services of these third party providers could have a material adverse effect on our business, results of operations and financial condition.

***Our inability to recruit and retain key executives and personnel could have a material adverse effect on our business, operating results and financial condition.***

Our business depends upon the contribution of a number of our executive Directors, key senior management and personnel, including Siarhei Kostevitch, our Chief Executive Officer and Chairman of the Board of Directors. There can be no certainty that the services of Mr. Kostevitch and of other of our key personnel will continue to be available to us. We have in the past experienced and may in the future continue to experience difficulty in identifying expert personnel in our areas of activity, and particularly in the areas of information technology and sales and marketing, in the countries in which we operate. In addition, we do not currently maintain "key person" insurance. If we are not successful in retaining or attracting highly qualified personnel in key management positions, this could have a material adverse effect upon our business, operating results and financial condition.

#### ***High cost of debt***

The distribution business entails a higher need for cash available to support growth. The Group has managed to raise cash from various financial institutions, however in certain cases the cost of this financing is expensive. The Company has already negotiated better terms with some of its supply-chain financiers and is currently undertaking certain extra steps to further lower cost of financing. However, the sanctions imposed to Russia and tensions related to the Ukrainian crisis have resulted in significantly increased cost of financial facilities in these countries and this may limit our efforts to further decrease our average cost of debt. In the course of 2017 we have experienced a lower cost of financing in the F.S.U.

#### ***Development of own brand business***

The Company's strategy is to focus on profitability thus we continue to develop the own brand business that allows for higher gross profit margins. This includes the development of smartphones, tablets and other product lines that are sold under Prestigio and Canyon brands in all regions of the Company's operations.

In order to keep quality under control and get the maximum possible gross profit margins, the Company's Directors have decided to go under a back-to-back scheme. This implies that orders are placed with ODMs, only if they are in advance confirmed by customers.

The Company is undertaking a number of quality control measures to mitigate this risk, but given the volumes and the large amount of factories used to produce these products, these controls might not be



sufficient. Moreover, competition has already been intensified and the Company may not be able to sustain its profitability levels.

#### ***Warranty claims from own brand products***

The own brand business requires us to put extra efforts to avoid any problems with quality of devices. Despite all our efforts, we have noticed significant returns on specific models produced in the recent past, though this situation has much improved in the course of 2017.

This risk has negatively affected our results in the past when certain ODMs have not honored their contractual obligations on products with epidemic failure. The Group is undertaking all possible steps towards ensuring proper compensation of past expenses. In the same time, in an effort to avoid such problems in the future, a much more scrutinized selection of suppliers is currently in place, which however, does not guarantee 100% elimination of the risk of warranty losses.

## **ITEM 2. Information on the Company**

### **History and Development of Asbisc Enterprises Plc and Business Overview**

Asbisc Enterprises Plc. is the parent entity for the Group described in this chapter, in the section "*Group Structure and Operations*".

ASBISc Enterprises Plc is one of the leading distributors of Information Technology ("IT") products in Europe, Middle East and Africa ("EMEA") Emerging Markets: Central and Eastern Europe, the Baltic States, the Former Soviet Union, the Middle East and Africa, combining a broad geographical reach with a wide range of products distributed on a "one-stop-shop" basis. Our main focus is on the following countries: Slovakia, Poland, Czech Republic, Romania, Croatia, Slovenia, Bulgaria, Serbia, Hungary, Middle East countries (i.e. United Arab Emirates, KSA, Qatar and other Gulf states), Russia, Belarus, Kazakhstan and Ukraine.

The Group distributes IT components (to assemblers, system integrators, local brands and retail), mobile devices such as smartphones and tablets to retailer and A-branded finished products like desktop PCs, laptops, servers, and networking to SMB and retail. Our product portfolio encompasses a wide range of IT components, blocks and peripherals, and mobile systems. We currently purchase the majority of our products from leading international manufacturers, including Apple, Intel, Advanced Micro Devices ("AMD"), Seagate, Western Digital, Samsung, Microsoft, Toshiba, Dell, Acer, Lenovo and Hitachi. In addition, a significant part of our revenue is comprised of sales of IT products under our private labels, Prestigio and Canyon.

ASBISc commenced business in 1990 in Belarus and in 1995 we incorporated our holding Company in Cyprus and moved our headquarters to Limassol. Our Cypriot headquarters support, through two master distribution centres (located in the Czech Republic and the United Arab Emirates), our network of 31 warehouses located in 24 countries. This network supplies products to the Group's in-country operations and directly to its customers in approximately 60 countries.

The Company's registered and principal administrative office is at Diamond Court, 43 Kolonakiou Street, Ayios Athanasios, CY-4103 Limassol, Cyprus.

Our revenues amounted to U.S. \$ 1,484,912 in 2017, compared to U.S. \$ 1,137,709 in 2016, following a strategy to increase profitable business and improve market share alongside with stabilization of gross profit margins. As a consequence, the Company significantly improved its net result and posted a net profit after tax of U.S.\$ 6,909 in comparison to U.S.\$ 4,636 in 2016. Our headquarters are home to our centralized purchasing department and global control function, which centrally monitors and controls our



global activities, including purchasing, warehousing and transportation operations. In line with our strategy of focusing on automation and innovation in order to increase our cost-efficiency, in 2002, we began developing the IT4Profit platform, our online purchasing platform for electronic trading with our customers (B2B) and electronic data interchange for the Company and its subsidiaries. Within this platform, we have also implemented our end-to-end online supply chain management system, in order to effectively manage our multinational marketplace and to increase automation and reporting transparency both internally and vis-à-vis our suppliers. We combine international experience of our central management team with local expertise of our offices in each of the 24 countries in which we operate. With our broad local presence, we have developed an in-depth knowledge and understanding of fast-growing markets in regions such as Central and Eastern Europe "(CEE)" and FSU and our diverse cultural, linguistic and legal landscape, which may form significant barriers to entry for most of our international competitors. The Directors believe that this advantage has helped us to quickly and cost-effectively penetrate emerging markets and strengthen our competitive position, in the markets we operate.

### **History of the Group**

We were established in Minsk, Belarus in 1990 by Mr. Siarhei Kostevitch and our main activity was the distribution of Seagate Technology products in the territory of the Former Soviet Union. Then, in 1995, we were incorporated in Cyprus and moved our headquarters to Limassol. In 2002, in order to fund further growth, we privately placed U.S. \$ 6,000 worth of shares with MAIZURI Enterprises Ltd (formerly named Black Sea Fund Limited), and U.S. \$ 4,000 with Alpha Ventures SA. In 2006, we listed our common stock on Alternative Investment Market of London Stock Exchange (AIM), however after the successful listing on the Warsaw Stock Exchange (October 2007) the Board of Directors took a decision and cancelled the AIM listing as at 18 of March 2008. The changes in the shareholders' structure that occurred in 2017 were the following:

- (1) On September 13th, 2017 the Company has received from Noble Funds Towarzystwo Funduszy Inwestycyjnych S.A. notification that, following the sale of the Company's shares on September 5th, 2017, the share of Noble Funds Fundusz Inwestycyjny Otwarty managed by Noble Funds Towarzystwo Funduszy Inwestycyjnych S.A. descended below the threshold of 5% of total number of votes at the Company's General Meeting of Shareholders.  
According to the notification, before the abovementioned sale of shares the Fund had 2 799 338 Company's shares that were equal to 5,04% in the Company's share capital and had 2 799 338 votes from these shares, that were equal to 5,04% of total number of votes.  
According to the notification, after the abovementioned sale of shares, the Fund holds 2 704 048 Company's shares, equal to 4,87% in the Company's share capital and have 2 704 048 votes from these shares, equal to 4,87% of the total number of votes.  
According to the notification with respect to the Fund there are no subsidiaries holding shares of the Company and persons referred to in Article 87 paragraph 1 point 3 letter c of the Act on Public Offering.  
According to the notification the Fund does not have the votes to the shares calculated in the manner specified in Article 69b paragraph 2 and 3 of the Act on Public Offering.
- (2) On November 8th, 2017 the Company has received from Noble Funds Towarzystwo Funduszy Inwestycyjnych S.A. notification that following the sale of the Company's shares on November 6th, 2017 the total share of Noble Funds Fundusz Inwestycyjny Otwarty, Noble Funds Specjalistyczny Fundusz Inwestycyjny Otwarty, Noble Fund Opportunity Fundusz Inwestycyjny Zamknięty and Open Finance Fundusz Inwestycyjny Otwarty managed by Noble Funds Towarzystwo Funduszy Inwestycyjnych S.A. descended below the threshold of 5% of the total number of votes at the Company's General Meeting of Shareholders.



According to the notification, before the abovementioned sale of shares the Funds had 2 929 818 Company's shares that were equal to 5,28% in the Company's share capital and had 2 929 818 votes from these shares, that were equal to 5,28% of total number of votes.

According to the notification, after the abovementioned sale of shares, the Funds hold 2 689 818 Company's shares, equal to 4,85% in the Company's share capital and have 2 689 818 votes from these shares, equal to 4,85% of total number of votes.

According to the notification with respect to the Fund there are no subsidiaries, holding shares of the Company and persons referred to in Article 87 paragraph 1 point 3 letter c of the Act on Public Offering.

According to the notification the Fund does not have the votes to the shares calculated in the manner specified in Article 69b paragraph 2 and 3 of the Act on Public Offering.

- (3) On November 17th, 2017 the Company has received from Quercus Towarzystwo Funduszy Inwestycyjnych S.A. acting on behalf of managed investment funds - Quercus Parasolowy SFIO. Quercus Absolutnego Zwrotu FIZ and ACER Aggressive FIZ notification that the total share of these Funds descended below the threshold of 5% of the total number of votes at the Company's General Meeting of Shareholders.

According to the Notification, the descending below the 5% threshold in the Company followed certain transactions conducted in the regulated market on November 14th, 2017.

According to the notification, before the abovementioned change of share, the Funds had 2 784 441 of the Company's shares that were equal to 5,02% in the Company's share capital and had 2 784 441 votes from these shares, that were equal to 5,02% of the total number of votes.

According to the notification, as of November 15th 2017 the Funds held 2 751 941 Company's shares, equal to 4,96% in the Company's share capital and had 2 751 941 votes from these shares, equal to 4,96% of the total number of votes.

According to the notification there are no subsidiaries of the Funds, holding shares of the Company and persons referred to in Article 87 paragraph 1 point 3 letter c of the Act on Public Offering.

According to the notification, the number of votes calculated in the manner specified in Art. 69b para. (2) of the Public Offering Act and the conditions governing the introduction of financial instruments to organized trading, and public companies to which the Funds would be entitled or obliged, as holders of financial instruments referred to in art. Article 69 1 pt. 1 of the Act, and financial instruments referred to in Art. 69b para. Section 2 of the Act, which is not executed exclusively by monetary settlements, is zero.

According to the notification, the number of votes calculated in the manner specified in Art. 69b para. 3 of the Act to which the financial instruments referred to in art. 69b para. 1 point 2 of the Act relate directly or indirectly is zero.

## **Strengths of the Group**

The Directors consider that our key strengths are:

- Broad geographic coverage combined with strong local presence.

Unlike most of our international competitors, we operate with active local presence in a number of countries across different regions. Since many of our competitors target the same markets from a number of different locations in Western Europe, we benefit from increased logistical cost efficiencies. In particular, our broad geographic coverage, combined with our centralized structure and automated processes, results in reduced shipping costs and lower revenue collection expense, as well as a consistent marketing approach, as compared to our competitors. As a result, we have become an authorized distributor for leading international suppliers wishing to penetrate a number of fast-growing markets served by us, offering them the ability to penetrate these markets in a cost-efficient manner and through a consistent marketing approach.



- Experienced management team, combined with local expertise.

Our management team consists of experienced executives. Our Chief Executive Officer has been with the Company since inception in 1990, while most of our key executives have served for longer than fifteen years. In addition, our subsidiary operations are managed by teams of mainly local experienced managers, which provides us with strong expertise and understanding of the diverse markets in which we operate. The Directors believe that local presence represents a significant competitive advantage for us over our multinational competitors.

- Critical mass of operations.

Having revenues of almost 1,5 billion U.S. Dollars, sales in approximately 60 countries and facilities in 24 countries, we believe that we have become a strong partner for leading international suppliers of IT components and finished products, including Apple, Intel, AMD, Seagate, Samsung, Microsoft, Hitachi, Dell, Toshiba, Logitech, etc. in most of our regions of operation. Thanks to our size and the scope of our regional reach, we have achieved authorized distributor status with leading international suppliers, either on a pan-European, regional, or on a country-by-country basis, thus enjoying a number of beneficial commercial terms and achieving agreements with respect to the distribution of products offering higher profit margins.

- Price protection and stock rotation policy for inventory.

As an authorized distributor for a number of leading international suppliers of IT components, we are able to benefit from certain beneficial contract terms that provide protection from declining prices or slow moving inventory. In particular, such terms allow us to return part of the inventory to the respective distributors in the event market prices decline or such inventory becomes obsolete. See "*Our Main Suppliers - Price Protection Policy and Stock Rotation Policy*". In contrast, in some of the countries in which we operate, many of our major competitors tend to buy from the open market, which leaves them exposed to the risk of price changes and obsolete stock.

- One-stop-shop for producers and integrators of IT equipment.

We distribute a broad range of IT components, blocks, peripherals and finished products supplied by a large number of leading international suppliers. As a result, we serve as a one-stop-shop, providing complete solutions to producers and integrators of server, mobile and desktop segments in the countries in which we operate. The Directors consider this to be a significant advantage over competitors with more limited product offerings.

- Own brands business improving our profitability

In the past years we have invested in the development of our own brands and built a strong market position. In 2017 the amount of own brand business has remained stable, following our decision to continue with a more balanced approach. We try to keep revenues from own brands at sustainable levels based on expected profitability and good cash flow. The Directors consider our own brands to be a valuable reinforcement to our profitability if it is developed as an addition to distribution business. Thus this segment will be continued at levels similar to 2017.

- Ability to adjust our cost structure to the new business environment and the company needs.

This is considered a very big advantage of the company. It has been proven that we can adjust very quickly to any turbulent business environment and this enables the group to develop its core competences.

## Group Structure and Operations

The following table presents our corporate structure as at December 31<sup>st</sup>, 2017:

Company	Consolidation Method
<b>ASBISC Enterprises PLC</b>	<b>Mother company</b>
Asbis Ukraine Limited (Kiev, Ukraine )	Full (100% subsidiary)
Asbis PL Sp.z.o.o (Warsaw, Poland)	Full (100% subsidiary)
Asbis Poland Sp. z o.o. (Warsaw, Poland)	Full (100% subsidiary)
ASBIS Estonia AS (formerly AS Asbis Baltic) (Tallinn, Estonia)	Full (100% subsidiary)
Asbis Romania S.R.L (Bucharest, Romania)	Full (100% subsidiary)
Asbis Cr d.o.o (Zagreb, Croatia)	Full (100% subsidiary)
Asbis d.o.o Beograd (Belgrade, Serbia)	Full (100% subsidiary)
Asbis Hungary Commercial Limited (Budapest, Hungary)	Full (100% subsidiary)
Asbis Bulgaria Limited (Sofia, Bulgaria)	Full (100% subsidiary)
Asbis CZ, spol.s.r.o (Prague, Czech Republic)	Full (100% subsidiary)
UAB Asbis Vilnius (Vilnius, Lithuania)	Full (100% subsidiary)
Asbis Slovenia d.o.o (Trzin, Slovenia)	Full (100% subsidiary)
Asbis Middle East FZE (Dubai, U.A.E)	Full (100% subsidiary)
Asbis SK sp.l sr.o (Bratislava, Slovakia)	Full (100% subsidiary)
Asbis Limited (Charlestown, Ireland)	Full (100% subsidiary)
FPUE Automatic Systems of Business Control (Minsk, Belarus)	Full (100% subsidiary)
E.M. Euro-Mall Ltd (former ISA Hardware Limited–Group) (Limassol, Cyprus)	Full (100% subsidiary)
OOO ' Asbis'-Moscow (Moscow, Russia)	Full (100% subsidiary)
Asbis Morocco Limited (Casablanca, Morocco)	Full (100% subsidiary)
EUROMALL CZ s.r.o. (formerly ISA Hardware s.r.o.) (Prague, Czech Republic)	Full (100% subsidiary)
S.C. EUROMALL 2008 S.R.L (formerly ISA Hardware International S.R.L) (Bucharest, Romania)	Full (100% subsidiary)
ISA Hardware s.r.o Slovakia (Bratislava, Slovakia)	Full (100% subsidiary)
Prestigio Plaza Sp. z o.o in liquidation (Warsaw, Poland)	Full (100% subsidiary)
Prestigio Plaza Ltd (formerly Prestigio Technologies) (Limassol, Cyprus)	Full (100% subsidiary)
Prestigio Europe s.r.o (Prague, Czech Republic)	Full (100% subsidiary)
Prestigio Plaza NL.B.V. (Amsterdam, Netherlands)	Full (100% subsidiary)
Asbis Kypros Ltd (Limassol, Cyprus)	Full (100% subsidiary)
Asbis TR Bilgisayar Limited Sirketi (Istanbul, Turkey)	Full (100% subsidiary)
SIA "ASBIS LV" (Riga, Latvia)	Full (100% subsidiary)
Asbis d.o.o. (former Megatrend d.o.o.) (Sarajevo, Bosnia Herzegovina)	Full (90% ownership)
ASBIS Close Joint-Stock Company (former CZAO ASBIS) (Minsk, Belarus)	Full (100% subsidiary)
ASBIS Kazakhstan LLP (Almaty, Kazakhstan)	Full (100% subsidiary)
Euro-Mall SRO (Bratislava, Slovakia)	Full (100% subsidiary)
Prestigio China Corp. (former AOSBIS TECHNOLOGY (SHENZHEN) CORP.) (Shenzhen, China)	Full (100% subsidiary)
ASBIS DE GMBH, (Munchen, Germany)	Full (100% subsidiary)
EUROMALL BULGARIA EOOD (Sofia, Bulgaria)	Full (100% subsidiary)
Advanced Systems Company LLC (Riyadh, Kingdom of Saudi Arabia)	Full (100% subsidiary)
SHARK Computers a.s. (merged with SHARK ONLINE a.s.) (Bratislava, Slovakia)	Full (100% subsidiary)
E-vision Production Unitary Enterprise (Minsk, Belarus)	Full (100% subsidiary)
ASBIS UK LTD (Hounslow, England)	Full (100% subsidiary)



I ON LTD (Kiev, Ukraine)	Full (100% subsidiary)
ASBC LLC (Baku, Azerbaijan)	Full (65.85% ownership)
ASBIS Cloud Ltd (Moscow, Russia)	Full (85% ownership)
ASBIS SERVIC Ltd (Kiev, Ukraine)	Full (100% ownership)

Asbisc Enterprises Plc is the parent company of the Group. Our subsidiaries are involved in diverse activities related to distribution of IT components, mobile devices and equipment. In particular, our subsidiaries operating under the ASBIS name are involved in the distribution of IT components, mobile devices, finished products and equipment, including distribution of products from worldwide leading manufacturers such as Apple, Intel, AMD, Seagate, Western Digital, Samsung, Microsoft, Hitachi Dell, Acer, Toshiba and many other well known international suppliers. Our subsidiaries operating under Prestigio and Canyon brands are primarily responsible for the procurement, quality control, marketing and wholesale distribution of our private label (Canyon and Prestigio) IT products.

### Changes in the Group's structure

During the year ended December 31<sup>st</sup>, 2017 there were the following changes in the structure of the Company and the Group:

- On November 3<sup>rd</sup>, 2017 the Board of Directors have been informed about the establishment of a new subsidiary in Ukraine named ASBIS SERVIC Ltd with a share capital of UAH 3.300.000. The Issuer's subsidiary ASBIS Ukraine Limited holds 99,9999% in this subsidiary, being equal to share capital of UAH 3.299.670. The other 0,0001% is held by the incorporated subsidiary's managing director, Mr. Serhey V. Maslen. This entity was incorporated to serve as a warranty service provider for the Group and third party customers.
- On September 18th, 2017 a company named ASBIS Cloud Ltd with share capital of RUB 8.000.000 has been created in Russia. The issuer holds 85% in this subsidiary, being equal to share capital of RUB 6.800.000. The other 15% is held by the incorporated subsidiary's managing director, Mr. Alexey Krutitsky. This entity was incorporated to support the Group's growing business of big cloud and data center projects in Russia.
- On May 8th, 2017 a company named ASBC Məhdud Məsuliyyətli Cəmiyyət (ASBC Limited Liability Company) with share capital of USD 400.000 has been created in Azerbaijan. The issuer holds 51% in this subsidiary, being equal to share capital of USD 204.0000. The other 49% is held by the incorporated subsidiary's managing director, Mr. Khalilov Eldar Shahveled Oglu. This entity was incorporated to support growing business of the Group in Azerbaijan.
- On April 4th, 2017 a company named "I ON" LTD with share capital of 5.404.364UAH (equal to USD 200 thousand) has been registered in Ukraine. This entity is 100% owned by the Issuer's subsidiary E.M. EURO-MALL LIMITED. It was incorporated in order to support growing business of the Group in Ukraine.

### Regional operations

We operate as a one-stop-shop for the desktop PC, server, laptop, tablet PC, smartphones and software segments. The management believes that the Company is currently the only IT component and A-branded finished products distributor that covers substantially all of Eastern Europe, as part of a single supply chain with highly integrated sales and distribution systems. We also have operations in the Baltic States, the Balkans, the Former Soviet Union, the United Arab Emirates and other Middle East countries.

We also provide technical support for all new products that we stock through product line sales managers. Sales personnel receive internal training and focus groups are established that have an in-depth knowledge of their respective product lines. Our sales staff are also trained by our suppliers, such as

Apple, Intel, AMD, Seagate, Western Digital, Samsung, Microsoft, Hitachi and others, as a result of our status as an authorized distributor of their products. The Directors consider that this organisational process allows us to provide added value to our customers and differentiate us from our competitors.

### Key Markets and Regions

Historically, the regions of Central Eastern Europe ("CEE") and the Former Soviet Union ("FSU") have been the larger revenue contributors of the Group. This has not changed in 2017.

The following table presents a breakdown of our revenue by regions for the years ended 31 December 2017, 2016 and 2015:

	Year ended 31 December		
	2017	2016	2015
	%	%	%
Former Soviet Union	48.45	39.12	31.84
Central and Eastern Europe	33.40	37.45	44.43
Middle East & Africa	10.95	14.77	14.26
Western Europe	6.31	6.13	5.53
Other	0.89	2.53	3.94
<b>Total revenue</b>	<b>100</b>	<b>100</b>	<b>100</b>

### Products

We are engaged in the sales and distribution of a variety of products including IT components, mobile devices, laptops, server and mobile building blocks and peripherals to third party distributors, OEMs, retailers and e-tailers and resellers. Our customers are located mainly in Central and Eastern Europe, the Former Soviet Union, Western Europe, North and South Africa and the Middle East.

We engage in four primary lines of business:

- Sales and distribution of IT components and blocks described below that we purchase from a variety of suppliers such as Intel, AMD, Seagate and Western Digital
- Value-add distribution ("VAD") of Apple products in certain Former Soviet Union countries
- Sales of accessories and gaming products (like Logitech)
- Sales of a wide range of finished products from worldwide manufacturers (Dell, Apple, Acer) as well as software (Microsoft and antivirus software producers)
- Sales of a range of private label products (such as tablet PCs, smartphones, multiboards, data storage devices, GPS devices, peripherals, accessories) with larger volumes and profit potential selected by us and manufactured by ODM/OEM producers in the Far East under our own private label brands, Canyon and Prestigio

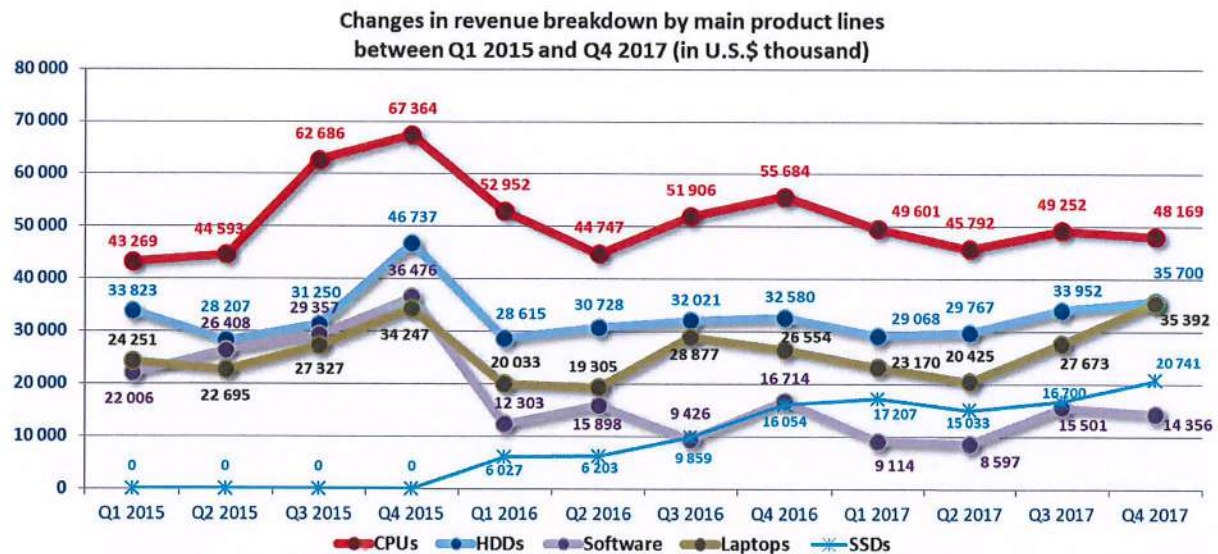


The products that are purchased from suppliers and distributed by us are divided into various categories and are presented in the table below:

	Year ended 31 December	
	2017	2016
	(U.S. \$)	
Smartphones	421,155	236,728
Central processing units (CPU)	192,814	205,262
Hard disk drives (HDDs)	125,487	123,886
PC mobile (laptops)	106,661	95,678
Accessories & multimedia	79,800	54,208
SSD	69,681	43,053
Servers & server blocks	68,595	69,091
Tablets	61,186	46,052
Memory modules (RAM)	49,214	25,998
Mainboards & VGA cards	49,089	15,265
Software	47,567	51,859
Networking products	46,537	42,089
Peripherals	38,525	29,443
PC desktop	31,456	29,002
Display products	28,988	26,530
Flash memory	11,211	8,990
Optical & floppy drives	1,542	1,417
Other	56,405	33,166
<b>Total revenue</b>	<b>1,484,912</b>	<b>1,137,709</b>

Revenues showed a significant growth year-on-year. The structure of our product portfolio has significantly changed in favour of smartphones, storage and other products.

We continue our efforts to increase revenues, mainly through addressing our products more aggressively and by focusing on specific product groups. This is possible because ASBIS remains the distributor of first choice for many worldwide suppliers. A major and good example is Apple that has entrusted us for iPhone distribution for Ukraine, Belarus, Kazakhstan and other CIS markets.



### Private labels: Prestigio and Canyon

We have developed two private label brands, Canyon and Prestigio. We, mainly through our purchasing office in China, select products or ranges of products with high profit potential from a number of ODM/OEM producers in the Far East, particularly in China, and purchase these products at larger volumes in order to benefit from economies of scale. We then resell these products in the markets in which we operate under our own brand at more competitive prices than similar products sold by competitors.

*Canyon.* Canyon was launched in 2003 as a supplier of motherboards and video graphics adaptors (VGA) cards to Eastern European markets. The brand has evolved and currently primarily targets retail chains with IT and consumer electronic peripherals and accessories, supplying products such as RAM and flash memory modules, web cams, mice, networking products, external HDD, MP3 players, handbags, phone accessories and speakers. Canyon is perceived to be a brand targeting younger customers who want good quality products at affordable prices. Canyon uses attractive colors and packaging to promote this image. During 2017 Canyon launched several new products which proved very successful and we plan to continue these projects going forward – but only to the extent we want to develop own brands. Our focus is on less products and models with better profitability.

*Prestigio.* Prestigio was launched at the end of 2002 with the aim of becoming a supplier of premium quality products and devices, multiboards, tablet PCs and smartphones. Prestigio's brand slogan "Your life, your way" reflects the positioning of these products in this premium, high-specification design segment. In 2011 Prestigio was recognized as the leading GPS Navigator device in the F.S.U. and CEE regions. In 2013 we have also decided to enter the smartphones segment with our own brand and started successfully selling Prestigio MultiPhones from Q4 2013. These moves were connected with anticipated and observed changes in the markets, and proved the Company's ability to benefit from its experience and know-how in order to improve its market share.

Prestigio is currently developing a solutions business unit that will focus on delivering high quality solutions to corporates. Alongside with this, a new brand is currently being developed ("Perenio") which will be focusing on Internet of Things ("IoT") technology.



## **Suppliers and Procurement**

### ***Our Main Suppliers/Partners***

We believe that establishing strong supplier relationships is a critical success factor for our business and have devoted considerable resources over the years to establish strong relationships based on mutual trust with our key suppliers. In that direction, we strive to provide full visibility to our suppliers by reporting to them crucial information on a daily/weekly basis, including stock levels, sales-out reports by country, thus assisting them in monitoring customer demand and allowing them time to comprehend and react to specific market peculiarities, trends and dynamics.

In 2017, a significant portion of our revenues was generated from ten biggest suppliers. However, the management believes that we place no reliance on anyone of our suppliers since we carry for every product category a wide portfolio of brands.

Acting as a non-exclusive distributor, we are generally responsible for promoting, marketing, advertising, selling, and providing training and after-sales support for each supplier's products in the respective markets. A monitoring mechanism is established by the suppliers to ensure that minimum sales targets are met, pursuant to which we are responsible for providing our suppliers with various reports, including weekly inventory reports and monthly point of sales reports.

*Price Protection Policy.* In an attempt to reduce distributors' exposure to market price fluctuations, a number of our large suppliers provide in their standard contractual terms for protection from decline in product prices by allowing such distributors, including us, to request, within an agreed time frame, reimbursement for inventory in transit or held in warehouses. This is not, however, usually the case with smaller suppliers, with whom we are more exposed to potential price variations.

*Stock Rotation Policy.* Our exposure to the risk of obsolescence of inventory is limited through the stock rotation policy provided by many of our large suppliers, but not generally under arrangements with smaller suppliers. In general, under a stock rotation policy, we have the right to return to the supplier, within a pre-defined time frame, slow-moving inventory in exchange for credit. In practice, we can return a certain percentage of products we hold immediately after the end of each quarter, usually based on our sales performance in the preceding quarter.

*Return Material Authorization Policy ("RMA").* Subject to the specific provisions of each suppliers' RMA policy, we have the flexibility to return defective items to our major suppliers in return for either credit, replacements or refurbished products.

### ***Procurement Policies***

We operate a system of centralized purchasing through our headquarters in Limassol, Cyprus. Country managers communicate expected sales levels and targets, analyzed by product lines and suppliers, to our Product Line Managers ("PLMs") who then identify purchasing requirements for the forthcoming three weeks and in turn forward this information to the Vice President of Product Marketing who verifies and, upon agreement, consolidates the information. The Vice President of Product Marketing then presents the relevant information to management, holding weekly meetings to review and approve requirements. We strive to keep our stock, including stock in transit, for our main product lines at a level of four weeks of sales revenues, and to cover four to five weeks of sales revenues for other product lines in order to ensure adequate supply, while reducing the length of time over which we hold our inventory at our warehouses. Since we maintain a stable supplier base, there is no need for any formal supplier take-on procedures.

## **Sales and Marketing**

We focus on developing an efficient online sales infrastructure and a rewarding profit commission scheme, as well as on investing in training our sales managers in order to instil a thorough understanding of our product offerings with the goal of enhancing customer satisfaction. We also have the possibility to use some of our main suppliers marketing funds, to increase our sales and our clients' satisfaction.



Our marketing department is divided into two groups. The product marketing group establishes pricing policies, oversees product supply and communicates with suppliers with regards to the training of PLMs; the channel marketing group responsible for both central and in-country activities such as public relations, marketing and website content management.

Our marketing team consists of the Central Marketing Group and the Local Marketing Coordinators, both of which work in close coordination with suppliers, product managers and sales teams.

## Distribution

*Distribution model.* Our distribution model is based on a system of centralized purchasing operations at our headquarters in Cyprus, which is in direct contact with the suppliers. Suppliers replenish their product stocks with our warehouses weekly or even several times per week, after receiving our product orders, most of them by shipping their products directly to our two master distribution centers, leading to significant cost savings for us. Local in-country operations place their orders online through our IT4profit online platform and receive their goods directly from one of the two distribution centers. On the other hand, products such as memory modules and our private label products with small size, high-price dynamics and high value are supplied directly to our local in-country operations from the suppliers' factories.

*Distribution centers.* Our two master distribution centers are located in Dubai and Prague.

The facility in Prague is responsible for distribution across whole Europe; Dubai serves our operations in the Middle East and Africa and certain Central Asian countries.

The table below presents information with respect to the size and ownership of each of our two master distribution centers:

Facility Location	Office area (m <sup>2</sup> )	Warehouse area (m <sup>2</sup> )	Total area (m <sup>2</sup> )	Ownership
Prague	575	4,473	5,048	Leased
Dubai	1,086	6,475	7,025	Owned

In order to ensure visibility and bottom-line efficiencies of our warehousing environment, we have connected our warehouse management system ("WMS") to IT4Profit. Thus when an order is placed on IT4Profit, this is communicated to our relevant master distribution center, which can then process the order for delivery. This WMS is currently functional in the Prague and Dubai warehouses. The Directors believe that the advantages of operating the WMS connected through IT4Profit include the ability to meet or exceed shipping commitments, instant visibility of inventory movements, consistency of inventory management records, reduction of inventory write-offs and simplicity in shipment planning, lot replenishment and storage activities.

*In-Country Operations.* We operate through 31 local offices in 24 countries. Customer orders are mainly served through the supply of local offices, and in the event that local inventory levels are insufficient, additional inventory is drawn from one of the three distribution centers. Each local office operates its own logistics function and is responsible for direct shipments to its customers. Our headquarters monitor and assess the performance of each local logistics center by using a number of key performance indicators, including transit time of incoming shipments, order fulfilment, (such as pick, pack and ship time and the percentage of orders shipped to commitment by date and time), on-time delivery, transport, cost per kilogram shipped and cycle count performance.

### *Distribution Operations Management - "Asbis on IT4Profit"*

The Directors consider that an efficient logistics and distribution model is one of the key contributors to maintaining our success in the distribution industry. Each in-country logistics center is focused on continuous improvement with key performance indicators in place to measure performance.

IT4Profit is our online supply chain management software owned by us, which was internally developed, and which we continuously improve. We use IT4Profit to effectively manage the flow of goods within our distribution network. This system collaborates and exchanges business data with our key suppliers, master distribution centers, subsidiaries and customers. Local subsidiaries place their orders online through our e-market place on [www.IT4Profit.com](http://www.IT4Profit.com) and receive their goods directly from one of the three distribution centers. In addition, local logistics staff use this online system to ensure that every online order is picked, packed and shipped within the allocated timeframe.

IT4Profit provides the following functions:

- interconnectivity with suppliers;
- B2B and B2C online shops to our customers for both front and back office administration;
- online supply chain management;
- statistics for product pricing and product content management and
- comprehensive operational reports and a balanced scorecards management system.

### ***Disaster Recovery***

We have developed, and will continue to enhance, an enterprise-wide business plan, incorporating a disaster recovery plan, that will enable us to restore all major procedures from offices around the world. For our servers, we use Intel, Dell and IBM hardware. In case of a system failure, spare servers kept at a number of locations where we operate can be made available within 24 hours. In addition to the daily back-ups that we maintain in Cyprus, we outsource services for storing daily back-ups at an external site in Lithuania. In the event of a system failure, we can restore applications and recover data. In such an instance, this will enable us to continue operating with electronic means and servicing our clients. Web-services have a different scheme of high availability. On the main host in Lithuania, the services have fully duplication hardware according to the active-standby scheme with full online replication. Additionally, data is being replicated to the standby host in Prague and every day a full back-up of each service is taken.

### ***Customers***

We served over 33,000 customers in approximately 60 countries in 2017. We have no reliance on any single customer, as our biggest customer is only responsible for about 7% of total revenues. Approximately 60% of our total sales were conducted on-line, based on our IT4Profit platform described above.

### **Industry overview and competition**

#### **Market characteristics**

The markets we operate in are characterized by multi-culture environment and significantly lower per capita income when compared to the Western European markets.

Despite differences in GDP per person, our markets have been proving very well technology oriented consist of very much educated and demanding consumers.

Distributors are considered to be a basic component of the industry since the major suppliers of technology would rather deal with distribution, instead of own in-country operational investment.

This is particularly true of the European market, where a diversity of national business practices, as well as cultural and language differences make it difficult to pursue efficient hardware distribution models without having strong local presence. In the Central and Eastern European and Former Soviet Union markets, different currencies, varying levels of economic development, import regulations and periodic



episodes of political and economic instability create additional impediments to IT distribution not found in Western Europe. At the same time, leading manufacturers of IT do not want to rely solely on multinational OEMs and world-wide distributors for distribution as this would reduce producers' bargaining power.

For companies having own brands business, like us, it is important to find new niches all the times and leverage on market position and brand recognition. The need for new product lines is very important, since we need to timely replace saturated product segments.

### **Market trends**

During 2017 we have experienced a significant growth in revenues in all major markets we operate. Markets accepted the products we deliver and the demand was significantly increased. The key drivers of this growth were mostly mobile devices (smartphones) across all markets we were franchised as Value-Add-Distributors ("VAD").

Another development of 2018 is the fast growth of the SSD segment that is to some extent responsible for the slow-down in the HDD segment. We have also grown with the commercial segment, especially solutions for data centers and other cloud providers. For 2017 independent analysts forecast the market to grow by a single digit. Thus our focus will be mostly on keeping margins on the levels of 2017 while growing revenues to a reasonable extent. On the other hand though, we continue to search for new opportunities that will be supported by big vendors, like cloud services and internet of things ("IoT").

The policy described above and the fact that the Company built a solid market position and gained recognition from customers, allows the Company's management to be optimistic about 2018. This is particularly true, because the Company is flexible enough to move between product lines, since its business is built on several pillars.

As there are many factors affecting our business nowadays, it is hard to estimate the pace of growth. However, due to upgraded product portfolio and broad geographical presence, the management believes that in 2018 the Company should be able to increase its revenues faster than the market itself and deliver a further increase in its profitability, as compared to 2017.

### **Competitive Landscape – traditional distribution**

Distribution of IT and mobile devices in Central and Eastern Europe and the Former Soviet Union is fragmented. Major multinational players who dominate the U.S. and Western European markets are present in a few countries each. A large number of local distributors operate mostly in a single country with only a few operating in more than one country. Typically, these local players have the largest share in each of the countries.

The Directors consider us to be one of the largest distributors of IT components in Eastern Europe, with a distribution network covering the majority of countries in Eastern Europe, and one of the three largest distributors in the EMEA region for IT components such as HDDs and CPUs. As no other distributor has a pan-regional presence like ASBIS, we believe we are very much protected with our current set up and infrastructure.

We compete with local distributors but the Directors consider that none of them have a comparable geographic coverage, nor carry as diverse a portfolio as we do. The Directors consider that we do not have one main competitor but rather a group of competitors varying from country-to-country.

As some consolidation is seen on the market, and this trend may continue due to the effects of the recent world's financial crisis and limited abilities of the smaller distributors to finance themselves, ASBIS is ready to benefit from any opportunities that may arise.



## **Competitive Landscape – Private Labels**

The private labels, Canyon and Prestigio, are competing with a variety of brands in all markets we operate. The market leaders of the tablet and smartphone segments are Apple and Samsung. We do not consider our Prestigio brand to be competing with these conglomerates since we not considered as A brand. We are positioning ourselves as a B-Brand with limited amount of product offerings and limited countries of presence. Recently the market was flooded by cheap brands, thus we have decided not to compete on price but rather on quality and decreased product lines and number of models to achieve better margins. We continue our own brands business on a back-to-back basis and expect it to be responsible of a good share of our total revenues. This will allow us to benefit from its higher profitability, try not to carry any other related risks, such as inventory obsolescence.

### ***Directions of further development***

Our strategy is to grow our business and increase profitability by improving our operating efficiency in the distribution of IT products within all of regions we operate in, upgrading our product portfolio and increasing sales of our private label products. We intend to achieve this by:

- a) increasing sales and market share in particular countries of Former Soviet Union, Central and Eastern Europe and Middle East and Africa and taking advantage of the weaknesses of competition
  - b) benefiting from increased smartphones business, keep enhancing the IT component business, adding more third party products to our portfolio and improving the gross profit margin
  - c) further optimize of our private label business
  - d) further development of the VAD business
  - e) decreasing cost of financing
  - f) engage in IoT and new technologies
  - g) controlling our cost structure, enhancing operating efficiency and automated processes, including our online sales channels
  - h) continuing our successful foreign exchange hedging
- a) Increasing sales and market share in particular countries of Former Soviet Union, Central and Eastern Europe, Middle East and Africa and taking advantage of the weaknesses of competition**

The Group has shown significant dynamics and 2017 was a year of growth, across all markets of operations. We have built very solid foundations to continue the growth at least for the foreseeable future.

The recent world's financial crisis has led some of our competitors to bankruptcy or to the decision of moving out from particular markets. We have signed a number of agreements with suppliers for many countries, including Slovakia, Ukraine and the Middle East countries. We have also developed sales of our own brands in almost all regions of our operations.

.We have changed our strategy and product portfolio and addressed the market with more Apple products (i.e. we became sole distributor in Ukraine, opened Azerbaijan), more solutions to data centers and cloud related products. This allowed us to increase our sales and market share in all major regions, but the most important being FSU and CEE markets. However, we had to achieve it quickly, and therefore sometimes at a cost of lower gross profit margin. This strategy was proven successful as our 2017 results grew significantly in top line while bottom line they were even stronger.

**b) Benefiting from increased smartphones business, keep enhancing the IT component business, adding more third party products to our portfolio and improving gross profit margin;**

The smartphones segment grew significantly in 2017 following our increased cooperation with Apple and introduction of its products, mainly iPhone, to new territories. This is expected to be continued in 2018 and thus cooperation with Apple is strategic to us.

The traditional IT components segment is characterized by high volumes, low gross profit margins. The component business is the backbone of our company. The example of growth in SSDs proves that components are going to continue to play a significant role to our success. Thus, the Company continues its efforts to rebuild its product portfolio by adding more finished-goods, namely networking, accessories and other products in order to benefit from growing sales and better margins. This strategy paid off well in 2017 and therefore the Company will continue, in order to increase its overall gross profit margin in the future.

**c) Further optimization of private Labels**

Our private label (branded) product lines, Canyon and Prestigio, are manufactured by leading Original Equipment Manufacturers ("OEM") in the Far East (.China), often based on designs developed by us, selected on the basis of their quality and potential for achieving high profit margins in our markets. We market and sell these products under our own brands, successfully competing with products of comparable quality marketed under international brands.

We believe that keeping the share of private label business in our total revenues at healthy levels will have a positive impact on the overall profitability, as these products deliver a higher profit margin, compared to international suppliers' products distributed by us. We will increase such sales only to the extent this does not drive up our financial expenses nor affect our cashflows. We aim to continue expanding the range of our private label products and strengthening their promotion in our markets and we expect that this will have a positive impact on our profitability.

**d) Further development of the VAD business**

Development of Value Added Distribution (VAD) solutions is a key priority of the Group. Following the changes in the market trends and the significant increase in storage as well as other commercial services leave no room but to ensure that we are joining this segment which seems to gaining a large chunk of the IT-Industry.

**e) Decreasing cost of financing**

Distribution business entails a higher need for cash available to support growth. The Group has managed to raise cash from various financial institutions, however in certain cases the cost of this financing is expensive. The Company has already negotiated better terms with some of its supply-chain financiers and is currently undertaking certain extra steps to further lower cost of financing.

The Company already significantly decreased its cost of bank facilities, however with strong growth in business in FSU territories, the cost of factoring has not further decreased. This is another field that we aim to address in 2018 in order to deliver a higher net profit.

**f) Controlling our cost structure, enhancing operating efficiency and automated processes, including online sales channels;**

We continue to focus on improving our operating efficiency and enhancing our automated processes, with a view to reducing operating expenses and increasing our profit margins. Our cost structure has been significantly decreased during 2017 as a ratio to revenues, however in absolute numbers it grew due to



our investments to support growing sales. The cost structure will continue to be under strict control in the coming years.

#### **g) Continuing our successful foreign exchange hedging;**

In 2017 our FX hedging strategy has successfully shielded our results. However, since there is no such thing as perfect hedging, the currency environment needs to be closely monitored and FX hedging strategies updated as soon as new developments are visible in the markets.

#### **Real property and other tangible assets**

The table below presents our main real properties:

Name of company	Country	Area (m <sup>2</sup> )			
		Land	Office	Warehouse	Total
ASBISc Enterprises Plc	Cyprus	530	1,630	200	1,830
Asbis CZ, spol.s.r.o.	Czech Republic	5,000	232	1,300	1,532
Asbis Ukraine Limited	Ukraine	-	2,646	348	2,994
ASBC Ltd	Belarus	-	1,056	-	1,056
Asbis SK sp.l. sr.o.	Slovakia	10,397	2,276	4,622	6,898
Asbis Middle East FZE	United Arab Emirates	-	1,086	4,477	5,563
CJSC ASBIS (Asbis BY)	Belarus	-	1,205	1,030	2,235
ASBIS Bulgaria Ltd	Bulgaria	3,855	-	-	3,855

Our remaining premises are under lease.

Information regarding real property owned by us and the relevant encumbrances are provided in the annual consolidated audited financial statements included elsewhere in this report. Other than this real property, we do not hold any other significant tangible assets.

#### **Intellectual Property**

We have registered the following trademarks, including their word and graphical representations in color and design.

- a) ASBIS
- b) "CANYON";
- c) "PRESTIGIO" and its product group trademarks, which include Nobile, Cavaliere, Signore, Visconte, Emporio, Prestigio MultiPad and Prestigio Grace
- d) "Euromall"; and
- e) "PrestigioPlaza.com"

Most of these trademarks are registered and protected in the countries in which we operate, both under international, regional and national registration schemes and systems, to the extent and other terms set forth in the provisions based on which they were registered. The registrations are mostly in the international class of goods 09, computers and IT products, and related classes of services.

In addition, we have registered a number of domain names for ASBIS, ISA Hardware, Canyon and Prestigio.

#### **Insurance**

We hold two different types of insurance: products or "cargo" insurance and credit insurance.

**Products insurance.** We have a products insurance policy with M.N. Leons B.V. We assume the risks of products we receive from our suppliers only upon transfer of legal title, and thereafter. Under our product insurance policy, covering the twenty-four months ending 1 January 2019 with tacit renewal thereafter our products are insured for a maximum of U.S. \$ 4,000 from any single shipment of computers, monitors and supplies of accessories transported from country to country or warehouse to warehouse. Typical shipment values for each warehouse are as follows: Czech Republic: U.S. \$ 120 and the Middle East: U.S. \$ 140.

Furthermore, goods held in storage at all distribution centers are insured as follows:

- The Czech Republic: U.S. \$ 20,000.
- The Middle East: U.S. \$ 15,000.

The aforementioned insurance coverage approximates the typical value of stock held in each warehouse.

**Credit Insurance:** We have a major credit insurance policy in place with Atradius Credit Insurance N.V. reducing our exposure in respect to possible non-recoverability of our receivables. The insurers have agreed to indemnify us for losses due to bad debts in respect of goods delivered and services performed during the policy period, which covers a term of twelve months, subject to annual renewal. We insured more than 65% of our 2017 revenues.

The major insurance policy is held with Atradius Credit Insurance N.V. which was signed in April 2008 and is renewed every year. It covers Asbisc Enterprises PLC, Asbis Middle East FZE, Asbis D.o.o. (Slovenia), Asbis Doo (Serbia), Asbis OOO (Russian Federation), ASBIS Kazakhstan and ASBIS Hungary. Each buyer, primarily our large customers, who has an approved credit limit is insured for a coverage amounting to 85%. Atradius also offers us a discretionary credit limit up to a maximum of U.S. \$ 60.

We also hold stand-alone credit insurance policies with Atradius in Slovakia covering the receivables of the country. Finally, for the receivables of Czech Republic we insure through a standalone policy with Euler Hermes.

### **ITEM 3. OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

The following Management's discussion and analysis of our financial position and results of operations reviews our historical financial results as at, and for the years ended, 31 December 2017 and 2016. The reader shall read the following discussion in conjunction with our audited financial statements as at 31 December 2017 and 2016, including the accompanying notes thereto, which are included elsewhere in this Annual Report, and have been prepared in accordance with IFRS and audited by KPMG Limited, our independent auditors and in conjunction with the information set forth under "*Risk Factors*" and "*Information on the Company*".

Unless we indicate otherwise, references to U.S. \$, PLN and € are in thousands except for share and per share data.

#### **Summary**

The principal events of 2017 were as follows:

- Revenues in 2017 increased by 30.52% to U.S. \$ 1,484,912 from U.S. \$ 1,137,709 in 2016.
- Gross profit in 2017 increased by 17.31% to U.S. \$ 76,736 from U.S. \$ 65,414 in 2016.
- Gross profit margin in 2017 decreased to 5.17% from 5.75% in 2016. This was a cost we had to pay to take more market share.



- Selling expenses in 2017 increased by 20.48% to U.S. \$ 34,745 from U.S. \$ 28,838 in 2016 as a result of higher sales and gross profit.
- Administrative expenses in 2017 have increased by 7.62% to U.S. \$ 17,585 from U.S. \$ 16,339 in 2016 following investments in human capital and exchange rate fluctuations.
- EBITDA in 2017 amounted to U.S. \$ 26,642 in comparison to U.S. \$ 22,381 in 2016.
- As a result, we had a much improved year over 2016. In 2017 the Company posted a net profit after tax of U.S. \$ 6,909 in comparison to U.S. \$ 4,636 in 2016. This is a significant 49.04% improvement year on year.

### **Principal Factors Affecting Financial Condition and Results of Operations**

In 2017, the Company's results of operations have been affected and are expected to continue to be affected by a number of factors. These factors were: the in-country financial conditions seriously affecting major markets, currency fluctuations, competition and price pressures, low gross profit margins, potential inventory obsolescence and price erosions, the worldwide unstable financial environment, seasonality, development of own brand business and high cost of debt.

Our revenues have increased significantly in 2017. We do expect revenues to grow in 2018, as reflected in our financial forecast for this year. In the same time, we have significantly improved net profit and cash flow from operations and decreased our net debt position. Below we present all factors that have affected and continue to affect our business:

#### ***The in-country financial conditions affecting our major markets, gross profit and gross profit margin***

Throughout the years of operation, the Company has from time to time suffered from specific in-country problems, emanating from the deterioration of the specific country's financial situation, due to a number of issues including but not limited to the political instability. We need to monitor any developments, react fast and weather every risk showing up in specific market to secure our results.

As previously mentioned, we have adapted to the situation in countries under pressure, and our results have significantly improved. However, we need to keep in mind, that different in-country problems might arise at any time and affect our operations. Despite the fact that we improved our procedures, we cannot be sure that all risks are mitigated.

#### ***Currency fluctuations***

The Company's reporting currency is the U.S. dollar. About 40% of the Company's revenues are denominated in U.S. dollars, while the balance is denominated in Euro, Ruble and other currencies, some of which are pegged to the Euro. Since most of the Company's trade payable balances are denominated in U.S. dollars (about 80%), the Company is exposed to foreign exchange risk that remains a crucial risk factor that might affect the Group's results in the future. Although the problem still persists and will persist as the Euro and other Eastern European currencies fluctuate in a steep manner against the U.S. Dollar, the Group has adopted hedging strategies to tackle this problem and this has been successful despite large volatility of some currencies. The management believe that hedging is very important in our industry and we shall continue enhancing it going forward, by adopting to new realities and finding solutions to hedge all exotic currencies in the region.



### ***Competition and price pressure***

The IT distribution industry is a highly competitive one, particularly with regards to products selection and quality, inventory, price, customer services and credit availability and hence is open to margin pressure from competitors and new entrants. The Company competes at the international level with a wide variety of distributors of varying sizes, covering different product categories and geographic markets. Competition and price pressures from market competitors and new market entrants may lead to significant reductions in the Company's sales prices. Such pressures may also lead to a loss of market share in certain of the Group's markets. Price pressures can have a material adverse effect on the Company's profit margins and its overall profitability, especially in view of the fact that its gross profit margins, like those of most of its competitors, are low and sensitive to sales price fluctuations.

In the same time, we see opportunities arising from specifics of particular markets, like in case of Ukraine and Belarus, where we have managed to gain market share from weaker competitors.

### ***Low gross profit margins***

The Company's business is both traditional distribution of third party products and own brand sales. This allows the Company to deliver healthier gross profit margins when conditions are favourable. However, the own brand business, has been significantly affected by new entrants and the margins have been lowered.

In the traditional distribution business, the Company's gross profit margins, like those of other distributors of IT products, are low and the Company expects that in the distribution arm of its business they will remain low in the foreseeable future. Increased competition arising from industry consolidation and low demand for certain IT products may hinder the Company's ability to maintain or improve its gross margins. A portion of the Company's operating expenses is relatively fixed, and planned expenditures are based in part on anticipated orders that are forecasted with limited visibility of future demand. As a result, the Company may not be able to reduce its operating expenses as a percentage of revenue in order to mitigate any reductions in gross margins in the future.

### ***Inventory obsolescence and price erosion***

The Company is often required to buy products according to forecasted requirements and orders of its customers and in anticipation of market demand. The market for IT finished products and components is characterized by rapid changes in technology and short product shelf life, and, consequently, inventory may rapidly become obsolete. Due to the fast pace of technological changes, the industry may sometimes face a shortage or, at other times, an oversupply of IT products. As the Company increases the scope of its business and, in particular, of inventory management for its customers, there is an increasing need to hold inventory to serve as a buffer in anticipation of the actual needs of the Company's customers. This increases the risk of inventory becoming devalued or obsolete and could affect the Company's profits either because prices for obsolete products tend to decline quickly, or as a result of the need to make provisions for write-offs. In an oversupply situation, other distributors may elect to proceed with price reductions in order to dispose of their existing inventories, forcing the Company to lower its prices to stay competitive. The Company's ability to manage its inventory and protect its business against price erosion is critical to its success.

A number of the Company's most significant contracts with its major suppliers contain advantageous contract terms that protect the Company against exposure to price fluctuations, defective products and stock obsolescence.

### ***Credit risk***

The Company buys components and finished products from its suppliers on its own account and resells them to its customers. The Company extends credit to some of its customers at terms ranging from 21 to 90 days or, in a few cases, to 120 days. The Company's payment obligations towards its suppliers under such agreements are separate and distinct from its customers' obligations to pay for their purchases,



except in limited cases where the Company's arrangements with its suppliers require the Company to resell to certain resellers or distributors. Thus, the Company is liable to pay its suppliers regardless of whether its customers pay for their respective purchases. As the Company's profit margin is relatively low compared to the total price of the products sold, in the event where the Company is not able to recover payments from its customers, it is exposed to a financial liquidity risk. The Company has in place credit insurance which covers such an eventuality for approximately 60% of its revenue.

### ***Worldwide financial environment***

There are many uncertainties about the world economy following turmoils in different countries, volatility of currencies and fragility of demand in many markets. Additionally, from time to time, unpredictable situations may happen in selected markets. However, with the experience we have gained, the management strongly believe that the Company is much more flexible and better prepared to weather any obstacles that may arise due to worldwide financial environment.

### ***Seasonality***

Traditionally the IT distribution industry in which the Company operates experiences high demand during the months prior to and leading up to the Christmas and New Year holiday period. In particular, IT distributors' demand tends to increase in the period starting from September till the end of the year.

### ***Development of own brand business***

The Company's strategy is to focus more on profitability, thus we continue to develop the own brand business that allows for higher gross profit margins. This includes the development of smartphones, tablets and other product lines that are sold under Prestigio and Canyon brands in all regions of the Company's operations. It also includes the efforts of the Company to develop new commercial products which will boost its sales and profitability; multiboards, digital signage are only a few products which have been successfully introduced.

The Company is undertaking a number of quality control measures to mitigate this risk, but given the volumes and the large amount of factories used to produce these products, these controls might not be sufficient. Moreover, competition has already been intensified and the Company may not be able to sustain its profitability levels.

### ***High cost of debt***

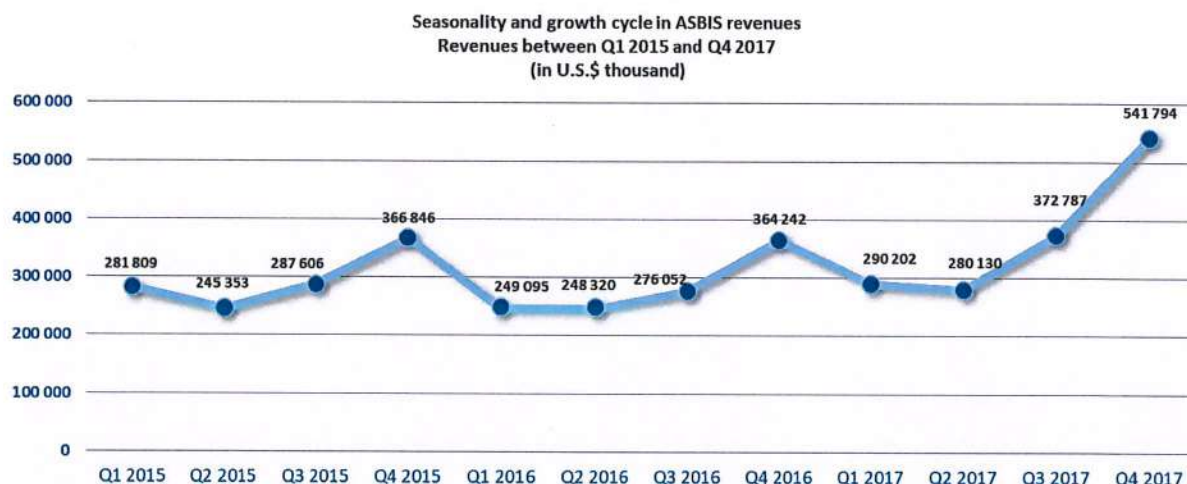
The distribution business entails a higher need for cash available to support growth. The Group has managed to raise cash from various financial institutions, however in certain cases the cost of this financing is expensive. The Company has already negotiated better terms with some of its financiers and is currently undertaking certain extra steps to further lower cost of financing. However, the sanctions imposed to Russia and tensions related to the Ukrainian crisis have resulted in significantly increased cost of financial facilities in these countries and this may limit our efforts to further decrease our average cost of debt. In the course of 2017 we have experienced a lower cost of financing in the F.S.U.

## **Financial position and results of operations**

### **Year ended December 31, 2017 compared to year ended December 31, 2016**

**Revenues:** Revenues in 2017 increased by 30.52% to U.S. \$ 1,484,912 from U.S. \$ 1,137,709 in 2016.

The management considers the achieved growth rate in revenues to be a very good accomplishment, taking into consideration market conditions.



The table below sets forth a breakdown of revenues, by product, for the years ended 31 December 2017 and 2016:

	2017		2016	
	U.S. \$ thousand	% of total revenues	U.S. \$ thousand	% of total revenues
Smartphones	421,155	28.36%	236,728	20.81%
Central processing units (CPUs)	192,814	12.98%	205,262	18.04%
Hard disk drives (HDDs)	125,487	8.45%	123,866	10.89%
PC-mobile (laptops)	106,661	7.18%	95,678	8.41%
SSDs	69,681	4.69%	43,053	3.78%
Tablets	61,186	4.12%	46,052	4.05%
Software	47,567	3.20%	51,859	4.56%
Other	460,363	31.00%	335,189	29.46%
<b>Total revenue</b>	<b>1,484,912</b>	<b>100%</b>	<b>1,137,709</b>	<b>100%</b>

ASBIS remains the distributor of first choice for many worldwide suppliers. The Company continued its strategy to broaden its product portfolio and invest in brands which have been on top of the technological trends. All changes in our product portfolio have to comply with our main focus, which is the increase of margins and profitability.

Growth in Q4 2017 and Q1-Q4 2017 sales was driven by strong growth in sales of smartphones, tablets, laptops, SSDs, storage drives and other smaller product lines.

Sales of smartphones, which is the key driver of sales growth, increased by 100.03% in Q4 2017 and by 77.91% in 12M 2017. Tablets business grew by 91.88% in Q4 2017 and by 32.86% in 12M 2017.

Sales of laptops increased by 33.34% in Q4 2017 and by 11.48% in 12M 2017. Sales of SSDs continued a strong growth (+29.19% in Q4 2017 and +61.85% in 12M 2017), however HDDs grew as well (9.58% in Q4 2017 and by 1.29% in 12M 2017).

From other product lines, the Company has noticed a positive trend for Q4 and 12M 2017 in mainboards and VGA cards (+239.37% and +215.02%), peripherals (+21.58% and +30.85%), memory modules (+85.96% and +89.37%), accessories and multimedia (+58.59% and +47.21%) and flash memory (+30.93% and +24.71%).

Revenues from own brand business were stable year-on-year as a result of our strategy to keep this segment under better operative and financial control, focusing on back-to-back deals. The Company's intention is to continue developing its own brand sales to the extent they bring targeted gross margin and



deliver healthy cash flow. We do not expect our own brands sales to grow in 2018 as a ratio to our total revenues.

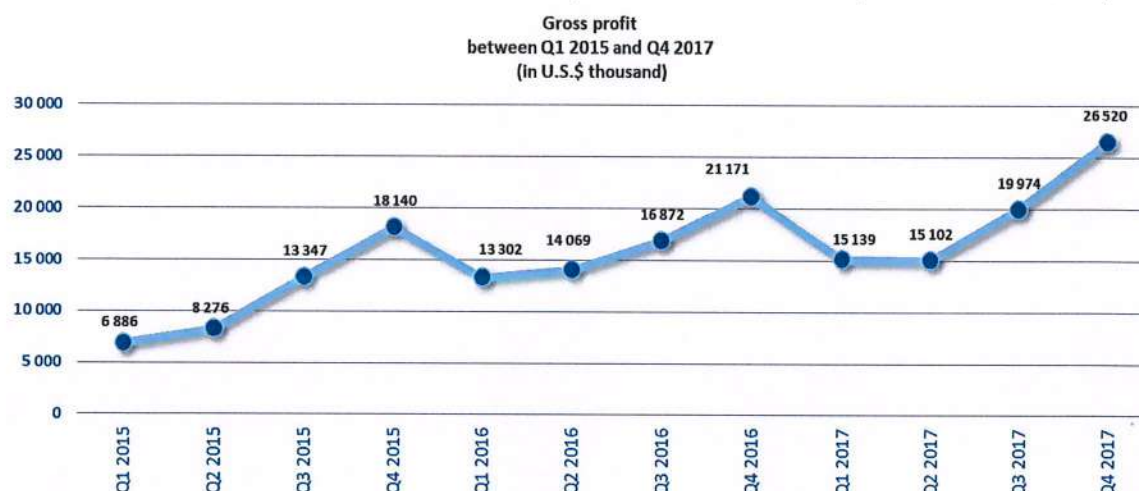
The table below presents a geographical breakdown of sales for the years ended 31 December 2017 and 2016:

	2017		2016	
	U.S. \$ thousand	% of total revenues	U.S. \$ thousand	% of total revenues
Former Soviet Union	719,388	48.45%	445,082	39.12%
Central and Eastern Europe	496,007	33.40%	426,067	37.45%
Middle East and Africa	162,610	10.95%	168,018	14.77%
Western Europe	93,666	6.31%	69,775	6.13%
Other	13,241	0.89%	28,767	2.53%
<b>Total</b>	<b>1,484,912</b>	<b>100%</b>	<b>1,137,709</b>	<b>100%</b>

The table below presents a country-by-country breakdown of sales for our most important markets for the years ended 31 December 2017 and 2016:

2017				2016			
	Country	Sales in U.S. \$ thousands	% of total revenues		Country	Sales in U.S. \$ thousands	% of total revenues
1.	Russia	241,724	16.28%		Slovakia	181,365	15.94%
2.	Ukraine	211,666	14.25%		Russia	181,208	15.93%
3.	Slovakia	170,921	11.51%		Ukraine	118,385	10.41%
4.	Kazakhstan	147,500	9.93%		United Arab Emirates	118,185	10.39%
5.	United Arab Emirates	113,269	7.63%		Kazakhstan	75,205	6.61%
6.	Czech Republic	81,889	5.51%		Czech Republic	66,715	5.86%
7.	Belarus	79,748	5.37%		Belarus	52,574	4.62%
8.	Romania	70,177	4.73%		Romania	46,317	4.07%
9.	The Netherlands	44,144	2.97%		The Netherlands	26,724	2.35%
10.	Bulgaria	30,499	2.05%		Hungary	24,514	2.15%
11.	Other	293,378	19.76%		Other	246,519	21.67%
	TOTAL	1,484,912	100%		TOTAL	1,137,709	100%

**Gross Profit:** Gross profit in 2017 increased by 17.31% to U.S. \$ 76,736 from U.S. \$ 65,414 in 2016.



**Gross profit margin (gross profit as a percentage of revenues):** Gross profit margin in 2017 decreased by 0.58pp to 5.17% from 5.75% in 2016. This was a cost we had to pay to gain more market share. For 2018 we aim to keep margins at similar levels as in 2017.

**Selling Expenses:** largely comprise of salaries and benefits paid to sales employees (sales, marketing and logistics departments), marketing and advertising fees, commissions, and traveling expenses. Selling expenses usually grow together (but not in-line) with growing sales and, most importantly, gross profit.

Selling expenses in 2017 increased by 20.48% to U.S. \$ 34,745 from U.S. \$ 28,838 in 2016 as a result of higher sales and gross profit.

**Administrative Expenses:** largely comprise of salaries and wages of administration personnel and rent expense.

Administrative expenses in 2017 have increased by 7.62% to U.S. \$ 17,585 from U.S. \$ 16,339 in 2016. Strict control over expenses is planned for 2018.



**Financial expenses:** In 2017 financial expenses have increased by 7.75% to U.S.\$ 16,006 from U.S.\$ 14,855.

**Operating profit:** Operating profit in 2017 amounted to U.S.\$ 24,406 as compared to U.S.\$ 20,237 in 2016.



*Profit Before Taxation:* In 2017 profit before taxation amounted to U.S.\$ 9,013, compared to U.S.\$ 6,014 in 2016.

*EBITDA:* EBITDA in 2017 was positive and amounted to U.S. \$ 26,642 in comparison to U.S. \$ 22,381 in 2016.

*Profit After Taxation:* As a result of strong growth in revenues and gross profit and controlled expenses, in 2017 the Company posted a net profit after tax of U.S. \$ 6,909 in comparison to U.S. \$ 4,636 in 2016. This is a significant 49.04% improvement year-on-year.

## **Liquidity and Capital Resources**

The Company has in the past funded its liquidity requirements, including ongoing operating expenses and capital expenditures and investments, for the most part, through operating cash flows, debt financing and equity financing. Cash flow for 2017 was strong despite the strong growth in revenues. This was possible due to changes in our sales model, that resulted in less inventory days, payable days and receivable days. As a result, net cash from operations for 2017 has improved by almost U.S.\$ 33 million.

The following table presents a summary of cash flows for the twelve months ended December 31<sup>st</sup>, 2017 and 2016:

	<b>Twelve months ended December 31<sup>st</sup></b>	
	<b>2017</b>	<b>2016</b>
	<b>U.S. \$</b>	
Net cash inflows from operating activities	42,053	9,434
Net cash outflows from investing activities	(2,103)	(2,311)
Net cash outflows from financing activities	(553)	(4,876)
Net increase in cash and cash equivalents	39,396	2,247

### ***Net cash inflows from operations***

Net cash inflows from operations amounted to U.S. \$ 42,053 for 2017, compared to inflows of U.S. \$ 9,434 in 2016. This is attributed mainly to improved profitability and improved working capital management.

### ***Net cash outflows from investing activities***

Net cash outflows from investing activities was U.S. \$ 2,103 for 2017, compared to U.S. \$ 2,311 in 2016. These outflows mainly relate to on-going investments for fixed assets (such as computers, furniture etc.).

### ***Net cash outflows from financing activities***

Net cash outflows from financing activities was U.S. \$ 553 for 2017, compared to outflows of U.S. \$ 4,876 in 2016. This primarily relates to repayments made against long term loans.

### ***Net increase in cash and cash equivalents***

As a result of increased working capital efficiency and improved profitability, in 2017 cash and cash equivalents have increased by U.S. \$ 39,396, compared to an increase of U.S. \$ 2,247 in 2016 – a U.S.\$ 37 million improvement.

## Capital Resources

The Company's management believes that we have enough resources to finance operations, as described in the audited financial statements attached to this annual report, going forward.

As at 31 December 2017, we had a total short-term and long-term debt (excluding amounts due to factoring creditors) of U.S. \$ 70,743 (including U.S. \$ 70,586 of current maturities due within one year from 31st, December 2017), compared to U.S. \$ 48,976 (including U.S. \$ 47,818 of current maturities, as at 31 December 2016).

The table below presents our principal debt facilities as at 31 December 2017:

ENTITY	Financial institution	Type of facilities	Credit limit	Currency	Rate	US\$ Equivalent	Valid from	Valid till
Asbisc Enterprises Plc	Cyprus Development Bank	Overdraft	2 500 000	Euro	0,84	\$ 2 985 250	23.Sep.10	30.Nov.18
Asbisc Enterprises Plc	Cyprus Development Bank	L/C-Bank Guarantees	3 933 000	USD	1,00	\$ 3 933 000	23.Sep.10	30.Nov.18
Asbisc Enterprises Plc	Cyprus Development Bank	L/C-Bank Guarantees	500 000	USD	1,00	\$ 500 000	1.Oct.17	31.Dec.17
Asbisc Enterprises Plc	Cyprus Development Bank	Overdraft	3 100 000	USD	1,00	\$ 3 100 000	23.Sep.10	30.Nov.18
Asbisc Enterprises Plc	Cyprus Development Bank	Loan	266 930	Euro	0,84	\$ 318 741	23.Sep.10	31.Mar.19
Asbisc Enterprises Plc	Barclays Bank Plc	Bank Guarantees	10 000 000	USD	1,00	\$ 10 000 000	23.Dec.15	22.Dec.18
Asbisc Enterprises Plc	Bank of Cyprus	Overdraft-Multicurrency	10 997 050	USD	1,00	\$ 10 997 050	14.Apr.10	non term
Asbisc Enterprises Plc	Bank of Cyprus	L/C-Bank Guarantees	250 000	Euro	0,84	\$ 298 525	14.Apr.10	non term
Asbisc Enterprises Plc	Bank of Cyprus	SBLC	7 000 000	USD	1,00	\$ 7 000 000	20.Nov.17	20-Nov-18
Asbisc Enterprises Plc	Bank of Cyprus Factors	Factoring	9 000 000	USD	1,00	\$ 9 000 000	1.Jan.15	non term
Asbisc Enterprises Plc	Raiffeisen Bank International	Overdraft	2 000 000	USD	1,00	\$ 2 000 000	21.Sep.17	non term
ASBIS Kypros Ltd	Bank of Cyprus	Factoring	800 000	Euro	0,84	\$ 955 280	18-Jul-12	non term
ASBIS Kypros Ltd	Bank of Cyprus	Overdraft	500 000	Euro	0,84	\$ 597 050	20-Aug-08	non term
ASBIS Kypros Ltd	Ancoria Bank	Overdraft	100 000	Euro	0,84	\$ 119 410	16-Jan-17	15-Jan-18
Prestigio Plaza	Bank of Cyprus	Overdraft	50 000	Euro	0,84	\$ 59 705	30-Jul-16	non term
Asbis CZ, spol s.r.o	CSOB bank	Revolving	105 000 000	Koruna	21,29	\$ 4 931 661	14.sty.16	non term
Asbis CZ, spol s.r.o	CSOB bank	Overdraft	15 000 000	Koruna	21,29	\$ 704 523	14.sty.16	non term
Asbis CZ, spol s.r.o	ČSOB Factoring	Factoring	144 000 000	Koruna	21,29	\$ 6 763 421	07.sty.16	non term
Asbis Poland	BOS BANK S.A	Overdraft	2 800 000	PLN	3,48	\$ 804 297	13.lis.15	13-Jan-18
Asbis Poland	CREDIT Agricole	Bank guarantee	250 000	USD	1,00	\$ 250 000	13.lis.15	30.kwi.18



Asbis Romania SRL	Alpha Bank	Overdraft	13 500 000	RON	3,89	\$ 3 469 099	10-Jan-16	14-Apr-18
Asbis Romania SRL	Alpha Bank	Overdraft	6 500 000	RON	3,89	\$ 1 670 307	10-Jan-16	14-Apr-18
Asbis Romania SRL	BRD-GSG	Factoring	4 000 000	RON	3,89	\$ 1 027 881	15-Jul-16	1-Jul-18
Asbis Romania SRL	BRD-GSG	Factoring	1 000 000	RON	3,89	\$ 256 970	1-Oct-16	non term
Asbis Romania SRL	BRD-GSG	Factoring	2 000 000	RON	3,89	\$ 513 941	1-Nov-16	non term
Asbis Romania SRL	BRD-GSG	Factoring	4 700 000	RON	3,89	\$ 1 207 761	13-Dec-17	non term
Asbis Romania SRL	ING	Factoring	16 089 976	RON	3,89	\$ 4 134 646	1-Mar-16	non term
Asbis SK spol s.r.o	Tatrabanka a.s.	Overdraft	26 000 000	Euro	0,84	\$ 31 046 600	1-Nov-17	31-Oct-18
Asbis SK spol s.r.o	Tatrabanka a.s.	Factoring	8 000 000	Euro	0,84	\$ 9 552 800	13-Nov-15	31-Oct-18
Asbis SK spol s.r.o	Všeobecná úverová banka a.s.	Overdraft - committed line	9 000 000	Euro	0,84	\$ 10 746 900	18-Jul-17	18-Jul-18
ASBIS Cr d.o.o	Erste&Steiermarkische bank d.d.	Short term Loan	18 750 000	HRK	6,27	\$ 2 990 558	24-Aug-17	24-Aug-18
ASBIS Cr d.o.o	Societe Generale-Splitska Banka D.D	bank guarantee	300 000	HRK	6,27	\$ 47 849	5-Jul-17	5-Jul-18
Asbis D.o.o Beograd	Eurobank	Short term Loan	12 300 000	RSD	99,1	\$ 124 098	23.Mar.17	23.Mar.18
Asbis D.o.o Beograd	Eurobank	Revolving Credit	37 000 000	RSD	99,1	\$ 373 302	23-Mar-17	23-Mar-18
Asbis D.o.o Beograd	Eurobank	Customs Guarantee	15 000 000	RSD	99,1	\$ 151 339	23-Feb-17	23-Feb-18
Asbis D.o.o Beograd	Addiko Bank (former Hypo Alpe Adria)	Revolving Credit	37 000 000	RSD	99,1	\$ 373 302	20-Apr-17	20-Apr-18
Asbis D.o.o Beograd	Addiko Bank (former Hypo Alpe Adria)	Overdraft	10 000 000	RSD	99,1	\$ 100 892	20-Apr-17	20-Apr-18
Asbis D.o.o Beograd	Addiko Bank (former Hypo Alpe Adria)	Long Term Loan	18 000 000	RSD	99,1	\$ 181 606	20-Apr-17	20-Apr-18
Asbis D.o.o Beograd	Addiko Bank (former Hypo Alpe Adria)	Bank Guarantees line	17 904 885	RSD	99,1	\$ 180 647	20-Apr-17	20-Apr-19
Asbis Hungary Ltd	Erste Bank	Short term Loan	600 000 000	HUF	258,82	\$ 2 318 213	27-Mar-17	27-Mar-18
Asbis Slovenia d.o.o	Addiko bank d.d.	Short term Loan	600 000	Euro	0,84	\$ 716 460	1-Dec-17	30-Nov-18
Asbis Slovenia d.o.o	Addiko bank d.d.	Long Term Loan	130 000	Euro	0,84	\$ 155 233	8-Dec-16	7-Dec-19
Asbis Bulgaria Ltd	Unicredit Bulbank Plc	Revolving loan	4 000 000	BGN	1,63	\$ 2 452 769	30-Jun-17	31/06/2018
Asbis Bulgaria Ltd	Unicredit Factoring EAD	Factoring line	1 000 000	BGN	1,63	\$ 613 192	31-Dec-16	30-Jun-18
Asbis Bulgaria Ltd	Citibank N.A. - Sofia Branch	Factoring line	2 000 000	BGN	1,63	\$ 1 226 384	13-Sep-13	non term
Asbis Bulgaria Ltd	DSK Factoring	Factoring line	1 000 000	BGN	1,63	\$ 613 192	19-Apr-17	non term

Asbis Middle East FZE	National Bank of Fujairah	Trust Receipt Loan	15 500 000	Dirham	3,68	\$ 4 217 687	26.Dec.06	non term
Asbis Middle East FZE	National Bank of Fujairah	Factoring / Discounting	10 000 000	Dirham	3,68	\$ 2 721 088	26.Dec.06	non term
OOO Asbis-Moscow	Sberbank	Overdraft	250 000 000	RUR	57,60	\$ 4 340 263	1-Nov-17	31-May-18
OOO Asbis-Moscow	Sberbank	Short term Loan	200 000 000	RUR	57,60	\$ 3 472 210	10-Apr-17	9-Apr-19
OOO Asbis-Moscow	Sberbank	Short term Loan	150 000 000	RUR	57,60	\$ 2 604 158	24-May-17	23-May-19
OOO Asbis-Moscow	Sberbank	Factoring	538 000 000	RUR	57,60	\$ 9 340 245	30-May-16	till date
OOO Asbis-Moscow	Alfa Bank	Factoring	1 400 000 000	RUR	57,60	\$ 24 305 471	23-Aug-16	till date
OOO Asbis-Moscow	Absolut Bank	Factoring	1 200 000 000	RUR	57,60	\$ 20 833 261	2-Sep-15	till date
OOO Asbis-Moscow	NFK	Factoring	192 797 371	RUR	57,60	\$ 3 347 165	10-May-17	till date
ASBIS Bosnia	SBERBANK BH d.d.	Overdraft	350 000	KM	1,63	\$ 214 617	31-Jan-17	31-Jan-19
ASBIS Bosnia	SBERBANK BH d.d.	Revolving	650 000	KM	1,63	\$ 398 575	31-Jan-17	31-Jan-19
ASBIS Bosnia	Raiffeisen Bank d.d.	Revolving	856 626	KM	1,63	\$ 525 276	30-Jun-17	30-Jun-19
ASBIS Bosnia	Raiffeisen Bank d.d.	Overdraft	300 000	KM	1,63	\$ 183 958	30-Jun-17	30-Jun-19
ASBIS Bosnia	Raiffeisen Bank d.d.	Bank guarantees	443 374	KM	1,63	\$ 271 873	30-Jun-17	30-Jun-19
ASBIS Bosnia	Vakufska Banka d.d.	Overdraft	300 000	KM	1,63	\$ 183 958	3-May-17	3-May-18
ASBIS Bosnia	Vakufska Banka d.d.	Revolving	200 000	KM	1,63	\$ 122 638	3-May-17	3-May-18
Asbis Latvia	OP BANK	Factoring	550 000	EUR	0,84	\$ 656 755	28-Aug-17	till date
Asbis Latvia	OP BANK	Overdraft	750 000	EUR	0,84	\$ 895 575	15.Aug.17	15.Aug.18
Zao Asbis (Asbis Belarus)	Bank Moscow-Minsk	Short Term Loan	4 500 000	USD	1,00	\$ 4 500 000	29-Mar-16	28-Mar-19
Zao Asbis (Asbis Belarus)	Bank Moscow-Minsk	Overdraft	1 650 000	BYN	1,97	\$ 836 417	22-Apr-15	21-Apr-18
Zao Asbis (Asbis Belarus)	Bank BelVEB	Short Term Loan	1 000 000	BYN	1,97	\$ 506 919	25-May-17	23-Nov-18
Zao Asbis (Asbis Belarus)	Bank BelVEB	Short Term Loan	1 000 000	USD	1,00	\$ 1 000 000	25-May-17	22-May-20
Zao Asbis (Asbis Belarus)	Priorbank (RBI Group)	Factoring	2 000 000	BYN	1,97	\$ 1 013 839	9-Dec-16	15-Nov-18
ASBC	Bank "BelVEB"	Short Term Loan	495 000	BYN	1,97	\$ 250 925	26-May-17	24-May-19
ASBIS Kazakhstan	Alfabank	Short Term Loan	600 000 000	KZT	332,33	\$ 1 805 434	8-Aug-14	8-Aug-19
ASBIS Kazakhstan	Alfabank	Factoring	8 300 000 000	KZT	332,33	\$ 24 975 175	4-May-14	4-May-19
ASBIS Ukraine	Tascobank	Factoring	240 000 000	UAH	28,07	\$ 8 550 899	16-Feb-16	13-Feb-18
ASBIS Ukraine	OTP Bank	Short Term Loans	50 000 000	UAH	28,07	\$ 1 781 437	14-Nov-14	21-Jul-18
ASBIS Ukraine	Credit Agricole	Short Term Loans	14 033 612	UAH	28,07	\$ 500 000	27-Apr-17	30-Apr-18



ASBIS Ukraine	First Ukrainian International bank	Factoring	126 000 000	UAH	28,07	\$ 4 489 222	2-Aug-17	27-Oct-18
ASBIS Ukraine	OTP Bank	Factoring facility	100 000 000	UAH	28,07	\$ 3 562 875	21-Jul-17	20-Jul-18
ASBIS Ukraine	OTP Bank	Overdraft facility	18 000 000	UAH	28,07	\$ 641 317	21-Jul-17	20-Jul-18
Asbis Ukraine	Avangard Bank	Short Term Loans	10 000 000	UAH	28,07	\$ 356 287	13-Oct-17	12-Oct-18
Prestigio Europe	ČSOB bank	overdraft	2 000 000	CZK	21,29	\$ 93 936	1.Sep.14	non term

## Capital Expenditure

Our total capital expenditure for tangible and intangible assets amounted to U.S. \$ 2,332 for the year ended 31 December 2017, compared to U.S. \$ 2,424 for the year ended 31 December 2016.

## Commitments and contingencies

Commitments and contingencies are presented in the audited financial statements included elsewhere in this annual report.

## Critical Accounting Policies

The preparation of our financial statements under IFRS requires Management to select and apply certain accounting policies that are important to the presentation of our financial condition and results of operations. Certain of our accounting policies have been identified as critical accounting policies. A "critical accounting policy" is one that both (i) is significant to our financial condition and results of operations (in that the application of a different accounting principal or changes in related estimates and assumptions that Management could reasonably have used or followed would have a material impact on our financial condition and results of operations) and (ii) requires difficult, complex or subjective analysis to be made by Management based on assumptions determined at the time of analysis.

Our accounting policies are reviewed on a regular basis and Management believes that the assumptions and estimates made in the application of such policies for the purposes of preparing our financial statements are reasonable; actual amounts and results, however, could vary under different methodologies, assumptions or conditions.

Our accounting policies and certain critical accounting estimates and judgments with respect to the preparation of our financial statements are described in Note 2 to the financial statements included elsewhere in this annual report.

## Financial forecast for the year 2018

The 2017 results have shown a strong growth in revenues and net profit; the Company expects 2018 results to continue an upward trend. Thus, on March 29<sup>th</sup>, 2018 the Company announced its official financial forecast for 2018.

The Company forecasts that for 2018 will reach the following:

- Sales revenue at the level between USD 1,8 billion and USD 1,9 billion
- Net profit after tax at the level between USD 9 million and USD 10,0 million

Forecasted values result from the Company's strategy that includes -but not limiting to- more focus on sales in the FSU and CEE regions, increase in third party brands' distribution and continuation of stable back-to-back own brands business.

The significant assumptions made on the forecasted results are the following:

- The situation in our major markets of Russia, Ukraine, Kazakhstan, Belarus and Slovakia will not deteriorate, as compared to H2 2017
- There will not be any major devaluations of the currencies of Russia, Belarus, Kazakhstan and Ukraine, and therefore it will not negatively affect demand on those markets
- There would be no significant disturbance in the general economic environment in other markets where the Company operates
- Competition in all major segments will remain similar to that of 2017, with no new significant market entrants
- The Group will continue enjoying favorable terms from its key suppliers.

#### ITEM 4. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

##### Board of Directors

The Board of Directors is responsible for formulating, reviewing and approving our strategy, budgets and corporate actions. We intend to hold Board of Directors meetings at least four times each financial year and at other times as and when required.

The following table sets out our current Directors:

Name	Year of Birth	Position	Appointed to the Board	Expiry of term	Nationality
Siarhei Kostevitch	1964	Chairman, Chief Executive Officer	30 August 1999	23 June 2019	Belarussian/Cypriot
Marios Christou	1968	Chief Financial Officer	28 December 2001	23 June 2018	Cypriot
Constantinos Tziamalis	1975	Director of Risk & Investor Relations	23 April 2007	14 June 2020	Cypriot
Yuri Ulasovich	1962	Director, COO	29 September 2015	23 June 2018	Belarussian/Cypriot
Demos Demou	1969	Non Executive Director	7 August 2015	14 June 2020	Cypriot
Chris Pavlou	1945	Non Executive Director	18 June 2012	23 June 2019	Cypriot

The biographical details of the members of our Board of Directors are set out below:

*Siarhei Kostevitch*, born in 1964, holds a Master's degree in radio engineering design from the Radio Engineering University of Minsk (1987). Between 1987 and 1992, Siarhei worked as a member of the Research Center at the Radio Engineering University in Minsk, where he published a series of articles on microelectronics design in local and world-wide specialist magazines. In 1990, Siarhei established a design and manufacturing business in Minsk, Belarus, and within 15 years has built it into the leading computer component distributor in Eastern Europe and the Former Soviet Union. Siarhei is the Chairman and the CEO of the Group.

*Marios Christou*, born in 1968, holds a B.A., dual major in Accounting and Information Systems and Economics, from Queens College of the City University of New York (C.U.N.Y.) (1992), and an M.B.A. in International Finance from St. John's University, New York (1994). Marios is also a Certified Public Accountant (CPA) and a member of the American Institute of Certified Public Accountants (AICPA). Marios worked with Deloitte & Touche Limassol, Cyprus, for four years, as an audit manager. Marios then worked as a Financial Controller at Photos Photiades Breweries Ltd (part of the Carlsberg Group of companies) for three years. Marios joined the Company in August 2001 and is the Chief Financial Officer.



*Constantinos Tziamalis*, born in 1975, holds a B.Sc. in Banking and Financial Services (1998) and a Masters (M.Sc.) in Finance (1999) from the University of Leicester. Constantinos Tziamalis worked at the private banking department of BNP Paribas in Cyprus and then joined a brokerage house, Proteas Asset Management Limited, for 3 years as Investor Accounts Manager. Constantinos joined the Company in January 2002 as Financial Project Manager. He was promoted to his current position as Corporate Credit Controller & Investor Relations in March 2003 and became Director of Risk and Investor Relations as of 23 April 2007. In January 2010 Constantinos has been also appointed as head of the FX Risk Management team.

*Yury Ulasovich*, born in 1962, joined the Group in 1995. He received a Master's degree from Novosibirsk High Military School (1983) and a Master's degree (with Honors) in Philosophy and Economics from the Moscow Academy of Armed Forces (1992), a postgraduate degree from the Institute for Higher Education of Belarus (Economic Theory and Industrial Economics) in 1995. Mr. Ulasovich joined the Company in 1995 as a Regional Sales Director and was promoted to the position of Vice President - Product Marketing in 2004. He became Chief Operating Officer from August 2015.

*Demos Demou*, born in 1969, joined the Group in 2015. His career includes a number of managerial positions, mainly in the Shipping and Banking Industry. Currently he is the managing director of Fidelius Management Services Ltd. In the past he was working for a number of companies including the Limassol Cooperative Savings Bank Ltd where he held the position of the Financial Manager for 5 years, V.Ships Ltd, Comarine Ltd, Oesterreichischer Lloyd Ship Management (Cyprus) Ltd, Acomarit (Cyprus) Ltd, Blasco Ship Management (Cyprus) Ltd, Unicom Management Services Ltd and Nikos Karantokis Holdings. He is a member of the Institute of Certified Public Accountants of Cyprus since 1995, a fellow member of the Association of Chartered Certified Accountants of United Kingdom, a member of the Society of Trust and Estate Practitioners and a graduate of the International Management Development Institute / University of Pittsburgh. Demos is the Company's Non-Executive Director.

*Chris Pavlou*, born in 1945, joined the Group in 2012. He served as a member of the Board and Chairman of both the Board's Audit Committee and the Board's Risk Committees at Marfin Laiki Bank (since December 2011). He specialized in risk management, foreign exchange risk management and team building. His career includes a number of positions related to banking business with international institutions. He started at Barclays Bank in 1966, and he stayed at this institution until 1986. During this time, he held positions of Senior Trader, Chief Dealer, Head of Treasury and finally Deputy Chief Manager. Between 1986 and 1998 he was a Head of Treasury at HSBC. Between 1999 and 2004 he was a Member of the Board at Marfin Laiki Bank. Between 2006 and 2011 he held the position of the Chairman of the Board at TFI Markets (financial services industry). Chris is the Company's Non-Executive Director.

#### **Directors' remuneration**

Unless determined by ordinary resolution, the number of Directors shall be not less than three and there shall be no maximum number of Directors.

Subject to our Articles of Association, we may by ordinary resolution appoint a person who is willing to act as a Director, either to fill a vacancy or as an addition to the existing Board of Directors.

The remuneration of the Directors will from time to time be determined by the general meeting on the recommendation of the remuneration committee. Any Director performing special or extraordinary services in the conduct of our business or in discharge of his or her duties as Director, or who travels or resides abroad in discharge of his or her duties as Director may be paid such extra remuneration as determined by the Directors, upon recommendation by the remuneration committee.

Executive Directors are also entitled to receive a bonus every quarter depending upon quarterly results. The bonus consists of a certain amount or percentage which is agreed and described in each Director's service agreements or contracts, as applicable, however, Directors only receive such a bonus to the extent profit meets certain pre-set budgetary figures. All such bonus amounts are included in the remuneration tables set forth below.

The following table presents the remuneration (including bonuses) of Directors for the years ended 31 December 2017 and 2016, respectively (U.S.\$):

Name	2017			2016		
	Salary	Other benefits	Total	Salary	Other benefits	Total
Siarhei Kostevitch	185	-	185	175	-	175
Marios Christou	63	-	63	61	-	61
Constantinos Tziamalis	61	-	60	60	-	60
Yuri Ulasovich	125	-	125	122	-	122
Chris Pavlou	1	-	1	1	-	1
Demos Demou	1	-	1	1	-	1
TOTAL	436	-	436	420	-	420

#### **Information about non-financial remuneration components due to each board member and key manager**

Executive members of the Board of Directors are entitled for a car and medical insurance.

#### **Significant amendments of the remuneration policy in the last financial year or information about their absence;**

During 2017 there were no significant changes in remuneration policy.

#### **Assessment of the implementation of the remuneration policy**

The Board of Directors positively evaluates the functioning of the remuneration policy from the point of view of achieving its objectives, in particular the long-term shareholder value growth and the stability of the Company's operations.

#### **Shares ownership**

The table below presents the beneficial interests of Directors in the Company's issued share capital as at the date of the publication of this annual report:

Name	Number of Shares	% of the share capital
Siarhei Kostevitch (directly and indirectly)	20,443,127	36.83%
Constantinos Tziamalis	555,000	1.00%
Marios Christou	463,061	0.83%
Yuri Ulasovich	210,000	0.38%
Demos Demou	0	0%
Chris Pavlou	0	0%

Siarhei Kostevitch holds shares as the ultimate beneficial owner of KS Holdings Ltd.

During 2017 there were no changes in the number of shares possessed by the Directors.

#### **Committees**

The Audit Committee of the Company, comprising Demos Demou and Chris Pavlou (both non-executive Directors) and Marios Christou (as attending member) is chaired by Demos Demou. The Audit Committee meets at least twice a year. The Audit Committee is responsible for ensuring that the Group's financial performance is properly monitored, controlled and reported. It also meets the auditors and reviews reports



from the auditors relating to accounts and internal control systems. The Audit Committee meets at least once a year with the auditors.

The Remuneration Committee of the Company, comprising Chris Pavlou and Demos Demou (both non-executive Directors) and Siarhei Kostevitch (as attending member) is chaired by Chris Pavlou. It sets and reviews the scale and structure of the executive Directors' remuneration packages, including share options and terms of their service contracts. The remuneration and the terms and conditions of the non-executive Directors are determined by the Directors with due regard to the interests of the Shareholders and the performance of the Group. The Remuneration Committee also makes recommendations to the Board concerning the allocation of share options to employees.

### **Changes in main management rules**

There were no changes to main management rules in 2017.

### **List of all agreements signed with directors that gives right to compensation in case that the person resigns or is fired**

There were no changes in the service agreements of any of the directors.

### **Information about ownership of shares of any related parties - owned by the Directors**

None of our Directors holds shares of any of our subsidiary companies, other than disclosed.

### **Employees**

During 2017 we employed an average number of 1,202 employees, of whom 118 were employed by the Company and the remainder in the rest of the Company's offices worldwide. The split of employees by area of activity as at 31 December 2017 and 2016 is as follows:

	As at 31 December	
	2017	2016
Sales and Marketing	624	604
Administration and IT	169	151
Finance	131	126
Logistics	278	271
<b>Total</b>	<b>1,202</b>	<b>1,152</b>

## **ITEM 5. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

### **Major Shareholders**

The following table presents shareholders possessing more than 5% of our shares as of the date of publication of this report, according to our best knowledge. The information included in the table is based on the information received from the shareholders pursuant to Art. 69, sec. 1, point 2 of the Act on Public Offering, conditions governing the introduction of financial instruments to organized trading and public companies.

Name	Number of shares	% of share capital	Number of votes	% of votes
KS Holdings Ltd	20,401,361	36.76%	20,401,361	36.76%
NN OFE	2,872,954	5.18%	2,872,954	5.18%
ASBISc Enterprises Plc (buy-back program)	13,389	0.02%	13,389	0.02%
Free float	32,212,296	58.04%	32,212,296	58.04%
<b>TOTAL</b>	<b>55,500,000</b>	<b>100%</b>	<b>55,500,000</b>	<b>100%</b>



In 2017 the Company has received the following information about changes in its shareholders' structure:

(1) On September 13th, 2017 the Company has received from Noble Funds Towarzystwo Funduszy Inwestycyjnych S.A. notification that following the sale of the Company's shares on September 5th, 2017, the share of Noble Funds Fundusz Inwestycyjny Otwarty managed by Noble Funds Towarzystwo Funduszy Inwestycyjnych S.A. descended below the threshold of 5% of total number of votes at the Company's General Meeting of Shareholders.

According to the notification, before the abovementioned sale of shares the Fund had 2 799 338 Company's shares that were equal to 5,04% in the Company's share capital and had 2 799 338 votes from these shares, that were equal to 5,04% of total number of votes.

According to the notification, after the abovementioned sale of shares, the Fund holds 2 704 048 Company's shares, equal to 4,87% in the Company's share capital and have 2 704 048 votes from these shares, equal to 4,87% of the total number of votes.

According to the notification with respect to the Fund there are no subsidiaries holding shares of the Company and persons referred to in Article 87 paragraph 1 point 3 letter c of the Act on Public Offering.

According to the notification the Fund does not have the votes to the shares calculated in the manner specified in Article 69b paragraph 2 and 3 of the Act on Public Offering.

(2) On November 8th, 2017 the Company has received from Noble Funds Towarzystwo Funduszy Inwestycyjnych S.A. notification that following the sale of the Company's shares on November 6th, 2017 the total share of Noble Funds Fundusz Inwestycyjny Otwarty, Noble Funds Specjalistyczny Fundusz Inwestycyjny Otwarty, Noble Fund Opportunity Fundusz Inwestycyjny Zamknięty and Open Finance Fundusz Inwestycyjny Otwarty managed by Noble Funds Towarzystwo Funduszy Inwestycyjnych S.A. descended below the threshold of 5% of the total number of votes at the Company's General Meeting of Shareholders.

According to the notification, before the abovementioned sale of shares the Funds had 2 929 818 Company's shares that were equal to 5,28% in the Company's share capital and had 2 929 818 votes from these shares, that were equal to 5,28% of total number of votes.

According to the notification, after the abovementioned sale of shares, the Funds hold 2 689 818 Company's shares, equal to 4,85% in the Company's share capital and have 2 689 818 votes from these shares, equal to 4,85% of total number of votes.

According to the notification with respect to the Fund there are no subsidiaries, holding shares of the Company and persons referred to in Article 87 paragraph 1 point 3 letter c of the Act on Public Offering.

According to the notification the Fund does not have the votes to the shares calculated in the manner specified in Article 69b paragraph 2 and 3 of the Act on Public Offering.

(3) On November 17th, 2017 the Company has received from Quercus Towarzystwo Funduszy Inwestycyjnych S.A. acting on behalf of managed investment funds - Quercus Parasolowy SFIO. Quercus Absolutnego Zwrotu FIZ and ACER Aggressive FIZ notification that the total share of these Funds descended below the threshold of 5% of the total number of votes at the Company's General Meeting of Shareholders.

According to the Notification, the descending below the 5% threshold in the Company followed certain transactions conducted in the regulated market on November 14th, 2017.

According to the notification, before the abovementioned change of share, the Funds had 2 784 441 of the Company's shares that were equal to 5,02% in the Company's share capital and had 2 784 441 votes from these shares, that were equal to 5,02% of the total number of votes.

According to the notification, as of November 15th 2017 the Funds held 2 751 941 Company's shares, equal to 4,96% in the Company's share capital and had 2 751 941 votes from these shares, equal to 4,96% of the total number of votes.

According to the notification there are no subsidiaries of the Funds, holding shares of the Company and persons referred to in Article 87 paragraph 1 point 3 letter c of the Act on Public Offering.



According to the notification, the number of votes calculated in the manner specified in Art. 69b para. (2) of the Public Offering Act and the conditions governing the introduction of financial instruments to organized trading, and public companies to which the Funds would be entitled or obliged, as holders of financial instruments referred to in art. Article 69 1 pt. 1 of the Act, and financial instruments referred to in Art. 69b para. Section 2 of the Act, which is not executed exclusively by monetary settlements, is zero. According to the notification, the number of votes calculated in the manner specified in Art. 69b para. 3 of the Act to which the financial instruments referred to in art. 69b para. 1 point 2 of the Act relate directly or indirectly is zero.

### **Related Party Transactions**

During the year ended 31 December 2017 the Company did not have any material related party transactions exceeding the Polish Zloty equivalent of Euro 500 thousand other than typical or routine transactions. For ordinary course of business transactions, please refer to the notes on the audited financial statement attached on this annual report.

In the year 2017, a number of transactions have occurred between us and our subsidiaries and between our subsidiaries. In our opinion all of these transactions were based on terms that did not vary from market terms and their nature and conditions resulted from ongoing needs and operations of the Company and of the Group, such as contracts related to the purchases of goods for onward distribution to external clients. All of these transactions and related outstanding balances were eliminated in the Financial Statements included in this Annual Report and, as a result, did not have any impact on our consolidated financial results and on our financial position as a whole.

## **ITEM 6. FINANCIAL INFORMATION**

### **Legal Proceedings**

Currently there are no legal proceedings pending against us or any of the members of our Group, whose single or aggregate value exceeds 10% of our equity.

### **Information on loans granted to any other party**

During the year ended 31<sup>st</sup> December 2017 we have not granted any loan to any other party other than our subsidiaries which are disclosed in other part of this report (audited financial statements).

### **Information on granted guarantees**

We grant certain guarantees to some of our vendors and to certain customs authorities. All our guarantees are reported in the financial statements section of this annual report.

The Company has increased corporate guarantees to support its subsidiaries' local financing from U.S.\$ 147,628 at December 31<sup>st</sup>, 2016 to 184,909 at December 31<sup>st</sup>, 2017, representing more than 10% of the Company's equity. The total bank guarantees and letters of credit raised by the Group (mainly to Group suppliers) as at December 31<sup>st</sup>, 2017 was U.S. \$ 22,633 – as per note number 16 to the financial statements – which is more than 10% of the Company's equity.

### **Evaluation of financial resources management (including ability to pay back commitments) and information about actions undertaken to avoid risks**

This has been discussed in note 31 of our financial statements to this annual report under the headline Financial Risk management.

### **Evaluation of possibility of realization of investment intentions**

The Company has completed all its current investments in prior years and in 2018 intends to grow organically, therefore there is no risk connected with the realization of current investment intentions.



## **Characteristics of structure of assets and liabilities in the consolidated balance sheet including characteristics from the point of view of Company liquidity**

The structure of assets and liabilities in the balance sheet including characteristics from the point of view of the Company's liquidity has been discussed in detail in the financial statements included in this annual report:

- a) note 13 - Trade receivables - Ageing analysis of receivables
- b) note 31 – Financial risk management – point 1.3. Liquidity risk

## **Information about the structure of main deposits and capital investments in 2017**

There were no deposits other than those disclosed as pledged deposits in the financial statements to this annual report.

There were no other capital investments than the ones disclosed in note 9 of the financial statements included in this annual report.

## **Information about relevant off balance sheet positions as at December 31<sup>st</sup>, 2017**

There were no relevant off balance sheet positions as at December 31<sup>st</sup>, 2017 other than Bank Guarantees disclosed in note 22 of the audited financial statements.

## **DIVIDEND POLICY**

Our dividend policy is to pay dividends at levels consistent with our growth and development plans, while maintaining a reasonable level of liquidity.

The Board taking into consideration the strong growth in 2017 and expected continuation of this trend in 2018, has decided to propose to the forthcoming AGM a dividend payout of U.S.\$ 0.06 cents per share. Any future dividends will be solely at the discretion of the Board of Directors and the General Meeting of shareholders after taking into account various factors, including business prospects, future earnings, cash requirements, financial position, expansion plans and requirements of the Cyprus law. The Cyprus law does not limit dividends that may be paid out except that it states that dividends may only be paid out of profits and may not be higher than recommended by the Board of Directors.

## **Material Contracts**

### ***Contract with Intel International B.V.***

We entered into a distribution agreement with Intel International B.V. ("Intel") on 1 August 1998, pursuant to which we are to act as a non-exclusive distributor of Intel's products in the territories to be agreed in writing between the parties from time-to-time. We were also appointed as a non-exclusive distributor of Intel services on Intel's "Distributor Cost List". Such appointment is terminable 'at will' without prior notice and without liability. Under the contract Intel gives limited warranties regarding the products delivered, limits the remedies for breach of warranty and has the ability to vary the limited warranties given. There are also limitations on any warranties that we may give to our customers and exclusions of liability for any loss of profits or incidental, consequential or special damages irrespective of whether Intel has prior notice of the possibility of such damages. The agreement may be renewed each year for an additional period of one year, unless prior to that date either party has given 30 days' notice of its intention not to renew. In addition, either party may terminate the agreement at any time with or without cause and without liability (except in regard to possible return of inventory) upon 60 days' written notice.

### ***Contract with AMD***

We entered into a commercial distribution agreement dated 31 December 2003 with AMD pursuant to which ISA Hardware was appointed as a non-exclusive commercial distributor to promote and distribute AMD integrated circuits, electronic devices and other products listed in the agreement within the territories



allocated to ISA Hardware under the agreement. This agreement has been transferred to ASBISc Enterprises Plc ("ASBIS") as of 1 January 2009. The prices that ASBIS is charged are described as the "distributor's best buy" price for each product, as published in AMD's pricing supplement, unless otherwise agreed in writing between the parties. The agreement continues in force unless terminated by 30 days' written notice of either party. AMD also has the right to terminate upon 24 hours' notice for cause, including insolvency or such similar event whereby ASBIS discontinues its business or if there is a change of control. In addition, AMD has the right to terminate upon 24 hours' notice if ASBIS fails to pay invoices after a warning or if it misrepresents or falsifies information or if it is in breach of any of its representations, warranties covenants, obligations or duties under the agreement. If the agreement is so terminated, all outstanding amounts payable by ASBIS to AMD will become immediately due.

#### ***Contract with Seagate Technology International***

We entered into a distributor agreement with Seagate Technology International ("Seagate") on 26 June 2001 by which we were appointed as a non-exclusive distributor of certain products as described in Seagate's distribution price list in territories across Europe and the Middle East. This price list is subject to change at Seagate's discretion. We are also under an obligation to actively promote products in the territories in which we operate. Pursuant to the agreement we are entitled to an early payment discount of 1%, which may be amended or discontinued by Seagate at any time without prior notice to us. A credit line is also available under the contract but at the sole discretion of Seagate. We are authorized under the agreement to use Seagate's current and future trademarks, service marks and trade names solely in connection with the marketing and distribution of Seagate products. The agreement may be terminated by either party upon 30 days' written notice. Alternatively, it may be terminated for cause including an event of force majeure, petition for bankruptcy or a material breach which remains uncured.

#### ***Contract with Microsoft Ireland Operations Limited***

Asbis Romania entered into an International Distribution Agreement with Microsoft Ireland Operations Limited ("Microsoft Ireland") dated 1 April 2006, for the distribution of Windows operating systems and applications within the territory of Romania. Asbis Romania is able to ship software packages, software licences and hardware under the terms of the agreement and is liable for royalty fees on a "per item" basis. These fees are calculated in accordance with a price schedule. Software royalties are payable within 75 days and hardware royalties within 60 days with late payment charges applicable. All products distributed by Asbis Romania are covered by the Microsoft warranty which accompanies the particular hardware or software. Unless terminated earlier, the agreement will continue until 30 June 2009, at which date it will automatically end. Either party may negotiate a new fixed term by mutual consent, which will be governed by the same terms and conditions as the present agreement. In any event, either party may terminate the agreement upon 30 days' written notice or immediately if the other party becomes insolvent, is subject to bankruptcy proceedings, is subject to reorganisation or receivership, is unable to pay its debts, or makes or attempts to make an assignment for the benefit of creditors.

#### ***Agreements with DELL***

ASBISc Enterprises PLC (ASBIS) has entered into a several DELL International Distributor Agreements since 19.04.2007 with DELL pursuant to which ASBIS was appointed as a non-exclusive distributor to market, distribute, sell and support DELL Products and DELL Branded Services listed in the agreements within the territories allocated to ASBIS under the agreements.

DELL provides ASBIS from time to time with its latest price list for the sale of Products and DELL Services for the territories.

The agreements continue in force for an initial period of one year. Thereafter agreements continue in force for a further four-year period unless terminated by of either party giving the other 3 months' written notice. DELL also has right to terminate agreements or any part of it immediately on giving notice in writing to ASBIS if there is a change of control or if any export control requirement or regulation is breached or could be breached or if any of the sales targets is failed to achieve or if ASBIS enters into arrangements which could result in a conflict of interest with DELL.

In addition, agreements may be terminated by either party forthwith on giving notice in writing if continuance of agreements becomes unduly difficult by the reason of diplomatic relations between the



respective countries of the parties or if any material or persistent breach of any terms of agreements is committed and shall have been failed after warning in writing or if party shall have a receiver or administrative receiver or the equivalent appointed of it or a court of competent jurisdiction shall make an order to that effect or if party shall enter into any voluntary arrangement with its creditors. If the agreements are so terminated, all outstanding unpaid invoices shall become immediately payable by ASBIS in place of the payment terms previously agreed between parties.

## **ITEM 7. ADDITIONAL INFORMATION**

### **Corporate Governance**

#### **Report on Application of Corporate Governance Rules in 2017**

##### **I. Specification of the set of corporate governance rules to which the Issuer is subject, and place where text of such set of rules is available to public**

The Company applies the rules of Corporate Governance according to Warsaw Stock Exchange Code of Best Practices as approved by the Company's Board of Directors. These rules are changed by the Warsaw Stock Exchange from time to time. Current rules (obligatory from 2016) can be found at the WSE dedicated website: <http://corp-gov.gpw.pl>. The Company's Statement on Corporate Governance, information on application of its rules and any deviations can be found on the Company's internet site for investors, at <http://investor.asbis.com> and <http://inwestor.asbis.pl>.

##### **II. Indication of which corporate governance rules were not applied by the issuer and indication of under what circumstances and for what reasons the specific rule was not applied, and how the company intends to remove effects, if any, of not having applied a given rule and what steps it intends to take to mitigate the risk of the specific rule not being applied in the future**

The following table summarizes information about application of corporate governance rules applied, not applied, partially applied or non-applicable for the Company in 2017:

### **A statement on the company's compliance with the corporate governance recommendations and principles contained in Best Practice for GPW Listed Companies 2016**

According to the current status of compliance with the Best Practice, the Company does not apply 4 recommendations: II.R.4., II.R.5., II.R.6., II.R.7.

According to the current status of compliance with the Best Practice, the Company does not apply 15 detailed principles: II.Z.2., II.Z.3., II.Z.5., II.Z.6., II.Z.7., II.Z.9., II.Z.10.1., II.Z.10.2., II.Z.10.3., II.Z.10.4., II.Z.11., III.Z.4., III.Z.5., IV.Z.4., VI.Z.3.

#### **I. Disclosure Policy, Investor Communications**

Listed companies should ensure adequate communications with investors and analysts by pursuing a transparent and effective disclosure policy. To this end, they should ensure easy and non-discriminatory access to disclosed information using diverse tools of communication.

#### **Recommendations**

**I.R.1.** Where a company becomes aware that untrue information is disseminated in the media, which significantly affects its evaluation, it should immediately publish on its website a communiqué containing its position on such information, unless in the opinion of the company the nature of such information and the circumstances of its publication give reasons to follow a more adequate solution.



The principle is applied.

- I.R.2.** Where a company pursues sponsorship, charity or other similar activities, it should publish information about the relevant policy in its annual activity report.

The principle is applied.

- I.R.3.** Companies should allow investors and analysts to ask questions and receive explanations – subject to prohibitions defined in the applicable legislation – on topics of their interest. This recommendation may be implemented through open meetings with investors and analysts or in other formats allowed by a company.

The principle is applied.

- I.R.4.** Companies should use best efforts, including taking all steps well in advance as necessary to prepare a periodic report, to allow investors to review their financial results as soon as possible after the end of a reporting period.

The principle is applied.

## Detailed principles

- I.Z.1.** A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation:

- I.Z.1.1.** basic corporate documents, in particular the company's articles of association;

The principle is applied.

- I.Z.1.2.** the full names of the members of its management board and supervisory board and the professional CVs of the members of these bodies including information on the fulfilment of the criteria of independence by members of the supervisory board;

The principle is applied.

- I.Z.1.3.** a chart showing the division of duties and responsibilities among members of the management board drawn up according to principle II.Z.1;

The principle is applied.

- I.Z.1.4.** the current structure of shareholders indicating those shareholders that hold at least 5% of the total vote in the company according to information provided to the company by shareholders under the applicable legislation;

The principle is applied.

- I.Z.1.5.** current and periodic reports, prospectuses and information memoranda with annexes, published by the company at least in the last 5 years;

The principle is applied.

- I.Z.1.6.** information on the dates of corporate events leading to the acquisition or limitation of rights of a shareholder, information on the dates of publication of financial reports and other events relevant to investors, within a timeframe enabling investors to make investment decisions;

The principle is applied.

- I.Z.1.7.** information materials published by the company concerning the company's strategy and its financial results;

The principle is applied.

- I.Z.1.8.** selected financial data of the company for the last 5 years of business in a format enabling the recipient to process such data;

The principle is applied.

- I.Z.1.9.** information about the planned dividend and the dividend paid out by the company in the last 5 financial years, including the dividend record date, the dividend payment date and the dividend amount, in aggregate and per share;

The principle is applied.

- I.Z.1.10.** financial projections, if the company has decided to publish them, published at least in the last 5 years, including information about the degree of their implementation;

The principle is applied.

- I.Z.1.11.** information about the content of the company's internal rule of changing the company authorized to audit financial statements or information about the absence of such rule;

The principle is applied.

- I.Z.1.12.** a statement on compliance with the corporate governance principles contained in the last published annual report;

The principle is applied.

- I.Z.1.13.** a statement on the company's compliance with the corporate governance recommendations and principles contained herein, consistent with the information that the company should report under the applicable legislation;

The principle is applied.

- I.Z.1.14.** materials provided to the general meeting, including assessments, reports and positions referred to in principle II.Z.10, tabled to the general meeting by the supervisory board;

The principle is applied.

**Comments of the Company:** The Company, being Cyprus registered entity, does not have supervisory Board, thus there is no possibility to present its materials.

- I.Z.1.15.** information about the company's diversity policy applicable to the company's governing bodies and key managers; the description should cover the following elements of the diversity policy: gender, education, age, professional experience, and specify the goals of the diversity policy and its implementation in the reporting period; where the company has not drafted and implemented a diversity policy, it should publish the explanation of its decision on its website;

The principle is applied.

**Comments of the Company:** The Company has a policy of diversity in relation to the management of the company and its key managers and therefore develop a relevant document, so that it would be possible to place it on the Company's website.

- I.Z.1.16.** information about the planned transmission of a general meeting, not later than 7 days before the date of the general meeting;

The principle is applied.

- I.Z.1.17.** justification of draft resolutions of the general meeting concerning issues and determinations which are relevant to or may give rise to doubts of shareholders, within a timeframe enabling participants of the general meeting to review them and pass the resolution with adequate understanding;

The principle is applied.

- I.Z.1.18.** information about the reasons for cancellation of a general meeting, change of its date or agenda, and information about breaks in a general meeting and the grounds of those breaks;

The principle is applied.

- I.Z.1.19.** shareholders' questions asked to the management board pursuant to Article 428 § 1 or § 6 of the Commercial Companies Code together with answers of the management board to those questions, or a detailed explanation of the reasons why no answer is provided, pursuant to principle IV.Z.13;

The principle is applied.

- I.Z.1.20.** an audio or video recording of a general meeting;

The principle is applied.

- I.Z.1.21.** contact details of the company's investor relations officers including the full name and e-mail address or telephone number.

The principle is applied.

- I.Z.2.** A company whose shares participate in the exchange index WIG20 or mWIG40 should ensure that its website is also available in English, at least to the extent described in principle I.Z.1. This principle should also be followed by companies not participating in these indices if so required by the structure of their shareholders or the nature and scope of their activity

The principle is applied.

## **II. Management Board, Supervisory Board**

A listed company is managed by its management board, whose members act in the interest of the company and are responsible for its activity. The management board is responsible among others for the company's leadership, engagement in setting and implementing its strategic objectives, and ensuring the company's efficiency and safety.

A company is supervised by an effective and competent supervisory board. Supervisory Board members act in the interest of the company and follow their independent opinions and judgement. The supervisory board in particular issues opinions on the company's strategy, verifies the work of the management board in pursuit of defined strategic objectives, and monitors the company's performance.

### **Recommendations**

- II.R.1.** To ensure the highest standards of the management board and the supervisory board of a company in efficient fulfilment of their obligations, the management board and the supervisory board should have members who represent high qualifications and experience.

The principle is applied.

**Comments of the Company:** The Company, being Cyprus registered entity, does not have supervisory Board. However, the non-executive members of the Board of Directors fulfill this requirement.

- II.R.2.** Decisions to elect members of the management board or the supervisory board of a company should ensure that the composition of these bodies is comprehensive and diverse among others in terms of gender, education, age and professional experience.

The principle is applied.

- II.R.3.** Functions on the management board of a company should be the main area of the professional activity of management board members. Additional professional activities of management board members must not require so much time and effort that they could adversely affect proper performance of functions in the company. In particular, management board members should not be members of governing bodies of other



entities if the time devoted to functions in such other entities prevents their proper performance in the company.

The principle is applied.

- II.R.4.** Supervisory board members must be able to devote the time necessary to perform their duties.

The principle is not applied.

**Comments of the Company:** NOT APPLICABLE: The Company, being Cyprus registered entity, does not have supervisory Board. However, the non-executive members of the Board of Directors fulfill this requirement.

- II.R.5.** If a supervisory board member resigns or is unable to perform his or her functions, the company should immediately take steps necessary to ensure substitution or replacement on the supervisory board.

The principle is not applied.

**Comments of the Company:** NOT APPLICABLE: The Company, being Cyprus registered entity, does not have supervisory Board. However, the non-executive members of the Board of Directors fulfill this requirement.

- II.R.6.** Being aware of the pending expiration of the term of office of management board members and their plans of further performance of functions on the management board, the supervisory board should take steps in advance to ensure efficient operation of the company's management board.

The principle is not applied.

**Comments of the Company:** NOT APPLICABLE: The Company, being Cyprus registered entity, does not have supervisory Board. However, the non-executive members of the Board of Directors fulfill this requirement.

- II.R.7.** A company should allow its supervisory board to use professional and independent advisory services necessary for the supervisory board to exercise effective supervision in the company. In its selection of the advisory service provider, the supervisory board should take into account the financial standing of the company.

The principle is not applied.

**Comments of the Company:** NOT APPLICABLE: The Company, being Cyprus registered entity, does not have supervisory Board. However, the non-executive members of the Board of Directors fulfill this requirement.

#### Detailed principles

- II.Z.1.** The internal division of responsibilities for individual areas of the company's activity among management board members should be clear and transparent, and a chart describing that division should be available on the company's website.

The principle is applied.

- II.Z.2.** A company's management board members may sit on the management board or supervisory board of companies other than members of its group subject to the approval of the supervisory board.

The principle is not applied.

**Comments of the Company:** NOT APPLICABLE: The Company, being Cyprus registered entity, does not have supervisory Board. However, the non-executive members of the Board of Directors fulfill this requirement.

- II.Z.3.** At least two members of the supervisory board should meet the criteria of being independent referred to in principle II.Z.4.

The principle is not applied.

**Comments of the Company:** NOT APPLICABLE: The Company, being Cyprus registered entity, does not have supervisory Board. However, the non-executive members of the Board of Directors fulfill this requirement.

- II.Z.4.** Annex II to the European Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board applies to the independence criteria of supervisory board members. Irrespective of the provisions of point 1(b) of the said Annex, a person who is an employee of the company or its subsidiary or affiliate or has entered into a similar agreement with any of them cannot be deemed to meet the independence criteria. In addition, a relationship with a shareholder precluding the independence of a member of the supervisory board as understood in this principle is an actual and significant relationship with any shareholder who holds at least 5% of the total vote in the company.

The principle is applied.

**Comments of the Company:** The Company, being Cyprus registered entity, does not have supervisory Board. However, the non-executive members of the Board of Directors fulfill this requirement.

- II.Z.5.** Each supervisory board member should provide the other members of the supervisory board as well as the company's management board with a statement of meeting the independence criteria referred to in principle II.Z.4.

The principle is not applied.

**Comments of the Company:** NOT APPLICABLE: The Company, being Cyprus registered entity, does not have supervisory Board. However, the non-executive members of the Board of Directors fulfill this requirement.

- II.Z.6.** The supervisory board should identify any relationships or circumstances which may affect a supervisory board member's fulfilment of the independence criteria. An assessment of supervisory board members' fulfilment of the independence criteria should be presented by the supervisory board according to principle II.Z.10.2.

The principle is not applied.

**Comments of the Company:** NOT APPLICABLE: The Company, being Cyprus registered entity, does not have supervisory Board. However, the non-executive members of the Board of Directors fulfill this requirement.

- II.Z.7.** Annex I to the Commission Recommendation referred to in principle II.Z.4 applies to the tasks and the operation of the committees of the Supervisory Board. Where the functions of the audit committee are performed by the supervisory board, the foregoing should apply accordingly.

The principle is not applied.

**Comments of the Company:** NOT APPLICABLE: The Company, being Cyprus registered entity, does not have supervisory Board. However, the non-executive members of the Board of Directors fulfill this requirement.

- II.Z.8.** The chair of the audit committee should meet the independence criteria referred to in principle II.Z.4.

The principle is applied.

- II.Z.9.** To enable the supervisory board to perform its duties, the company's management board should give the supervisory board access to information on matters concerning the company.

The principle is not applied.

**Comments of the Company:** NOT APPLICABLE: The Company, being Cyprus registered entity, does not have supervisory Board. However, the non-executive members of the Board of Directors fulfill this requirement.

- II.Z.10.** In addition to its responsibilities laid down in the legislation, the supervisory board should prepare and present to the ordinary general meeting once per year the following:

- II.Z.10.1** an assessment of the company's standing including an assessment of the internal control, risk management and compliance systems and the internal audit function; such assessment should cover all significant controls, in particular financial reporting and operational controls;

The principle is not applied.

**Comments of the Company:** NOT APPLICABLE: The Company, being Cyprus registered entity, does not have supervisory Board.

- II.Z.10.2** a report on the activity of the supervisory board containing at least the following information:

- full names of the members of the supervisory board and its committees;
- supervisory board members' fulfilment of the independence criteria;
- number of meetings of the supervisory board and its committees in the reporting period;
- self-assessment of the supervisory board;

The principle is not applied.

**Comments of the Company:** NOT APPLICABLE: The Company, being Cyprus registered entity, does not have supervisory Board.

- II.Z.10.3** an assessment of the company's compliance with the disclosure obligations concerning compliance with the corporate governance principles defined in the Exchange Rules and the regulations on current and periodic reports published by issuers of securities;

The principle is not applied.

**Comments of the Company:** NOT APPLICABLE: The Company, being Cyprus registered entity, does not have supervisory Board.

- II.Z.10.4** an assessment of the rationality of the company's policy referred to in recommendation I.R.2 or information about the absence of such policy.

The principle is not applied.

**Comments of the Company:** NOT APPLICABLE: The Company, being Cyprus registered entity, does not have supervisory Board.

- II.Z.11.** The supervisory board should review and issue opinions on matters to be decided in resolutions of the general meeting.

The principle is not applied.

**Comments of the Company:** NOT APPLICABLE: The Company, being Cyprus registered entity, does not have supervisory Board.

### **III. Internal Systems and Functions**

Listed companies should maintain efficient internal control, risk management and compliance systems and an efficient internal audit function adequate to the size of the company and the type and scale of its activity.

#### **Recommendations**

- III.R.1.** The company's structure should include separate units responsible for the performance of tasks in individual systems or functions, unless the separation of such units is not justified by the size or type of the company's activity.

The principle is applied.



## Detailed principles

**III.Z.1.** The company's management board is responsible for the implementation and maintenance of efficient internal control, risk management and compliance systems and internal audit function.

The principle is applied.

**III.Z.2.** Subject to principle III.Z.3, persons responsible for risk management, internal audit and compliance should report directly to the president or other member of the management board and should be allowed to report directly to the supervisory board or the audit committee.

The principle is applied.

**III.Z.3.** The independence rules defined in generally accepted international standards of the professional internal audit practice apply to the person heading the internal audit function and other persons responsible for such tasks.

The principle is applied.

**III.Z.4.** The person responsible for internal audit (if the function is separated in the company) and the management board should report to the supervisory board at least once per year with their assessment of the efficiency of the systems and functions referred to in principle III.Z.1 and table a relevant report.

The principle is not applied.

**Comments of the Company:** NOT APPLICABLE: The Company, being Cyprus registered entity, does not have supervisory Board.

**III.Z.5.** The supervisory board should monitor the efficiency of the systems and functions referred to in principle III.Z.1 among others on the basis of reports provided periodically by the persons responsible for the functions and the company's management board, and make an annual assessment of the efficiency of such systems and functions according to principle II.Z.10.1. Where the company has an audit committee, it should monitor the efficiency of the systems and functions referred to in principle III.Z.1, which however does not release the supervisory board from the annual assessment of the efficiency of such systems and functions.

The principle is not applied.

**Comments of the Company:** NOT APPLICABLE: The Company, being Cyprus registered entity, does not have supervisory Board.

**III.Z.6.** Where the company has no separate internal audit function in its organization, the audit committee (or the supervisory board if it performs the functions of the audit committee) should review on an annual basis whether such function needs to be separated.

The principle is applied.

## IV. General Meeting, Shareholder Relation

The management board and the supervisory board of a listed company should encourage the engagement of shareholders in matters of the company, in particular through active participation in the general meeting.

The general meeting should proceed by respecting the rights of shareholders and ensuring that passed resolutions do not infringe on reasonable interests of different groups of shareholders.


Shareholders who participate in a general meeting should exercise their rights in accordance with the rules of good conduct.

## Recommendations

**IV.R.1.** Companies should strive to hold an ordinary general meeting as soon as possible after the publication of an annual report and set the date in keeping with the applicable legislation.

The principle is applied.

**IV.R.2.** If justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through:

- 1) real-life broadcast of the general meeting;
- 2) real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting;
- 3) exercise of the right to vote during a general meeting either in person or  through a plenipotentiary.

The principle is applied.

**Comments of the Company:** The Company will invest in real time broadcasting and electronic bilateral communication and implement it whether number of registered shareholders from outside Cyprus attending the General Meeting will exceed 10.

**IV.R.3.** Where securities issued by a company are traded in different countries (or in different markets) and in different legal systems, the company should strive to ensure that corporate events related to the acquisition

of rights by shareholders take place on the same dates in all the countries where such securities are traded.  
The principle not applicable.

**Comments of the Company:** *The Company is listed only in Warsaw Stock Exchange.*

#### Detailed principles

- IV.Z.1.** Companies should set the place and date of a general meeting so as to enable the participation of the highest possible number of shareholders.

The principle is applied.

- IV.Z.2.** If justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings.

The principle is applied.

- IV.Z.3.** Presence of representatives of the media should be allowed at general meetings.

The principle is applied.

- IV.Z.4.** If the management board becomes aware a general meeting being convened pursuant to Article 399 § 2 – 4 of the Commercial Companies Code, the management board should immediately take steps which it is required to take in order to organize and conduct the general meeting. The foregoing applies also where a general meeting is convened under authority granted by the registration court according to Article 400 § 3 of the Commercial Companies Code.

The principle is not applied.

**Comments of the Company:** *NOT APPLICABLE: The Company, being Cyprus registered entity, does not operate under Polish Companies Law.*

- IV.Z.5.** The rules of general meetings and the method of conducting the meeting and adopting resolutions must not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules of the general meeting should take effect at the earliest as of the next general meeting.

The principle is applied.

- IV.Z.6.** Companies should strive to ensure that the cancellation of a general meeting, change of its date or break in its proceedings do not prevent or limit the exercising of the shareholders' rights to participate in the general meeting.

The principle is applied.

- IV.Z.7.** A break in the proceedings of the general meeting may only take place in special cases, defined at each time in the justification of the resolution announcing the break, drafted on the basis of reasons provided by the shareholder requesting the break.

The principle is applied.

- IV.Z.8.** A resolution of the general meeting announcing a break should clearly set the date and time when the proceedings recommence, and such date and time must not be a barrier for most shareholders, including minority shareholders, to participate in the continuation of the proceedings.

The principle is applied.

Companies should strive to ensure that draft resolutions of the general meeting contain a justification, if it helps shareholders to pass a resolution with adequate understanding. If a matter is put on the agenda of the general meeting at the request of a shareholder or shareholders, the management board or the chair of the general meeting should request presentation of the justification of the proposed resolution. In important matters and matters which may give rise to any doubt of shareholders, the company should provide a justification, unless it otherwise provides the shareholders with information necessary to pass a resolution with adequate understanding.

The principle is applied.

- IV.Z.9.** Any exercise of the rights of shareholders or the way in which they exercise their rights must not hinder the proper functioning of the governing bodies of the company.

The principle is applied.

- IV.Z.10.** Members of the management board and the supervisory board should participate in a general meeting as necessary to answer questions asked at the general meeting.

The principle is applied.

**Comments of the Company:** *The Company, being Cyprus registered entity, does not have supervisory Board. However, the non-executive members of the Board of Directors fulfill this requirement.*

- IV.Z.11.** The management board should present to participants of an ordinary general meeting the financial results of the company and other relevant information contained in the financial statements to be approved by the general meeting.

The principle is applied.

- IV.Z.12.** If a shareholder request information about the company, the management board of the company should provide an answer to the shareholder's request within 30 days or inform the shareholder of its refusal to provide such information where the management board has made such decision pursuant to Article 428 § 2 or § 3 of the Commercial Companies Code.

The principle is applied.

**Comments of the Company:** *The Company does not operate under Polish Companies Law.*

- IV.Z.13.** Resolutions of the general meeting should allow for a sufficient period of time between decisions causing specific corporate events and the date of determination of the rights of shareholders pursuant to such events.

The principle is applied.



**IV.Z.14.** A resolution of the general meeting concerning an issue of shares with subscription rights should specify the issue price or the mechanism of setting the price or authorize the competent governing body to set the price prior to the subscription right record date within the timeframe necessary for investors to make decisions.  
The principle is applied.

**IV.Z.15.** The dividend record date and the dividend payment date should be set so as to ensure that the period between them is not longer than 15 business days. A longer period between these dates requires a justification.  
The principle is applied.

**IV.Z.16.** A resolution of the general meeting concerning a conditional dividend payment may only contain such conditions whose potential fulfilment takes place before the dividend record date.  
The principle is applied.

**IV.Z.17.** A resolution of the general meeting to split the nominal value of shares should not set the new nominal value of the shares below PLN 0.50, which could result in a very low unit market value of the shares, and which could consequently pose a threat to the correct and reliable valuation of the company listed on the Exchange.  
The principle is applied.

**Comments of the Company:** The Company reporting currency and Issuing currency is USD.

## **V. Conflict of Interest, Related Party Transactions**

For the purpose of this Section, 'related party' is defined under the International Accounting Standards approved in Regulation No (EU) 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

Companies should have in place transparent procedures for preventing conflicts of interest and related party transactions where a conflict of interest may occur. The procedures should provide for ways to identify, disclose and manage such cases.

### **Recommendations**

**V.R.1.** Members of the management board and the supervisory board should refrain from professional or other activities which might cause a conflict of interest or adversely affect their reputation as members of the governing bodies of the company, and where a conflict of interest arises, immediately disclose it.

The principle is applied.

**Comments of the Company:** The Company, being Cyprus registered entity, does not have supervisory Board. However, the non-executive members of the Board of Directors fulfill this requirement.

### **Detailed principles**

**V.Z.1.** No shareholder should have preference over other shareholders in transactions concluded by the company with shareholders or their related parties.  
The principle is applied.

**V.Z.2.** Members of the management board or the supervisory board should notify the management board or the supervisory board, respectively, of any conflict of interest which has arisen or may arise, and should refrain from voting on a resolution on the issue which may give rise to such a conflict of interest in their case.  
The principle is applied.

**Comments of the Company:** The Company, being Cyprus registered entity, does not have supervisory Board. However, the non-executive members of the Board of Directors fulfill this requirement.

**V.Z.3.** Members of the management board or the supervisory board must not accept any benefits which might affect their impartiality and objectivism in making decisions or reflect unfavorably on the assessment of the independence of their opinions or judgements.  
The principle is applied.

**Comments of the Company:** The Company, being Cyprus registered entity, does not have supervisory Board. However, the non-executive members of the Board of Directors fulfill this requirement.

**V.Z.4.** Where a member of the management board or the supervisory board concludes that a decision of the management board or the supervisory board, respectively, is in conflict with the interest of the company, he or she may request that the minutes of the management board or the supervisory board meeting show his or her position.  
The principle is applied.

**Comments of the Company:** The Company, being Cyprus registered entity, does not have supervisory Board. However, the non-executive members of the Board of Directors fulfill this requirement.

**V.Z.5.** Before the company concludes a significant agreement with a shareholder who holds at least 5% of the total vote in the company or with a related party, the management board should request the supervisory board's approval of the transaction. Before giving its approval, the supervisory board should evaluate the impact of the transaction on the interest of the company. The foregoing does not apply to typical transactions and transactions at arm's-length made as part of the company's operations between the company and members of its group. If the decision concerning the company's significant agreement with a related party is made by the

general meeting, the company should give all shareholders access to information necessary to assess the impact of the transaction on the interest of the company before the decision is made.

The principle is applied.

**Comments of the Company:** The Company, being Cyprus registered entity, does not have supervisory Board. However, the non-executive members of the Board of Directors fulfill this requirement.

- V.Z.6.** In its internal regulations, the company should define the criteria and circumstances under which a conflict of interest may arise in the company, as well as the rules of conduct where a conflict of interest has arisen or may arise. The company's internal regulations should among others provide for ways to prevent, identify and resolve conflicts of interest, as well as rules of excluding members of the management board or the supervisory board from participation in reviewing matters subject to a conflict of interest which has arisen or may arise.

The principle is applied.

**Comments of the Company:** The Company, being Cyprus registered entity, does not have supervisory Board. However, the non-executive members of the Board of Directors fulfill this requirement.

## **VI. Remuneration**

A company should have a remuneration policy applicable at least to members of the company's governing bodies and key managers. The remuneration policy should in particular determine the form, structure, and method of determining the remuneration of members of the company's governing bodies and key managers.

### **Recommendations**

- VI.R.1.** The remuneration of members of the company's governing bodies and key managers should follow the approved remuneration policy.

The principle is applied.

- VI.R.2.** The remuneration policy should be closely tied to the company's strategy, its short- and long-term goals, long-term interests and results, taking into account solutions necessary to avoid discrimination on whatever grounds.

The principle is applied.

- VI.R.3.** If the supervisory board has a remuneration committee, principle II.Z.7 applies to its operations.

The principle is applied.

**Comments of the Company:** The Company, being Cyprus registered entity, does not have supervisory Board. However, the remuneration committee works by the Board of Directors.

- VI.R.4.** The remuneration levels of members of the management board and the supervisory board and key managers should be sufficient to attract, retain and motivate persons with skills necessary for proper management and supervision of the company. Remuneration should be adequate to the scope of tasks delegated to individuals, taking into account additional functions, for instance on supervisory board committees.

The principle is applied.

**Comments of the Company:** The Company, being Cyprus registered entity, does not have supervisory Board. However, the non-executive members of the Board of Directors fulfill this requirement.

### **Detailed principles**

- VI.Z.1.** Incentive schemes should be constructed in a way necessary among others to tie the level of remuneration of members of the company's management board and key managers to the actual long-term financial standing of the company and long-term shareholder value creation as well as the company's stability.

The principle is applied.

- VI.Z.2.** To tie the remuneration of members of the management board and key managers to the company's long-term business and financial goals, the period between the allocation of options or other instruments linked to the company's shares under the incentive scheme and their exercisability should be no less than two years.

The principle is applied.

- VI.Z.3.** The remuneration of members of the supervisory board should not be linked to options or other derivatives or any other variable components, and neither should it be linked to the company's results.

The principle is not applied.

**Comments of the Company:** NOT APPLICABLE: The Company, being Cyprus registered entity, does not have supervisory Board.

- VI.Z.4.** In this activity report, the company should report on the remuneration policy including at least the following:

- 1) general information about the company's remuneration system;
- 2) information about the conditions and amounts of remuneration of each management board member broken down by fixed and variable remuneration components, including the key parameters of setting the variable remuneration components and the terms of payment of severance allowances and other amounts due on termination of employment, contract or other similar legal relationship, separately for the company and each member of its group;
- 3) information about non-financial remuneration components due to each management board member and key manager;
- 4) significant amendments of the remuneration policy in the last financial year or information about their absence;



5) assessment of the implementation of the remuneration policy in terms of achievement of its goals, in particular long-term shareholder value creation and the company's stability.

The principle is applied.

### **III. Characteristic of applied internal control system and management of the risk regarding preparation of interim reports and financial statements**

These characteristics can be clearly read in the audited financial statements in the third part of this report.

The Company's Board of Directors is responsible for its internal control system and its effectiveness in course of the process applied in the preparation of our financial statements and interim reports which are to be prepared and published in accordance with the provisions of the Decree of the Minister of Finance dated February 19, 2009 on current and periodic information to be published by issuers of securities.

The effectiveness of the Company's internal control system applied in the process of preparing financial statements is based on the general assumption of ensuring adequacy and correctness of financial information included in the financial statements and interim reports. An effective internal control and risk management system for the process of financial reporting has been built according to the following principles:

- Defined scope of financial reporting applied by the Company.
- Defined division of duties and organization of work in the financial reporting process.
- Regular review of the Company's results using the applied financial reporting method.
- Regular independent review of published financial statements of the Company by an auditor.
- Principles of authorizing financial reports prior to their publication.
- Involving internal audit function in assessing effectiveness of the control mechanisms used.

#### *Defined scope of financial reporting applied by the Company*

The Company carries out annual reviews of its strategy, development, results and plans. Based on conclusions drawn from that review, a detailed budgeting process is performed including all functional areas of the Company, with the participation of the medium and top level management. The budget prepared for the following year is adopted and approved by the Board of Directors.

During the course of the year, the Board of Directors analyzes the current financial results, product portfolio development, market position and compares them with the budget, using the management reporting system, built based on the accounting policies accepted by the Company (IFRS), and takes into consideration the format and detailed content of financial data presented in interim financial statements of the Company and the Group.

Accounting policies adopted by the Company in respect to statutory reporting are used both during this process and in the course of preparing the interim management reports. The Company applies coherent accounting principles for the recognition and disclosure of financial data in financial statements, interim financial reports and other reports made available to investors.

#### *Defined division of duties and organization of work in the financial reporting process*

The ASBIS Group Financial Department, headed by the CFO and also member of the Board of Directors, Mr. Marios Christou is responsible for preparing the financial statements, interim financial reports and interim management reports of the Company.

The financial statements of the Company are prepared by medium level managers based on the financial data from the Company's IT system and from monthly management reports, after their acceptance by the Group's CFO and taking into consideration other, supplementary operating data supplied by dedicated employees from other departments. The financial statements are verified by the head of the Financial Department prior to their issue to the independent auditor (in case of half-year and annual reports).

Interim reports of the Company are prepared by the Group reporting team within the Credit and Investor Relations Department based on the financial data from monthly management reports, after their acceptance by the Group's CFO, taking into consideration other, supplementary operating data supplied by dedicated employees from other departments. The prepared interim reports are verified by the Board of Directors prior to their issue to the independent auditor (in case of half-year and annual reports).



#### *Regular review of the Company's results using the applied financial reporting method*

Financial data on which financial statements and interim reports are based, are derived from the monthly financial and operational reports system used by the Company and from its dedicated IT system. After general ledger closing each calendar month, the executive Directors jointly analyze financial results of the Company comparing these with the assumptions and divided by each business segment. Identified mistakes are immediately adjusted in the Company's ledgers and the Group's reporting system, according to the adopted accounting policy. The process of preparing financial statements and interim reports begins once the preliminary results of the reporting period are accepted by the Group's CFO and double-checked and verified after the final results are accepted by the Group's CFO.

#### *Regular independent review of published financial statements of the Company by an auditor*

Half-year and annual financial statements and financial reports before their publishing, as well as financial data on which such reports are based, are reviewed (half-year) and audited (annual) by the Company's external auditor. Adequacy of financial data and the scope of the necessary disclosures particularly scrutinized. Results of half-year reviews or full year audits are presented by the auditor to the Company's Board of Directors and its Audit Committee.

#### *Principles of authorizing financial reports prior to their publication*

Financial statements and interim reports are submitted to the Board of Directors' members prior and after the review or audit are complete.

The Audit Committee holds a meeting prior to acceptance of interim financial statements for publication by the Board of Directors, during which the Company's CFO presents key aspects of the quarterly/semiannual/annual financial statements – underlining changes to accounting policies, if any, important estimates and accounting judgments, major disclosures and business transactions.

The Audit Committee reviews interim financial statements taking into consideration information presented by the CFO and the independent auditor, and thereafter recommends to the Board of Directors approval of such documents.

#### **IV. Information about shareholders with a significant stake in the Company's share capital (directly or indirectly)**

This has been presented in Item 5, page 47 of this annual report.

#### **V. Information about shareholders with preference shares**

There are no shareholders with preference shares.

#### **VI. Information about any limitations of shareholders rights**

##### **Voting rights**

Each share confers the right to cast one vote.

Each shareholder is entitled to attend the meeting, to address the meeting, and, if voting rights accrue to him or her, to exercise such voting rights. Shareholders may attend meetings in person or be represented by a proxy authorized in writing.

For a shareholder to be recognized as being entitled to attend and vote at a general meeting he or she must present to the meeting proper evidence of his or her shareholding as of the Record Date to the satisfaction of the chairman of the meeting. A depository certificate issued by an entity maintaining the securities account of a shareholder will be deemed sufficient evidence of a shareholding. Therefore, in order to be able to participate and vote at the general meeting, the Company's shareholders holding their shares in dematerialized form through securities accounts with participants of the NDS shall present



depository certificates issued in accordance with the relevant provisions of the Act on Trading, accompanied by a sworn English translation.

Pursuant to the Articles of Association, no objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the meeting whose decision shall be final and conclusive.

The Company will publish in a daily paper distributed nationwide a notice to the shareholders on the date of the decision to hold a general meeting. The notice will state a date (the "Record Date") which will be used to ascertain which shareholders are entitled to participate in the General Meeting as well as detailed conditions of participation in the general meeting. With respect to the shareholders holding their shares in dematerialized form through securities accounts with participants of the NDS, additionally the Company shall send such written notice to the NDS, which will then pass it on to the NDS participants and publish such information in a current report form.

Subject to any rights or restrictions attaching to any class of shares, voting at meetings shall be conducted in person or by proxy or attorney and, where the shareholder is a corporate body, by representative.

All shares have equal rights.

No shareholder shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.

No business shall be transacted at any general meeting unless a quorum of shareholders is present at the time when the meeting proceeds to business. Save as otherwise provided in the Articles of Association, a quorum shall be three shareholders present, in person or through telephone or other telecommunication connection or by proxy, and entitled to vote upon the business to be transacted. The provisions governing the quorum are set forth in Articles 62-66 of the Articles of Association.

At any general meeting, any resolution put to the vote of the meeting shall be decided on a show of hands, or in the case of participation by a telephone or other telecommunication connection by an oral declaration, unless (before or upon the declaration of the result of the show of hands or oral declaration) a poll is demanded:

- (a) by the chairman of the general meeting (the "Chairman"); or
- (b) by at least three shareholders present in person or by proxy; or
- (c) by a shareholder or shareholders present in person or through a telephone or other telecommunication connection or by proxy and representing not less than 10% of the total voting rights of all the shareholders having the right to vote at the meeting; or
- (d) by a shareholder or shareholders present in person or through a telephone or other telecommunication connection, holding shares in the Company conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than 10% of the total sum paid on all the shares conferring that right.

It is impossible to hold a poll through a telephone or other telecommunication connections.

Unless a poll be so demanded, a declaration by the Chairman that a resolution has on a show of hands or by a declaration been carried or carried unanimously, or by a particular majority, or lost, shall be final (and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact, without proof of the proportion of the votes recorded in favor of or against such resolution).

In accordance with Cypriot law, the instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorized in writing, or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorized. A proxy need not be a shareholder of the Company.

In accordance with Cypriot law, the instrument appointing a proxy must contain the agenda of the general meeting.

The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

The instrument appointing a proxy, which should contain such language as is set out in Article 82 of the Articles of Association set forth in Annex A, and the power of attorney or other authority, if any, under which it is signed, or a notarized certified copy of that power or authority, shall be deposited at the Registered Office of the Company, or at such other place within Cyprus as is specified for that purpose in the notice convening the meeting, at any time before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, at any time before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid. For more detailed information regarding the proxy, see Articles 81-85 of the Articles of Association.

#### **Other Rights attaching to Shares and limitations of those rights**

In addition to the voting rights, the shareholders of the Company have the following rights:

- A right to participate share in the Company's profits through a dividend distribution if such dividend is decided to be paid by the general meeting following a proposal by the Board of Directors. The dividends are subject to a lien by the Company if any amount is owed by the shareholder to the Company.
- A right to transfer his or her shares to any person by signing an instrument of transfer in a form approved by the Directors.
- A right to pledge any share as security for any loan, debt or obligation of such shareholder, without the approval of the Board of Directors.
- A right to sell or otherwise dispose of a forfeited share on such terms and in such manner as the Directors think fit. At any time before a sale or disposition such forfeiture may be cancelled on such terms as the Directors think fit. A share may be forfeited by resolution of the Directors if a shareholder fails to pay any amount owed to the Company after a written notice was given to that effect.
- Pursuant to Cyprus legislation, a right to receive the annual accounts of the Company together with the Directors' Report and the Auditors' Report.
- A right to share in any surplus in the event of liquidation of the Company in proportion to shareholding.
- For existing shareholders, pre-emption rights when new shares are issued in the same class. The new shares have to be offered first to the existing shareholders in proportion to their current shareholding.

Under Cypriot law, the Company has to notify all shareholders in writing of its intention to issue new shares and the price of the shares to be issued. Each individual notice should include the number of shares each shareholder is entitled to buy, a period during which a shareholder may exercise its pre-emptive rights and purchase the offered shares, and the price per share. In general, under Cypriot law, a



shareholder may exercise its right by sending to the Company the signed form together with payment for shares up to the maximum amount allowed to be purchased. If the shareholder does not exercise his or her pre-emptive rights within the period specified, the shares may be sold to third party buyers.

With respect to the shareholders holding their shares in dematerialized form through securities accounts with participants of NDS, such notice will be sent to NDS. Furthermore, the Company shall comply with disclosure obligations according to Polish law.

Notwithstanding the above, any issuance of shares after the Company's listing on the WSE will, in accordance with the stipulations of the Polish Act on Public Offering, require an offering prospectus to be prepared and approved by the Polish Commission, unless expressly exempted by the Polish Act on Public Offering. The prospectus will contain terms and conditions upon which shareholders will be able to exercise their pre-emptive rights.

Pre-emption rights may be waived by an ordinary resolution of the general meeting following a proposal by the Board of Directors. The Board of Directors cannot waive pre-emption rights without the approval of the general meeting.

No special rights attach to any specific shares and there are no different classes of shares.

The Company cannot redeem ordinary shares. The Company may by ordinary resolution convert any paid up shares into stock, and reconvert any stock into paid up shares of any denomination. The Company may by ordinary resolution: (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares or (b) subdivide its existing shares, or any of them, into shares of smaller amount than is fixed by the Memorandum of Association subject to Cypriot law under which in the case of non-fully paid up shares if there is a subdivision, that subdivision must be in a way that the new shares have the same percentage of paid and non-paid proportion per share as the old shares.

## **VII. Transfer of shares and limitation of transfer of shares**

In accordance with the Articles of Association, any shareholder may transfer all or any of his shares by an instrument in writing in any usual or common form, or any other form, including electronic form, which the Directors may approve.

The Company shall be entitled to retain any instrument of transfer which is registered, but any instrument of transfer which the Board of Directors refuses to register shall be returned to the person lodging it when notice of the refusal is given.

The Board of Directors may refuse to register the transfer of a share which is not fully paid or on which the Company has a lien and unless the instrument of transfer:

- (a) is lodged, duly stamped, at the office or at such other place as the Board of Directors may appoint, accompanied by the certificate for the shares to which it relates and such other evidence as the Board of Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) is in respect of only one class of shares; and
- (c) is in favor of not more than four transferees.

The Board of Directors must refuse to register any transfer of shares when required by the Cypriot Companies Law for example in the case of certificated shares when the transfer is not supported by an approved instrument of transfer or if a court order is issued by a court of competent authority. If the Board of Directors decline to register a transfer, the Company must within 2 months after the date of lodgment of such transfer give to the lodging party written notice of the refusal and the reasons for it. However, in the case of dematerialized shares listed on the WSE, the Board of Directors may not decline to register a transfer of such shares, since the procedure for making such transfer does not require notification to or

acceptance of the Board of Directors. This means that the Board of Directors has no influence on the registration and is not in the position to refuse to register a transfer of WSE listed shares.

The Articles of Association shall not preclude any share from being issued, held, registered, converted, transferred or otherwise dealt with in uncertificated form via a specialized system for such purpose.

In relation to any share which is in uncertificated form, these rules shall have effect subject to the following provisions:

- a) the Company shall not be obliged to issue a certificate evidencing title to shares, and all references to a certificate in respect of any shares held in uncertificated form shall be deemed inapplicable to such shares or securities which are in uncertificated form; and
- b) the registration of title in a securities account to and transfer of any shares in uncertificated form shall be sufficient for our purposes and shall not require a written instrument of transfer.

#### *Description of Lock up*

As a result of listing of our shares on the Warsaw Stock Exchange there was a lock up period signed for all shareholders owning more than 1% of the total share capital. The lock up period ended on 30 October 2008.

#### **VIII. Information on rules of calling and removing of Directors and information about Directors powers (including decision of shares issue)**

Pursuant to article 89 the Company may, by ordinary resolution appoint any Director up to the maximum permitted by the Articles or the decision of the Company. At the moment there is no maximum number of Directors imposed.

In addition, pursuant to article 90 the Board of Directors has a right to appoint any Director up to the maximum permitted by the Articles or the decision of the Company.

In the event of appointment by the Board the Director shall retire at the next Annual General Meeting but he will be eligible for re-election.

In addition, at every Annual General Meeting 1/3 of the Directors (who are the longest serving) shall retire but are eligible for re-election.

The Company may by ordinary resolution remove any Director from his office.

#### Alternate

Every Director has the right to nominate any other person to be his alternate and such alternate Director shall have all the rights of a director when his appointer is not present.

#### Powers

Pursuant to the article 104 the management of the business and the conduct of the affairs of the Company are vested in the Directors.

Pursuant to article 103 the Directors may exercise all the powers of the Company to borrow money, and to charge or mortgage its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

It is possible for the Board of Directors to delegate any of its powers to any sub-committee or any third party.



## Shares

Pursuant to regulation 4.1 Any original shares for the time being unissued and not allotted and any new shares from time to time to be created shall be at the disposal of the Board of Directors which has the right, at its absolute discretion, to issue or generally dispose of the same to such persons, at such times and under such terms, conditions and restrictions which it deems to be most beneficial to the Company.

However regulation 4.2 adopt re-iterates the Cyprus law provision which stipulates that all new shares in the Company issued in consideration of cash must be offered in the first instance to the Members on a date certain as determined by the Directors and in proportion to their participation in the share capital of the Company. Each member will have no less than 14 days following its receipt of the notice of the offer, which notice will identify the proposed terms and conditions of the offer, to notify the Company of its desire to exercise its pre-emption right on the same terms and conditions proposed in the notice. The Company may by ordinary resolution of a general meeting, before the issue of such new shares, dis-apply the Members' pre-emption rights as to the issue of such new shares.

### **IX. Information on the rules of changing the Company's statute**

Pursuant to section 12 of the Cyprus Companies Law Cap.113 the Company may change its articles by a special resolution. Special resolution requires at least  $\frac{3}{4}$  majority of the votes cast.

Articles of the Company are available on the Company website, at <http://investor.asbis.com> and <http://inwestor.asbis.pl>

### **X. Description of the procedures of the General Meeting and its main powers and the rights of the shareholders and procedures of their execution**

The rules of conducting Shareholders meetings are found in the articles of association of the company.

Pursuant to article 59 an annual general meeting and a meeting called for the passing of a special resolution shall be called by twenty-one days' notice in writing at the least, and all other meetings shall be called by fourteen days' notice in writing at the least.

No business shall be transacted at any general meeting unless a quorum of Members is present at the time when the meeting proceeds to business. Three Members present in person or through telephone or other telecommunication connection or by proxy and entitled to vote upon the business to be transacted shall be a quorum.

The voting procedure is stipulated in article 67 and it is as follows

At any general meeting, any resolution put to the vote of the meeting shall be decided on a show of hands or in the case of participation by a telephone or other telecommunication connection, by an oral declaration, unless a poll is (before or on the declarations of the result of the show of hands or by oral declaration) demanded:

- (a) by the Chairman; or
- (b) by at least three Members present in person or by proxy; or
- (c) by a Member or Members present in person or through a telephone or other telecommunication connection or by proxy and representing not less than 10% of the total voting rights of all the Members having the right to vote at the meeting; or
- (d) by a Member or Members present in person or through a telephone or other telecommunication connection, holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not

less than 10% of the total sum paid on all the shares conferring that right.

Unless a poll be so demanded, a declaration by the Chairman that a resolution has on a show of hands or by a declaration been carried or carried unanimously, or by a particular majority, or lost and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favor of or against such resolution

At a poll every share has one vote.

At the annual general meeting the following issues are decided: declaring a dividend, the consideration of the financial statements and the reports of the Directors and auditors, the election of Directors in the place of those retiring and the appointment of, and the fixing of the remuneration of the auditors.

Any other issue can be decided upon at an extraordinary general meeting.

The General Meeting of shareholders has the power to decide on any matter put forward for decision and it has the power to refrain the Directors from taking actions that the General Meeting disagrees with.

A general meeting may be convened on the request of the Board of Directors or at the request of shareholders holding at least 10% of the issued share capital of the company.

#### **XI. Members of the Board of Directors and its committees and description of its operations during the year ended December 31<sup>st</sup>, 2017**

The following table sets out our current Directors:

Name	Year of Birth	Position	Appointed to the Board	Expiry of term	Nationality
Siarhei Kostevitch	1964	Chairman, Chief Executive Officer	30 August 1999	23 June 2019	Belarussian/Cypriot
Marios Christou	1968	Chief Financial Officer	28 December 2001	23 June 2018	Cypriot
Constantinos Tziamalis	1975	Director of Risk & Investor Relations	23 April 2007	14 June 2020	Cypriot
Yuri Ulasovich	1962	Director, COO	29 September 2015	23 June 2018	Belarussian/Cypriot
Demos Demou	1969	Non Executive Director	7 August 2015	14 June 2020	Cypriot
Chris Pavlou	1945	Non Executive Director	18 June 2012	23 June 2019	Cypriot

During the year ended December 31<sup>st</sup>, 2017 there were no changes in the Board of Directors members, except the fact that Mr. Constantinos Tziamalis and Mr. Demos Demou were reelected to the Board of Directors by the Company's Annual General Meeting of Shareholders.

During the year ended December 31<sup>st</sup>, 2017, the Board of Directors had conducted a total number of five formal meetings. Main purpose and issues discussed during those meetings were:

- Discussion and approval of interim reports and financial statements (including 2016 annual report, 2017 six months' report, 2017 Q1 and Q3 reports)
- Discussion on the current market situation, especially in Russia and Ukraine and the Company's action plan for the regions of its operations
- Approval of budget for the year
- Discussion on latest developments of the Company and perspectives



- Discussion and decision on dividend payment
- Discussion and decision on announcement of financial forecasts
- Application of corporate governance rules
- Review of the Board role and effectiveness

Additionally, to formal meetings, Directors were in constant contact regarding the Company business.

During the year ended December 31<sup>st</sup>, 2017, the Audit Committee - comprising Demos Demou and Chris Pavlou (both non-executive Directors) and Marios Christou (as attending member) and chaired by Demos Demou - have conducted a total number of two meetings. Issues discussed on the Audit Committee meetings were then presented to the Board of Directors.

There were no specific reasons to call a formal meeting of the remuneration committee - comprising Chris Pavlou and Demos Demou (both non-executive Directors) and Siarhei Kostevitch (as attending member) and chaired by Chris Pavlou – therefore any issues were discussed directly during the Board of Directors meetings.

## PART II

### ITEM 8. PRINCIPAL ACCOUNTANT FEES AND SERVICES

We enter into agreements with our principal auditors, KPMG Limited, as well as other auditors of Group companies, to review interim (period ending 30 June) and audit annual financial statements (fiscal year ending 31 December).

The last agreement has been signed on 4<sup>th</sup> December, 2017.

The following table presents a summary of accountant fees and services for the twelve months ended December 31, 2017 and 2016:

(U.S. \$)	2017	2016
Auditors fees regarding annual report <sup>(1)</sup>	392	320
Auditors fees regarding other approval services	0	0
Auditors fees for tax advisory	0	0
Auditors fees for other services	0	0
<b>Total fees</b>	<b>392</b>	<b>320</b>

<sup>(1)</sup> Positions in the table include fees and expenses for certain services (i.e. in relation to reviews and audits of financial statements) for the periods covered by the fiscal year, notwithstanding when the fees and expenses were billed.

### ITEM 9. ASBISC ENTERPRISES PLC STATEMENT ON NON-FINANCIAL INFORMATION FOR THE YEAR 2017

This statement (further: statement, report), prepared according to Standard on non-financial information (SIN), contains non-financial information that relate to ASBISc Enterprises Plc with its registered office in Limassol, 4103, Kolonakiou Street 43, Cyprus for the period from 1st of January 2017 to 31st December 2017 and is an integral part of the statement on Company's operations. This statement is the first statement on non-financial information announced by the Company.

The report contains:

1. Description of the Company's business model
2. Key non-financial effectiveness indicators related to the Company's operations
3. Description of policies used by the Company in relations to social, employment, nature, human rights and acting against corruption and description of results of using these policies
4. Description of significant risks related to the Company's operations that may negatively affect topics mentioned in point 3 above, including risks related to the Company's products and its relations with external environment.

#### *1. Description of the Company's business model*

The Company's business model is based on four different pillars.

- Distribution of IT products from worldwide manufactures.
- Own brand business (Canyon and Prestigio brands)
- Distribution of finished products (A brand laptops, accessories, etc)
- Value Added Distribution of APPLE products (including smartphones, Ipad, Imacs, etc)

We are a B2B business sales organization and our main customers are, SMBs, corporates, large retailers, IT assemblers, and a number of regional IT distributors. We plan to continue this type of business and focus more on cloud services providers, where we can deliver both hardware and software but also solutions.

#### *2. Key non-financial efficiency indicators related to the Company's operations*

The Company in its operations, tracks and monitors a several key effectiveness indicators. For own brands, we ensure a constant improvement in the quality of goods offered, as well as track the retailers'



revenue share. We are currently in a position to track and monitor warranty failure rates - and respective losses - by product type.

During 2017 our own brands enjoyed a good reputation and revenues have been stable on a year-on-year basis. Markets recognize Prestigio and Canyon as long standing and reliable brands with good product line ups and on time availability.

Also, the Company constantly modifies its product portfolio offered under own brands to adapt to market changes and demand. The key effectiveness of those products are product characteristics that answer to the customer and consumer demand and expectations, i.e., good quality for a fair price. This is successfully realized through our Prestigio brand.

In 2017, under Prestigio and Canyon brand the Company introduced several new products to address market demand. This included: smartphones, tablets, DVRs, GPSs and Interactive Multiboards.

In the distribution business, the key indicators relate to satisfying rapid changes in demand in specific markets, to build our market position as the most reliable technologies distributor in our key markets. In order to do that, we constantly aim to increase and amend our product portfolio in all our countries we operate in to be a partner of first choice for hardware, software and solutions, as a one-stop-shop. We also aim to be partner to our customers, despite short term changes in market trends. In 2017, we have signed a number of contracts with vendors for many products and many territories. However, the most important for us now from the perspective of stability of business and relations both with vendors and customers are major international brands like: Apple, IBM, Microsoft, Logitech, Seagate, Western Digital, Intel, AMD and other.

One of the key factors contributing towards effectiveness is accurate and on-time logistics. For the Company, the key measures are on-time delivery of approved orders and on time shipments to customers. In 2017, time of delivery was below 48 hours and that was time from acceptance of the order to delivery to customer warehouse. When it comes to on-time shipments, in 2017 we have noticed very good ratios ranging from 95% to 99% of on-time deliveries. Another key factor is warranty. For third party products, this is usually managed directly by vendors. In many cases though, certain vendors request us to set-up either internal or external service centers and timely service customers.

### *3. Description of policies used by the Company in relation to social, employment, nature, human rights and acting against corruption and description of results of using these policies*

ASBISc Enterprises Plc puts significant weight to policies related to employees and social groups. When it comes to Company employee relations, there is a generally acceptable code that every employee shall acknowledge when he or she is employed by the Company. This Code specifies rules for acting with other colleagues, and line managers. ASBISc Enterprises Plc every year updates a list of benefits-in-kind for employees and – if this is possible – targets an increase in average salary. When it comes to benefits-in-kind, the Company in 2017 continued offering medical coverage to employees, and – depending on the location- tries to offer several other employee benefits and excel from other employers.

### *4. Description of significant risks related to the Company's operations that may negatively affect topics mentioned in point 3 above, including risks related to the Company's products and its relations with external environment*

There is a broad list of risks that may lead to potential issues for ASBISc Enterprises Plc or worsen its relations with counterparties. These risks, are however not related specifically to ASBISc Enterprises Plc but rather to the general economic environment the Company operates in. Below we describe those risks in brief. For the event of any of those risks materializing, the Company has a backup plan of crisis management and a crisis management team. It also has specific list of procedures, documents, statements and scenarios in the case a certain crisis arises.

#### *Main potential risks:*

Conflict with vendors. The Company has the ability to negotiate and reach a mutually agreed solution with its vendor. Such conflicts usually arise when quality issues appear and/or pricing discrimination from other distributors is spotted.

Conflict with customers. The most usual conflict with customers is the event of non payment. In case we fail on negotiations, we trigger claims to our credit insurers.

Conflict with consumers. This usually arises, when it comes to quality of own brand products. We do not face such conflicts since we do not sell directly to consumers. We satisfy these complaints via our authorized service centers and retail point of sales.

Poor quality of products sold. In this case, we immediately escalate the issue to manufacturers in China and in cases where problems persist, we source different manufacturers.

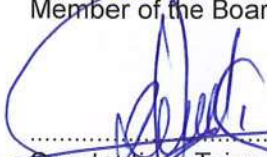
Signatures:



.....  
Siarhei Kostevitch  
Chairman, Chief Executive Officer  
Member of the Board of Directors



.....  
Marios Christou  
Chief Financial Officer  
Member of the Board of Directors



.....  
Constantinos Tziamalis  
Director of Credit and Investor Relations  
Member of the Board of Directors



.....  
Yuri Ulasovich  
Director  
Member of the Board of Directors



## **PART III**

### **ITEM 10. FINANCIAL STATEMENTS**

The consolidated financial statements of ASBISc Enterprises Plc presented as a part of this annual report are included on pages 1 through 64 as follows:

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Management representations	
Officers and professional advisers	1
Declaration by the members of the Board of Directors and the company officials responsible for the drafting of the consolidated financial statements	2
Directors' report	3 – 5
Auditors' report	6 – 10
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Consolidated statement of comprehensive income	12
Consolidated statement of financial position	13
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Consolidated statement of cash flows	15
Parent company comprehensive income statement	16
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Parent company statement of changes in equity	18
Parent company statement of cash flows	19
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## MANAGEMENT REPRESENTATIONS

In accordance with the requirements of the Decree of the Minister of Finance of February 19th, 2009 on current and periodic information to be published by issuers of securities and on rules of recognition of information required by law of a non-member country as equivalent, the Board of Directors of ASBISc Enterprises Plc hereby represents that:


- to its best knowledge, the annual consolidated financial statements and the comparative data have been prepared in accordance with the applicable accounting policies and that they give a true, fair and clear reflection of the Group's financial position and its results of operations, and that the annual Directors' Report gives a true view of the Group's development, achievements and position, including a description of the basic risks and threats;

- the registered audit company which audited the annual consolidated financial statements was appointed in accordance with the legal regulations and the said company and the registered auditors who performed the audit fulfilled the conditions for issuing an unbiased and independent opinion on the audited annual consolidated financial statements, in accordance with the principles of compulsory law regulations and professional standards.

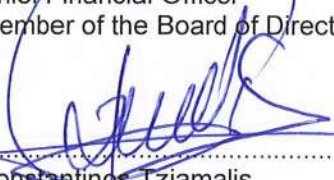
**Limassol, March 29th, 2018**




.....  
Siarhei Kostevitch  
Chairman, Chief Executive Officer  
Member of the Board of Directors



.....  
Marios Christou  
Chief Financial Officer  
Member of the Board of Directors



.....  
Constantinos Tziamalis  
Director of Credit and Investor Relations  
Member of the Board of Directors



.....  
Yuri Ulasovich  
Director  
Member of the Board of Directors



# **ASBISC ENTERPRISES PLC**

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

# ASBISC ENTERPRISES PLC

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## REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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Parent Company statement of comprehensive income	16
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## OFFICERS AND PROFESSIONAL ADVISERS

### Board of Directors

Siarhei Kostevitch (Cypriot)  
Chairman and Chief Executive Officer

Marios Christou (Cypriot)

Constantinos Tziamalis (Cypriot)

Yuri Ulasovich (Cypriot)

Christakis Pavlou (Cypriot)  
Non-Executive Director

Demos Demou (Cypriot)  
Non-Executive Director

### Secretary

Alfo Secretarial Limited  
Limassol, Cyprus

### Registered office

Kolonakiou 43, Diamond Court  
Ayios Athanasios,  
4103, Limassol, Cyprus

### Independent auditors

KPMG Limited  
Limassol, Cyprus

### Legal adviser

Costas Tsirides & Co. Law Office  
Limassol, Cyprus

### Bankers

Alfa Bank  
RBI Group  
Bank of Cyprus Public Company Ltd  
Absolut Bank  
Sberbank  
Ceskoslovenska obchodni banka, a. s. (CSOB bank)  
The Cyprus Development Bank Public Company Ltd  
Všeobecná Uverová Banka a.s Tasco Bank  
Barclays Bank Plc  
Tasco Bank  
Erste Group  
Postfinance AG ING Bank  
National Bank of Fujairah  
Deutsche Bank AG, New York Branch  
FIMBank PLC

## **DECLARATION BY THE MEMBERS OF THE BOARD OF DIRECTORS AND THE COMPANY OFFICIALS RESPONSIBLE FOR THE DRAFTING OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (In accordance with the provisions of Law 190(I)/2007 on Transparency Requirements)**

In accordance with sections 3(c) and 7 of Article 9 of the Transparency Requirements (Traded Securities in a Regulated Market) Law 190-(1)-/-2007, as amended from time to time (the "Law"), we, the members of the Board of Directors and the Financial Controller responsible for the drafting of the consolidated financial statements of Asbisc Enterprises Plc (the "Company") and its subsidiaries (the "Group") and the Company's separate financial statements for the year ended 31 December 2017, confirm, to the best of our knowledge that:

- a) the consolidated financial statements of the Group and the Company's separate financial statements for the year ended 31 December 2017 which are presented on pages 11 to 64:
  - (i) have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union and in accordance with the provisions of section 4 of Article 9 of the Law, and
  - (ii) give a true and fair view of the assets and liabilities, the financial position and the profit or loss of the Group and the Company, and
- b) the Management report provides a fair review of the developments and the performance of the business and the financial position of the Group and the Company, together with a description of the principal risks and uncertainties that they face.

### **Members of the Board of Directors**

Siarhei Kostevitch  
Chairman and Chief Executive Officer

Marios Christou  
Executive Director

Constantinos Tziamalis  
Executive Director

Yuri Ulasovich  
Executive Director

Demos Demou  
Non-Executive Director

Christakis Pavlou  
Non-Executive Director



### **Financial Controller**

Loizos Papavassiliou



Limassol, 29 March 2018



# ASBISC ENTERPRISES PLC

## MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors present their annual report on the affairs of Asbisc Enterprises Plc (the "Company" or the "parent Company") and its subsidiaries (together with the Company, the "Group") together with the Group's and the Company's audited financial statements for the year ended 31 December 2017.

### Principal activity

The principal activity of the Group and the Company continues to be the worldwide trading and distribution of computer hardware and software.

### Group financial statements

The consolidated financial statements include the financial statements of the Company and those of its subsidiary companies. The names and more details about the subsidiaries are shown in note 9 to the financial statements.

### Review of the development, financial performance and current position of the Group and the Company and the description of its major risks and uncertainties

The Group's and the Company's development to date, financial results and position are presented in the financial statements on pages 11 to 64.

The key performance and financial position figures are as follows:

	The Group		The Company	
	2017	2016	2017	2016
	US\$	US\$	US\$	US\$
Revenue	1,484,912,254	1,137,708,534	1,072,521,920	750,885,962
Gross profit	76,735,550	65,413,875	13,357,371	14,050,180
Profit before tax	9,012,937	6,013,817	2,686,922	4,215,798
Taxation	(2,104,227)	(1,378,202)	(617,074)	(486,007)
Profit for the year	<u>6,908,710</u>	<u>4,635,615</u>	<u>2,069,848</u>	<u>3,729,791</u>
EPS	<u>12.53</u>	<u>8.32</u>	<u>N/A</u>	<u>N/A</u>
Total equity	<u>94,467,806</u>	<u>85,894,869</u>	<u>53,940,180</u>	<u>53,535,345</u>
<b>Average number of employees during the year</b>	<u>1,202</u>	<u>1,152</u>	<u>118</u>	<u>113</u>

In the year ended December 31, 2017 we have continued our strong growth trend observed in the previous year. Following our strategy to focus on our core markets of FSU and CEE, we have enjoyed a significant growth in revenues in all markets we operated. We have managed to outperform the markets and competition and strengthen our market position. Profitability has exceeded our expectations and cash flow has significantly improved.

The Group and the Company face the following major risks and uncertainties:

- competitive pressures in the market places it operates that may significantly affect gross and net margins
- national and international economic and geopolitical factors
- technological changes and other market trends
- financial and other risks as described in notes 31 and 32.

The Company has systems and procedures in place to maintain its expertise and keep it aware of changes in its market places to help mitigate market risks. It also has rigorous controls to help mitigate financial and other risks. These are described in note 32 to the financial statements.

### Significant events after the end of the financial year

There are no significant events after the reporting date that require disclosure in or adjustment to the financial statements.

### Existence of branches

The Company also operates through a warehouse in the Czech Republic.

### Expected future developments of the Group and the Company

The Directors do not expect any significant changes in the activities of the Group and the Company for the foreseeable future.

# ASBISC ENTERPRISES PLC

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## MANAGEMENT REPORT (continued)

### Employees

During 2017 we have employed an average number of 1,202 employees, of whom 118 were employed by the Company and the remainder in the rest of the Group's offices worldwide. The split of employees by area of activity as at 31 December 2017 and 2016 is as follows:

	As at 31 December	
	2017	2016
Sales and Marketing	624	604
Administration and IT	169	151
Finance	131	126
Logistics	<u>258</u>	<u>271</u>
<b>Total</b>	<b>1,202</b>	<b>1,152</b>

### Research and Development

In 2017, the Group spent US\$ 645,218 (2016: US\$ 558,336) on Research and Development, focusing on development of tablets, smartphones, GPS and product lines that are sold under the Prestigio and Canyon brands in all regions of the Company's operations. The Group will continue to have research and development expenditures in the near future to support the design and development of own brand products in order to maintain and enhance its competitive position.

### Dividends

Our dividend policy is to pay dividends at levels consistent with our growth and development plans, while maintaining a reasonable level of liquidity. The Board of Directors paid a final dividend of US\$ 1,665,000 during the year i.e US\$ 0.03 per share and also proposes the payment of an interim dividend of US\$ 0.06 per share for the year 2017, amounting to US\$ 3,300,000, based on improved 2017 profitability.

### Share Capital

On 31 December 2017 the issued and fully paid up share capital of the Company consisted of 55,500,000 ordinary shares of US\$ 0.20 each. There were no changes in the share capital of the Company during the year and up to the date of these financial statements.

### Board of Directors

The members of the Board of Directors at 31 December 2017 and at the date of this report are set out on page 1. They were all members of the Board of Directors throughout the year. There were no significant changes in the assignment of the responsibilities of the members of the Board of Directors. The remuneration of the members of the Board of Directors is disclosed in notes 5 and 27 to the financial statements.

In accordance with the Company's Articles of Association Mr. Siarhei Kostevitch and Marios Christou who are subject to retirement by rotation, retire at the next annual general meeting of the Company and, being eligible, offer themselves for re-election.

### Corporate Governance

The Directors of the Company recognize the importance of corporate governance policies, practices and procedures. Being listed on the Warsaw Stock Exchange in Poland, the Company follows the provisions of Corporate Governance of the Warsaw Stock Exchange Code of Best Practices, to the extent practicable and appropriate for a public company of the size of the Company. Those rules, information on their application and any deviation can be found on the Company's internet site for investors at <http://investor.asbis.com> and <http://inwestor.asbis.pl>.

The Board of the Company has two committees:

- the Audit Committee and
- the Remuneration Committee

The Remuneration Committee consists of the two non-executive Directors together with the Chairman. The Audit Committee consists of the two non-executive Directors. More information on the composition and functions of the committees is given in the corporate governance statement.



# ASBISC ENTERPRISES PLC

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## MANAGEMENT REPORT (continued)

### Main shareholders

The following table presents shareholders possessing directly or indirectly more than 5% of the Company's shares and shares held by the Company under the share buyback program as at 31 December 2017:

Name	Number of votes/shares	Votes/share capital %
Siarhei Kostevitch and KS Holdings Ltd	20,401,361	36.76
NN OFE	2,872,954	5.18
Asbisc Enterprises Plc (share buyback program)	16,389	0.02
Free float	<u>32,209,296</u>	<u>58.04</u>

Following the annual general meeting of the shareholders on 23 June 2015, a share buyback program was approved. At the end of 2017 the Company held a total of 16,389 (2016: 16,389) shares purchased under the buyback program.

### Auditors

The auditors of the Company, Messrs KPMG Limited, have expressed their willingness to continue in office and a resolution authorizing the Board of Directors to fix their remuneration will be submitted at the forthcoming annual general meeting.

## BY ORDER OF THE BOARD OF DIRECTORS

Director



Limassol, 29 March 2018

KPMG Limited  
Chartered Accountants  
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## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF ASBISC ENTERPRISES PLC

#### Report on the audit of the financial statements

##### *Opinion*

We have audited the accompanying consolidated and separate financial statements of Asbisc Enterprises Plc (the "Company"), and its subsidiaries ("the Group"), which are presented on pages 11 to 64 and comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2017, and the consolidated income statement and statements of other comprehensive income, changes in equity and cash flows of the Group, and the income statement, and statements of comprehensive income, changes in equity and cash flows of the Company for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the separate financial statements of the Company give a true and fair view of the financial position of the Group and the Company, respectively, as at 31 December 2017, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") and the requirements of the Cyprus Companies Law, Cap. 113 as amended from time to time (the "Companies Law, Cap. 113").

##### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the consolidated and separate financial statements" section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants ("IESBA Code"), and the ethical requirements in Cyprus that are relevant to our audit of the consolidated and the separate financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Board Members

N.G. Symmis, A.K. Christofides, P.G. Loizou, A.M. Gregoriades, D.S. Vakris, A.A. Apostolou, S.A. Lorzides, M.A. Lorzides, S.G. Sofocleous, M.M. Antoniadou, C.V. Vasiliou, P.E. Antoniadou, M.J. Halios, M.P. Michael, P.A. Palatias, G.V. Markides, M.A. Papacosta, K.A. Papanicolaou, A.I. Shammoutis, G.N. Tziortzis, H.S. Charalambous, C.P. Anayiotos, I.P. Ghalanos, M.G. Gregoriades, H.A. Kukoullis, G.P. Savva, C.A. Kalles, C.N. Kallis, M.H. Zavrou, P.S. Elia, M.G. Lazarou, Z.E. Hadjizacharias, P.S. Theophanous, M.A. Karantoni, C.A. Markides, G.V. Andrieu, J.C. Nicolaou, G.S. Prodromou, A.S. Sofocleous, G.N. Symmis, T.J. Yassemides, A.A. Bargilly, K.A. Christofides, P.P. Vanezis

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## Key audit matters

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

<i>Key audit matter 1 - Investments in subsidiaries</i>	
Refer to Notes 2 and 9 to the financial statements	
<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
There is a risk of irrecoverability of the Company's investments in subsidiaries. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of recoverability, significant judgment is required.	Our audit procedures included testing of the principles and integrity of the Company's valuation model. These included evaluating the methodology and assumptions used by the Company and comparing the Company's assumptions to our own assessments in relation to key inputs.
<i>Key audit matter 2 - Valuation of inventory</i>	
Refer to Notes 2 and 12 to the financial statements	
<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
There is an increased need to hold inventory to serve as a buffer in anticipation of customer needs. Given that the IT industry is characterized by rapid changes in technology and short product shelf lives, inventory may rapidly become obsolete. Significant judgment is required in determining the appropriate carrying amount of inventories.	Our audit procedures included understanding and evaluating the process applied by the Company and the Group in the determination of the impairment provision. We tested the accuracy of the inventory aging report and we assessed the ageing of inventory, inventory levels and selling prices by reference to post year-end sales and price lists for a sample of inventory items and by comparing year on year key indicators, including stock turnover and gross profit margins.
<i>Key audit matter 3 - Valuation of trade receivables</i>	
Refer to Notes 2 and 13 to the financial statements	
<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
The Company and the Group have significant trade receivables as at the year end. Due to the market developments following the credit crisis that affected all countries the Group operates in, credit risk is an important factor that might impact results. Despite the fact that a large portion of these is credit insured, credit insurance companies are becoming more risk averse in granting credit limits to customers. Given the size of trade receivables and the risk that some of them may not be recoverable, significant judgment is required to estimate the level of the allowance required to reflect the risk.	Our audit procedures included understanding and evaluating the process applied by the Company and the Group in the determination of the impairment provision. We tested the accuracy of the trade receivables aging report and we discussed with the responsible credit officers and the responsible Company director the recoverability and the procedures followed for the collection of significant overdue balances. For a sample of balances, we assessed the recoverability of overdue amounts by reference to subsequent receipts from customers or, where there were no subsequent receipts, to sales and payment track records, we inspected relevant correspondence with customers and legal advisors, as applicable, and inspected insurance documents for the insured customers.



*Key audit matter 4 - Completeness of warranty provision*

Refer to Notes 2 and 21 to the financial statements

<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
The Company and the Group have an obligation to provide repair services over a specified future period for own brand products under warranty. The Group undertakes a number of quality control measures to mitigate the risk of warranty loss, including a more scrutinized selection of suppliers, but given the sales volumes of these products, there is increased risk of warranty losses being incurred. Significant judgment is required in determining the expected cost of warranty required to settle the Company's and the Group's obligations and thus in determining the appropriate carrying amount of warranty provision.	Our audit procedures included understanding and evaluating the process applied by the Company and the Group in the determination of the warranty provision. We assessed the appropriateness of the model used, tested the key inputs into the model and challenged the key assumptions made based on our knowledge of the Company and the Group and our experience of the industry.

**Other information**

The Board of Directors is responsible for the other information. The other information comprises the Directors' report on the Group operations part I, part II; and part III (pages 3-73); and the management report (pages 3 to 5) but does not include the consolidated and the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as required by the Companies Law, Cap.113.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this respect.

With regards to "Directors' report on the Group operations part I, part II; and part III" we have nothing to report.

With regards to the management report, our report is presented in the "Report on other legal and regulatory requirements" section.

**Responsibilities of the Board of Directors for the consolidated and separate financial statements**

The Board of Directors is responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with IFRS-EU and the requirements of the Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the Board of Directors is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to either liquidate the Group or the Company or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's and the Company's financial reporting process.

**Auditor's responsibilities for the audit of the consolidated and separate financial statements**

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

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



- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information business activities of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters.

## **Report on other regulatory and legal requirements**

### ***Other regulatory requirements***

Pursuant to the requirements of Article 10(2) of EU Regulation 537/2014, we provide the following information, which is required in addition to the requirements of ISAs.

#### ***Date of our appointment and period of engagement***

We were first appointed auditors by the General Meeting of the Company's members on June 2012 to audit the consolidated and separate financial statements of the Group and the Company, respectively. Our total uninterrupted period of engagement is 6 years covering the periods ending 30 June 2012 to 31 December 2017.

#### ***Consistency of the additional report to the Audit Committee***

Our audit opinion is consistent with the additional reports presented to the Audit Committee dated 15 January 2018 and 29 March 2018.

#### ***Provision of non-audit services ("NAS")***

We have not provided any prohibited NAS referred to in Article 5 of EU Regulation 537/2014 as applied by Section 72 of the Auditors Law of 2017, L.53(I)2017, as amended from time to time ("Law L53(I)/2017").

**Other legal requirements**

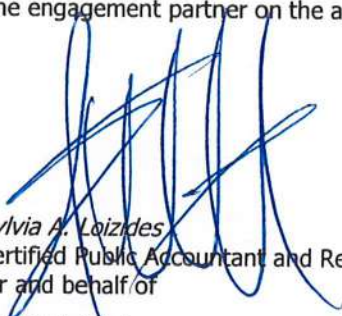
Pursuant to the additional requirements of law L.53(I)2017, and based on the work undertaken in the course of our audit, we report the following:

- In our opinion, the management report, the preparation of which is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Companies Law, Cap. 113, and the information given is consistent with the consolidated and separate financial statements.
- In the light of the knowledge and understanding of the business and the Group's and the Company's environment obtained in the course of the audit, we have not identified material misstatements in the management report.
- In our opinion, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Companies Law, Cap. 113, and which is also published in full on the Company's website, has been prepared in accordance with the requirements of the Companies Law, Cap. 113, and is consistent with the consolidated financial statements.
- In our opinion, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Companies Law, Cap. 113.

**Other matter**

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of Law L53(I)/2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditors' report is Sylvia A. Loizides.



Sylvia A. Loizides  
Certified Public Accountant and Registered Auditor  
for and behalf of  
KPMG Limited  
Certified Public Accountants and Registered Auditors

KPMG Center,  
No.11, 16th June 1943 Street,  
3022 Limassol,  
Cyprus.

Limassol, 29 March 2018



# ASBISC ENTERPRISES PLC

## CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 US\$	2016 US\$
<b>Revenue</b>	3	1,484,912,254	1,137,708,534
Cost of sales		<u>(1,408,176,704)</u>	<u>(1,072,294,659)</u>
<b>Gross profit</b>		76,735,550	65,413,875
Selling expenses		(34,744,737)	(28,837,972)
Administrative expenses		<u>(17,584,652)</u>	<u>(16,339,389)</u>
<b>Profit from operations</b>		24,406,161	20,236,514
Financial income	6	1,598,079	590,209
Financial expenses	6	(16,006,097)	(14,855,174)
Other gains and losses	4	<u>(985,206)</u>	<u>42,268</u>
<b>Profit before tax</b>	5	9,012,937	6,013,817
Taxation	7	<u>(2,104,227)</u>	<u>(1,378,202)</u>
<b>Profit for the year</b>		<u>6,908,710</u>	<u>4,635,615</u>
<b>Attributable to:</b>			
Owners of the Company		6,955,821	4,617,243
Non-controlling interests		<u>(47,111)</u>	<u>18,372</u>
		<u>6,908,710</u>	<u>4,635,615</u>
		US\$ cents	US\$ cents
<b>Earnings per share</b>			
Basic and diluted from continuing operations		<u>12.53</u>	<u>8.32</u>

The notes on pages 20 to 64 form an integral part of these consolidated financial statements.

## ASBISC ENTERPRISES PLC

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### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 US\$	2016 US\$
<b>Profit for the year</b>	<u>6,908,710</u>	<u>4,635,615</u>
<b>Other comprehensive income/(loss):</b>		
Exchange difference on the translation of foreign operations	3,165,187	(410,635)
Reclassification adjustments relating to foreign operations liquidated and disposed of in the year	<u>7,193</u>	<u>190,254</u>
<b>Other comprehensive income/(loss) for the year</b>	<u>3,172,380</u>	<u>(220,381)</u>
<b>Total comprehensive income</b>	<u>10,081,090</u>	<u>4,415,234</u>
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	10,097,621	4,403,134
Non-controlling interests	<u>(16,531)</u>	<u>12,100</u>
	<u>10,081,090</u>	<u>4,415,234</u>



# ASBISC ENTERPRISES PLC

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Notes	2017 US\$	2016 US\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	24,533,220	23,209,538
Intangible assets	10	3,164,273	2,991,585
Available-for-sale financial assets	11	11,794	11,794
Goodwill	30	418,589	1,255,204
Deferred tax assets	20	227,615	1,006,592
<b>Total non-current assets</b>		<u>28,355,491</u>	<u>28,474,713</u>
<b>Current assets</b>			
Inventories	12	144,980,373	113,857,748
Trade receivables	13	238,192,248	221,068,033
Other current assets	14	18,127,273	16,990,435
Derivative financial asset	25	373,302	1,079,208
Current taxation	7	493,119	663,773
Cash at bank and in hand	26	93,401,246	33,351,703
<b>Total current assets</b>		<u>495,567,561</u>	<u>387,010,900</u>
<b>Total assets</b>		<u>523,923,052</u>	<u>415,485,613</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	15	11,100,000	11,100,000
Share premium		23,518,243	23,518,243
Retained earnings and other components of equity		59,541,873	51,109,265
Equity attributable to owners of the parent		94,160,116	85,727,508
Non-controlling interests		307,690	167,361
<b>Total equity</b>		<u>94,467,806</u>	<u>85,894,869</u>
<b>Non-current liabilities</b>			
Long term borrowings	17	169,324	1,184,107
Other long term liabilities	18	369,341	313,475
Deferred tax liabilities	20	60,072	149,683
<b>Total non-current liabilities</b>		<u>598,737</u>	<u>1,647,265</u>
<b>Current liabilities</b>			
Trade payables		253,021,109	202,038,292
Other current liabilities	21	38,083,176	26,945,360
Short term borrowings	16	136,491,999	98,623,302
Derivative financial liability	24	739,587	1,383
Current taxation	7	520,638	335,142
<b>Total current liabilities</b>		<u>428,856,509</u>	<u>327,943,479</u>
<b>Total liabilities</b>		<u>429,455,246</u>	<u>329,590,744</u>
<b>Total equity and liabilities</b>		<u>523,923,052</u>	<u>415,485,613</u>

Signed on behalf of the Board of Directors on 29 March 2018.

  
Constantinou Tziomalis  
Director

  
Marios Christou  
Director

## ASBISC ENTERPRISES PLC

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Attributable to equity holders of the parent					
	Share capital US\$	Share premium US\$	Treasury stock US\$	Translation of foreign operations US\$	Retained earnings US\$	Total US\$
<b>Balance at 1 January 2016</b>	11,100,000	23,518,243	(14,234)	(13,126,734)	59,847,099	81,324,374
<i>Total comprehensive income</i>						
Profit for the year	-	-	-	-	4,617,243	4,617,243
Other comprehensive loss for the year	-	-	-	(214,109)	-	(214,109)
<b>Balance at 31 December 2016</b>	11,100,000	23,518,243	(14,234)	(13,340,843)	64,464,342	85,727,508
<i>Total comprehensive income</i>						
Profit/(loss) for the year	-	-	-	-	6,955,821	6,955,821
Other comprehensive income for the year	-	-	-	3,141,800	-	3,141,800
<i>Transactions with owners of the Company</i>						
Changes in ownership interests	-	-	-	-	-	-
Minority interest on establishment of new subsidiary	-	-	-	-	-	-
Contributions and distributions	-	-	-	-	-	-
Final dividend declared (Note 34)	-	-	-	-	(1,665,000)	(1,665,000)
Share based payments	-	-	(13)	-	-	(13)
<b>Balance at 31 December 2017</b>	11,100,000	23,518,243	(14,247)	(10,199,043)	69,755,163	94,160,116
					307,690	94,467,806

The retained earnings shown above at 31 December 2017 were readily distributable up to the amount of US\$ 19,336,184 which represents the retained earnings of the Company. The remaining amount in retained earnings of US\$ 50,418,979 represents the earnings retained in the subsidiary companies of the Group. Share premium represents the difference between the issue price of the shares of the Company and their nominal value. The share premium can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law, Cap. 113 on reduction of share capital. The translation reserve comprises all foreign currency differences from the translation of the financial statements of foreign operations.

Treasury stock represents the remaining balance of own shares bought back during 2011 and 2012 (note 15).

The notes on pages 20 to 64 form an integral part of these consolidated financial statements.



# ASBISC ENTERPRISES PLC

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 US\$	2016 US\$
<b>Profit for the year before tax</b>		9,012,937	6,013,817
Adjustments for:			
Exchange difference arising on consolidation		1,440,639	158,672
Depreciation of property, plant and equipment	8	1,519,640	1,544,442
Amortization of intangible assets	10	716,064	599,957
Impairment losses on intangible assets and goodwill	4	1,231,779	250,000
(Profit)/loss from the sale of property, plant and equipment and intangible assets	4	(27,502)	13,252
Provision for bad debts and receivables written off	13	(2,106,575)	1,766,053
Bad debts recovered	4	(11,906)	(15,125)
Provision for slow moving and obsolete stock	12	(2,501,694)	2,870,240
Interest received	6	(49,288)	(114,436)
Interest paid	6	4,075,271	4,428,368
<b>Operating profit before working capital changes</b>		13,299,365	17,515,240
Increase in inventories		(28,620,931)	(19,806,335)
Increase in trade receivables		(15,005,734)	(5,352,802)
Increase in other current assets		(430,932)	(3,304,118)
Increase in trade payables		50,982,817	11,345,246
Increase in other current liabilities		11,876,020	6,964,473
Increase/(decrease) in other non-current liabilities		55,866	(53,113)
Increase in factoring creditors		15,089,155	7,451,277
<b>Cash inflows from operations</b>		47,245,626	14,759,868
Interest paid	6	(4,075,271)	(4,428,368)
Taxation paid, net	7	(1,058,514)	(897,600)
<b>Net cash inflows from operating activities</b>		42,111,841	9,433,900
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	10	(927,991)	(853,655)
Purchase of property, plant and equipment	8	(1,403,731)	(1,570,011)
Proceeds from sale of property, plant and equipment and intangible assets		120,376	(1,238)
Interest received	6	49,288	114,436
<b>Net cash outflows from investing activities</b>		(2,162,057)	(2,310,468)
<b>Cash flows from financing activities</b>			
Payment of final dividend		(1,665,000)	-
Repayments of long term loans and long term obligations under finance lease		(1,014,783)	(656,826)
Proceeds/(repayments) of short term borrowings and short term obligations under finance lease		2,126,346	(4,219,613)
<b>Net cash outflows from financing activities</b>		(553,437)	(4,876,439)
<b>Net increase in cash and cash equivalents</b>		39,396,347	2,246,993
<b>Cash and cash equivalents at beginning of the year</b>		6,536,849	4,289,856
<b>Cash and cash equivalents at the end of the year</b>	26	45,933,196	6,536,849

The notes on pages 20 to 64 form an integral part of these consolidated financial statements.

## ASBISC ENTERPRISES PLC

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### PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 US\$	2016 US\$
<b>Revenue</b>	3	1,072,521,920	750,885,962
Cost of sales		<u>(1,059,164,549)</u>	<u>(736,835,782)</u>
<b>Gross profit</b>		13,357,371	14,050,180
Selling expenses		(5,746,338)	(3,917,496)
Administrative expenses		<u>(5,895,558)</u>	<u>(4,648,835)</u>
<b>Profit from operations</b>		1,715,475	5,483,849
Financial income	6	1,263,678	375,862
Financial expenses	6	(5,191,774)	(4,644,099)
Other gains and losses	4	<u>4,899,543</u>	<u>3,000,186</u>
<b>Profit before tax</b>	5	2,686,922	4,215,798
Taxation	7	<u>(617,074)</u>	<u>(486,007)</u>
<b>Profit for the year</b>		2,069,848	3,729,791
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<u>2,069,848</u>	<u>3,729,791</u>

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The notes on pages 20 to 64 form an integral part of these consolidated financial statements.




# ASBISC ENTERPRISES PLC

## PARENT COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Notes	2017 US\$	2016 US\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	5,356,065	5,329,891
Intangible assets	10	2,749,172	2,712,186
Investment in subsidiary companies	9	12,016,339	11,360,448
Deferred tax assets	20	368,764	743,502
<b>Total non-current assets</b>		<u>20,490,340</u>	<u>20,146,027</u>
<b>Current assets</b>			
Inventories	12	56,291,849	37,927,676
Trade receivables	13	39,003,226	46,925,744
Other current assets	14	80,520,035	70,099,296
Derivative financial asset	25	-	584,801
Cash at bank and in hand	26	66,594,613	18,693,786
<b>Total current assets</b>		<u>242,409,723</u>	<u>174,231,303</u>
<b>Total assets</b>		<u>262,900,063</u>	<u>194,377,330</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	15	11,100,000	11,100,000
Share premium		23,518,243	23,518,243
Retained earnings and other components of equity		19,321,937	18,917,102
<b>Total equity</b>		<u>53,940,180</u>	<u>53,535,345</u>
<b>Non-current liabilities</b>			
Long term borrowings	17	61,307	233,975
Deferred tax liabilities	20	317,290	100,363
<b>Total non-current liabilities</b>		<u>378,597</u>	<u>334,338</u>
<b>Current liabilities</b>			
Trade payables		182,388,516	129,311,644
Other current liabilities	21	18,443,920	9,362,403
Short term borrowings	16	7,110,092	1,833,600
Derivative financial liability	24	638,758	-
<b>Total current liabilities</b>		<u>208,581,286</u>	<u>140,507,647</u>
<b>Total liabilities</b>		<u>208,959,883</u>	<u>140,841,985</u>
<b>Total equity and liabilities</b>		<u>262,900,063</u>	<u>194,377,330</u>

The financial statements were approved by the Board on 29 March 2018.

  
Constantinos Tziamalis  
Director

  
Marios Christou  
Director

The notes on pages 20 to 64 form an integral part of these consolidated financial statements.

## ASBISC ENTERPRISES PLC

### PARENT COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital US\$	Share premium US\$	Treasury stock US\$	Retained earnings US\$	Total US\$
<b>Balance at 1 January 2016</b>	11,100,000	23,518,243	(14,234)	15,201,545	49,805,554
<i>Total comprehensive income</i>					
Profit for the year	-	-	-	3,729,791	3,729,791
<b>Balance at 31 December 2016</b>	11,100,000	23,518,243	(14,234)	18,931,336	53,535,345
<i>Total comprehensive income</i>					
Profit for the year	-	-	-	2,069,848	2,069,848
<i>Transactions with owners of the Company</i>					
Contributions and distributions					
Final dividend declared (Note 34)	-	-	-	(1,665,000)	(1,665,000)
Share-based payments	-	-	(13)	-	(13)
<b>Balance at 31 December 2017</b>	<u>11,100,000</u>	<u>23,518,243</u>	<u>(14,247)</u>	<u>19,336,184</u>	<u>53,940,180</u>

The retained earnings shown above at 31 December 2017 were readily distributable up to the amount of US\$ 19,336,184 which represents the retained earnings of the Company. Treasury stock represents the remaining balance of own shares bought back during 2015 (note 15). Share premium represents the difference between the issue price of the shares and their nominal value. The share premium can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law, Cap. 113 on reduction of share capital.

Companies which do not distribute 70% of their profits after tax, as defined by the relevant Cyprus tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 17% is payable on such deemed dividends to the extent that the ultimate shareholders (physical persons) are Cyprus domiciled tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

Dividends paid to non-Cyprus tax resident shareholders are not subject to withholding tax in Cyprus. Dividends paid to Cyprus tax resident domiciled physical persons are subject to withholding tax at the above rates.



# ASBISC ENTERPRISES PLC

## PARENT COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 US\$	2016 US\$
<b>Profit for the year before tax</b>		2,686,922	4,215,798
Adjustments for:			
Depreciation of property, plant and equipment	8	330,442	298,965
Amortization of intangible assets	10	600,179	531,246
Profit from the sale of property, plant and equipment and intangible assets	4	(9,145)	(18,084)
Provision for bad debts and receivables written off	13	(1,102,310)	844,072
Bad debts recovered	4	-	(11,932)
Provision for slow moving and obsolete stock	12	(2,399,365)	2,982,950
Dividend income	4	(378,663)	(453,167)
Interest received	6	(42,075)	(42,027)
Interest paid	6	589,878	816,087
<b>Operating profit before working capital changes</b>		275,863	9,167,908
Increase in inventories		(15,964,808)	(11,195,705)
(Increase)/decrease in trade receivables		9,024,828	(4,947,812)
Decrease/(increase) in other current assets		(9,835,938)	(4,019,636)
Increase in trade payables		53,076,872	28,043,897
Increase in other current liabilities		9,720,262	4,122,601
Increase/(decrease) in factoring creditors		4,884,376	(1,435,566)
<b>Cash inflows from operations</b>		51,181,455	19,735,687
Interest paid	6	(589,878)	(816,087)
Taxation paid, net	7	(25,409)	(23,502)
<b>Net cash inflows from operating activities</b>		50,566,168	18,896,099
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	10	(637,164)	(606,209)
Purchase of property, plant and equipment	8	(356,617)	(244,070)
Proceeds from sale of property, plant and equipment and intangible assets		9,145	18,085
Interest received	6	42,075	42,027
Dividends received	4	378,663	453,167
Net increase in investment in subsidiary companies	9	(655,891)	(47,879)
<b>Net cash outflows from investing activities</b>		(1,219,789)	(384,879)
<b>Cash flows from financing activities</b>			
Dividends paid		(1,665,000)	-
Repayments of long term loans		(172,668)	(185,291)
Proceeds of short term borrowings		35,361	3,197
<b>Net cash outflows from financing activities</b>		(1,802,307)	(182,094)
<b>Net increase in cash and cash equivalents</b>		47,544,072	18,329,125
<b>Cash and cash equivalents at beginning of the year</b>		17,760,790	(568,335)
<b>Cash and cash equivalents at the end of the year</b>	26	65,304,862	17,760,790

The notes on pages 20 to 64 form an integral part of these consolidated financial statements.

# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### **1. Incorporation and principal activities**

Asbisc Enterprises Plc (the "Company" or "the parent Company") was incorporated in Cyprus on 9 November 1995 with limited liability. The Group's and the Company's principal activity is the trading and distribution of computer hardware and software in a number of geographical regions as disclosed in note 23. The main shareholder of the Company is K.S. Holdings Limited, a Company incorporated in Cyprus. The details of the Company's registered office are disclosed on page 1.

The Company is listed on the Warsaw Stock Exchange since 30 October 2007.

### **2. Summary of significant accounting policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements.

#### **Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") and the requirements of the Cyprus Companies Law, Cap.113.

The financial statements were approved by the Board of Directors and authorized for issue on 29 March 2018.

#### **Basis of preparation**

The financial statements which are expressed in United States Dollars, the Group's presentation and the Company's presentation and functional currency, have been prepared under the historical cost convention except for certain financial instruments that are measured at fair value, as explained in the accounting policies below.

#### *Use of estimates and judgements*

The preparation of financial statements in conformity with IFRS-eu requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Group's and the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis; revisions to estimates are recognized prospectively.

Information about judgments made in applying accounting policies and the estimates and assumptions, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed in note 2 on pages 32 and 33.



## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 2. Summary of significant accounting policies (continued)

#### Adoption of new and revised International Financial Reporting Standards

In the current year, the Group and the Company have adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for annual periods beginning on 1 January 2017. This adoption did not have a material effect on the financial statements of the Company.

The following Standards, Amendments to Standards and Interpretations, that may be relevant to the Company/Group, had been issued but were not yet effective for the year ended 31 December 2017. The Company/Group does not plan to adopt these early:

#### (i) Standards and Interpretations adopted by the EU

- Annual Improvements to IFRSs 2014-2016 Cycle (effective for annual periods beginning on or after 1 January 2018 (IFRS 1 and IAS 28)).
- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018).
- IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018).
- IFRS 15 (Clarifications) "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018).
- IFRS 4 (Amendments) "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" (effective for annual periods beginning on or after 1 January 2018).
- IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019).

#### (ii) Standards and Interpretations not yet adopted by the EU

- IFRS 2 (Amendments) "Classification and Measurement of Share-based Payment Transactions" (effective for annual periods beginning on or after 1 January 2018).
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (effective for annual periods beginning on or after 1 January 2018).
- IFRS 9 (Amendments) "Prepayment Features with Negative Compensation" (effective for annual periods beginning on or after 1 January 2019).
- IAS 19 (Amendments) "Plan Amendment, Curtailment or Settlement" (effective for annual periods beginning on or after 1 January 2019).
- IAS 28 (Amendments) "Long-term Interest in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRSs 2015-2017 Cycle (effective for annual periods beginning on or after 1 January 2019).
- IFRIC 23 "Uncertainty over Income Tax Treatments" (effective for annual periods beginning on or after 1 January 2019).
- IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2021).

Although the assessment made by the Group to date is preliminary as not all transition work requirements have been finalized and therefore may be subject to adjustments, the Board of Directors expects that other than resulting increased disclosure, the adoption of these financial reporting standards in future periods will not have a material effect on the financial statements of the Company.

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.



## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 2. Summary of significant accounting policies (continued)

#### *Business combinations*

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration of each acquisition is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognized in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognized.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share based payment awards are measured in accordance with IFRS 2 Share based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Noncurrent Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition by acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

#### *Changes in the Group's ownership interests in existing subsidiaries*

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognized in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

#### *Investments in subsidiary and associates*

In the individual accounts of the Company, investments in subsidiary, associate and jointly controlled companies are presented at cost less provision for impairment.



# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 2. Summary of significant accounting policies (continued)

#### *Goodwill*

Goodwill arising in a business combination is recognized as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination.

Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

#### **Segmental reporting**

The Group is organized by geographical segments and this is the primary format for segmental reporting. Each geographical segment is subject to risks and returns that are different from those of other segments.

#### **Revenue recognition**

##### *Sale of goods*

Revenue represents amounts invoiced to customers in respect of sales of goods during the year and is stated net of trade discounts, rebates, customer returns and other similar allowances. Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Company/Group has transferred to the buyer the significant risks and rewards of ownership of the goods
- the Company/Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect to the transaction can be measured reliably

##### *Dividend and interest income*

Dividend income from investments is recognized when the Company's right to receive payment has been established.

Interest income is recognized when it is probable that the economic benefits will flow to the Group and the Company and the amount of revenue can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 2. Summary of significant accounting policies (continued)

#### **Borrowing costs**

All borrowing costs are recognized in the income statement in the period in which they are incurred using the effective interest method.

#### **Employee benefits**

##### *Defined contribution pension plans*

A defined contribution plan, the Employee Provident Fund, is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Company operates a defined contribution scheme, the assets of which are held in a separate trustee-administered fund. Obligations for contributions to defined contribution pension plans are recognized as staff costs in the statement of comprehensive income in the year during which services are rendered by employees.

##### *Contributions to the Government Social Insurance Fund*

The Company and the employees contribute to the Government Social Insurance Fund at the prevailing statutory rate which is applied on employees' salaries. The scheme is funded by payments from employees and by the Company. The Company's contributions are expensed as incurred and are included in staff costs. The Company has no further payment obligations once the contributions have been paid. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### **Share-based payment transactions**

The grant-date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

#### **Foreign currencies**

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in United States Dollars (US\$), which is the functional currency of the Company and the presentation currency for both the consolidated and separate financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items are measured in terms of historical cost in a foreign currency and are not retranslated.

Exchange differences are recognized in the profit and loss in the period in which they arise. For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in United States Dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the date of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).



## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 2. Summary of significant accounting policies (continued)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are reclassified to other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

### **Tax**

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

#### *Deferred tax*

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

#### *Current and deferred tax for the period*

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized in other comprehensive income, in which case the tax is also recognized in equity.

### **Dividend distribution**

Dividend distribution to the shareholders is recognized in the financial statements in the year in which dividends are declared.

# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 2. Summary of significant accounting policies (continued)

#### Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Properties in the course of construction for production, rental or administrative purposes, are carried at cost less any recognized impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and are ready for their intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is provided at rates calculated to write off the cost less the estimated residual value of property, plant and equipment (other than freehold land and properties under construction) on a straight-line basis over their estimated useful economic lives as follows:

Leasehold property	Over the remaining period of the right for usage of the land
Buildings	46 - 100 years
Computer hardware	5 years
Warehouse machinery	3 - 5 years
Motor vehicles	5 years
Furniture, fittings and office equipment	10 years

No depreciation is provided on land.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in the profit and loss.

The estimated useful life and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

#### Intangible assets

Intangible assets consist of computer software, patents and licenses which are stated at cost less accumulated amortization and accumulated impairment losses. Amortization is provided at rates calculated to write off the cost less the estimated residual value of the assets using the straight line method as follows:

Computer software	3 - 10 years
Patents and licenses	3 years

The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.



## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### **2. Summary of significant accounting policies (continued)**

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

#### **Repairs and maintenance**

Expenditure for repairs and maintenance of property, plant and equipment and costs associated with maintenance of computer software programs are recognized as an expense as incurred.

#### **Impairment of tangible and intangible assets excluding goodwill**

At the end of each reporting period, the Group and the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent basis of allocation is identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimated of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### Finance leases

Assets held under finance leases are initially recognized as assets of the Company/Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized. Contingent rentals are recognized as expenses in the periods in which they are incurred.

# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 2. Summary of significant accounting policies (continued)

#### Operating leases

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### **Financial instruments**

Financial assets and financial liabilities are recognized when a Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

#### Derivative financial instruments

The Company/Group enters into derivative contracts to manage its exposure to foreign exchange rate risks. Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

#### Non derivative financial assets

Financial assets are classified into the following specified categories: 'available for sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

#### *Available-for-sale financial assets (AFS financial assets)*

Available-for-sale financial assets (AFS) are non-derivative financial assets that are either designated as AFS or are not classified as (a) loans and receivables, (b) held to maturity investments, or (c) financial assets at fair value through profit and loss.

The Group also has investments in unlisted shares that are not traded in an active market and that are also classified as AFS financial assets.

AFS are recognized initially at fair value and are subsequently also remeasured at fair value. The resulting gain or loss is recognized in the statement of comprehensive income. AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.



# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 2. Summary of significant accounting policies (continued)

#### Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise cash and cash equivalents, and trade and other receivables:

- *Trade receivables*

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

- *Factored trade receivables*

Certain Group companies have entered into various invoice discounting agreements with factoring companies from which a percentage of approved invoices are collected in advance. The invoices which are given for collection in advance are with recourse and included within trade receivables, whereas the amount collected from the factoring Company is presented in the consolidated statement of financial position under current liabilities until the date of settlement by the debtors. Factoring expenses are charged to the consolidated statement of comprehensive income.

- *Loans granted*

Loans granted by the Company/Group to the borrower are categorized as loans. They are measured at initial recognition at fair value and are subsequently measured at amortized cost. Fair value is defined as the fair value of cash consideration given to originate those loans as is determined by reference to market prices at granting date. All loans are recognized when cash is advanced to the borrower. An allowance for loan impairment is established if there is objective evidence that the Company/Group will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

- *Cash and cash equivalents*

Cash and cash equivalent are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. The Company/Group considers all short-term highly liquid instruments with maturities of 3 months or less which are subject to insignificant risk of changes in value to be cash equivalents.

#### Derecognition of financial assets

The Company/Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company/Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company/Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company/Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company/Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 2. Summary of significant accounting policies (continued)

#### Non derivative financial liabilities and equity instruments issued by the Company/Group

##### *Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement, and the definitions of a financial liability and an equity instrument.

##### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

##### *Accounting for financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Company/Group are accounted for in accordance with IAS 39 and measured initially at their fair values, and subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies as set out below.

##### *Bank borrowings*

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

##### *Trade payables*

Trade payables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method.

##### *Derecognition of financial liabilities*

The Group and the Company derecognizes financial liabilities when, and only when, the Group's and the Company's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

##### *Effective interest method*

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or liability, or, where appropriate, a shorter period.



# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 2. Summary of significant accounting policies (continued)

#### **Inventories**

Inventories comprise IT products (components and finished products) which are stated at the lower of cost and net realizable value. Cost is determined on the basis of standard cost method for the price-protected stock items and on the weighted average cost method for the non price-protected stock items and comprises the cost of acquisition plus any other costs that are incurred to bring the stock items to their present location and condition. Net realizable value represents the estimated selling price for inventories less all cost necessary to make the sale.

#### **Provisions**

A provision is recognized in the statement of financial position when the Company/Group has a legal or constructive present obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that the reimbursement will be received and the amount of the receivable can be measured reliably.

#### *Warranties*

Provisions for the expected cost of warranty are recognized at the date of sale of the relevant products, at the Directors' best estimate of the expenditure required to settle the Company's/Group's obligations.

#### **Impairment**

##### (i) Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, including an interest in an equity-investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

##### *Financial assets measured at amortized cost*

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

##### *Available-for-sale financial assets*

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in other comprehensive income to profit or loss. The amount reclassified is the difference between

# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 2. Summary of significant accounting policies (continued)

the acquisition cost and the current fair value, less any impairment loss previously recognized in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through other comprehensive income.

#### (ii) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. An impairment loss is recognized if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. Goodwill is tested annually for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### **Critical judgements in applying the entity's accounting policies and key sources of estimation uncertainty**

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The estimates and assumptions, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

#### *Revenue recognition*

In making its judgment, management considered the detailed criteria for the recognition of revenue from the sale of goods as set out in IAS18 Revenue and, in particular, whether the Company/Group had transferred to the buyer the significant risks and rewards of ownership of the goods. The management is satisfied that the significant risks and rewards have been transferred and the recognition of the revenue in the current year is appropriate.

#### *Provision for bad and doubtful debts*

The Company/Group reviews its trade and other receivables for evidence of their recoverability. Such evidence includes the customer's payment record, the customer's overall financial position and expected recovery from credit insurance. If indications of recoverability exist, the recoverable amount is estimated and a respective provision for bad and doubtful debts is made. The amount of the provision is charged through the income statement. The review of credit risk is continuous and the methodology and assumptions used for estimating the provision are reviewed regularly and adjusted accordingly.



## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 2. Summary of significant accounting policies (continued)

#### *Provision for obsolete and slow-moving inventory*

The Company/Group reviews its inventory records for evidence regarding the salability of inventory and its net realizable value on disposal. The provision for obsolete and slow-moving inventory is based on management's past experience, taking into consideration arrangements with suppliers for price protection and for returning defective stock; the value of inventory as well as the movement and the level of stock of each category of inventory.

The amount of provision is recognized in the income statement. The review of the net realizable value of the inventory is continuous and the methodology and assumptions used for estimating the provision for obsolete and slow-moving inventory are reviewed regularly and adjusted accordingly.

#### *Useful lives of property, plant and equipment and intangible assets*

The estimation of the useful life of an item of property, plant and equipment and intangible assets is a matter of management judgement based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions of estimates may result in adjustments for future depreciation and amortization rates.

#### *Impairment of investments in subsidiaries, associated and jointly controlled enterprises/jointly controlled enterprises*

The Company periodically evaluates the recoverability of investments in subsidiaries, associates and jointly controlled enterprises/jointly controlled enterprises whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that the investment in subsidiaries/associates/jointly controlled enterprises may be impaired, the estimated future undiscounted cash flows associated with these entities would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

#### *Warranty provisions*

Warranty provisions represent the Company's/Group's best estimate of the liability as a result of the warranties granted on certain products and is based on past experience and industry averages for defective products.

#### *Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

#### *Income taxes*

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company/Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 3. Revenue

#### *Revenue analysis by geographical market*

##### **The Group**

The Group operates as a trader and distributor of computer hardware and software in a number of geographical regions. The following table shows an analysis of the Group's sales by geographical market, irrespective of the origin of the goods.

	2017 US\$	2016 US\$
Former Soviet Union	719,388,144	445,081,930
Central Eastern Europe	496,006,671	426,066,586
Middle East & Africa	162,609,891	168,018,326
Western Europe	93,666,442	69,774,639
Other	13,241,106	28,767,053
	<u>1,484,912,254</u>	<u>1,137,708,534</u>

#### *Revenue analysis by currency*

	<b>The Group</b>		<b>The Company</b>	
	2017 US\$	2016 US\$	2017 US\$	2016 US\$
US Dollar	554,597,183	391,485,668	959,814,855	657,470,777
Euro	283,148,984	250,042,535	106,410,783	58,302,340
Russian Ruble	86,134,588	96,033,290	5,061,460	31,492,509
Ukraine Hryvnia	129,149,424	88,454,738	-	-
Kazakhstan Tenge	147,825,342	72,086,329	-	-
Czech Koruna	60,566,914	50,445,847	-	-
Romanian New Lei	48,277,753	45,008,743	-	-
Belarusian Ruble	70,503,616	43,048,287	-	-
Bulgarian Lev	28,977,986	24,272,963	-	-
Croatian Kuna	21,604,748	20,527,065	-	-
Hungarian Forint	20,588,397	19,770,922	-	-
Polish Zloty	3,457,810	13,979,375	485,947	2,459,139
Bosnian Mark	14,692,710	12,267,246	-	-
Other	15,386,799	10,285,526	748,875	1,161,197
	<u>1,484,912,254</u>	<u>1,137,708,534</u>	<u>1,072,521,920</u>	<u>750,885,962</u>



# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 4. Other gains and losses

	The Group		The Company	
	2017 US\$	2016 US\$	2017 US\$	2016 US\$
Dividend received	-	-	378,663	453,167
Profit/(loss) on disposal of property, plant and equipment	27,502	(13,252)	9,145	18,084
Other net income	66,083	217,453	4,403,126	2,410,507
Bad debts recovered	11,906	15,125	-	11,932
Rental income	82,227	72,942	108,609	106,496
Impairment loss on goodwill (Note 30.1.2)	(1,172,924)	(250,000)	-	-
	<u>(985,206)</u>	<u>42,268</u>	<u>4,899,543</u>	<u>3,000,186</u>

### 5. Profit before tax

	The Group		The Company	
	2017 US\$	2016 US\$	2017 US\$	2016 US\$
Profit before tax is stated after charging :				
(a) Amortization of intangible assets (Note 10)	716,064	599,957	600,179	531,246
(b) Depreciation (Note 8)	1,519,640	1,544,442	330,442	298,965
(c) Auditors' remuneration – audit fees	391,875	320,285	257,335	180,359
(e) Directors' remuneration – executive (Note 27)	434,442	417,764	434,442	417,764
(f) Directors' remuneration – non-executive (Note 27)				
	<u>2,278</u>	<u>2,216</u>	<u>2,278</u>	<u>2,216</u>

### 6. Financial expense, net

	The Group		The Company	
	2017 US\$	2016 US\$	2017 US\$	2016 US\$
<b>Financial income</b>				
Interest income	49,288	114,436	75	27
Interest income from loans to subsidiary companies (Note 27)	-	-	42,000	42,000
Other financial income	<u>1,548,791</u>	<u>475,773</u>	<u>1,221,603</u>	<u>333,835</u>
	<u>1,598,079</u>	<u>590,209</u>	<u>1,263,678</u>	<u>375,862</u>
<b>Financial expense</b>				
Bank interest	4,075,271	4,428,368	589,878	816,087
Bank charges	1,645,104	1,424,254	490,835	427,706
Derivative charges	954,144	725,974	843,224	663,778
Factoring interest	6,616,210	5,453,672	319,346	81,800
Factoring charges	348,462	351,357	86,665	44,513
Other financial expenses	125,388	54,965	-	-
Other interest	2,072,289	1,328,274	1,829,704	1,127,085
Net exchange loss	<u>169,229</u>	<u>1,088,310</u>	<u>1,032,122</u>	<u>1,483,128</u>
	<u>16,006,097</u>	<u>14,855,174</u>	<u>5,191,774</u>	<u>4,644,099</u>
Net	<u>(14,408,018)</u>	<u>(14,264,965)</u>	<u>(3,928,096)</u>	<u>(4,268,235)</u>

## ASBISC ENTERPRISES PLC

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

#### 7. Tax

	<b>The Group</b>		<b>The Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Receivables balance 1 January	(328,631)	(235,073)	-	10,047
Provision for the year	1,407,137	802,924	25,409	4,559
(Over)/under provision of prior year	(14,800)	5,886	-	8,896
Exchange difference on retranslation	22,327	(4,768)	-	-
Amounts paid, net	<u>(1,058,514)</u>	<u>(897,600)</u>	<u>(25,409)</u>	<u>(23,502)</u>
Net payable/(receivables) balance 31 December	<u>27,519</u>	<u>(328,631)</u>	<u>-</u>	<u>-</u>

	<b>The Group</b>		<b>The Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Tax receivable	(493,119)	(663,773)	-	-
Tax payable	<u>520,638</u>	<u>335,142</u>	<u>-</u>	<u>-</u>
Net	<u>27,519</u>	<u>(328,631)</u>	<u>-</u>	<u>-</u>

The taxation charge of the Group comprises corporation tax charge in Cyprus on the taxable profits of the Company and those of its subsidiaries which are subject to tax in Cyprus and corporation tax in other jurisdictions on the taxable results of the foreign subsidiary companies.

The Company and all Cyprus resident companies of the Group are subject to corporation tax at the rate of 12.5% (2016:12.5%). The tax rates of subsidiaries in foreign jurisdictions range between 0% and 30%.

Dividends received by the Cyprus companies of the Group are exempt from corporation tax and they are also exempt from defence tax.

Bank interest received by the Company and all Cyprus resident companies of the Group are subject to defence tax of 30% (2016: 30%).

#### Tax charge for the year

	<b>The Group</b>		<b>The Company</b>	
	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Provisions and withholding tax for the year	1,407,137	802,924	25,409	4,560
(Over)/under provision of prior year	(14,800)	5,886	-	8,896
Deferred tax charge	<u>711,890</u>	<u>569,392</u>	<u>591,665</u>	<u>472,551</u>
Net	<u>2,104,227</u>	<u>1,378,202</u>	<u>617,074</u>	<u>486,007</u>

The charge for taxation is based on the Group's profits for the year as adjusted for tax purposes. The reconciliation of the charge for the year is as follows:



# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 7. Tax (continued)

	<b>The Group</b>		<b>The Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Profit before tax	9,012,937	6,013,817	2,686,922	4,215,798
Corporation tax thereon at the applicable tax rates	797,862	433,716	335,865	526,975
Tax on income not taxable in determining taxable profit	(2,212,760)	(252,013)	(48,485)	(233,616)
Effect of using tax losses brought forward	(370,579)	(787,395)	(374,733)	(472,551)
Effect of unused current year tax losses	330,555	621,810	-	-
Temporary differences	1,297,472	129,172	-	13
Tax charges and penalties	301,109	12,793	-	-
Tax on non-allowable expenses	1,258,995	640,281	108,279	179,179
	1,402,654	798,364	20,926	-
Special contribution to defence fund	4,483	4,560	4,483	4,560
Under/(over) provision of prior years	(14,800)	5,886	-	8,896
Deferred tax charge	711,890	569,392	591,665	472,551
<b>Tax charge</b>	<b>2,104,127</b>	<b>1,378,202</b>	<b>617,074</b>	<b>486,007</b>

## ASBISC ENTERPRISES PLC

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

#### 8. Property, plant and equipment

The Group	Land and buildings US\$	Computer hardware US\$	Warehouse machinery US\$	Motor vehicles US\$	Furniture and fittings US\$	Office equipment US\$	Total US\$
<b>Cost at 1 January 2016</b>							
Additions	23,355,177	6,436,831	368,967	2,253,762	2,384,129	2,867,739	37,666,605
Disposals	732,135	473,166	6,005	218,803	69,371	70,531	1,570,011
Foreign exchange difference on retranslation	-	(798,777)	-	(419,387)	(79,859)	(188,327)	(1,486,350)
	(301,465)	(75,483)	(111)	(32,009)	(41,245)	(38,306)	(488,619)
<b>At 31 December 2016</b>							
Additions	23,785,847	6,035,737	374,861	2,021,169	2,332,396	2,711,637	37,261,647
Disposals	137,566	521,513	34,056	361,777	116,820	231,999	1,403,731
Foreign exchange difference on retranslation	(324,448)	(142,665)	-	(204,671)	(42,385)	(53,812)	(767,981)
	1,605,806	369,770	419	115,263	171,423	156,594	2,419,275
<b>At 31 December 2017</b>							
	25,204,771	6,784,355	409,336	2,293,538	2,578,254	3,046,418	40,316,672
<b>Accumulated depreciation</b>							
<b>At 1 January 2016</b>							
Charge for the year	3,510,711	5,091,969	116,512	1,660,582	1,784,874	1,997,052	14,161,700
Disposals	256,585	601,269	38,930	234,095	173,769	239,794	1,544,442
Foreign exchange difference on retranslation	-	(798,777)	-	(419,387)	(79,859)	(188,327)	(1,486,350)
	(2,839)	(66,319)	(111)	(30,139)	(35,807)	(32,468)	(167,683)
<b>At 31 December 2016</b>							
Charge for the year	3,764,457	4,828,142	155,331	1,445,151	1,842,977	2,016,051	14,052,109
Disposals	312,896	593,243	41,191	236,821	136,545	198,944	1,519,640
Foreign exchange difference on retranslation	(231,574)	(142,665)	-	(204,671)	(42,385)	(53,812)	(675,107)
	263,877	283,424	408	83,578	133,993	121,530	886,810
<b>At 31 December 2017</b>							
	4,109,656	5,562,144	196,930	1,560,879	2,071,130	2,282,713	15,783,452
<b>Net book value</b>							
At 31 December 2017	21,095,115	1,222,211	212,406	732,659	507,124	763,705	24,533,220
At 31 December 2016	20,021,390	1,207,595	219,530	576,018	489,419	695,586	23,209,538

Land and buildings are mortgaged for financing purposes. The cost of fully depreciated assets of the Group that are still in use amounted to US\$ 7,098,000 (2016: US\$ 6,717,000).



# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 8. Property, plant and equipment (continued)

The Company	Land and buildings US\$	Computer hardware US\$	Motor vehicles US\$	Furniture and fittings US\$	Office equipment US\$	Total US\$
<b>Cost at 1 January 2016</b>	5,754,669	2,670,168	517,072	434,757	774,755	10,151,421
Additions	55,314	121,081	39,698	15,137	12,840	244,070
Disposals	-	(846)	(178,290)	-	(1,779)	(180,915)
<b>At 31 December 2016</b>	5,809,983	2,790,403	378,480	449,894	785,816	10,214,576
Additions	-	153,821	182,028	6,760	14,009	356,618
Disposals	-	(21,266)	(80,326)	-	(140)	(101,732)
<b>At 31 December 2017</b>	5,809,983	2,922,958	480,182	456,654	799,685	10,469,462
<b>Accumulated depreciation</b>						
<b>At 1 January 2016</b>	1,013,193	2,394,872	405,960	361,837	590,774	4,766,636
Charge for the year	61,572	117,196	40,186	17,290	62,720	298,964
Disposals	-	(846)	(178,290)	-	(1,779)	(180,915)
<b>At 31 December 2016</b>	1,074,765	2,511,222	267,856	379,127	651,715	4,884,685
Charge for the year	60,021	137,415	66,242	16,370	50,394	330,442
Disposals	-	(21,266)	(80,324)	-	(140)	(101,730)
<b>At 31 December 2017</b>	1,134,786	2,627,371	253,774	395,497	701,969	5,113,397
<b>Net book value</b>						
At 31 December 2017	4,675,197	295,587	226,409	61,157	97,716	5,356,065
At 31 December 2016	4,735,218	279,181	110,624	70,767	134,101	5,329,891

The land and buildings have been mortgaged as securities for financing purposes. The cost of fully depreciated assets of the Company that are still in use amounted to US\$ 3,515,000 (2016: US\$ 3,888,000).

### 9. Investments

#### Investment in subsidiary companies

	2017 US\$	2016 US\$
<b>The Company</b>		
Shares at cost of acquisition or written down value	12,016,339	11,360,448
Balance at 1 January	11,360,448	11,312,569
Increase in investments (i)	678,207	47,879
Decrease in investments (ii)	(22,316)	-
At 31 December	12,016,339	11,360,448

- (i) During 2017, the Company increased its investment in its wholly owned subsidiary Asbis Ukraine Ltd for the amount of US\$ 300,000. The Company also acquired 65.85% and 85% of the share capital of ASBC LLC and Asbis Cloud Ltd respectively, and established I ON Ltd and ASBIS Service Ltd for a total of US\$ 378,207.
- (ii) In addition, the Company had a return of capital from its wholly owned subsidiary Asbis Vilnius UAB for the amount of US\$ 22,316.

During 2016 the Company increased its investment in its wholly owned subsidiary Asbis Poland Sp. Z.o.o. for the amount of US\$ 47,879.

All subsidiaries are involved in the trading and distribution of computer hardware and software.

At the year end the Company held a participation in the following subsidiaries:

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 9. Investments (continued)

Subsidiary Company	Country of incorporation	Percentage of participation	
		2017 %	2016 %
ASBIS UKRAINE LTD	Ukraine	100	100
ASBIS Kazakhstan LLP	Kazakhstan	100	100
ASBIS PL SP.Z O.O.	Poland	100	100
ASBIS-BALTIC AS	Estonia	100	100
ASBIS ROMANIA SRL	Romania	100	100
ASBISC-CR D.O.O.	Croatia	100	100
ASBIS D.O.O.	Serbia	100	100
ASBIS HUNGARY COMMERCIAL LTD	Hungary	100	100
ASBIS BULGARIA LTD	Bulgaria	100	100
ASBIS CZ, SPOL S.R.O.	Czech Republic	100	100
ASBIS VILNIUS UAB	Lithuania	100	100
ASBIS D.O.O.	Slovenia	100	100
ASBIS ME FZE	United Arab Emirates	100	100
ASBIS SK SPOL S.R.O.	Slovakia	100	100
ASBIS LIMITED	Ireland	100	100
ASBC F.P.U.E.	Belarus	100	100
E.M. EURO-MALL LTD	Cyprus	100	100
ASBIS LTD	Russia	100	100
ASBIS MOROCCO SARL – dormant	Morocco	100	100
ASBIS LV SIA	Latvia	100	100
ASBIS KYPROS LIMITED	Cyprus	100	100
PRESTIGIO PLAZA NL BV (ASBIS NL BV)	Netherlands	100	100
PRESTIGIO PLAZA LTD	Cyprus	100	100
PRESTIGIO EUROPE SPOL S.R.O. (iv)	Czech Republic	100	100
EUROMALL CZ SRO – dormant (ii)	Czech Republic	100	100
S.C. EUROMALL S.R.L. - dormant (ii)	Romania	100	100
EURO-MALL SRO (ii)	Slovakia	100	100
ASBIS d.o.o.	Bosnia Herzegovina	90	90
ASBIS DE GmbH	Germany	100	100
PRESTIGIO PLAZA SP.ZO.O. - dormant (ii)	Poland	100	100
ASBIS TR BILGISAYAR LIMITED SIRKETI (v)	Turkey	100	100
CJSC ASBIS	Belarus	100	100
ADVANCED SYSTEMS COMPANY LLC (v)	Saudi Arabia	100	100
E-Vision” Unitary Enterprise	Belarus	100	100
Asbis UK Ltd (vii)	United Kingdom	100	100
SHARK Computers a.s. (vi)	Slovakia	100	100
SHARK ONLINE a.s. (i)	Slovakia	-	100
I ON LTD (iii)	Ukraine	100	-
ASBC LLC (iii)	Azerbaijan	65.85	-
ASBIS Servis Ltd (iii)	Ukraine	100	-
ASBIS Cloud Ltd (iii)	Russia	85	-

(i) Liquidated during 2017

(ii) Held by E.M. Euro-Mall Ltd – Cyprus

(iii) Established/acquired during 2017

(iv) Held by Prestigio Plaza Ltd

(v) Held by Asbis Middle East FZE

(vi) Held by Euro-mall s.r.o

(vii) Liquidated during 2016

(viii) Held by Asbis Ukraine Ltd



# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 10. Intangible assets

#### The Group

	Computer software US\$	Patents and licenses US\$	Total US\$
<b>Cost at 1 January 2016</b>	7,851,215	2,232,094	10,083,309
Additions	587,097	266,558	853,655
Disposals/ write-offs	(218,742)	-	(218,742)
Foreign exchange difference on retranslation	(18,853)	2,474	(16,379)
<b>At 31 December 2016</b>	8,200,717	2,501,126	10,701,843
Additions	842,599	85,392	927,991
Disposals/ write-offs	(117,752)	(114,184)	(231,936)
Foreign exchange difference on retranslation	69,329	42,816	112,145
<b>At 31 December 2017</b>	8,994,893	2,515,150	11,510,043
<b>Accumulated amortization</b>			
<b>At 1 January 2016</b>	6,092,120	1,238,887	7,331,007
Charge for the year	342,861	257,096	599,957
Disposals/ write-offs	(206,728)	-	(206,728)
Foreign exchange difference on retranslation	(19,197)	5,219	(13,978)
<b>At 31 December 2016</b>	6,209,056	1,501,202	7,710,258
Charge for the year	433,275	282,789	716,064
Disposals/ write-offs	(117,752)	(55,329)	(173,081)
Foreign exchange difference on retranslation	66,388	26,141	92,529
<b>At 31 December 2017</b>	6,590,967	1,754,803	8,345,770
<b>Net book value</b>			
At 31 December 2017	2,403,926	760,347	3,164,273
At 31 December 2016	1,991,661	999,924	2,991,585

The cost of fully amortized intangibles of the Group that are still in use amounted to US\$ 5,174,000 (2016: US\$ 5,648,000).

#### The Company

	Computer software US\$	Patents and licenses US\$	Total US\$
<b>Cost at 1 January 2016</b>	7,002,754	1,615,560	8,618,314
Acquisitions	551,224	54,985	606,209
<b>At 31 December 2016</b>	7,553,978	1,670,545	9,224,523
Acquisitions	606,449	30,716	637,165
<b>At 31 December 2017</b>	8,160,427	1,701,260	9,861,687
<b>Accumulated amortization</b>			
<b>At 1 January 2016</b>	5,323,945	657,146	5,981,091
Charge for the year	293,588	237,658	531,246
<b>At 31 December 2016</b>	5,617,533	894,804	6,512,337
Charge for the year	371,978	228,201	600,179
<b>At 31 December 2017</b>	5,989,511	1,123,005	7,112,516
<b>Net book value</b>			
31 December 2017	2,170,916	578,256	2,749,172
31 December 2016	1,936,445	775,741	2,712,186

The cost of fully amortized intangible assets of the Company that are still in use amounted to US\$ 4,310,000 (2016: US\$ 4,924,000).

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 11. Available-for-sale financial assets

The details of the investments are as follows:

	Country of incorporation	Participation	Cost US\$	Impairment US\$	2017 US\$	2016 US\$
<b>The Group</b>						
<i>Investments held in related companies</i>						
E-Vision Ltd	Cyprus	18%	90,000	(90,000)	-	-
<i>Other investments</i>						
Asekol s.r.o.	Czech Republic	9.09%	9,580	-	9,580	9,580
Regnon S.A.	Poland	0.01%	2,214	-	2,214	2,214
			<u>101,794</u>	<u>(90,000)</u>	<u>11,794</u>	<u>11,794</u>

	Country of incorporation	Participation	Cost US\$	Impairment US\$	2017 US\$	2016 US\$
<b>The Company</b>						
<i>Investments held in related companies</i>						
E-Vision Ltd	Cyprus	18%	<u>90,000</u>	<u>(90,000)</u>	<u>-</u>	<u>-</u>

(i) The remaining 82% is held by the main shareholder of the Company, KS Holdings Limited.

(ii) The above available for sale investments are private equity investments with no quoted market price. Due to the fact that the fair value cannot be measured reliably they are measured at cost less any identified impairment losses.

### 12. Inventories

	<b>The Group</b>		<b>The Company</b>	
	2017 US\$	2016 US\$	2017 US\$	2016 US\$
Goods in transit	17,217,879	17,467,719	8,616,271	7,476,255
Goods held for resale	132,491,293	103,518,766	51,660,147	36,835,357
Provision for slow moving and obsolete stock	<u>(4,728,799)</u>	<u>(7,128,737)</u>	<u>(3,984,570)</u>	<u>(6,383,936)</u>
	<u>144,980,373</u>	<u>113,857,748</u>	<u>56,291,848</u>	<u>37,927,676</u>

#### **The Group**

As at 31 December 2017, inventories pledged as security for financing purposes amounted to US\$ 38,357,000 (2016: US\$ 32,007,000). Inventory written off during the year recognized in profit or loss was US\$ 2,237,723 (2016: nil).

#### **The Company**

As at 31 December 2017, inventories pledged as security for financing purposes amounted to nil (2016: US\$ nil).

#### Movement in provision for slow moving and obsolete stock

	<b>The Group</b>		<b>The Company</b>	
	2017 US\$	2016 US\$	2017 US\$	2016 US\$
On 1 January	7,128,737	4,288,149	6,383,936	3,400,986
Provisions during the year	403,105	1,746,903	138,000	1,450,269
Provided stock written off	<u>(2,904,799)</u>	<u>1,123,337</u>	<u>(2,537,365)</u>	<u>1,532,681</u>
Exchange difference	101,756	<u>(29,652)</u>	-	-
On 31 December	<u>4,728,799</u>	<u>7,128,737</u>	<u>3,984,571</u>	<u>6,383,936</u>



# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 13. Trade receivables

	The Group		The Company	
	2017	2016	2017	2016
	US\$	US\$	US\$	US\$
Trade receivables	244,427,686	228,782,976	39,482,518	48,507,135
Allowance for doubtful debts	(6,235,438)	(7,714,943)	(479,292)	(1,581,391)
	<u>238,192,248</u>	<u>221,068,033</u>	<u>39,003,226</u>	<u>46,925,744</u>

#### The Group

As at 31 December 2017, receivables of the Group that have been assigned as security for financing purposes amounted to US\$ 113,886,000 (2016: US\$ 98,268,000).

#### The Company

As at 31 December 2017, receivables of the Company that have been assigned as security for financing purposes amounted to US\$ 5,617,000 (2016: US\$ 2,641,000).

#### Movement in provision for doubtful debts:

	The Group		The Company	
	2017	2016	2017	2016
	US\$	US\$	US\$	US\$
On 1 January	7,714,943	6,073,505	1,581,391	745,252
Provisions during the year	3,856,736	2,283,266	550,000	230,409
Amount written-off as uncollectible	(5,963,311)	(517,213)	(1,652,099)	617,663
Bad debts recovered	(11,906)	(15,125)	211	(11,932)
Exchange difference	638,976	(109,490)	-	-
On 31 December	<u>6,235,438</u>	<u>7,714,943</u>	<u>479,292</u>	<u>1,581,391</u>

#### The Group

##### Ageing of non-impaired receivables

Year	Total receivables US\$	Outstanding but not due yet US\$	Overdue between 1-30 days US\$	Overdue between 30-60 days US\$	Overdue more than 60 days US\$
2017	238,192,248	215,340,261	11,529,590	957,204	10,365,193
2016	221,068,033	181,371,918	20,083,832	3,582,508	16,029,775

##### Ageing of impaired receivables (provision for bad debts)

Year	Total US\$	Overdue between 1-90 days US\$	Overdue between 90-120 days US\$	Overdue more than 120 days US\$
2017	6,235,438	549,544	-	5,685,894
2016	7,714,943	10,834	-	7,704,109

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 13. Trade receivables (continued)

#### The Company

##### Ageing of non-impaired receivables

Year	Total receivables US\$	Outstanding but not due yet US\$	Overdue between 1-30 days US\$	Overdue between 30-60 days US\$	Overdue more than 60 days US\$
2017	39,003,226	34,492,101	2,760,641	33,378	1,717,106
2016	46,925,744	30,687,094	9,402,018	875,366	5,961,266

##### Ageing of impaired receivables (provision for bad debts)

Year	Total US\$	Overdue between 1-90 days US\$	Overdue between 90-120 days US\$	Overdue more than 120 days US\$
2017	479,292	-	-	479,292
2016	1,581,391	-	-	1,581,391

### 14. Other current assets

	The Group		The Company	
	2017 US\$	2016 US\$	2017 US\$	2016 US\$
VAT and other taxes refundable	7,727,844	8,583,148	53,377	20,070
Deposits and advances to service providers	539,913	526,314	242,765	162,189
Employee floats	47,573	39,321	-	1,049
Other debtors and prepayments	9,811,943	7,841,652	1,001,423	839,285
Amount due from subsidiary companies (Note 27)	-	-	78,152,521	68,010,078
Loans due from subsidiary companies (Note 27)	-	-	1,069,950	1,066,625
	<u>18,127,273</u>	<u>16,990,435</u>	<u>80,520,036</u>	<u>70,099,296</u>

### 15. Share capital

	2017 US\$	2016 US\$
<b>Authorized</b>		
63,000,000 (2016: 63,000,000) shares of US\$ 0.20 each	<u>12,600,000</u>	<u>12,600,000</u>
<b>Issued and fully paid</b>		
55,500,000 (2016: 55,500,000) ordinary shares of US\$ 0.20 each	<u>11,100,000</u>	<u>11,100,000</u>

On 31 December 2017 the issued and fully paid share capital of the Company consisted of 55,500,000 ordinary shares of US \$0.20 each.

Following an extraordinary general meeting of the shareholders on 23 June 2015, a share buyback program with the following conditions was approved:



# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

- the maximum amount of money that can be used to realize the program is US\$ 500,000
- the maximum number of shares that can be bought within the program is 1,000,000 shares
- the program's time frame is 12 months from the resolution's date
- the shares purchased within the program could be held for a maximum of two years from acquisition
- the minimum price for transaction of purchase of shares within the program is PLN 1.0 per share with the maximum price of PLN 6.0 per share

At the end of 2017 the Company held a total of 16,389 (2016: 16,389) shares purchased for a total consideration of US\$ 14,247 (2016: US\$ 14,234).

### 16. Short term borrowings

	The Group		The Company	
	2017 US\$	2016 US\$	2017 US\$	2016 US\$
<b>Current borrowings</b>				
Bank overdrafts (Note 26)	47,468,050	26,814,854	1,289,751	932,996
Current portion of long term loans	298,609	714,258	203,700	168,339
Bank short-term loans	22,819,311	20,289,260	-	-
Short term obligations under finance leases (Note 19)	66,276	54,332	-	-
Total short term debt	<u>70,652,246</u>	<u>47,872,704</u>	<u>1,493,451</u>	<u>1,101,335</u>
Factoring creditors	<u>65,839,753</u>	<u>50,750,598</u>	<u>5,616,641</u>	<u>732,265</u>
	<u>136,491,999</u>	<u>98,623,302</u>	<u>7,110,092</u>	<u>1,833,600</u>

### Summary of borrowings and overdraft arrangements

#### The Group

As at 31 December 2017 the Group enjoyed factoring facilities of US\$ 139,661,000 (2016: US\$ 100,596,000).

In addition, the Group as at 31 December 2017 had the following financing facilities with banks in the countries that the Company and its subsidiaries are operating:

- overdraft lines of US\$ 75,791,000 (2016: US\$ 58,570,000)
- short term loans/revolving facilities of US\$ 36,322,000 (2016: US\$ 26,427,000)
- bank guarantee and letters of credit lines of US\$ 22,633,000 (2016: US\$ 13,447,000)

The Group had for the year ending 31 December 2017 cash lines (overdrafts, loans and revolving facilities) and factoring lines.

The Weighted Average Cost of Debt (cash lines and factoring lines) for the period is 9.3% (2016: 9.2%).

The factoring, overdraft and revolving facilities as well as the loans granted to the Company and its subsidiaries by their bankers are secured by:

- Floating charges over all assets of the Company
- Mortgage on land and buildings that the Group owns in Cyprus, Czech Republic, Belarus, Middle East, Bulgaria, Slovakia and Ukraine
- Charge over receivables and inventories
- Corporate guarantees to the extent of facilities granted to subsidiary companies
- Assignment of insurance policies
- Pledged deposits of US\$ 17,583,000 (2016: US\$ 9,967,000)

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 16. Short term borrowings (continued)

#### The Company

As at 31 December 2017 the Company enjoyed factoring facilities of US\$ 9,000,000 (2016: US\$ 9,000,000).

In addition, the Company, as at 31 December 2017 had the following financing facilities with banks:

- Overdraft facilities of US\$ 19,082,000 (2016: US\$ 16,646,000)
- Long term loan facilities US\$ 319,000 (2016: US\$ 402,000)
- Bank guarantee and letter of credit lines of US\$ 21,732,000 (2016: US\$ 11,413,000)

The Company had cash lines (overdrafts and revolving facilities) with average cost for the year of 5.6% (2016: 5.6%).

The overdraft, revolving and factoring facilities granted to the Company are secured by:

- Floating charges over all assets of the Company
- Pledged deposits US\$ 15,835,000 (2016: US\$ 8,674,000)
- Mortgage on immovable properties in the amount of US\$ 8,866,000 (2016 US\$ 8,516,000)

### 17. Long term borrowings

	The Group		The Company	
	2017	2016	2017	2016
	US\$	US\$	US\$	US\$
Bank loans	156,825	1,157,262	61,307	233,975
Long term obligations under finance leases (note 19)	12,499	26,845	-	-
	<u>169,324</u>	<u>1,184,107</u>	<u>61,307</u>	<u>233,975</u>

#### The Group

(i) The long-term bank loans mainly represent loans received in Slovenia and Serbia. The subsidiary company Asbis SK Spol s.r.o. has obtained two loans for the purchase of land and erection of building in Slovakia. Both loans were already repaid in 2017.

#### The Company

(ii) The long-term bank loan mainly represents a loan received by the Company for the acquisition of land and building. The loan is secured via a mortgage on the acquired land and building.

(iii) The bank loan granted to the Company is secured by a mortgage on immovable properties in the amount of US\$ 2,866,000 (2016: US\$ 2,516,000).



# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 18. Other long term liabilities

	The Group		The Company	
	2017	2016	2017	2016
	US\$	US\$	US\$	US\$
Other long term liabilities	369,341	313,475	-	-

### 19. Finance leases

	The Group		The Company	
	2017	2016	2017	2016
	US\$	US\$	US\$	US\$
Obligation under finance lease	78,775	81,177	-	-
Less: Amount payable within one year (note 16)	(66,276)	(54,332)	-	-
Amounts payable within 2-5 years inclusive	12,499	26,845	-	-

### 20. Deferred tax

#### The Group

	Temporary differences between accounting and tax base of PPE and intangibles (note i) US\$	Tax losses (note ii) US\$	Other temporary differences (note iii) US\$	Total US\$
Credit/(debit) balance on 1 January 2016	83,771	(1,397,197)	(122,590)	(1,436,016)
Deferred tax charge for the year	57,960	505,730	5,702	569,392
Exchange difference on retranslation	7,952	2,837	(1,074)	9,715
Credit/(debit) balance on 31 December 2016	149,683	(888,630)	(117,962)	(856,909)
Deferred tax charge for the year	337,152	374,738	-	711,890
Exchange difference on retranslation	(12,332)	(9,583)	(609)	(22,524)
Credit/(debit) balance on 31 December 2017	474,503	(523,475)	(118,571)	(167,543)

#### The Company

	Temporary differences between accounting and tax base of PPE and intangibles (note i) US\$	Tax losses (note ii) US\$	Other temporary differences (note iii) US\$	Total US\$
Credit/(debit) balance on 1 January 2016	100,363	(1,189,733)	(26,320)	(1,115,690)
Deferred tax charge for the year	-	472,551	-	472,551
Credit/(debit) balance on 31 December 2016	100,363	(717,182)	(26,320)	(643,139)
Deferred tax charge for the year	216,927	374,738	-	591,665
Credit/(debit) balance on 31 December 2017	317,290	(342,444)	(26,320)	(51,474)

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 20. Deferred tax (continued)

#### **Note (i)**

##### **The Group and the Company**

The deferred tax liability relates to excess of capital allowances over depreciation and amortization.

#### **Note (ii)**

##### **The Group**

The deferred tax asset arises from the tax losses that can be carried forward and setoff against the first available taxable profits of the Group companies subject to the carry forward of losses restrictions stipulated in the relevant laws of the country of each relevant subsidiary.

##### **The Company**

The deferred tax asset arises from the tax losses that can be carried forward and set-off against the first available taxable profits of the Company.

In accordance with the Cyprus tax legislation, tax losses can be carried forward for 5 years.

#### **Note (iii)**

##### **The Group and the Company**

Other temporary differences relate mainly to different accounting bases between treatment in accordance with IFRSs and treatment in accordance with local tax standards and mainly consist of the tax effect of unrealized profits/losses on revaluation of working capital and of different treatment in valuing inventory.

#### **Note (iv)**

Deferred tax assets and liabilities are offset when there is a legally unforeseeable right to set-off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

##### **The Group**

	2017 US\$	2016 US\$
Deferred tax assets	(227,615)	(1,006,592)
Deferred tax liabilities	60,072	149,683
Net deferred tax assets	<u>(167,543)</u>	<u>(856,909)</u>

##### **The Company**

	2017 US\$	2016 US\$
Deferred tax assets	(368,764)	(743,502)
Deferred tax liabilities	317,290	100,363
Net deferred tax assets	<u>(51,474)</u>	<u>(643,139)</u>

### 21. Other current liabilities

	The Group		The Company	
	2017 US\$	2016 US\$	2017 US\$	2016 US\$
Salaries payable and related costs	1,176,671	1,019,145	61,916	56,655
VAT payable	8,822,098	6,159,670	705,995	479,651
Provision for warranties	2,580,305	1,941,183	2,580,305	1,548,290
Accruals, deferred income and other provisions	23,176,940	15,277,075	14,668,683	6,500,420
Non-trade accounts payable	<u>2,327,162</u>	<u>2,548,287</u>	<u>427,021</u>	<u>777,387</u>
	<u>38,083,176</u>	<u>26,945,360</u>	<u>18,443,920</u>	<u>9,362,403</u>



# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 22. Commitments and contingencies

As at 31 December 2017 the Group was committed in respect of purchases of inventories of a total cost value of US\$ 2,218,000 (2016: US\$ 3,100,000) which were in transit at 31 December 2017 and delivered in January 2018. Such inventories and the corresponding liability towards the suppliers have not been included in these financial statements since, according to the terms of purchase title of the goods had not passed to the Group at year end.

As at 31 December 2017 the Group was contingently liable to banks in respect of bank guarantees and letters of credit lines of US\$ 22,633,000 (2016: US\$ 13,446,000) which the Group has extended to its suppliers and other counterparties.

The liabilities towards the Company's and the Group's suppliers covered by these guarantees are reflected in the financial statements under trade payables.

### 23. Operating segments

#### The Group

#### 1.1 Segment information

The Group mainly operates in a single industry segment as a distributor of IT products. Information reported to the chief operating decision maker for the purposes of allocating resources to the segments and to assess their performance is based on geographical locations. The Group operates in four principal geographical areas – Former Soviet Union, Eastern Europe, Western Europe and Middle East & Africa.

#### 1.2 Segment revenues and results

	Segment revenue		Segment operating profit	
	2017	2016	2017	2016
	US\$	US\$	US\$	US\$
Former Soviet Union	719,388,144	445,081,930	11,400,600	10,196,200
Central Eastern Europe	496,006,671	426,066,586	9,416,494	8,269,589
Middle East & Africa	162,609,891	168,018,326	2,525,503	1,284,731
Western Europe	93,666,442	69,774,639	726,678	290,165
Other	13,241,106	28,767,053	336,886	195,829
<b>Total</b>	<b>1,484,912,254</b>	<b>1,137,708,534</b>	<b>24,406,161</b>	<b>20,236,514</b>
Net financial expenses			(14,408,018)	(14,264,965)
Other gains and losses			(985,206)	42,268
<b>Profit before taxation</b>			<b>9,012,937</b>	<b>6,013,817</b>

#### 1.3 Segment capital expenditure (CAPEX) and depreciation & amortization

The following is an analysis of the Group's capital expenditure in both tangible and intangible assets as well as their corresponding charges in the income statement:

	Segment CAPEX		Segment depreciation and amortization	
	2017	2016	2017	2016
	US\$	US\$	US\$	US\$
Former Soviet Union	4,372,717	4,100,423	370,459	277,193
Central Eastern Europe	12,502,008	12,080,453	722,425	772,414
Middle East & Africa	3,084,118	3,206,783	199,161	220,299
Western Europe	-	-	-	33,296
Unallocated	8,157,239	8,068,668	943,659	841,197
	<b>28,116,082</b>	<b>27,456,327</b>	<b>2,235,704</b>	<b>2,144,399</b>

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 23. Operating segments (continued)

#### 1.4 Segment assets and liabilities

Segment assets	2017 US\$	2016 US\$
Former Soviet Union	232,984,691	154,300,176
Central Eastern Europe	177,942,005	142,566,106
Middle East & Africa	45,286,320	51,058,290
Western Europe	34,503,594	28,285,670
Total	490,716,610	376,210,242
Assets allocated in capital expenditure (1.3)	28,116,082	27,456,327
Other unallocated assets	5,090,360	11,819,044
Consolidated assets	523,923,052	415,485,613

For the purposes of monitoring segment performance and allocating resources between segments only assets were allocated to the reportable segments. As the Group liabilities are mainly used jointly by the reportable segments, these were not allocated to each segment.

#### 1.5 Geographical information

Since the Group's operating segments are based on geographical location and this information has been provided above (1.2 – 1.4) no further analysis is included.

#### 1.6. Information about major customers

During 2017 (same for 2016) none of the Group's customers accounted for more than 7% of total sales; it is of strategic importance for the Group not to rely on any single customer.

### 24. Derivative financial liabilities

	The Group		The Company	
	2017 US\$	2016 US\$	2017 US\$	2016 US\$
<u>Derivative financial liabilities carried at fair value through profit or loss</u>				
Foreign currency derivative contracts	739,587	1,383	638,758	-

#### Fair value measurement of derivative financial liabilities

The Group	Nominal amount 2017 US\$	Nominal amount 2016 US\$	Fair value 2017 US\$	Fair value 2016 US\$
Buying US\$/Selling EUR	10,928,658	-	(165,278)	-
Buying US\$/Selling PLN	6,026,000	-	(564,104)	-
Buying US\$/Selling RON	5,680,000	-	(56,924)	-
Buying US\$/Selling RUB	4,178,000	-	(326,952)	-
Buying US\$/Selling KZT	3,000,000	-	(70,141)	-
Buying US\$/Selling RSD	-	649,208	-	1,383
Buying US\$/Selling RSD	911,724	-	(10,675)	-
Buying US\$/Selling GBP	290,324	-	(5,298)	-
Buying EUR/Selling RON	4,729,748	-	34,809	-
Buying CZK/Selling EUR	752,129	-	1,377	-
Charges on open contracts	-	-	423,599	-
	36,496,583	649,208	(739,587)	1,383



# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 24. Derivative financial liabilities (continued)

#### The Company

	Nominal amount 2017 US\$	Nominal amount 2016 US\$	Fair value 2017 US\$	Fair value 2016 US\$
Buying US\$/Selling PLN	6,026,000	-	(564,104)	-
Buying US\$/Selling RUB	4,178,000	-	(326,952)	-
Buying US\$/Selling RON	5,680,000	-	(56,924)	-
Buying US\$/Selling EUR	6,821,658	-	(100,405)	-
Buying EUR/Selling RON	4,729,748	-	34,809	-
Buying USD/Selling KZT	2,000,000	-	(63,010)	-
Buying US\$/Selling GBP	290,324	-	(5,298)	-
Buying CZK/Selling EUR	752,129	-	1,377	-
Charges on open contracts	-	-	441,749	-
	<u>30,477,859</u>	<u>-</u>	<u>638,758</u>	<u>-</u>

(i) The Group and the Company enter into currency derivative contracts, namely forward and future currency derivatives, as part of their overall hedging strategy in order to minimize the exposure to foreign currency fluctuations.

(ii) A foreign currency forward derivative contract is a contractual agreement between two parties to exchange two currencies at a given exchange rate at some point in the future. The fair value of the derivative can be either positive (asset) or negative (liability) as a result of fluctuations in the forward exchange rates.

(iii) A foreign currency future derivative contract is a contractual agreement between two parties to buy or sell currency at a predetermined price in the future. The fair value of the derivative can be either positive (asset) or negative (liability) as a result of fluctuations in the period end exchange rate.

(iv) During the year the Group realized a loss from execution of foreign currency derivative contracts of US\$ 1,445,224 (2016: loss of US\$ 1,213,348) and the Company realized a loss of US\$ 1,352,416 (2016: loss of US\$ 916,661).

### 25. Derivative financial assets

	The Group		The Company	
	2017 US\$	2016 US\$	2017 US\$	2016 US\$
<u>Derivative financial assets carried at fair value through profit or loss</u>				
Foreign currency derivative contracts	<u>373,302</u>	<u>1,079,208</u>	<u>-</u>	<u>584,801</u>

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 25. Derivative financial asset (continued)

#### Fair value measurement of derivative financial assets

The Group	Nominal amount 2017 US\$	Nominal amount 2016 US\$	Fair value 2017 US\$	Fair value 2016 US\$
Buying US\$/Selling PLN	-	7,061,000	-	255,448
Buying EUR/Selling USD	-	6,614,480	-	19,713
Buying US\$/Selling RUB	-	4,270,000	-	(326,906)
Buying US\$/Selling RON	-	4,100,000	-	196,403
Buying US\$/Selling UAH	10,600,000	3,600,000	370,565	183,983
Buying US\$/Selling EUR	4,107,000	2,971,732	(64,873)	143,419
Buying EUR/Selling RON	-	2,936,080	-	13,015
Buying US\$/Selling CZK	-	1,966,000	-	(2,307)
Buying US\$/Selling BGN	1,926,000	1,960,000	(18,150)	234,180
Buying HRK/Selling USD	-	700,000	-	5,333
Buying CZK/Selling USD	-	670,000	-	(3,303)
Buying US\$/Selling HRK	778,960	430,000	893	10,209
Buying US\$/Selling GBP	-	357,503	-	20,070
Buying EUR/Selling HRK	414,431	280,934	1,843	1,874
Buying EUR/Selling PLN	-	83,888	-	495
Charges on open contracts	-	-	83,023	327,582
	<u>17,826,391</u>	<u>38,001,617</u>	<u>373,302</u>	<u>1,079,208</u>

The Company	Nominal amount 2017 US\$	Nominal amount 2016 US\$	Fair value 2017 US\$	Fair value 2016 US\$
Buying US\$/Selling PLN	-	7,061,000	-	255,448
Buying US\$/Selling RUB	-	4,270,000	-	(326,906)
Buying US\$/Selling RON	-	4,100,000	-	196,403
Buying US\$/Selling EUR	-	2,971,732	-	143,419
Buying EUR/Selling RON	-	2,936,080	-	13,015
Buying US\$/Selling CZK	-	1,966,000	-	(2,307)
Buying EUR/Selling USD	-	1,905,480	-	(39,114)
Buying CZK/Selling USD	-	670,000	-	(3,303)
Buying US\$/Selling GBP	-	357,503	-	20,070
Buying EUR/Selling PLN	-	83,888	-	495
Charges on open contracts	-	-	-	327,581
	<u>-</u>	<u>26,321,683</u>	<u>-</u>	<u>584,801</u>

(i) The Group and the Company enter into currency derivative contracts, namely forward and future currency derivatives, as part of their overall hedging strategy in order to minimize the exposure to foreign currency fluctuations.

(ii) A foreign currency forward derivative contract is a contractual agreement between two parties to exchange two currencies at a given exchange rate at some point in the future. The fair value of the derivative can be either positive (asset) or negative (liability) as a result of fluctuations in the forward exchange rates.

(iii) A foreign currency future derivative contract is a contractual agreement between two parties to buy or sell currency at a predetermined price in the future. The fair value of the derivative can be either positive (asset) or negative (liability) as a result of fluctuations in the period end exchange rate.

(iv) During the year the Group realized a loss from execution of foreign currency derivative contracts of US\$ 1,445,224 (2016: loss of US\$ 1,238,989) and the Company realized loss of US\$ 1,352,416 (2016: loss of US\$ 942,302).



# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 26. Cash and cash equivalents

	The Group		The Company	
	2017	2016	2017	2016
	US\$	US\$	US\$	US\$
Cash at bank and in hand	93,401,246	33,351,703	66,594,613	18,693,786
Bank overdrafts (Note 16)	(47,468,050)	(26,814,854)	(1,289,751)	(932,996)
	<u>45,933,196</u>	<u>6,536,849</u>	<u>65,304,862</u>	<u>17,760,790</u>

#### The Group

The cash at bank and in hand balance includes an amount of US\$ 17,818,000 (2016: US\$ 9,967,000) which represents pledged deposits.

#### The Company

The cash at bank and in hand balance includes an amount of US\$ 15,254,000 (2016: US\$ 8,675,000) which represents pledged deposits.

### 27. Related party transactions and balances

#### Main shareholders

The following table presents shareholders possessing directly or indirectly more than 5% of the Company's shares and shares held by the Company under the share buyback program as at 31 December 2017:

Name	Number of votes/shares	Votes/share capital %
Siarhei Kostevitch and KS Holdings Ltd	20,401,361	36.76
NN OFE	2,872,954	5.18
Asbisc Enterprises Plc (share buyback program)	16,389	0.02
Free float	<u>32,209,296</u>	<u>58.04</u>
<b>Total</b>	<u>55,500,000</u>	<u>100.00</u>

Transactions and balances between the Company and its subsidiaries have been eliminated on consolidation.

#### The Company

In the normal course of business, the Company undertook during the year transactions with its subsidiary companies and had year end balances as follows:

#### Intercompany (trading) transactions

	Sales of goods		Purchases of goods	
	2017	2016	2017	2016
	US\$	US\$	US\$	US\$
Subsidiaries	<u>621,147,784</u>	<u>488,695,740</u>	<u>32,175,740</u>	<u>34,755,468</u>
	Sales of services		Purchases of services	
	2017	2016	2017	2016
	US\$	US\$	US\$	US\$
Subsidiaries	<u>1,486,436</u>	<u>1,762,643</u>	<u>1,174,013</u>	<u>555,466</u>

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 27. Related party transactions and balances (continued)

#### Intercompany (trading) balances

	Amounts owed by subsidiary companies		Amounts owed to subsidiary companies	
	2017 US\$	2016 US\$	2017 US\$	2016 US\$
Subsidiaries	86,266,246	73,809,777	7,043,775	4,733,074

#### Loans to subsidiary companies

	2017 US\$	2016 US\$
Loans to subsidiary companies (Note 14)	1,069,950	1,066,625

The total loans to subsidiary companies before provision for doubtful loans are unsecured and analyzed below:

Subsidiary companies	Interest rate %	Source currency	2017 US\$	2016 US\$
CJSC ASBIS (Note i)	4	US Dollar	1,069,950	1,066,625

The total interest received from subsidiary companies before provision for doubtful loans are analyzed below:

	2017 US\$	2016 US\$
CJSC ASBIS (Note i) (Note 6)	42,000	42,000

- i) CJSC ASBIS entered into a loan agreement with the Company on the 24<sup>th</sup> of November 2014, with annual renewal.

### Transactions and balances of key management

	The Group		The Company	
	2017 US\$	2016 US\$	2017 US\$	2016 US\$
Directors' remuneration and benefits - executive	434,442	417,764	434,442	417,764
Directors' remuneration - non-executive	2,278	2,216	2,278	2,216
<u>Key management remuneration</u>				
In capacity as other key management personnel	687,601	714,338	101,604	105,110
Employer's contributions-provident fund	13,122	12,629	13,122	12,629
Employer's contributions-social insurance and other benefits	150,573	137,571	55,768	59,377
	1,288,016	1,284,518	607,214	597,096



# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 27. Related party transactions and balances (continued)

#### Share-based payment arrangements

Following an annual general meeting of the shareholders on 23 June 2015, a share buyback program that entitled key management personnel to purchase shares in the Company was approved.

At 31 December 2017, the Group had the following share-based payment arrangement.

Share option program (equity-settled)

- the maximum amount of money that can be used to realize the program is US\$ 500,000
- the maximum number of shares that can be bought within the program is 1,000,000 shares
- the program's time frame is 12 months from the resolution's date
- the shares purchased within the program could be held for a maximum of two years from acquisition
- the minimum price for transaction of purchase of shares within the program is PLN 1.0 per share with the maximum price of PLN 6.0 per share

At the end of 2017 the Company held a total of 16,389 (2016: 16,389) shares purchased for a total consideration of US\$ 14,247 (2016: US\$ 14,234).

### 28. Personnel expenses and average number of employees

	The Group		The Company	
	2017	2016	2017	2016
	US\$	US\$	US\$	US\$
Salaries and other benefits	<u>29,085,127</u>	<u>25,292,730</u>	<u>4,196,814</u>	<u>3,549,988</u>
The average number of employees for the year was	<u>1,202</u>	<u>1,152</u>	<u>118</u>	<u>113</u>

### 29. Earnings per share

	2017	2016
	US\$	US\$
Profit for the year attributable to members	<u>6,955,821</u>	<u>4,617,243</u>
Weighted average number of shares for the purposes of basic and diluted earnings per share	<u>55,500,000</u>	<u>55,500,000</u>
	US\$ Cents	US\$ Cents
Basic and diluted earnings per share	<u>12.53</u>	<u>8.32</u>

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 30. Business combinations

#### The Group

#### 1. Acquisitions

##### 1.1. Acquisitions of subsidiaries to 31 December 2017

During the period, the group acquired 100% of the share capital of I ON LTD and ASBIS SERVIC Ltd, 65.85% of ASBC LLC and 85% of ASBIS Cloud Ltd.

<u>Name of entity</u>	<u>Type of operations</u>	<u>Date acquired</u>	<u>% acquired</u>	<u>% owned</u>
I ON LTD	Information Technology	04 April 2017	100%	100%
ASBC LLC	Information Technology	08 May 2017	65.85%	65.85%
ASBIS SERVICE LTD	Warranty Services	04 July 2017	100%	100%
ASBIS Cloud Ltd	Information Technology	27 July 2017	85%	85%

##### 1.2. Goodwill arising on acquisitions

	<b>2017 US\$</b>	<b>2016 US\$</b>
At 1 January	1,255,204	1,555,972
Impairment loss (note ii)	(1,172,924)	(250,000)
Foreign exchange difference on retranslation	336,309	(50,768)
At 31 December (note i)	<u>418,589</u>	<u>1,255,204</u>

(i) The capitalized goodwill arose from the business combinations of the following subsidiaries:

	<b>2017 US\$</b>	<b>2016 US\$</b>
ASBIS d.o.o. (BA) (formerly Megatrend D.O.O. Sarajevo)	418,589	367,911
SHARK Computers a.s.	-	887,293
	<u>418,589</u>	<u>1,255,204</u>

(ii) The impairment loss of goodwill relates to the following subsidiary:

	<b>2017 US\$</b>	<b>2016 US\$</b>
SHARK Computers a.s.	<u>(1,172,924)</u>	<u>(250,000)</u>

##### 1.3. Impairment testing

For ASBIS d.o.o. (BA) (formerly Megatrend D.O.O. Sarajevo), a detailed impairment analysis was performed and based on the results it has been concluded that no impairment is required

#### 2. Disposals of subsidiaries

##### Disposals in the year ended 31 December 2017

The following Group's subsidiary went into liquidation and a loss of US\$ 12,461 arose on the event. In addition, on 31 March 2017 the Group has decreased the share capital of Asbis Vilnius UAB by US\$ 22,316.

<u>Name of disposed entity</u>	<u>Type of operations</u>	<u>Date liquidated</u>	<u>% liquidated</u>
Shark Online a.s.	Information Technology	01 January 2017	100%

##### Disposals in the year ended 31 December 2016

The following Group's subsidiaries went into liquidation. No gains or losses arose on the events.

<u>Name of disposed entity</u>	<u>Type of operations</u>	<u>Date liquidated</u>	<u>% liquidated</u>
EuroMall SRB d.o.o	Information Technology	03 August 2016	100%
EuroMall Croatia	Information Technology	13 October 2016	100%
IT-MAX	Information Technology	04 November 2016	100%



# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 31. Financial risk management

#### 1. Financial risk factors

In this note, references to the Group also relate to the Company.

The Group's activities expose it to credit risk, interest rate risk, liquidity risk and currency risk arising from the financial instruments it holds. The risk management policies employed by the Group to manage these risks are discussed below:

#### 1.1. Credit risk

Credit risk is defined as the risk of failure of debtors to discharge their obligations towards the Group. The Group sets up and maintains specific controls to mitigate its credit risk, as it realizes its importance for the Group's viability.

The Group had established and systematically follows a thorough procedure prior to registering new customers into its system. Every new customer is checked both internally and via various reputable credit sources prior to such registration and, more importantly, prior to granting of any credit. The Group runs an internal credit department consisting of local, regional and corporate credit managers. Corporate managers decide for all significant credit line requests and review the work of regional and local managers. The Group uses all available credit tools – i.e. credit insurance, credit information bureaus, letter of guarantee – to safeguard itself from the credit risk. We have insured about 73% of our 2017 receivables.

During 2017 (same for 2016) none of the Group's customers accounted individually for more than 7% of total sales; it is of strategic importance for the Group not to rely on any single customer.

Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit insurance is purchased. The credit risk on liquid funds and derivative financial instruments is determined by the credit ratings assigned to the financial institutions with which these funds are held.

The aging profile of trade receivables is disclosed in note 13.

The table below shows an analysis of the Group's bank deposits at year end by credit rating of the bank in which they are held:

	2017 US\$	2016 US\$
Based on credit ratings by Moody's; the cash at banks the Group held as at year end are:		
Aa1	350,000	-
Aa3	102,676	494,362
A1	31,662,235	12,234,627
A2	3,099,775	804,455
Baa1	34,345,282	3,455,141
Baa2	2,814,023	6,689,081
Baa3	98,316	-
Ba2	5,884,258	1,138,038
Ba3	1,843,291	-
B1	3,276,724	-
B2	288,934	-
BB	-	3,242,764
Caa1	3,057,409	-
Caa2	114,195	-
Caa3	3,770,200	3,060,657
Without credit rating	2,693,928	2,232,578
	<u>93,401,246</u>	<u>33,351,703</u>

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 31. Financial risk management (continued)

#### 1.2. Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are dependent on changes in market interest rates. The Group deposits excess cash and borrows at variable rates. The Group's management monitor the interest rate fluctuations on a continuous basis and act accordingly.

At the reporting date the profile of interest-bearing financial instruments was:

	The Group		The Company	
	2017	2016	2017	2016
	US\$	US\$	US\$	US\$
<b>Variable rate instruments</b>				
Overdrafts	47,468,050	26,814,854	1,289,751	932,996
Short-term loans	23,117,920	21,003,518	203,700	168,339
Long-term loans	156,825	1,157,262	61,307	233,975
Factoring advances	65,839,753	50,750,598	5,616,641	732,265
	<u>136,582,548</u>	<u>99,726,232</u>	<u>7,171,399</u>	<u>2,067,575</u>

#### Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2017 would have decreased by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant, as well as it assumes that financial facilities outstanding at the end of the reporting period were also outstanding for the whole year. For a decrease of 100 basis points there would be an equal and opposite impact on the profit and loss.

	Profit & loss			
	The Group		The Company	
	2017	2016	2017	2016
	US\$	US\$	US\$	US\$
<b>Variable rate instruments</b>				
Overdrafts	474,681	268,149	12,898	9,330
Short-term loans	231,179	210,035	2,037	1,683
Long-term loans	1,568	11,573	613	2,340
Factoring advances	658,398	507,505	56,166	7,323
	<u>1,365,825</u>	<u>997,262</u>	<u>71,714</u>	<u>20,676</u>

#### 1.3. Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the object of minimizing such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following tables detail the remaining contractual maturity for financial liabilities. The tables had been drawn up based on the earliest date on which the Group/Company can be required to pay and include only principal cash flows.

The Group						
31 December 2017	Carrying amounts	Contractual cash flows	3 months or less	3-12 months	1-2 years	2-5 years
	US\$	US\$	US\$	US\$	US\$	US\$
Bank loans	23,274,745	23,274,745	14,841,613	8,276,307	156,825	-
Bank overdrafts	47,468,050	47,468,050	4,967,442	42,500,607	-	-
Factoring advances	65,839,753	65,839,753	54,065,025	11,774,728	-	-
Trade and other payables	291,624,923	291,624,923	289,747,521	1,877,402	-	-
Other short and long term liabilities	<u>1,187,703</u>	<u>1,187,703</u>	<u>790,786</u>	<u>15,077</u>	<u>381,840</u>	<u>-</u>
	<u>429,395,174</u>	<u>429,395,174</u>	<u>364,412,387</u>	<u>64,444,122</u>	<u>538,665</u>	<u>-</u>



# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 31. Financial risk management (continued)

#### 1.3. Liquidity risk (continued)

31 December 2016	Carrying amounts US\$	Contractual cash flows US\$	3 months or less US\$	3-12 months US\$	1-2 years US\$	2-5 years US\$
Bank loans	22,160,780	22,160,780	13,737,346	7,266,171	555,255	602,008
Bank overdrafts	26,814,854	26,814,854	1,250,723	25,564,131	-	-
Factoring advances	50,750,598	50,750,598	33,017,455	17,733,143	-	-
Trade and other payables	229,318,794	229,318,794	224,812,789	4,506,005	-	-
Other short and long term liabilities	396,035	396,035	36,232	19,484	329,334	10,985
	<u>329,441,061</u>	<u>329,441,061</u>	<u>272,854,545</u>	<u>55,088,934</u>	<u>884,589</u>	<u>612,993</u>

#### The Company

31 December 2017	Carrying amounts US\$	Contractual cash flows US\$	3 months or less US\$	3-12 months US\$	1-2 years US\$	2-5 years US\$
Bank loans	265,007	265,007	265,007	152,775	61,307	-
Bank overdrafts	1,289,751	1,289,751	1,289,751	-	-	-
Factoring advances	5,616,641	5,616,641	5,616,641	-	-	-
Trade and other payables	200,832,438	200,832,438	200,832,438	-	-	-
Other short and long term liabilities	638,758	638,758	638,758	-	-	-
	<u>208,642,595</u>	<u>208,642,595</u>	<u>208,642,595</u>	<u>152,775</u>	<u>61,307</u>	<u>-</u>

31 December 2016	Carrying amounts US\$	Contractual cash flows US\$	3 months or less US\$	3-12 months US\$	1-2 years US\$	2-5 years US\$
Bank loans	402,314	402,314	41,132	127,207	178,879	55,096
Bank overdrafts	932,996	932,996	932,996	-	-	-
Factoring advances	732,265	732,265	732,265	-	-	-
Trade and other payables	138,674,047	138,674,047	138,674,047	-	-	-
	<u>140,741,622</u>	<u>140,741,622</u>	<u>140,380,439</u>	<u>127,207</u>	<u>178,879</u>	<u>55,096</u>

#### 1.4. Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's/Company's measurement currency.

The Group uses short-term derivative financial instruments to minimize the risk on balances and material transactions denominated in currencies other than US Dollars, the Group's reporting currency. As a significant portion of the Group's cash flow is denominated in Russian Ruble, Euro and other local currencies (i.e. the Czech Crown, the Polish Zloty, the Hungarian Forint, etc.), the Group raises debt in such currencies in order to hedge against foreign exchange risk.

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 31. Financial risk management (continued)

#### 1.4. Currency risk (continued)

The carrying amounts of the monetary assets and monetary liabilities at the reporting date are denominated in the following currencies:

#### The Group

2017	Cash at bank and in hand	Receivables	Trade and other liabilities	Borrowings
	US\$	US\$	US\$	US\$
US Dollar	71,953,953	61,738,060	(223,822,240)	(5,705,414)
Euro	3,453,189	55,599,549	(56,768,161)	(36,286,012)
Russian Rouble	218,429	31,080,446	(21,761,863)	(5,665,275)
Polish Zloty	504,353	5,865,954	(902,924)	(719,090)
Belarusian Rouble	257,177	4,616,261	(1,647,428)	(3,407,634)
Croatian Kuna	1,152,050	2,879,695	(857,693)	(2,990,558)
Romanian New Lei	3,768,473	17,833,161	(6,390,930)	(3,170,338)
Bulgarian Lev	2,048,781	5,483,543	(3,376,939)	(2,502,154)
Hungarian Forint	891,184	2,651,946	(730,412)	(1,854,571)
Kazakhstan Tenge	1,843,291	22,004,512	(15,728,778)	(79,639)
UAH	1,031,752	28,011,732	(16,460,951)	(1,981,174)
BAM	531,426	3,868,546	(517,452)	(1,532,981)
Other	5,747,188	15,780,153	(9,238,491)	(4,986,802)
	<u>93,401,246</u>	<u>257,413,558</u>	<u>(358,204,262)</u>	<u>(70,881,642)</u>

#### The Group

2016	Cash at bank and in hand	Receivables	Trade and other liabilities	Borrowings
	US\$	US\$	US\$	US\$
US Dollar	20,017,313	74,352,005	(150,185,472)	(4,541,491)
Euro	3,154,222	50,119,444	(65,749,217)	(16,077,158)
Romanian New Lei	1,827,207	16,557,804	(5,549,498)	(2,519,247)
Polish Zloty	1,144,522	6,630,060	(694,527)	(616,651)
Croatian Kuna	1,128,848	1,523,485	(605,244)	(2,650,471)
Czech Koruna	1,030,354	9,953,608	(7,357,873)	(4,127,460)
Hungarian Forint	960,192	2,856,438	(721,511)	(2,271,635)
Bulgarian Lev	917,121	3,823,687	(2,304,006)	(2,046,910)
Kazakhstan Tenge	526,630	12,487,793	(8,909,413)	(800,402)
UAH	459,818	13,728,814	(7,594,501)	(2,711,135)
BAM	247,405	2,325,314	(215,437)	(1,094,074)
Belarusian Ruble	143,596	4,001,846	(460,780)	(3,696,547)
Russian Ruble	20,761	36,539,572	(28,557,296)	(5,589,667)
Other	1,773,714	4,237,806	(1,166,000)	(627,438)
	<u>33,351,703</u>	<u>239,137,676</u>	<u>(280,070,775)</u>	<u>(49,370,286)</u>



# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 31. Financial risk management (continued)

#### 1.4. Currency risk (continued)

##### The Company

2017	Cash at bank and in hand	Receivables	Trade and other liabilities	Borrowings
	US\$	US\$	US\$	US\$
US Dollar	64,575,053	116,062,193	(206,644,112)	(1,088,344)
Euro	1,404,240	7,049,781	(6,768,637)	(465,775)
Czech Koruna	495,221	316,372	(553,710)	-
GBP	120,099	211,774	(164,255)	-
PLN	-	4,105,737	(1,536)	-
Other	-	(1,127,348)	-	-
	<u>66,594,613</u>	<u>126,618,509</u>	<u>(214,132,250)</u>	<u>(1,554,119)</u>

##### The Company

2016	Cash at bank and in hand	Receivables	Trade and other liabilities	Borrowings
	US\$	US\$	US\$	US\$
US Dollar	18,024,872	106,024,943	(135,436,111)	(298,789)
Euro	333,885	9,973,679	(7,404,645)	(1,036,522)
Czech Koruna	290,568	299,470	(845,250)	-
GBP	44,366	242,701	(126,592)	-
PLN	95	5,421,421	(1,262)	-
Other	-	380,701	(325,525)	-
	<u>18,693,786</u>	<u>122,342,915</u>	<u>(144,139,385)</u>	<u>(1,335,311)</u>

The Company is not exposed to any material foreign exchange risk, as most of its operations are conducted in US Dollars, the Company's reporting currency. Any exposure to foreign exchange risk is restricted to monetary assets denominated in foreign currencies, mainly Euro, Polish Zloti and Russian Ruble, and this risk is mitigated by the appropriate use of currency derivative contracts.

#### 2. Fair values

##### The Group and the Company

Financial instruments comprise financial assets and financial liabilities. Financial assets mainly consist of bank balances, receivables and investments. Financial liabilities mainly consist of trade payables, factoring balances, bank overdrafts and loans. The Directors consider that the carrying amount of the Company's/Group's financial instruments approximate their fair value at the reporting date. Financial assets and financial liabilities carried at fair value through profit or loss represent foreign currency derivative contracts categorized as a Level 2 (quoted prices (unadjusted) in active markets for identical assets or liabilities) fair value hierarchy.

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 31. Financial risk management (continued)

#### 3. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through optimization of debt and equity. The Group's overall strategy remains unchanged from 2017.

The capital structure of the Group consists of debt, which includes borrowings, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

#### Gearing ratio

The Group's risk management committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risk associated with it.

#### The Group

The gearing ratio at the year-end was as follows:

	2017 US\$	2016 US\$
Debt (i)	136,648,824	99,780,564
Cash at bank and in hand	(93,401,246)	(33,351,703)
Net debt	<u>43,247,578</u>	<u>66,428,861</u>
Equity (ii)	<u>94,467,806</u>	<u>85,894,869</u>
Net debt to equity ratio	46%	77%
(i)	Debt includes short-term (factoring advances, overdrafts and short-term loans) and long-term borrowings.	
(ii)	Equity includes all capital and reserves.	

#### The Company

The gearing ratio at the year-end was as follows:

	2017 US\$	2016 US\$
Debt (i)	7,171,399	2,067,575
Cash at bank and in hand	(66,594,613)	(18,693,786)
Net debt	<u>(59,423,214)</u>	<u>(16,626,211)</u>
Equity (ii)	<u>53,940,180</u>	<u>53,535,345</u>
Net debt to equity ratio	-	-
(i)	Debt includes short-term (factoring advances, overdrafts and short-term loans) and long-term borrowings.	
(ii)	Equity includes all capital and reserves.	



# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 31. Financial risk management (continued)

#### 4. Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the fair value hierarchy of the Group's and the Company's assets:

	<b>The Group Level 2 US\$</b>	<b>The Company Level 2 US\$</b>
<b>Assets</b>		
Derivative financial assets	<u>373,302</u>	<u>-</u>
<b>Liabilities</b>		
Derivative financial liabilities	<u>739,587</u>	<u>638,758</u>

The fair value of financial instruments that are not traded in an active market (for example, unlisted equity securities) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

### 32. Other risks

#### *Operational risk*

Operational risk is the risk that derives from the deficiencies relating to the Group's/Company's information technology and control systems as well as the risk of human error and natural disasters. The Group's/Company's systems are evaluated, maintained and upgraded continuously.

#### *Compliance risk*

Compliance risk is the risk of financial loss, including fines and other penalties, which arises from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by the Compliance Officer, as well as by the monitoring controls applied by the Group/Company.

#### *Litigation risk*

Litigation risk is the risk of financial loss, interruption of the Group's operations or any other undesirable situation that arises from the possibility of non-execution or violation of legal contracts and consequentially of lawsuits. The risk is restricted through the contracts used by the Group/Company to execute its operations.

#### *Reputation risk*

The risk of loss of reputation arising from the negative publicity relating to the Group's/Company's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against the Group. The Group/Company applies procedures to minimize this risk.

#### *Other risks*

The general economic environment may affect the Group's/Company's operations to a great extent. Concepts such as inflation, unemployment, and development of the gross domestic product are directly linked to the economic course of every country and any variation in these and the economic environment in general may create chain reactions in all areas hence affecting the Group/Company.

# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 33. Operating lease arrangements

Operating leases relate to office, warehouse and car facilities with lease terms between 1 to 10 years.

#### The Group

##### Non-cancellable operating lease arrangements

	2017		2016	
	Cars	Offices and warehouses	Cars	Offices and warehouses
	US\$	US\$	US\$	US\$
Within 1 year	364,729	122,149	533,893	672,018
Between 2 to 5 years	516,224	349,288	792,830	714,542
More than 5 years	-	-	-	414,739
	<u>880,953</u>	<u>471,437</u>	<u>1,326,723</u>	<u>1,801,299</u>

The payment recognized as an expense during the year amounted to US\$ 1,511,000 (2016: US\$ 1,761,000).

#### The Company

The Company had no operating leases during 2017 and 2016.

### 34. Dividends

Our dividend policy is to pay dividends at levels consistent with our growth and development plans, while maintaining a reasonable level of liquidity. The Board of Directors paid a final dividend of US\$ 1,665,000 during the year i.e US\$ 0.03 per share and also proposes the payment of an interim dividend of US\$ 0.06 per share for the year 2017, amounting to US\$ 3,300,000, based on improved 2017 profitability.