

**ANNUAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010**

Limassol, March 30th, 2011



Siarhei Kostevitch
Chairman & CEO

Dear Shareholders,

Last year was the time of recovery after crisis for both the Company and the market. The world financial crisis eased significantly during the year, and thus we were able to benefit from hard work made on the Company's fundamentals and product portfolio that we conducted during tough times. As a result, we were able to improve our results on every level, beginning from revenues, and ending on net profit.

Easing of the crisis was especially visible in revenues, that grew in all our major regions. The most important fact however was the rebound on our biggest markets - Russia and Ukraine. Together with upgraded product portfolio, it allowed us to increase significantly both market position and revenues.

However, the fact that the crisis eased down, does not mean that there were no turbulences during the year. This was especially visible in the currency environment, that experienced strong volatility. As this has affected us in the past, in 2010 we have focused also on building safety against currency exchange rates fluctuations. This led us to build specialized FX hedging teams that reached full operational readiness in the summer. Because of that we were able to reduce our exposure on FX risk in the second part of the year, and we believe that we will be able to continue so in the future.

The significant improvement of our market position, upgraded product portfolio, growing revenues and upgraded FX hedging policy allow us to think bright about the future. At times when the markets started growing again, we are ready to benefit from all of such factors in order to increase gross margins and net profit in 2011. All of these were presented in our public financial forecasts – published first time since listing in Warsaw.

We know that the crisis' effects are still visible in the market and that a lot of challenges are awaiting for us, but the Company's management and myself are confident and committed to making 2011 a very successful year for shareholders, our employees and suppliers.

Siarhei Kostevitch

Chairman & CEO

Directors' report on the Group operations
For the fiscal year ended 31 December 2010

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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: Russia, Slovakia, Ukraine, Poland, Czech Republic, Belarus, Romania, Croatia, Slovenia, Bulgaria, Serbia, Hungary, and Middle East countries (i.e. United Arab Emirates, Saudi Arabia, Qatar and other Gulf states).

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 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 three master distribution centres (located in the Czech Republic, the United Arab Emirates and China), our network of 33 warehouses located in 26 countries. This network supplies products to the Group's in-country operations and directly to its customers in approximately 75 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 size, 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 - a leading research company 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. Some of this data we used were produced prior to the recent global economic crisis in discussion and therefore some of the data might have become inaccurate.

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 2010. 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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Exchange rate at end of period	2.91	2.44	2.96	2.85	2.96
Average exchange rate during period ⁽¹⁾	3.10	2.77	2.41	3.12	3.04
Highest exchange rate during period.....	3.30	3.04	3.13	3.90	3.49
Lowest exchange rate during period	2.86	2.43	2.02	2.71	2.75

⁽¹⁾ 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 2010.....	2.91	2.79
February 2010.....	2.99	2.83
March 2010.....	2.92	2.81
April 2010.....	3.00	2.83
May 2010.....	3.42	2.99
June 2010.....	3.49	3.25
July 2010.....	3.38	3.06
August 2010.....	3.17	3.00
September 2010.....	3.13	2.92
October 2010.....	2.89	2.77
November 2010.....	3.13	2.74
December 2010.....	3.08	2.96
January 2011.....	3.03	2.83
February 2011.....	2.92	2.82

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)	2006	2007	2008	2009	2010
Exchange rate at end of period	0.7597	0.6798	0.7099	0.6938	0.7485
Average exchange rate during period ⁽¹⁾	0.7970	0.7269	0.6809	0.7182	0.7589
Highest exchange rate during period.....	0.8442	0.7747	0.6259	0.7992	0.8188
Lowest exchange rate during period	0.7515	0.6727	0.8053	0.6616	0.7161

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 2010.....	0.7160	0.6891
February 2010.....	0.7413	0.7136
March 2010.....	0.7497	0.7260
April 2010.....	0.7602	0.7327
May 2010.....	0.8214	0.7613
June 2010.....	0.8378	0.8055
July 2010.....	0.8132	0.7656
August 2010.....	0.7914	0.7524
September 2010.....	0.7892	0.7336
October 2010.....	0.7308	0.7093
November 2010.....	0.7686	0.7013
December 2010.....	0.7649	0.7444
January 2011.....	0.7745	0.7287
February 2011.....	0.7428	0.7234

Selected Financial Data

The following table set forth our selected historical financial data for the years ended December 31, 2010 and 2009 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 2010, 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 2010, that is: 1 US\$ = 2.9641 PLN and 1 EUR = 3.9603 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 2010, that is 1 US\$ = 3.0402 PLN and 1 EUR = 4.0044 PLN.

Period from 1 January to 31 December

	2010			2009
	USD	PLN	EUR	USD
Revenue	1,435,063	4,362,878	1,089,521	1,162,458
Cost of sales	(1,364,960)	(4,149,750)	(1,036,298)	(1,105,564)
Gross profit before currency movements	70,103	213,127	53,223	56,894
Currency movements on gross profit	(3,744)	(11,381)	(2,842)	(3,937)
Gross profit after currency movements	66,360	201,746	50,381	52,957
Selling expenses	(33,464)	(101,738)	(25,407)	(27,664)
Administrative expenses	(23,466)	(71,342)	(17,816)	(22,404)
Profit from operations	9,429	28,666	7,159	2,889
Financial expenses	(8,308)	(25,259)	(6,308)	(7,042)
Financial income	894	2,719	679	626
Other gains and losses	289	880	220	707
Negative goodwill written off	-	-	-	2
Share of loss from joint ventures	(52)	(159)	(40)	-
Profit/(loss) before taxation	2,252	6,846	1,710	(2,817)
Taxation	(950)	(2,888)	(721)	(179)
Profit/(loss) after taxation	1,302	3,959	989	(2,997)
Attributable to:				
Non-controlling interest	353	1,073	268	212
Owners of the parent company	949	2,886	721	(3,208)
	1,302	3,959	989	(2,997)

	USD (cents)	PLN (grosz)	EUR (cents)	USD (cents)
Earnings per share				
Weighted average basic and diluted earnings per share from continuing operations	1.71	5.20	1.30	(5.78)

	USD	PLN	EUR	USD
Net cash inflows/(outflows) from operating activities	(16,179)	(49,187)	(12,283)	34,169
Net cash inflows/(outflows) from investing activities	(5,597)	(17,016)	(4,249)	(3,393)
Net cash inflows/(outflows) from financing activities	6,574	19,985	4,991	(7,138)
Net increase/(decrease) in cash and cash equivalents	(15,202)	(46,218)	(11,542)	23,638
Cash at the beginning of the year	36,572	111,186	27,766	12,934
Cash at the end of the year	21,370	64,968	16,224	36,572

	As of 31 December 2010			As of 31 December 2009
	USD	PLN	EUR	USD
Current assets	435,383	1,290,519	325,864	357,920
Non-current assets	30,244	89,645	22,636	27,903
Total assets	465,627	1,380,164	348,500	385,823
Liabilities	373,860	1,108,158	279,817	294,471
Equity	91,767	272,006	68,683	91,352

Risk Factors

This section describes the 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

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.

Our reporting currency is the U.S. dollar. In 2010 approximately 50% of our revenues are denominated in U.S. dollars, while the balance of our revenues is denominated in Euro and other currencies, certain of which are linked to the Euro. Our trade payable balances are principally 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 Czech Crown and the Polish Zloty. 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 our revenues, 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, 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, including setting up the specialized FX hedging teams in 2010, there can be no assurance that fluctuations in the exchange rates of the Euro and 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.

EUR/USD fluctuations in 2010



Worldwide financial environment

The world's financial crisis has eased significantly throughout 2010. This was especially visible on sales and profitability levels compared to 2009. The recovery signals from some of our markets were strong, especially from the Former Soviet Union countries. Following some recovery the Company undertakes efforts to benefit from these signals both in revenues and profitability. The Company has revised its strategy and has adapted to the new environment, i.e. by rebuilding its product portfolio. This paid off in line with increasing demand in many markets the Company operates in; as a result the Company was able to win market share from weaker competitors.

The Company expects that the impact of the crisis will continue to ease in 2011. It is however important to underline that several markets where the Group operates in are still under the effects of the crisis and this might cause adverse effects during 2011. Another recent development with political instability of some countries where the Group operates in (Egypt, Tunisia, etc) might also play a negative role during 2011. The Group closely monitors the situation and makes all necessary decisions to safeguard its interests.

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 condition.

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 60 days or, in a few cases, to 90 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 in which 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 the Company is unable 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 50 percent of its revenue.

Due to the recent market developments following the credit crisis that affected all countries the Group operates in, credit risk has become one of the most important factors that might affect the Group's results in the future. Despite the fact that the Group has managed to credit insure a large portion of its receivables, credit insurance companies are still reluctant to credit insure certain countries and customers. As a result the Group is exposed to more credit risk and the ability of the Group to analyse and assess its credit risk is of extremely high importance.

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, Kvazar Micro and Merlion in the Former Soviet Union, AB, ABC Data and Action 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 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 IT distribution business has 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 gross profit margins, like those of other distributors of IT products, are low and the Company expects them to 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 order to tackle this problem, the Company continues its strategy of product portfolio diversification by adding more A-branded goods, laptops, software and more own brands sales to traditional IT components business, in order to reach better margins in the future.

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 resort to price reductions 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.

Our business is dependent on the decisions and actions of a limited number of suppliers. In the year ended 31 December 2010, the company held contracts with namely Intel, Advanced Micro Devices (AMD), Seagate, Microsoft, DELL, Toshiba, Acer and Lenovo. 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 the risk of termination of our distribution agreements, in the event that it does 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 by way of 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.

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.

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 three 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, Chairman of the Board of Directors and principal shareholder. 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.

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: Russia, Slovakia, Ukraine, Poland, Czech Republic, Belarus, Romania, Croatia, Slovenia, Bulgaria, Serbia, Hungary, and Middle East countries (i.e. United Arab Emirates, Saudi Arabia, Qatar and other Gulf states).

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 Intel, Advanced Micro Devices ("AMD"), Seagate, Western Digital, Samsung, Microsoft, Toshiba, Dell, Acer, Lenovo, Hitachi and Apple in certain countries. In addition, a significant part of our revenue is comprised of sales of IT and consumer electronic 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 three master distribution centres (located in the Czech Republic, the United Arab Emirates and China), our network of 33 warehouses located in 26 countries. This network supplies products to the Group's in-country operations and directly to its customers in approximately 75 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. \$ 1,435,063 in 2010, compared to U.S. \$ 1,162,458 in 2009, following our stronger market position and rebound on our key markets. Over the same period, we have reported a net profit after taxation amounting to U.S. \$ 1,302 in 2010, compared to a net loss after taxation of U.S. \$ 2,997 in 2009, mainly due to better revenues and increased gross profit.

Our headquarters are home to our centralized purchasing department and our 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. Dealings through the IT4Profit online platform have grown to represent approximately 55% of our revenues in 2010.

We combine the international experience of our central management team with the local expertise of our offices in each of the 26 countries in which we operate. With our broad local presence, we have developed in-depth knowledge and understanding of fast-growing IT markets in regions such as Central and Eastern

Europe 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 not only in Eastern Europe and the Former Soviet Union, but also in the Middle East and Africa (“EMEA”).

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 we 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 shareholders structure occurred in 2010, were a) MAIZURI Enterprises LTD went down below 5% threshold, and b) Aviva Investors Poland S.A. funds reached 5,26% stake in the company.

As of the date of this report our Cypriot headquarters is being supported, through three master distribution centres (located in the Czech Republic, China and the United Arab Emirates), our network of 33 warehouses located in 26 countries. This network supplies products to the Group's in-country operations and directly to its customers in approximately 75 countries.

Strengths

The Directors consider that our key strengths are:

- Broad geographic coverage combined with 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.

- Our 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 eight 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 repeating revenues exceeding one billion U.S. Dollars and with sales in approximately 75 countries and facilities in 26 countries, we believe that we have become a strong partner for, and has improved our position with, leading international suppliers of IT components and finished products, including Intel, AMD, Seagate, Samsung, Microsoft, Hitachi, Dell and Toshiba, Acer and Lenovo 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.

Group Structure and Operations

The following table presents our corporate structure as at December 31st, 2010:

Company	Consolidation Method
ASBISC Enterprises PLC	Mother company
Asbis Ukraine Limited (Kiev, Ukraine)	Full (100% subsidiary)
Asbis PL Sp.z.o.o (Warsaw, Poland)	Full (100% subsidiary)
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 Europe B.V (Schiphol, Netherlands)	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 Nordic AB (Jaelfaella, Sweden)	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)
EUROMALL d.o.o. (formerly ISA Hardware d.o.o.) (Zagreb, Croatia)	Full (100% subsidiary)
ISA Hardware Hungary Commercial Limited Liability Co (Budapest, Hungary)	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)
Euro-Mall SRB d.o.o. (former ISA Hardware d.o.o Beograd) (Belgrade, Serbia)	Full (100% subsidiary)
E.M.Euro-Mall D.o.o. (former ISA Hardware s.r.o Slovenia) (Ljubljana, Slovenia)	Full (100% subsidiary)
Prestigio Plaza Sp. z o.o (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)
ASBIS 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)
Megatrend d.o.o. (Sarajevo, Bosnia Herzegovina)	Full (90% ownership)
PTUE IT-MAX (Minsk, Belarus)	Full (100% subsidiary)
ASBIS Close Joint-Stock Company (former CZAO ASBIS) (Minsk, Belarus)	Full (66.6% ownership)
ASBIS IT S.R.L." (Rome, Italy)	Full (100% subsidiary)
ASBIS Kazakhstan LLP (Almaty, Kazakhstan)	Full (100% subsidiary)
Euro-Mall SRO (Bratislava, Slovakia)	Full (100% subsidiary)
ASBIS Taiwan (Taipei City, Taiwan)	Full (100% subsidiary)

AOSBIS TECHNOLOGY (SHENZHE) CORP. (Shenzhen, China)	48% ownership
ASBIS DE GMBH, (Munich, Germany)	Full (100% subsidiary)
EUROMALL BULGARIA EOOD (Sofia, Bulgaria)	Full (100% subsidiary)
ION-Ukraine LLC (Kiev, Ukraine)	Full (100% subsidiary)
Advanced Systems Company LLC (Riyadh, Kingdom of Saudi Arabia)	Full (100% subsidiary)
ASBIS KOREA (Seoul, Korea)	Full (100% subsidiary)

Asbisc Enterprises Plc is the parent company of the Group. Our subsidiaries are involved in diverse activities related to distribution of IT components and equipment. In particular, our subsidiaries operating under the ASBIS name are involved in the distribution of IT components finished products and equipment, including distribution of products from worldwide leading manufacturers such as Intel, AMD, Seagate, Western Digital, Samsung, Microsoft, Hitachi Dell, Acer, Lenovo, 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 equipment.

Changes in the Group's structure

New entities established:

- ASBIS KOREA (Seoul, Korea) – 100% subsidiary was established to conduct operations in the Korean market
- AOSBIS TECHNOLOGY (SHENZHE) CORP. (Shenzhen, China) - The Company holds 48% in its share capital.
- ASBIS DE GMBH (Munich, Germany) – 100% subsidiary
- Advanced Systems Company LLC (Riyadh, Kingdom of Saudi Arabia) - 100% subsidiary

Acquisitions:

- EUROMALL BULGARIA EOOD (Sofia, Bulgaria) – 100% subsidiary
- ION-Ukraine LLC (Kiev, Ukraine) – 100% subsidiary
- Megatrend d.o.o. (Sarajevo, Bosnia Herzegovina) – additional 10% of shares were bought. Prior to the transaction the Company had 80% ownership and after it has 90% ownership

One subsidiary was sold:

- Prestigio Ukraine Limited (Kiev, Ukraine) – 100% subsidiary was sold due to the fact that it was conducting no operations

Regional operations

We operate as a one-stop-shop for the desktop PC, server, laptop 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, Ireland and the Netherlands. In countries with a large geographic area and a less developed infrastructure, such as Russia, Ukraine, Belarus, Kazakhstan, Egypt, Morocco, Algeria and Tunisia, we have developed and manage sales through a network of local resellers. These resellers distribute products, supported by pre-sales and post-sales services provided by us. As the level of infrastructure development increases in these countries, the Directors intend to shift from an indirect to a direct sales model through establishing local operations. See "*Directions of Further Development*".

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 in-depth knowledge of their respective product lines. Our sales staff are also trained by our suppliers, such as 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.

We are represented in the following locations:



Key Markets

Historically, the regions of Central Eastern Europe (“CEE”) and Former Soviet Union have been the larger contributors of revenues of the Group.

The following table presents the breakdown of our revenue by regions for the years ended 31 December 2010, 2009 and 2008:

	Year ended 31 December		
	2010	2009 %	2008
Former Soviet Union	41.00	32.05	43.4
Central and Eastern Europe	33.58	39.39	33.7
Middle East & Africa	14.18	15.73	11.3
Western Europe	7.66	9.55	9.5
Other	3.58	3.28	2.1
Total revenue	100	100	100

Products

We are engaged in sales and distribution of a variety of products including IT components, 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, North and South Africa and the Middle East.

We engage in three primary lines of business:

- sales and distribution of the IT components and blocks described below that we purchase from a variety of suppliers such as Intel, AMD, Seagate and Western Digital,
- sales of a range of finished products from worldwide manufacturers (Dell, Toshiba, Lenovo, Acer) as well as software (Microsoft and antivirus software producers),
- sales of a range of private label products (such as data storage devices, GPS Devices, peripherals, accessories) with larger volumes and with 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, which consist of (i) central processing units, (ii) hard disk drives, (iii) memory modules, which includes random access memory and flash memory modules, (iv) mainboards and VGA cards, (v) software, (vi) peripherals, which are external or internal devices attached to a computer for added functionality such as a scanner or a printer, (vii) PC-mobile, which are mainly laptops, (viii) display products such as LCD TVs and monitors, (ix) optical and floppy drives, which include DVD drives, (x) desktop computers, (xi) servers and server blocks, (xii) accessories and multimedia, (xiii) networking products, and (xiv) other products, which include cameras, special customer orders and products purchased by our subsidiaries to service their customers.

The following table presents revenues from each category of product in 2010, 2009 and 2008:

	Year ended 31 December		
	2010	2009	2008
		(U.S. \$)	
Central Processing Units	279,253	281,583	396,972
Hard disk drives (HDD)	173,378	173,614	211,062
Software	118,104	82,453	183,305
PC mobile (laptops)	326,795	223,734	254,579
Mainboards & VGA cards	31,906	31,348	45,907
PC desktop	57,265	45,930	52,139
Peripherals	72,784	54,361	42,487
Display products	12,384	8,896	29,326
Memory modules (RAM)	47,031	39,542	31,972
Accessories & multimedia	55,817	24,994	25,546
Servers & server blocks	20,267	13,399	22,091
Optical & floppy drives	7,190	9,377	15,464

Flash memory	1,767	1,863	8,588
Networking products	8,997	9,157	6,835
Other	222,125	162,207	169,051
Total revenue	1,435,063	1,162,458	1,495,324

Private Labels: Prestigio and Canyon

We have developed two private labels brands, Canyon and Prestigio. We, through our purchasing office in Taiwan and recently in China, select products or ranges of products with high profit potential from a number of ODM/OEM producers in the Far Eastern region and, in particular, in Korea, Taiwan, and 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 brands at cheaper prices than similar products sold by competitors.

Canyon. Canyon was launched in 2001 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 and speakers. Canyon is perceived to be a brand aimed at younger customers who want good quality products at affordable prices. Canyon uses attractive colors and packaging to promote this image. During 2010 Canyon launched a graffiti limited edition line which proved very successful and it plans to continue this project in 2011 as well.

Prestigio. Prestigio was launched at the end of 2002 with the aim of becoming a supplier of premium quality IT products and now supplies data storage devices, peripherals and accessories.. Prestigio's brand slogan "The Art of High Tech" reflects the positioning of these products in this premium, high-specification design segment.

In parallel to the Prestigio and Canyon brands, we also offer, in all countries in which we operate, white label product platforms to enable our largest local customers create their own brand with exclusive designs.

Unlike distribution of other manufacturers products, our own brands enable us to reach high double digit gross profit margins. Therefore their contribution in our profitability is much higher than its contribution in our total revenues.

Suppliers and Procurement

In the early 1990s when suppliers of IT components began expanding their business in Eastern Europe and the Former Soviet Union, we commenced strengthening our position by building our expertise and infrastructure in these markets and expanding our strategic alliances over the years with a number of leading international suppliers of IT components.

Our Main Suppliers

We believe that establishing strong supplier relationships is a critical success factor for our business and have devoted considerable resources over the years to establishing 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 customers' demand and allowing them time to comprehend and react to specific market peculiarities, trends and dynamics.

The following table presents the percentage of sales generated by product categories from our key suppliers for the years 2010 and 2009.

Product Category	Suppliers	Y 2010	Y 2009
CPU & Mainboards	INTEL, AMD	20.3%	25.2%
Hard Disk Drives (HDD)	Seagate, Hitachi, Western Digital, Samsung	11.6%	14.2%
Mobile Computers	DELL, Toshiba, ACER, Lenovo,	22.0%	19.0%

In 2010, a significant portion of our revenues was generated from our eleven biggest suppliers, however the management believes that we place no reliance on any of our suppliers since we carry for every 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 declines 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, where 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 the 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, which holds meetings on a weekly basis 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 formal supplier take-on procedures.

Sales and Marketing

We focus on developing efficient online sales infrastructure and a rewarding profit commission scheme, as well as on investing in training our 489 sales managers in order to instill 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 is 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

We have developed our distribution model for small emerging markets and countries with less developed infrastructure over a period exceeding fifteen years. Our key distribution objectives are to maintain availability of adequate in-country stock levels in order to meet customers' demands, while keeping stock levels at our regional warehouses for periods no longer than 10-14 days of lag time behind in-country sales.

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 three 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 three 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.

In countries where infrastructure is not optimum, such as Russia, Ukraine, Egypt, Kazakhstan, countries of the Middle East and North Africa, we operate through a system of authorized resellers (dealers). In these countries, sales and marketing efforts are carried out by our representative offices. We sell to resellers directly from our Cyprus headquarters, ship the products from our regional distribution centers, and provide different loyalty schemes designed on a country-specific basis.

Distribution centers. Our three master distribution centers are located in Dubai, Prague and Shenzhen.

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

Facility Location	Office Square Meters	Warehouse Square Meters	Total Square Meters	Owned or Leased
Prague	575	4,473	5,048	Leased
Dubai	550	6,475	7,025	Owned
China-Shenzen	20	1319	1339	Leased

In order to ensure visibility and bottom-line efficiencies of our warehousing environment, we have connected our warehousing management system ("WMS"), of the J.D. Edwards platform, to IT4Profit. Thus when an order is placed on IT4Profit, the order 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 33 local offices in 26 countries. Customer orders are mainly served through the supply of the 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 fulfillment, (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 are continuously in the process of improving. 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 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:

- our 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.

In addition, IT4Profit provides us with a platform that allows for future growth with additional modules and functionality. Productivity on IT4Profit is measured by the quantity of the processed steps during the order lines per hour (a step is defined as a change in the status of the order). At 150,000 transactions per hour, the system will begin to slow down. We use Webserver Stress Test Tool Enterprise and real time loading to monitor the productivity of IT4Profit. Currently the system is working at a maximum daily level of 27,000 transactions per hour.

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 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, UUNET, an external company, is outsourced by us for storing daily back-ups at an external site in Amsterdam. In the event of a system failure, UUNET is responsible for restoring the applications and the recovery of the data. In such an instance, this will enable us to continue operating with electronic means and servicing our clients. All sites follow the same procedures for back-

ups. Every week a full back-up of each site is taken and stored off-site. There are also daily differential back-ups, which can be easily restored.

Customers

We served over 30,000 customers in approximately 75 countries in the year ended 31 December 2010, the same number with 2009. We have no reliance on any single customer, as our biggest customer is responsible only for about 2% of our total revenues. Approximately 55% of our total sales was conducted on-line, based on our IT4Profit platform described above.

We have managed to become a supplier of choice to most of the major OEMs (Original Equipment Manufacturers) and VARs (Value Added Resellers) as well as to smaller integrators. In each country in which we operate, customers from all tiers of the supply chain can purchase online via the Asbis B2B shops on IT4Profit.

Industry Overview and competition

European market characteristics

The IT industry encompasses three areas of activity: hardware, software and IT services. Distribution plays a key role in the IT sector, especially with respect to hardware and software, by facilitating producers' access to end-users, extending product market reach and offering value added services, where distributors offer their customers logistical support, order management and delivery services such as just-in-time ("JIT").

The IT hardware distribution landscape in Europe has changed significantly over the past decades as improved technology and competing business models have given IT vendors multiple options for distribution of their products. While one of the global leaders in IT hardware, Dell Inc., developed a highly successful direct sales franchise in the mature markets of the U.S and Western Europe, other sector players did not successfully replicate this business model, especially in the regions where we operate. Having re-evaluated their distribution strategies, most hardware manufacturers reinforced their relationships with distributors.

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. The European IT components distribution market is characterised by a three-tier structure: pan-European, regional and local distributors who buy directly from manufacturers and sell mainly to local Original Equipment Manufacturers ("OEMs"), value-added resellers ("VARs"), other resellers and local distributors, as well as to retailers and e-tailers that in turn resell to end users. Historically European OEMs have relied on distribution companies to serve the Small and Medium Business ("SMBs") segment of the IT clientele since the SMB sector has been too small for OEMs to dedicate their selling efforts on.

At the same time, leading manufacturers of IT components do not want to rely solely on multinational OEMs and world-wide distributors for distribution as this would reduce producers' bargaining power. Instead, producers use a mixture of direct sales to OEMs and sales to multinational and local distributors. We, as a pan-regional distributor of IT components, building blocks and peripherals, as well as a significant marketer of "private label" computer hardware and associated software, active mainly in the fast growing markets of Central and Eastern Europe, the Former Soviet Union, Africa and the Middle East take advantage of these market characteristics.

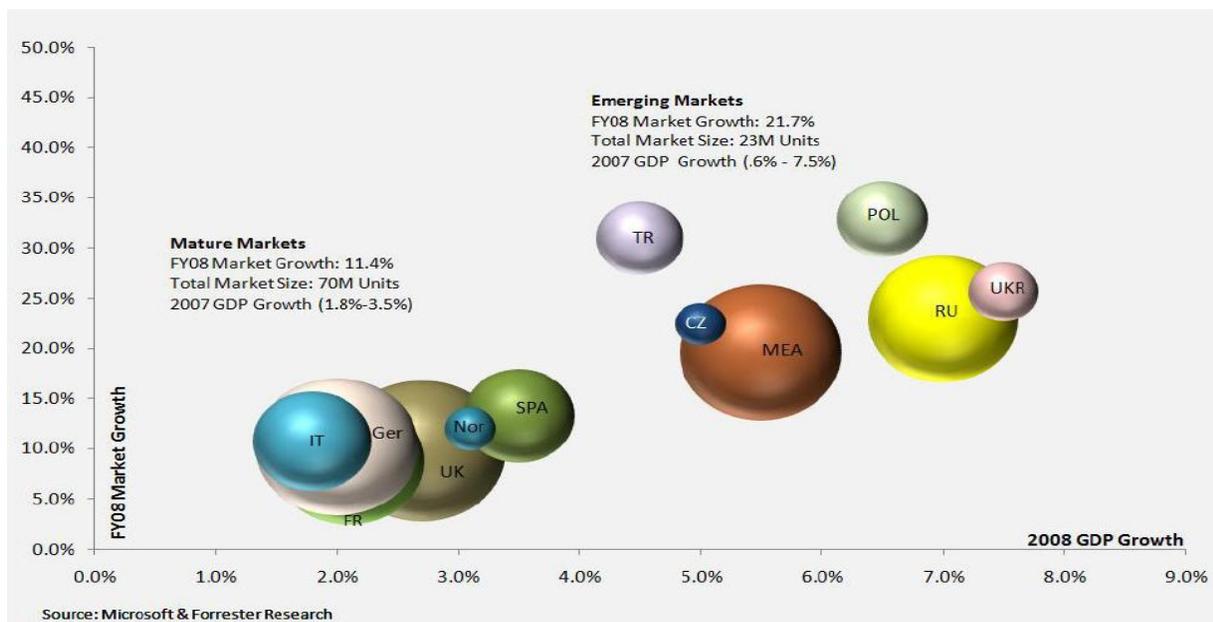
Market trends

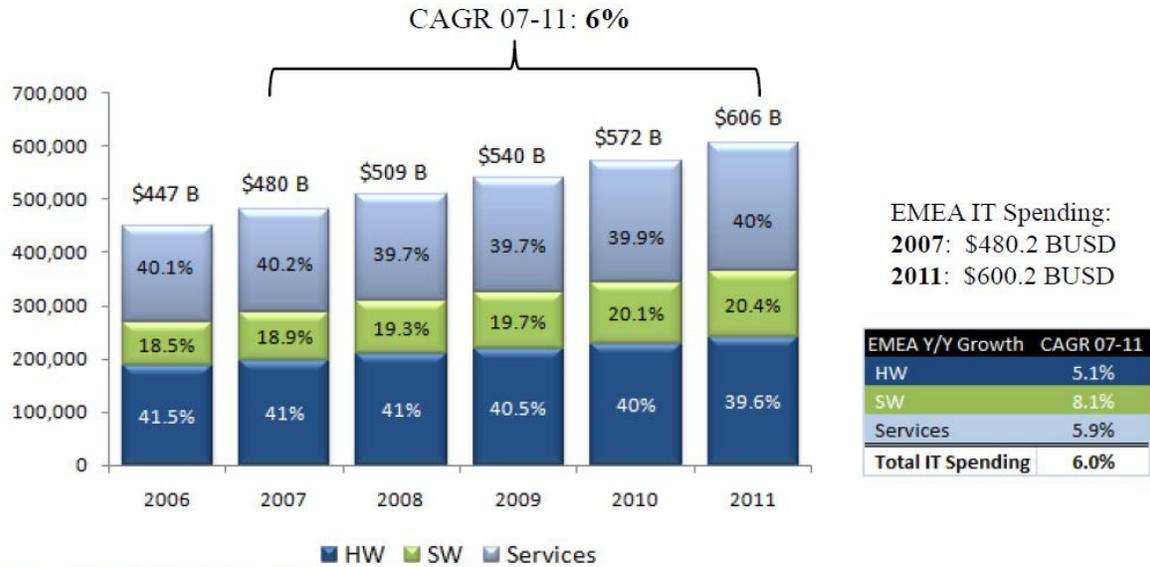
The recent world's financial crisis limited demand and sales in the whole IT business starting from the second part of 2008. Signals of recovery started to be seen in particular markets beginning in Q4 2009. This continued in 2010 when the crisis was easing in our main markets – namely Russia and Ukraine. This enables the Company to be optimistic about the 2011 and the years to follow, as the IT distribution sector growth prospects depend on the overall IT spending, which is highly correlated to GDP growth, and the level of saturation of a particular market, i.e. PC ownership and internet/broadband technology usage.

Having in mind the Company's geographical presence in markets that are less penetrated than the Western Europe, and having seen significant growth in sales in 2010, compared to 2009, the Company's management has all grounds to believe that the market in 2011 will grow again. However it is not expected that this growth rate will be similar to 2010, as the comparable numbers will be much different (as 2009 was under crisis and 2010 was time of getting out of crisis).

Although there are many factors affecting this business nowadays, it is hard to estimate the pace of growth at the general level of the IT industry. However due to upgraded product portfolio and large geographical presence, the management believes that in 2011 the Company will be able to increase its revenues by 11.49% to 14.98% and net profit to at least U.S.\$ 6 million following stronger market position and upgraded product portfolio. This clearly underlines the Group's market strategy – focusing on increasing effectiveness and gross and net profit margins.

The graphs below indicate the potential growth of the markets where the group operates. However it is very important to stress out that all these graphs and data were generated before the global economic crisis appeared and severely affected all markets we operate. Therefore, in the Company's management opinion all the charts should be read in parallel with any recent surveys available, taking into account the changes of the business environment across the globe.





Source: IDC Blackbook EMEA, January 2008

Despite the recent world's financial crisis, in the coming years, IT spending trends in Central Eastern Europe, the Former Soviet Union and the Middle East and Africa, which are the key markets of our operations, are expected to remain positive for the distribution industry. These countries have lagged behind the U.S. and Western Europe in terms of IT spending, while globalization and privatization necessitate increasing focus on IT infrastructure to increase competitiveness. According to Gartner, end-users from CEE countries spend 3 - 5 times less from end-users in Western Europe and the United States. In order to compete effectively in the global arena, these countries will require increased IT spending, which leaves considerable room for growth for us.

Competitive Landscape

IT distribution in Central and Eastern Europe and the Former Soviet Union is fragmented. Major multinational players which dominate the market in the U.S. and Western Europe (such as Ingram Micro, Tech Data, Actebis or Bell Micro) 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 command the largest shares 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.

While some consolidation has taken place in the last few years, the biggest international competitors such as Ingram Micro Europe (with its dedicated components sales force), Tech Data and Actebis have not managed to establish themselves locally in Central and Eastern Europe and Former Soviet Union and rely on trade-desk teams to sell into these countries. While these trade desk teams are strong competitors with respect to larger accounts in the region (such as regional operations of multinational OEMs), the Directors consider that they are not significantly impacting the lower distribution tiers due to their inability to support large numbers of geographically dispersed customers.

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. The key competitors are as follows:

- a) Elko (Riga) in the Baltic States, Russia and Ukraine;
- b) Kvazar Micro and Merlion in the Former Soviet Union;
- c) AB, ABC Data and Action in Poland;
- d) AT Computers and ED System-BGS-Levi in the Czech Republic and Slovakia; and
- e) CT Group and MSAN in the Balkans and Adriatic region.

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.

Directions of further development

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

- a) increasing sales and market share in particular countries of the Former Soviet Union, Central and Eastern Europe, Middle East and Africa ("EMEA") taking advantage of the weaknesses of competition;
 - b) decreasing dependence on traditional IT component business by adding more finished-goods (i.e. laptops) to our product portfolio and improving the gross profit margin;
 - c) upgrade and further develop our private label business;
 - d) control cost structure, enhancing operating efficiency and automated processes, including our online sales channels;
 - e) decreasing the foreign exchange exposure by further improvement of hedging efforts.
- **Increasing sales and market share in the EMEA region taking advantage of the weaknesses of competition.**

The last world's financial crisis led some of our competitors to bankruptcy or to decision of moving out from particular markets. Additionally we have signed a significant number of agreements with suppliers for many countries, including Slovakia, Ukraine or the Middle East countries. This resulted in increased market share in several countries of operations.

As confirmed by independent market reports produced by Gartner, computer penetration in the markets in which we operate, is still significantly lower than in more developed Western European markets. As the current environment is getting better, demand for computer products in our markets will continue to grow and this will boost the group's revenues.

- **Decreasing dependence from traditional IT component business by adding more finished-goods (i.e. laptops) to our product portfolio and improving the gross profit margin;**

Traditional IT components segment is characterized by high volumes and low gross profit margins. Therefore the Company continues its efforts to rebuild its product portfolio by adding more finished-goods, namely laptops, in order to benefit from growing sales and better margins. This paid off in many countries in 2010, while the crisis eased down. The Company expects to continue this policy, in order to increase its total gross profit margins in the future.

- **Upgrade and further develop our private label business;**

Our private label (branded) product lines, Canyon and Prestigio, are manufactured by leading Original Equipment Manufacturers ("OEM") in the Far East (i.e., Korea, Taiwan, and 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 increasing sales of private label products as part of our total revenues will have a positive impact on our overall profitability, as these products return a higher profit margin, compared to international suppliers' products distributed by us. As a result, we aim to continue expanding the range of our private label products and strengthening their promotion in our markets.

- **Enhancing operating efficiency and automated processes, including our online sales channels;**

We continue to focus on improving operating efficiency and enhancing our automated processes, with a view to reducing operating expenses and increasing our profit margins, mainly through enhancing our own online, end-to-end supply chain management system, which operates over our IT4Profit platform. This automated system covers a wide range of our activities, from purchasing processes with key suppliers, to intercompany transactions, order processing and business data exchange with customers, as well as automated B2C (business-to-customer) connection with e-shops of resellers. More than 50% of our revenues were derived from online transactions with customers in 2010, and we aim to increase this percentage going forward.

- **Decreasing the foreign exchange exposure by further improvement of our hedging efforts;**

Despite the strong growth in revenues, the biggest negative impact on the Company's results in 2010 came from steep currencies volatility. Although the Company was able to limit the foreign exchange risk because of upgraded hedging policies (including specialized FX hedging teams launched mid 2010), further monitoring of situation is crucial for success.

Real property and other tangible assets

The table below presents our main real properties:

Name of Subsidiary	Country	Square meters			
		Plot	Office	Warehouse	Total
ASBISc Enterprises Plc	Cyprus	--	1,624	--	1,624
Asbis CZ, spol.s.r.o.	Czech Republic	5,000	232	1,300	1,532
Asbis Ukraine Limited	Ukraine	--	532	2,368	2,990
ZAO Automatic Systems of Business Control-Minsk	Belarus	--	1,047	--	1,047
Asbis SK sp.l. sr.o.	Slovakia	9,128	1,206	2,875	4,081
Asbis Middle East FZE	United Arab Emirates	6,500	930	4,307	5,237
IT-MAX	Belarus	-	621	919	1,540

Our remaining premises are under lease.

Information regarding the 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:

- ASBIS", in blue and white and color formats and also "ASBIS ISP";
- "CANYON";
- "PRESTIGIO";

- d) "Euromall"; and
- e) "PrestigioPlaza.com"

These trademarks are registered and protected in the countries in which we operate, to the extent and other terms set forth in the provisions based on which they were registered. Generally, the trademarks have a 10-year protection period, which expires (depending on the trademark and the country to which the protection refers) from 2010 to 2014, it being understood that we can apply for extension of such protection periods upon expiry of the current registration. 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 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, which is when the goods reach us and thereafter. Under our product insurance policy, covering the twenty four months ending 31 December 2011 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 centres are insured as follows:

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

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

Credit Insurance: We have two major credit insurance policies in place with Atradius Credit Insurance N.V. and Euler Hermes Kreditversicherungs AG ("Euler Hermes") reducing our exposure in respect to possible non-recoverability of our receivables. Both 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 50% of our 2010 revenues.

The first major insurance policy is held with Atradius Credit Insurance N.V. which was signed in April 2008 and covers Asbisc Enterprises PLC, the Company, Asbis Middle East FZE, Asbis Limited (Ireland), Asbis D.o.o. (Slovenia), Asbis NL B.V. (Netherlands), Asbis Europe B.V. (Netherlands), Asbis Turkey, Asbis IT Srl (Italy), Asbis CR d.o.o. (Croatia), Asbis Doo (Serbia) and Asbis OOO (Russian Federation), ASBIS Polska Sp. z o.o. 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. \$ 65.

The second insurance policy is with Euler Hermes Kreditversicherungs AG ("Euler Hermes"), which commenced in May 2003, is considered by the management as a milestone in credit insurance for us. One of our core vendors in co-operation with Euler-Hermes offered us the Credit Insurance Program ("CIP"). At that time, we were the only Central and Eastern European distributor to participate in such a vendor-driven program. This flexible and tailor-made program has given us a competitive advantage over other distributors on insurance of small customers. This insurance policy is held by the Company and extends to cover ASBIS CZ, spol s.r.o., ASBIS CR d.o.o., ASBIS Hungary Limited, ASBIS Vilnius UAB, ASBIS PL Sp z.o.o., ASBIS SK spol s.r.o. (Slovakia); and ASBIS d.o.o. (Slovenia), ASBIS Bulgaria Limited, ASBIS Romania S.R.L., AS ASBIS Baltic, ASBIS LV SIA (Latvia), as well as to specific customers in Algeria, Tunisia and Morocco. Under this policy we have the flexibility of providing eligible customers a discretionary credit limit up to a maximum of U.S.\$ 75. This policy has been renewed till January 2012.

ITEM 3. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following Management's discussion and analysis of our financial condition and results of operations discusses our historical financial results as at, and for the years ended, 31 December 2010 and 2009. The reader shall read the following discussion in conjunction with our audited financial statements as at and for the years ended 31 December 2010 and 2009, including the accompanying notes thereto, which are included elsewhere in this Annual Report, and have been prepared in accordance with IFRS and audited by Deloitte & Touche 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 2010 were as follows:

- Revenues increased by 23,45% to U.S.\$ 1,435,063 from U.S.\$ 1,162,458 in 2009.
- Gross profit before currency movements increased by 23.22% to U.S.\$ 70,103 from U.S.\$ 56,894 in 2009.
- Gross profit after currency movements increased by 25.31% to U.S.\$ 66,360 from U.S.\$ 52,957 in 2009.
- Gross profit margin was 4.62% compared to 4.56% in 2009.
- EBITDA grew by 114,99% and amounted to U.S.\$ 12,439 compared to U.S.\$ 5,786 in 2009.
- Net profit amounted to U.S.\$ 1,302 compared to a net loss of U.S.\$ 2,997 in 2009.

Principal Factors Affecting Financial Condition and Results of Operations

The Company's results of operations have been affected and are expected to continue to be affected by a number of factors, including the worldwide financial environment, currency fluctuations, competition and price pressures, low gross profit margins, potential inventory obsolescence and price erosion, credit risk and seasonality. These factors are discussed in more detail below.

Worldwide financial environment

The world's financial crisis has eased significantly throughout 2010. This was especially visible on sales and profitability levels compared to the corresponding period of 2009. The recovery signals from some of our markets were strong, especially from the Former Soviet Union countries. Following some recovery the Company undertakes efforts to benefit from these signals both in revenues and profitability. The Company has revised its strategy and has adapted to the new environment, i.e. by rebuilding its product portfolio. This paid off in line from the increasing demand in many markets of the Company's operations, as the Company was able to win market share from the weaker competitors.

The Company expects that the impact of the crisis will continue to ease in 2011. It is however important to underline that several markets where the Group operates are still under the effects of the crisis and this might cause adverse effects during 2011. Another recent development with political instability of some countries where the Group operates (Egypt, Tunisia, etc) might also play a negative role during 2011. The Group closely monitors the situation and makes all necessary decisions to safeguard its interests.

Currency fluctuations

As mentioned in previous reports, the Company's reporting currency is the U.S. dollar. Traditionally around 40% of the Company's revenues were denominated in U.S. dollars. Following the Company's efforts to decrease currency risk, this number grew to more than 50% in Q3 2009 and remained unchanged since then. The remaining revenue was denominated in Euro and other currencies, some of which are linked to the Euro. Since most of the Company's trade payable balances are denominated in U.S. dollars (about 80%), the Company was exposed to foreign exchange risk. Foreign exchange risk remains a very crucial factor that might affect the Group's results in the future. On the other hand, the Group is adopting all hedging strategies possible to tackle this problem. The problem persists and will persist as the Euro and other Eastern European currencies fluctuate in a steep manner against the U.S. Dollar, the Group's reporting currency.

Competition and price pressure

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, Kvazar Micro and Merlion in the Former Soviet Union, AB, ABC Data and Action 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 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.

Low gross profit margins

The Company's gross profit margins, like those of other distributors of IT products, are low and the Company expects them to 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 order to tackle this problem, the Company continues its strategy of product portfolio diversification by adding more A-branded goods, laptops, software and more own brands sales to traditional IT components business, in order to reach better margins in the future.

Inventory obsolescence and price erosion

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 resort to price reductions 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 60 days or, in a few cases, to 90 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 in which 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 the Company is unable 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 50 percent of its revenue.

Due to the recent market developments following the credit crisis that affected all countries the Group operates in, credit risk has become one of the most important factors that might affect the Group's results in the future. Despite the fact that the Group has managed to credit insure a large portion of its receivables, credit insurance companies are nowadays more risk averse and they are cancelling and/or withdrawing credit limits to customers. As a result the Group is exposed to more credit risk and the ability of the Group to analyse and assess its credit risk is of extremely high importance.

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 to the end of the year.

This situation changed in the second part of 2008 and in 2009 when the world's financial crisis limited demand and sales levels, as well as some of our customers' ability to buy. However there were more signals of recovery in the second part of 2009 and in 2010. This was reflected in growing sales. If this trend continues, the traditional seasonality will be visible again in 2011.

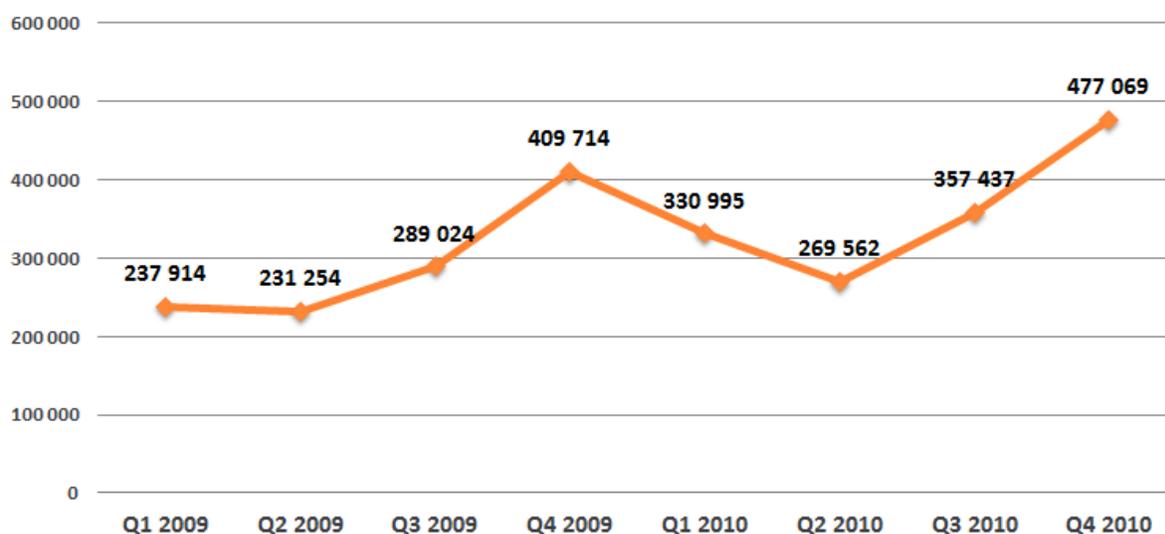
Financial condition and results of operations

We have not publish any financial forecast for the year ended 31 December 2010.

Year ended December 31, 2010 compared to year ended December 31, 2009

Revenues: Revenues grew significantly in 2010 by 23,45% to U.S.\$ 1,435,063 from U.S.\$ 1,162,458 in 2009. This was possible because of better demand, upgraded product portfolio and the Company's stronger market position.

**Revenues between Q1 2009 and Q4 2010
(in U.S.\$ thousands)**



The table below sets forth a breakdown of our revenues, by product, for the years ended 31 December 2010 and 2009:

	For the years ended 31 December			
	2010		2009	
	U.S. \$	percent of total revenues	U.S. \$	percent of total revenues
Central processing units (CPUs)	279,253	19.46%	281,583	24.22%
Hard disk drives (HDDs)	173,378	12.08%	173,614	14.94%
Software	118,104	8.23%	82,453	7.09%
PC-mobile (laptops)	326,795	22.77%	223,734	19.25%
Other	537,533	37.46%	401,075	34.50%
Total revenue	1,435,063	100%	1,162,458	100%

Revenues from central processing units ("CPUs") decreased by 0.83% to U.S.\$ 279,253 (19.46% of our revenues) for the year 2010 from U.S.\$ 281,583 (24.22% of our revenues) for 2009.

Revenues from the sale of hard disk drives ("HDDs") decreased by 0.14% to U.S. \$ 173,378 (12.08% of our revenues) for the year 2010, from U.S. \$ 173,614 (14.94% of our revenues) for 2009.

Revenues from the sale of software increased by 43.24% to U.S. \$ 118,104 (8.23% of our revenues) for the year 2010 from U.S. \$ 82,453 (7.09% of our revenues) in 2009.

Revenues from the sale of PC-mobile (laptops) increased by 46.06% to U.S. \$ 326,795 (22.77% of our revenues) for the year 2010 from U.S. \$ 223,734 (19.25% of our revenues) in 2009.

The Company is also developing its own brands, Canyon and Prestigio, as it allows the Company to reach, double digit gross margins. In 2010 own brands contribution in total sales revenue was about to 5%, but their contribution in profitability reached about 15%. It is the Company's intention to further develop own brands sales so that in the medium term their contribution in total sales revenue will reach 10-12%.

The table below presents a geographical breakdown of sales for the years ended 31 December 2010 and 2009:

	For the years ended 31 December			
	2010		2009	
	U.S. \$	percent of total revenues	U.S. \$	percent of total revenues
Former Soviet Union	588,379	41.00%	372,574	32.05%
Central and Eastern Europe	481,963	33.58%	457,844	39.39%
Western Europe	109,926	7.66%	110,974	9.55%
Middle East & Africa	203,452	14.18%	182,897	15.73%
Other	51,343	3.58%	38,169	3.28%
Total revenues	1,435,063	100.0%	1,162,458	100.0%

The table below presents a country-by-country breakdown of sales for our most important markets for the years ended 31 December 2010 and 2009:

2010				2009		
	Country	Sales in U.S. \$ thousands	% of total revenues	Country	Sales in U.S. \$ thousands	% of total revenues
1.	Russia	335,124	23.35%	Russia	203,056	17.47%
2.	Slovakia	161,387	11.25%	Slovakia	168,202	14.47%
3.	Ukraine	152,023	10.59%	Ukraine	119,039	10.24%
4.	Czech Republic	75,539	5.26%	United Arab Emirates	73,393	6.31%
5.	United Arab Emirates	74,198	5.17%	Czech Republic	64,076	5.51%
6.	Belarus	61,910	4.31%	Poland	37,443	3.22%
7.	Saudi Arabia	49,032	3.42%	Belarus	37,285	3.21%
8.	The Netherlands	35,455	2.47%	The Netherlands	35,575	3.06%
9.	Kazakhstan	33,809	2.36%	Germany	34,426	2.96%
10.	Bulgaria	31,546	2.20%	Bulgaria	31,995	2.75%
11.	Other	425,041	29.62%	Other	357,968	30.79%
	TOTAL	1,435,063	100%	TOTAL	1,162,458	100%

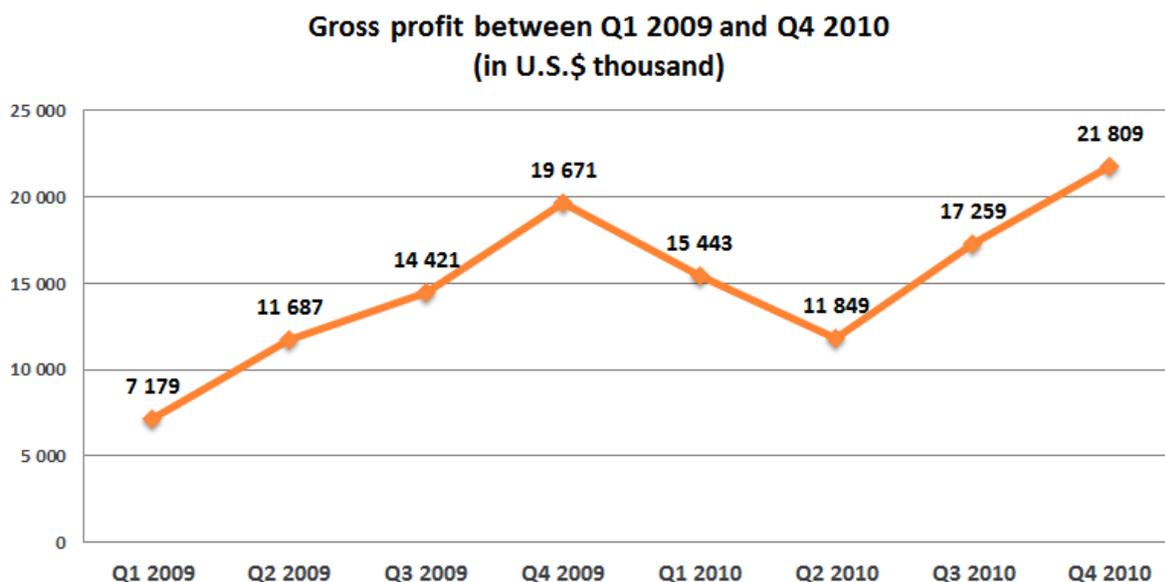
Gross Profit: Gross profit grew in 2010. However different growth dynamics were observed in the first and second part of the year. Because of the significant importance of the foreign exchange impact on gross profit, the Group has decided to present the figures both before and after currency movements.

Gross profit before currency movements:

Gross profit before currency movements in 2010 increased by 23.22% to U.S.\$ 70,103 from U.S.\$ 56,894 in 2009. This confirms the better situation in the Company's markets and the Company's ability to benefit from higher sales and its stronger market position.

Gross profit after currency movements:

Gross profit after currency movements in 2010 increased by 25.31% to U.S.\$ 66,360 from U.S.\$ 52,957 in 2009. If the overall economy will not change dramatically, growth in gross profit should continue to be seen in the next periods.



Gross profit margin (gross profit as a percentage of revenues) amounted to 4.62% for the year ended 31 December 2010, compared to 4.56% in 2009. This increase would have been higher if not for the negative influence of currency movements.

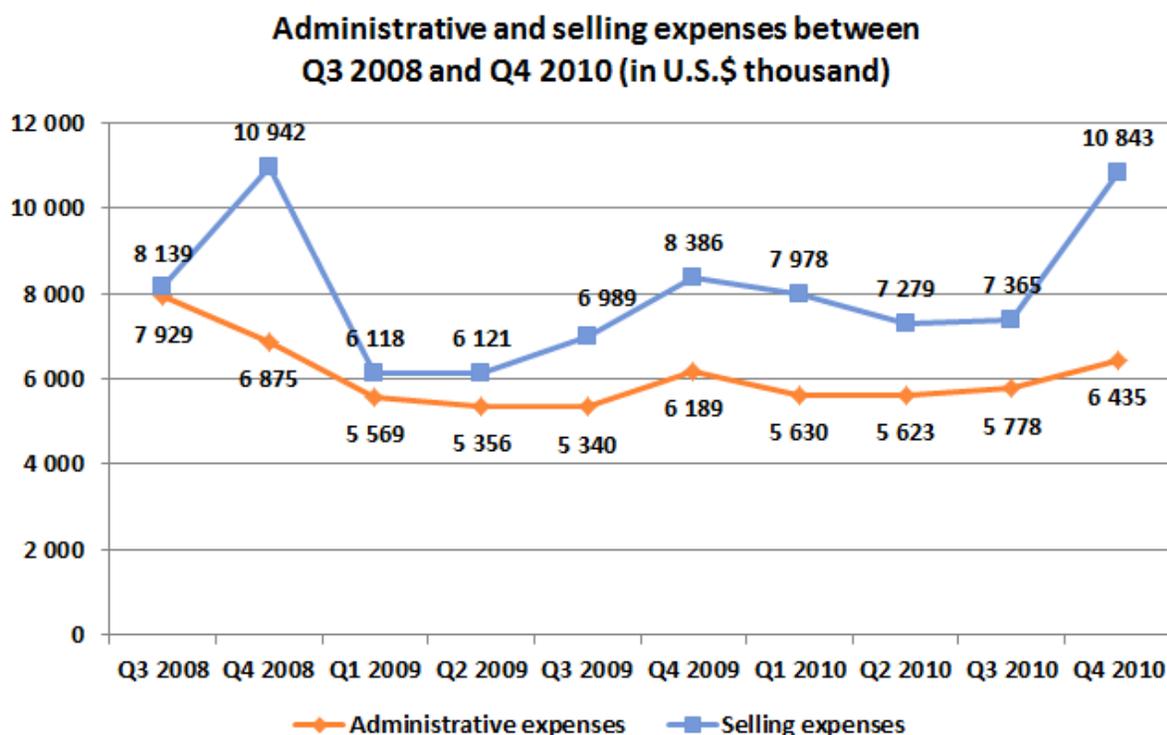
Selling Expenses: Selling expenses largely comprise of salaries and benefits paid to sales employees, marketing and advertising fees, commissions and traveling expenses. The employees that fall under the category "sales employees" for the purposes of selling expenses are those that are part of our sales, marketing and logistics departments.

Selling expenses in 2010 increased by 20.97% to U.S.\$ 33,464 from U.S.\$ 27,664 in the corresponding period of 2009. As a result, selling expenses/revenues ratio dropped slightly in 2010, as the selling expenses represented 2.33% of the Company revenues compared to 2.38% in the corresponding period of 2009.

Administrative Expenses: Administrative expenses largely comprise of salaries and wages and rent expense.

Administrative expenses in 2010 increased only slightly by 4.74% to U.S.\$ 23,466 from U.S.\$ 22,404 in 2009. In the same time its growth was significantly lower than the growth in revenues and gross profit.

Administrative expenses represented 1,64% and 1.93% of our revenues for each of the years 2010 and 2009, respectively.



Operating Profit: Operating profit for the year ended 31 December 2010 amounted U.S. \$ 9,429 compared to U.S. \$ 2,889 in 2009.

Operating margin (operating profit as a percentage of revenues) amounted 0.66% for the year 2010 compared to 0.25% for 2009.

Profit/(loss) Before Taxation: In 2010 the Company generated profit before taxation amounting to U.S. \$ 2,252 compared to loss before taxation of U.S. \$ 2,817 in 2009.

Profit/(loss) After Taxation: In 2010 the Company generated profit after taxation amounting to U.S. \$ 1,302 compared to loss after taxation of U.S. \$ 2,997 in 2009.

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. Financing in Russia and certain other markets became more available and at a lower cost; this decreased the Group's weighted average cost of debt.

The following table presents a summary of cash flows for the twelve months ended December 31st, 2010 and 2009:

	Twelve months ended December 31st	
	2010	2009
	U.S. \$	
Net cash inflows/(outflows) from operating activities	(16.179)	34.169
Net cash outflows from investing activities	(5.597)	(3.393)
Net cash inflows/(outflows) from financing activities	6.574	(7.138)
Net increase/(decrease) in cash and cash equivalents	(15.202)	23.638

Net cash inflows/(outflows) from operations

Net cash outflows from operations amounted to U.S. \$ 16,179 for the twelve months ended December 31st, 2010, compared to cash inflows of U.S. \$ 34,169 in the corresponding period of 2009. This is primarily due to increased inventory and receivables, following a much increased demand in Q4 and the whole of 2010.

Net cash outflows from investing activities

Net cash outflows from investing activities was U.S. \$ 5,597 in the twelve months ended December 31st, 2010, compared to U.S. \$ 3,393 in the corresponding period of 2009. This increase in the cash outflows was mainly due to a purchase of a second building in Cyprus.

Net cash inflows/(outflows) from financing activities

Net cash inflows from financing activities was U.S. \$ 6,574 for the twelve months ended December 31st, 2010, compared to net cash outflows of U.S. \$ 7,138 for the corresponding period of 2009. This increase was primarily due to lower cost of financing and more available bank lines in certain countries.

Net increase/(decrease) in cash and cash equivalents

As a result of the Company's efforts to serve growing demand and increased sales, the cash and cash equivalents position decreased by U.S. \$ 15,202 compared to an increase of U.S. \$ 23,638 in the corresponding period of 2009.

Capital Resources

In our opinion we have enough resources to finance our operations (as described in audited financial statements attached to this annual report) going forward.

As at 31 December 2010, we had total short-term and long-term debt (excluding amounts due to factoring creditors) of U.S. \$ 56,973, including U.S. \$ 52,071 of current maturities (due within one year), compared to U.S. \$ 39,722, including U.S. \$ 35,807 of current maturities, as at 31 December 2009.

The table below presents our principal outstanding debt facilities as at 31 December 2010:

ENTITY	Financial institution	Type of facilities	Credit limit	Currency	Valid from	Valid till
Asbisc Enterprises Plc	BNP Paribas Cyprus	Overdraft-Multicurrency	7,350,000	Usd	5/Sep/09	31/Dec/10
Asbisc Enterprises Plc	Cyprus Bank	Development Overdraft	2,000,000	Euro	23/Sep/10	23/Sep/11
Asbisc Enterprises Plc	Cyprus Bank	Development Overdraft	3,100,000	Usd	23/Sep/10	23/Sep/11
Asbisc Enterprises Plc	Cyprus Bank	Development Loan	1,470,000	Euro	23/Sep/10	30/Jun/23

Asbisc Enterprises Plc	Bank of Cyprus	Overdraft-Multicurrency	5,469,799	Usd	14/Apr/10	14/Apr/11
Asbisc Enterprises Plc	Marfin Laiki Bank	Overdraft	1,000,000	Usd	1/Nov/09	1/Nov/11
ASBIS Kypros Ltd	Bank of Cyprus	Overdraft	300,000	Euro	16-Nov-09	30-Apr-11
ASBIS Kypros Ltd	Marfin Laiki	Overdraft	300,000	Euro	20-Aug-10	20-Aug-11
ASBIS Kypros Ltd	Marfin Laiki	Loan	300,000	Euro	11-Feb-10	30-Jan-11
Prestigio Plaza	Bank of Cyprus	Overdraft	50,000	Euro	10-Jun-08	10/Jun/11
Asbis CZ, spol s.r.o	Csob Bank	Overdraft	50,000,000	Koruna	16/Sep/10	9/Jan/11
Asbis PL, SP z.o.o	Bre Bank S.A.	Overdraft	4,000,000	Polish Zloty	14/Mar/08	29/Apr/11
AS Asbis Baltic	Swedbank AS	Overdraft	550,000	Kroon	27/Sep/10	26/Mar/11
Asbis Romania SRL	Alpha Bank	Short Term Loan	11,536,200	Ron	17-Feb-09	15-May-11
Asbis SK spol s.r.o	Tatrabanka a.s.	Overdraft	15,000,000	Euro	1/Nov/10	31/Oct/11
Asbis SK spol s.r.o	Tatrabanka a.s.	Loan	2,666,703	Euro	22/Nov/07	30/Jun/17
ASBIS Cr d.o.o	Erste&Steiermarkische bank d.d.	bank loan	18,000,000	Hrk	22-Jan-10	22-Jan-11
Asbis D.o.o Beograd	Societe Generale	Short Term Loan	45,100,000	Csd	15-Jul-10	31-Mar-11
Asbis D.o.o Beograd	Societe Generale	Overdraft	80,400,000	Csd	15-Jul-10	31-Mar-11
Asbis Siovenia d.o.o	Nova ljubljanska banka d.d (Domzale)	Overdraft	50,000	Euro	11-Mar-10	10-Mar-11
Asbis Siovenia d.o.o	Raiffeisen Krekova banka	Overdraft	1,500,000	Euro	26-Aug-10	25-Aug-11
Asbis Bulgaria Ltd	Unicredit Bulbank Plc	Revolving loan	4,000,000	Bng	25/Aug/09	22/feb/12
Asbis Middle East FZE	National Bank of Fujairah	Loan	17,500,000	Dirham	26/12/06	TILL DATE
OOO Asbis-Moscow	Mosocw Credit bank	Overdraft	100,000,000	Rur	23-Nov-09	18-May-11
OOO Asbis-Moscow	Mosocw Credit bank	Short Term Loan	300,000,000	Rur	9-Jul-10	9-Jun-11
Megatrend	Volksbank BH d.d.	Overdraft	850,000	Bam	13-May-10	13-May-11
Megatrend	UniCredit Zagrebačka banka d.d.	Revolving Facility	250,000	Bam	1-Feb-10	1-Feb-11
Megatrend	Volksbank BH d.d.	Revolving Facility	694,000	Bam	20-Oct-10	20-Jan-11
IT Max	Bank Moskva-Minsk	Short Term Loan	8,400,000,000	BLR	25/Mar/10	25/Sep/11
ASBIS Turkey	GARANTI BANK	Loan in local Curr.	350,000.00	TRL	26-Aug-10	31-Dec-10
ASBIS Turkey	GARANTI BANK	Loan in local Curr.	42,620.00	TRL	6-Sep-10	31-Dec-10
ASBIS Turkey	GARANTI BANK	Loan in local Curr.	600,000.00	TRL	1-Sep-10	31-Dec-10
ASBIS Turkey	YKB BANK	Loan in local Curr.	309,000.00	TRL	30-Nov-10	14-Jan-11
Asbis Belarus	Bank Moscow-Minsk	Short Term Loan	5,500,000,000	Byr	5-Feb-10	3-Feb-12
Asbis Belarus	Bank Moscow-Minsk	Overdraft	1,500,000,000	Byr	15-Dec-10	14-Dec-11

Capital Expenditure

Our total capital expenditure for fixed and intangible assets amounted to U.S. \$ 5.453 for the year ended 31 December 2010 compared to U.S. \$ 4.690 for the year ended 31 December 2009. This was largely due to the acquisition of land and building in Cyprus which is currently under reconstruction and renovation.

Commitments and Contingencies

Commitments and contingencies are presented in the our 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 it believes 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.

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	1965	Chairman, Chief Executive Officer	30 August 1999	31 December 2011	Belarussian/Cypriot
Marios Christou	1968	Chief Financial Officer	28 December 2001	31 December 2011	Cypriot
Constantinos Tziamalis	1975	Director of Credit & Investor Relations	23 April 2007	5 May 2011	Cypriot
Laurent Journoud	1970	Director, Executive Vice-President Sales and Marketing	26 June 2003	31 December 2011	French
Efstathios Papadakis	1936	Non Executive Director	5 May 2009	5 May 2011	Cypriot
Kyriacos Christofi	1939	Non Executive Director	5 May 2009	5 May 2011	Cypriot

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

Siarhei Kostevitch, born in 1965, holds a Masters 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 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 Credit and Investor Relations as of 23 April 2007.

Laurent Journoud, born in 1970, holds an M.I.T. (Management – International Trade) and M.M.E. (Master's in European Management) from ICL Lyon, France (1993 and 1994 respectively). For more than 10 years, Laurent held senior international product management positions in the EMEA distribution

industry with major multinationals, including Ingram Micro, Karma International and Actebis. Laurent joined the Company in January 2002 as Director of Product Lines. He is responsible for the Group's product portfolio and market development for each of the Group's technology offerings. Laurent is a Director and Executive Vice-President, responsible for Sales and Marketing.

Efstathios Papadakis, born in 1936 joined the Group in 2009. His career includes a number of positions related to business and public administration. Since 1962 he was involved in the petroleum business. Then he served as a member of the Board of Directors' of many Cyprus private and public companies, including KEO (Vice President), Amathus Navigation, Orphanides Supermarkets, A.S.G. and Phil. Andreou. He served as a Minister of Labour and Social Insurance Ministry (1997-1998) and a president of the CYTA Board of Directors (2000-2003). He also served on the BOD of Limassol's Chamber Of Commerce and on the Cyprus Commercial and Industrial Chamber centre of productivity. From the 1st of January 2009 he is a member of the Temporary Managing Committee of the Cyprus University of Technology (TEPAK). He also served as an Officer in Civil Defence and is a member of the Board of Directors of the Institute of Eurodemocracy and is a member of many charitable institutions. He graduated from the University of Economics and Commerce, Athens. Efstathios is the Company's Non-Executive Director.

Kyriacos Christofi, born in 1939, joined the Group in 2009. Currently he is a Chairman of the Health Insurance Organization in Cyprus (since 2005). He is also a chairman and a member of the Boards at several institutions, including Radio and Television Committee (chairman), Air Transport Licensing Authority (chairman) and the Cyprus Development Bank (member). Previously he was Minister of Commerce, Industry and Tourism (1995-1997) and for fourteen years (1982-1995) Director-General in Ministry of Interior, Ministry of Commerce, Industry and Tourism and Communications and Works in Cyprus. His fifty two years career includes a number of positions related to government and international activities, including representing Cyprus on the Second Committee of the U.N. General Assembly at its four sessions in a row. He headed a number of Delegations on bilateral trade and other relations, participated in the Commonwealth Round Table on International Trade Strategies, and was also a member of the Cyprus Delegation to the Commonwealth Heads of State and Government meeting. He graduated with distinction from the American University of Beirut with a B.A. degree in Political Science and Public Administration. Kyriacos 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 our 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 that our profit meets certain pre-set budgetary figures. All such bonus amounts are included in the remuneration tables set forth below.

We also operate a healthcare plan for our Executive Directors. This plan covers between the other Directors medical expenses. The contract is held with BUPA International. All amounts paid for this plan are also included in the table below.

The following table presents the remuneration (including bonuses) of Directors for the years ended 31 December 2010 and 2009, respectively (U.S.\$):

Name	2010			2009		
	Salary	Other benefits	Total	Salary	Other benefits	Total
Siarhei Kostevitch	212	-	212	173	-	173
Marios Christou	87	13	100	86	13	99
Constantinos Tziamalis	79	11	90	84	-	84
Laurent Journoud	160	8	168	160	8	168
Efstathios Papadakis	20	-	20	19	-	19
Kyriacos Christofi	20	-	20	19	-	19
Paul Swigart	0	-	0	8	-	8
John Hirst	0	-	0	31	-	31
Richard Henri	0	-	0	8	-	8

Share ownership

The table below presents beneficial interests of Directors in our 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)	25,718,127	46.34%
Laurent Journoud	400,000	0.72%
Marios Christou	350,000	0.63%
Constantinos Tziamalis	35,000	0.06%
Efstathios Papadakis	0	0%
Kyriacos Christofi	0	0%

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

During 2010 there were the following changes in the number of shares possessed by the Directors.

On October 8th, 2010 the Company received notification on the basis of art. 160 of Act on Trading on financial instruments from Mr. Siarhei Kostevitch, Chairman of the Board of Directors and the Company's CEO, who informed that on October 5th, 2010 he purchased a total number of 21,766 shares of the Company on the average price of PLN 4.01 per share. Transactions were conducted as ordinary market session transactions on the Warsaw Stock Exchange.

Committees

The Audit Committee of the Company, comprising Efstathios Papadakis and Kyriacos Christofi (both non-executive Directors) and Marios Christou (as attending member) is chaired by Efstathios Papadakis. 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 once a year with the auditors.

The remuneration committee of the Company, comprising Kyriacos Christofi and Efstathios Papadakis (both non-executive Directors) and Siarhei Kostevitch (as attending member) is chaired by Kyriacos Christofi. It sets and reviews the scale and structure of the executive Directors' remuneration packages, including share options and the 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 2010.

List of all agreements signed with managing person 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

As at 31 December 2010, we employed 1214 employees, of whom 111 were employed at headquarters in Cyprus and the remainder in the rest of the Company's offices worldwide. The split of employees by area of activity as at 31 December 2010 and 2009 is as follows:

	As at 31 December	
	2010	2009
Sales and Marketing	591	470
Administration and IT	168	160
Finance	137	140
Logistics	318	320
Total	1214	1090

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	25,676,361	46.26%	25,676,361	46.26%
Alpha Ventures S.A.	3,200,000	5.76%	3,200,000	5.76%
Aviva Investors	2,919,414	5,26%	2,919,414	5,26%
Free float	23,704,225	42.71%	23,704,225	42.71%
Total	55,500,000	100.00%	55,500,000	100.00%

Related Party Transactions

During the year ended 31 December 2010 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 transaction, please refer to the notes on the audited financial statement attached on this annual report.

In the period from 1 January 2010 to 31 December 2010, a number of transactions 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 the 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, with a value exceeding 10% of our equity.

Information on loans given to any other party

During the year ended 31st December 2010 we did not give any loan to any other party other than our subsidiaries which are disclosed in the third part of this report (Audited financial statements).

Information on given guarantees

We give 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 total bank guarantees raised by the Group (mainly to Group suppliers) as at December 31st, 2010 amounted to U.S. \$ 7,825 as per note number 21 to the financial statements – which exceeded 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 29 of our financial statements to this annual report under the headline Financial Risk management.

Evaluation of possibility of realisation of investment intentions

The Company has completed all its current investments in prior years and in 2011 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

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 our financial statements to this annual report:

- a) note 11 - Trade receivables - Ageing analysis of receivables
- b) note 31 – Financial risk management – point 1.3. Liquidity risk (ageing of payables)

Information about the structure of main deposits and capital investments in 2010

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 one disclosed in note 16 of our financial statements to this annual report.

Information about relevant off balance sheet positions as at December 31st, 2010

There were no relevant off balance sheet positions as at December 31st, 2010 other than Bank Guarantees disclosed in note 26 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. However in the case of 2010, it is important to notice that the Company just turned marginally profitable after loss in 2009. As the amount of profit generated in 2010 was small, no dividend is to be proposed to the forthcoming Annual General Meeting of Shareholders. The dividend policy will be reviewed from time to time and payment of any future dividends will be

effectively at the discretion of the Board of Directors and the general meeting of shareholders after taking into account various factors, including our business prospects, future earnings, cash requirements, financial position, expansion plans and the requirements of the Cypriot law. The Cyprus law does not limit dividends that may be paid out except that the law 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

ISA Hardware Limited ("ISA Hardware") 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 years 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.

Agreements with TOSHIBA

ASBISC Enterprises PLC (ASBIS) has entered into a several TOSHIBA Authorised Distributor Agreements in 2006 with TOSHIBA (TEG) pursuant to which ASBIS was appointed as authorised non-exclusive distributor to sale and distribution of a range of computer hardware/software products, particularly portable personal computers and a range of mobile storage products listed in the agreements in the Territories allocated to ASBIS under the agreements.

The prices payable by ASBIS for the products shall be TEG's Distributor Price List current at the date upon which each order is accepted, less any discounts offered by TEG, if any.

The agreements continued to be effective until 31 of March 2007 and are automatically renewed for succeeding 1 year periods unless a termination notice is given by either party at least 3 months prior to expiration of the term then in effect.

Agreements may be terminated by TEG at any time if ASBIS is in material breach hereof and has not remedied that breach within 30 days of receipt of TEG's written notice or if ASBIS being a body corporate goes into liquidation including insolvency or such similar event whereby ASBIS discontinues its business or if there is a change of control.

ITEM 7. ADDITIONAL INFORMATION

Corporate Governance

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 on November 7th, 2007. Those rules, information on its 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>

II. 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 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 ASBISc Group Financial Department, headed by the Board of Directors Member, 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 the medium level managers based on the financial data from the Company's IT system and from the 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 prepared financial statements are verified

by the head of 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 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 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 auditor. Adequacy of financial data and the scope of the necessary disclosures are scrutinized particularly. 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 is 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.

III. Information about shareholders a with significant stake in the Company's share (directly or indirectly)

This has been presented in Item 5, page 48 of this annual report.

IV. Information about shareholders with preference shares

There are no shareholders with preference shares.

V. 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.

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. 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 appointor 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, disapply the Members' pre-emption rights as to the issue of such new shares.

VIII. 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>

IX. Information on the rules of conduction of the Company's Shareholders meeting, its main powers, rights of shareholders and rules of conduction of those rights

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 favour 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.

X. Members of the Board of Directors and its committees and description of its operations during the year ended December 31st, 2010

The following table sets out our current Directors:

Name	Year of Birth	Position	Appointed to the Board	Expiry of term	Nationality
Siarhei Kostevitch	1965	Chairman, Chief Executive Officer	30 August 1999	31 December 2011	Belarussian/Cypriot
Marios Christou	1968	Chief Financial Officer	28 December 2001	31 December 2011	Cypriot
Constantinos Tziamalis	1975	Director of Credit & Investor Relations	23 April 2007	5 May 2011	Cypriot
Laurent Journoud	1970	Director, Executive Vice-President Sales and Marketing	26 June 2003	31 December 2011	French
Efstathios Papadakis	1936	Non Executive Director	6 May 2009	5 May 2011	Cypriot
Kyriacos Christofi	1939	Non Executive Director	6 May 2009	5 May 2011	Cypriot

During the year ended December 31st, 2010 there were no changes in the Board of Directors members.

During the year ended December 31st, 2010, 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 2009 annual report, 2010 six months report, 2010 Q1 and Q3 reports)
- Discussion on latest developments of the Company
- Discussion over share performance on WSE
- Decision on dividend for 2009
- Approval of budget for the year
- Application of corporate governance rules
- Reappointment of auditors
- Action marketing plan
- Investor Relations Plan going forward
- 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 31st, 2010, the Audit Committee - comprising Efstathios Papadakis and Kyriacos Christofi (both non-executive Directors) and Marios Christou (as attending member) and chaired by Efstathios Papadakis - had conducted a total number of three 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 Kyriacos Christofi and Efstathios Papadakis (both non-executive Directors) and Siarhei Kostevitch (as attending member) and chaired by Kyriacos Christofi – 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, Deloitte & Touche 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).

Those agreements are signed annually. The last agreement – for the audit of 2010 - has been signed on November 29th, 2010.

The following table presents a summary of accountant fees and services for the twelve months ended December 31, 2010 and 2009:

(U.S. \$)	2010	2009
Auditors fees regarding annual report ⁽¹⁾	570	636
Auditors fees regarding other approval services	38	43
Auditors fees for tax advisory	0	0
Auditors fees for other services	0	0
Total fees	608	679

⁽¹⁾ 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.

PART III

ITEM 9. FINANCIAL STATEMENTS

The consolidated financial statements of ASBISc Enterprises Plc presented as a part of this annual report are included on pages 1 through 66 as follows:

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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 audited annual consolidated financial statements, in accordance with the principles of compulsory law regulations and professional standards.

Limassol, March 30th, 2011

.....
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

ASBISC ENTERPRISES PLC

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2010

ASBISC ENTERPRISES PLC

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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ASBISC ENTERPRISES PLC

FOR THE YEAR ENDED 31 DECEMBER 2010

OFFICERS AND PROFESSIONAL ADVISERS

Directors	Siarhei Kostevitch (Belarusian) Chairman and Chief Executive Officer
	Marios Christou (Cypriot)
	Laurent Journoud (French)
	Constantinos Tziamalis (Cypriot)
	Efstathios Papadakis (Cypriot) Non-Executive Director
	Kyriacos Christofi (Cypriot) Non-Executive Director
Secretary	Alfo Secretarial Limited Limassol, Cyprus
Auditors	Deloitte Limited Limassol, Cyprus
Legal adviser	Costas Tsirides & Co. Law Office Limassol, Cyprus
Bankers	BNP PARIBAS Cyprus Limited Limassol, Cyprus
	Bank of Cyprus Public Company Ltd Limassol, Cyprus
	Marfin Popular Bank Public Company Ltd Nicosia, Cyprus
	The Cyprus Development Bank Public Company Ltd Nicosia, Cyprus

ASBISC ENTERPRISES PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

The directors present their annual report on the affairs of Asbisc Enterprises Plc (the "Company") and its subsidiaries (the "Group") together with the group's and the company's audited financial statements for the year ended 31 December 2010.

Principal activity

The principal activity of the group and the company is the trading and distribution of computer hardware and software.

Results

The consolidated profit for the year attributable to the members was US\$ 949,285 compared to the loss of US\$ 3,208,380 in 2009. Details of the consolidated results of the group are presented on page 6 of the financial statements.

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 16 to the financial statements.

Significant events after the end of the financial year

All significant events that occurred after the end of the financial year are described in note 35 to the financial statements.

Existence of branches

The company does not maintain any branches.

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.

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 company's development to date, financial results and position as presented in the financial statements are considered satisfactory, given the turbulent economic conditions that have adversely affected the group.

The group has reached revenues for the year of US\$ 1,435,062,727 as compared to US\$ 1,162,457,483 in 2009, representing a growth of 23%. This is mainly due to steady market recovery and increased demand especially in the Former Soviet Union segment of operations.

The group and the company face the following major risks and uncertainties:

- competition pressures in the market places it operates that may significantly affect gross and net margins;
- technological changes and other market trends;
- financial risks as described in note 31.

The company has in place systems and procedures 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 risks.

ASBISC ENTERPRISES PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

Dividends

Our dividend policy is to pay dividends at levels consistent with our growth and development plans, while maintaining a reasonable level of liquidity. However, due to the adverse impact of the world's financial crisis, the Board of Directors intends not to propose a payment of dividend to the forthcoming general meeting of shareholders.

No dividend has been paid in 2010 based on 2009 results.

Share Capital

On 31 December 2010 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.

Board of Directors

The members of the Board of Directors at 31 December 2010 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 and remuneration of the members of the Board of Directors.

Corporate Governance

The Directors of Asbisc Enterprises Plc recognize the value deriving from the Code of Best Practice of Corporate Governance. The Directors take all necessary actions to adhere to the corporate governance rules that are practicable and appropriate for a public company of the size of Asbisc Enterprises Plc.

The Board of Asbisc Enterprises Plc 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.

Auditors

The auditors of the company, Messrs Deloitte Limited have expressed their willingness to continue in office. A resolution authorising 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, 24 March 2011

ASBISC ENTERPRISES PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ASBISC ENTERPRISES PLC

Report on the Consolidated and Company's Separate Financial Statements

We have audited the accompanying consolidated financial statements of Asbisc Enterprises Plc (the "Company") and its subsidiaries (the "Group") and the Company's separate financial statements on pages 6 to 66 which comprise the statements of financial position of the Group and the Company as at 31 December 2010, and the statement of income and the statements of comprehensive income, changes in equity and cash flows of the Company and the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the consolidated and the Company's separate financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2010, and of the financial performance and the cash flows of the Group and the Company for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of the Companies Law, Cap. 113, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 2-3 is consistent with the consolidated and Company's separate financial statements.

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 156 of the Companies Law, Cap.113 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 whom this report may be divulged.

DELOITTE LIMITED
Certified Public Accountants (Cyprus)

Limassol, 24 March 2011

ASBISC ENTERPRISES PLC

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 US\$	2009 US\$
Revenue	3	1.435.062.727	1.162.457.483
Cost of sales		<u>(1.364.959.676)</u>	<u>(1.105.563.543)</u>
Gross profit before currency movements		70.103.051	56.893.940
Currency movements on gross profit	4	<u>(3.743.551)</u>	<u>(3.936.795)</u>
Gross profit after currency movements		66.359.500	52.957.145
Selling expenses		<u>(33.464.347)</u>	<u>(27.663.644)</u>
Administrative expenses		<u>(23.466.273)</u>	<u>(22.404.170)</u>
Profit from operations		9.428.880	2.889.331
Financial income	5	894.249	626.224
Financial expenses	5	<u>(8.308.245)</u>	<u>(7.041.820)</u>
Other gains and losses	6	289.423	706.908
Negative goodwill written off	17	-	1.927
Share of loss from joint ventures	16	<u>(52.365)</u>	<u>-</u>
Profit/(loss) before taxation	7	2.251.942	(2.817.430)
Taxation	8	<u>(949.894)</u>	<u>(179.050)</u>
Profit/(loss) after taxation		<u>1.302.048</u>	<u>(2.996.480)</u>
Attributable to:			
Non-controlling interest		352.763	211.900
Owners of the parent company		<u>949.285</u>	<u>(3.208.380)</u>
		<u>1.302.048</u>	<u>(2.996.480)</u>
		US\$ cents	US\$ cents
Earnings per share			
Basic and diluted from continuing operations		<u>1,71</u>	<u>(5,78)</u>

The notes on pages 15 to 66 form an integral part of these financial statements

ASBISC ENTERPRISES PLC**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010**

	2010 US\$	2009 US\$
Profit/(loss) after taxation	<u>1.302.048</u>	<u>(2.996.480)</u>
Other comprehensive loss:		
Exchange difference on translating foreign operations	(658.481)	(447.305)
Reclassification adjustments relating to foreign operations liquidated and disposed off in the year	<u>4.309</u>	<u>(217.964)</u>
Other comprehensive loss for the year	<u>(654.172)</u>	<u>(665.269)</u>
Total comprehensive income/(loss) for the year	<u>647.876</u>	<u>(3.661.749)</u>
Total comprehensive income/(loss) attributable to:		
Non-controlling interests	329.723	188.354
Owners of the parent company	<u>318.153</u>	<u>(3.850.103)</u>
	<u>647.876</u>	<u>(3.661.749)</u>

The notes on pages 15 to 66 form an integral part of these financial statements

ASBISC ENTERPRISES PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

ASSETS	Notes	2010 US\$	2009 US\$
Current assets			
Inventories	10	103.619.085	83.476.504
Trade receivables	11	275.599.851	214.444.867
Other current assets	12	7.430.162	6.985.056
Derivative financial asset	13	5.379	-
Current taxation	8	348.667	156.135
Cash at bank and in hand	25	48.380.080	52.857.260
Total current assets		<u>435.383.224</u>	<u>357.919.822</u>
Non-current assets			
Goodwill	17	600.730	550.517
Property, plant and equipment	14	26.283.605	24.541.436
Investment in joint ventures	16	685.632	-
Available-for-sale financial assets	18	9.580	9.580
Intangible assets	15	1.672.152	2.175.799
Deferred tax assets	9	991.821	625.795
Total non-current assets		<u>30.243.520</u>	<u>27.903.127</u>
Total assets		<u>465.626.744</u>	<u>385.822.949</u>
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Trade payables		263.969.863	210.325.327
Other current liabilities	19	51.132.058	43.777.114
Derivative financial liability	20	138.840	-
Current taxation	8	839.316	220.794
Short term obligations under finance leases	23	267.835	101.409
Bank overdrafts and short term loans	21	52.070.722	35.806.853
Total current liabilities		<u>368.418.634</u>	<u>290.231.497</u>
Non-current liabilities			
Long term liabilities	22	5.168.634	4.099.294
Long term obligations under finance leases	23	272.590	140.626
Total non-current liabilities		<u>5.441.224</u>	<u>4.239.920</u>
Total liabilities		<u>373.859.858</u>	<u>294.471.417</u>
Equity			
Share capital	24	11.100.000	11.100.000
Share premium		23.518.243	23.518.243
Retained earnings and other components of equity		56.717.134	56.413.886
Equity attributable to owners of the parent		91.335.377	91.032.129
Non-controlling interests		431.509	319.403
Total equity		<u>91.766.886</u>	<u>91.351.532</u>
Total liabilities and equity		<u>465.626.744</u>	<u>385.822.949</u>

Signed on behalf of the Board of Directors on 24 March 2011

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- Directors

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The notes on pages 15 to 66 form an integral part of these financial statements

ASBISC ENTERPRISES PLC

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

	Attributable to equity holders of the parent						Total equity US\$
	Share capital US\$	Share premium US\$	Retained earnings US\$	Translation of foreign operations US\$	Total US\$	Non-controlling interests US\$	
Balance at 1 January 2009	11.100.000	23.518.243	59.498.454	765.535	94.882.232	131.049	95.013.281
(Loss)/income for the year	-	-	(3.208.380)	-	(3.208.380)	211.900	(2.996.480)
Other comprehensive loss for the year	-	-	-	(641.723)	(641.723)	(23.546)	(665.269)
Balance at 31 December 2009	11.100.000	23.518.243	56.290.074	123.812	91.032.129	319.403	91.351.532
Income for the year	-	-	949.285	-	949.285	352.763	1.302.048
Other comprehensive loss for the year	-	-	-	(631.132)	(631.132)	(23.040)	(654.172)
Dividend payment to non-controlling interests	-	-	-	-	-	(188.984)	(188.984)
Non-controlling interest on establishment of new subsidiary	-	-	-	-	-	17.357	17.357
Acquisition of shares from non-controlling interests	-	-	(14.905)	-	(14.905)	(45.990)	(60.895)
Balance at 31 December 2010	<u>11.100.000</u>	<u>23.518.243</u>	<u>57.224.454</u>	<u>(507.320)</u>	<u>91.335.377</u>	<u>431.509</u>	<u>91.766.886</u>

The retained earnings shown above at 31 December 2010 were readily distributable up to the amount of US\$ 31.260.129 which represents the retained earnings of the Company. The remaining amount of US\$ 25.964.325 represents the earnings retained in the subsidiary companies of the group. The share premium account is available for distribution only in the form of issue of bonus shares.

The notes on pages 15 to 66 form an integral part of these financial statements

ASBISC ENTERPRISES PLC

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2010

	Notes	2010 US\$	2009 US\$
Profit/(loss) for the year before tax and minority interest		2.251.942	(2.817.430)
Adjustments for:			
Exchange difference arising on consolidation		379.462	(44.927)
Provision for bad debts and receivables written off		2.368.507	1.530.770
Bad debts recovered		(52.844)	(291.108)
Depreciation	14	2.302.605	2.126.432
Amortization of intangible assets	15	707.054	769.782
Gains arising on business combinations		(176)	(51.026)
Share of loss from joint ventures	16	52.365	-
Interest received	5	(483.815)	(626.224)
Interest paid	5	4.340.601	4.196.570
Loss/(profit) from the sale of property, plant and equipment and intangible assets	6	150.674	(2.897)
Operating profit before working capital changes		12.016.375	4.789.942
Increase in inventories		(20.142.337)	(2.103.308)
Increase in trade receivables		(63.465.562)	(13.807.926)
(Increase)/decrease in other current assets		(450.485)	1.244.111
Increase in trade payables		53.640.238	35.527.824
Increase in other current liabilities		7.372.537	11.467.074
Increase in other long-term liabilities		82.350	45.600
Cash (outflows)/inflows from operations		(10.946.884)	37.163.317
Taxation (paid)/recovered, net	8	(891.424)	1.202.364
Interest paid	5	(4.340.601)	(4.196.570)
Net cash (outflows)/inflows from operating activities		(16.178.909)	34.169.111
Cash flows from investing activities			
Interest received	5	483.815	626.224
Purchase of property, plant and equipment		(5.201.888)	(3.314.559)
Purchase of intangible assets	15	(251.058)	(1.375.930)
Net payments on business combinations		(675.607)	(2.315)
Net cash acquired on business combinations		22.793	89.434
Proceeds from sale of property, plant and equipment and intangible assets		25.116	583.904
Net cash outflows from investing activities		(5.596.829)	(3.393.242)
Cash flows from financing activities			
Dividends paid to non-controlling interests		(188.984)	-
Proceeds/(repayments) of long term loans and long term obligations under finance lease		1.057.247	(779.716)
Proceeds/(repayments) of short term loans and short term obligations under finance lease		5.705.234	(6.358.483)
Net cash inflows/(outflows) from financing activities		6.573.497	(7.138.199)
Net (decrease)/increase in cash and cash equivalents		(15.202.241)	23.637.670
Cash and cash equivalents at beginning of the year	25	36.571.758	12.934.088
Cash and cash equivalents at end of the year	25	21.369.517	36.571.758

The notes on pages 15 to 66 form an integral part of these financial statements

ASBISC ENTERPRISES PLC

PARENT COMPANY COMPREHENSIVE INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 US\$	2009 US\$
Revenue	3	934.427.354	749.704.363
Cost of sales		<u>(917.497.533)</u>	<u>(738.212.165)</u>
Gross profit before currency movements		16.929.821	11.492.198
Currency movements on gross profit	4	<u>(1.512.486)</u>	<u>438.298</u>
Gross profit after currency movements		15.417.335	11.930.496
Selling expenses		<u>(9.972.633)</u>	<u>(8.538.837)</u>
Administrative expenses		<u>(6.477.987)</u>	<u>(6.448.832)</u>
Loss from operations		<u>(1.033.285)</u>	<u>(3.057.173)</u>
Financial income	5	410.733	480.466
Financial expenses, net	5	<u>(1.447.072)</u>	<u>(1.248.218)</u>
Other gains and losses	6	<u>293.006</u>	<u>3.679.377</u>
Loss before taxation	7	<u>(1.776.618)</u>	<u>(145.548)</u>
Taxation	8	<u>(77.445)</u>	<u>(39.626)</u>
Loss after taxation attributable to members		<u>(1.854.063)</u>	<u>(185.174)</u>
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		<u>(1.854.063)</u>	<u>(185.174)</u>

The notes on pages 15 to 66 form an integral part of these financial statements

ASBISC ENTERPRISES PLC

PARENT COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	Note	2010 US\$	2009 US\$
ASSETS			
Current assets			
Inventories	10	19,858,521	18,859,790
Trade receivables	11	97,165,551	67,174,482
Other current assets	12	84,418,735	71,098,530
Current taxation receivable	8	34,847	-
Cash at bank and in hand	25	37,191,772	40,309,240
Total current assets		<u>238,669,426</u>	<u>197,442,042</u>
Non-current assets			
Property, plant and equipment	14	5,995,291	2,725,010
Intangible assets	15	1,276,950	1,714,062
Deferred tax asset	9	183,737	124,391
Other non-current assets	12	1,714,177	1,865,892
Investment in subsidiary companies	16	4,919,085	4,575,909
Investment in joint ventures	16	351,597	-
Total non-current assets		<u>14,440,837</u>	<u>11,005,264</u>
Total assets		<u>253,110,263</u>	<u>208,447,306</u>
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Trade payables		169,544,184	126,777,890
Other current liabilities	19	5,932,840	9,360,484
Derivative financial liability	20	35,328	-
Current taxation payable	8	-	78,558
Bank overdrafts and short term loans	21	9,854,057	4,497,939
Total current liabilities		<u>185,366,409</u>	<u>140,714,871</u>
Non-current liabilities			
Long term loans	22	1,865,482	-
Total non-current liabilities		<u>1,865,482</u>	<u>-</u>
Total liabilities		<u>187,231,891</u>	<u>140,714,871</u>
Equity			
Share capital	24	11,100,000	11,100,000
Share premium		23,518,243	23,518,243
Retained earnings and other components of equity		31,260,129	33,114,192
Total equity		<u>65,878,372</u>	<u>67,732,435</u>
Total liabilities and equity		<u>253,110,263</u>	<u>208,447,306</u>

Signed on behalf of the Board of Directors on 24 March 2011

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- Directors

The notes on pages 15 to 66 form an integral part of these financial statements

ASBISC ENTERPRISES PLC

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

	Share capital US\$	Share premium US\$	Retained earnings US\$	Total US\$
Balance at 01 January 2009	11.100.000	23.518.243	33.299.366	67.917.609
Total comprehensive loss for the year	-	-	(185.174)	(185.174)
Balance at 31 December 2009	<u>11.100.000</u>	<u>23.518.243</u>	<u>33.114.192</u>	<u>67.732.435</u>
Total comprehensive loss for the year	-	-	(1.854.063)	(1.854.063)
Balance at 31 December 2010	<u>11.100.000</u>	<u>23.518.243</u>	<u>31.260.129</u>	<u>65.878.372</u>

The retained earnings of US\$ 31.260.129 shown above at 31 December 2010 are all distributable. The share premium account is available for distribution in the form of issue of bonus shares.

Companies which do not distribute 70% of their profits after tax, as defined by the relevant 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 15% will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus 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 for the account of the shareholders.

ASBISC ENTERPRISES PLC

PARENT COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 US\$	2009 US\$
Loss for the year before tax		(1,776,618)	(145,548)
Adjustments for:			
Depreciation	14	462,854	464,616
Amortisation of intangible assets	15	467,392	555,975
Provision for bad debts and receivables written off		1,801,100	2,275,046
Bad debts recovered	6	-	(8,000)
Dividends received	6	(383,424)	(3,660,000)
Interest received		(213,018)	(429,756)
Interest paid	5	857,345	737,895
Loss from the sale of property, plant and equipment and intangible assets		123,678	2,156
Operating profit/(loss) before working capital changes		1,339,309	(207,616)
Increase in inventories		(998,731)	(2,179,770)
Increase in trade receivables		(30,442,169)	(6,219,140)
Increase in other current assets		(14,780,019)	(2,276,041)
Increase in trade payables		42,766,295	27,987,771
(Decrease)/increase in other current liabilities		(3,508,277)	3,914,862
Cash (outflows)/inflows from operations		(5,623,592)	21,020,066
Taxation paid, net	8	(250,196)	(269,672)
Interest paid	5	(857,345)	(737,895)
Net cash (outflows)/inflows from operating activities		(6,731,133)	20,012,499
Cash flows from investing activities			
Interest received	5	213,018	429,756
Dividends received	6	383,424	3,660,000
Purchase of property, plant and equipment	14	(3,960,011)	(102,593)
Purchase of intangible assets	15	(30,280)	(1,247,635)
Proceeds from sale of property, plant and equipment and intangible assets		103,198	-
Net increase in investment in subsidiary companies		(343,176)	(504,613)
Net increase in investment in joint ventures		(235,636)	-
Proceeds of loans to related parties, net		261,528	106,978
Net cash (outflows)/inflows from investing activities		(3,607,935)	2,341,893
Cash flows from financing activities			
Proceeds of long term loans, net		1,865,482	-
Proceeds/(repayments) of short term loans, net		87,271	(3,041,291)
Net cash inflows/(outflows) from financing activities		1,952,753	(3,041,291)
Net (decrease)/increase in cash and cash equivalents		(8,386,315)	19,313,101
Cash and cash equivalents at beginning of the year	25	35,811,301	16,498,200
Cash and cash equivalents at end of year	25	27,424,986	35,811,301

The notes on pages 15 to 66 form an integral part of these financial statements

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

1. Incorporation and principal activities

Asbisc Enterprises Plc (the “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. The main shareholder of the company is K.S. Holdings Limited, a company incorporated in Cyprus.

The company is listed at the Warsaw Stock Exchange since 30th 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 unless otherwise stated.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113.

Basis of preparation

The financial statements have been prepared under the historical cost basis except for certain financial instruments that are measured at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the group’s and 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.

Accounting convention

The financial statements, which are expressed in United States Dollars, the group’s and the company’s functional currency, have been prepared under the historical cost convention, except for the fair valuation of certain financial instruments as explained in the accounting policies below.

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 2010.

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

2. Accounting policies (continued)

Adoption of new and revised International Financial Reporting Standards (continued)

The following Standards, Amendments to Standards and Interpretations had been issued but are not yet effective for the year ended 31 December 2010:

(i) Standards and Interpretations adopted by the EU

- First-time Adoption of International Financial Reporting Standards - Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for annual periods beginning on or after 1 July 2010)
- First-time Adoption of International Financial Reporting Standards - Amendments resulting from May 2010 Annual Improvements to IFRSs (effective for annual periods beginning on or after 1 January 2011)
- IFRS 7: Financial Instruments: Disclosures — Amendments resulting from May 2010 Annual Improvements to IFRSs (effective for annual periods beginning on or after 1 January 2011)
- IAS 1: Presentation of Financial Statements - Amendments resulting from May 2010 Annual Improvements to IFRSs (effective for annual periods beginning on or after 1 January 2011)
- IAS 24: Related Party Disclosures - Revised definition of related parties (effective for annual periods beginning on or after 1 January 2011)
- IAS 27: Consolidated and Separate Financial Statements - Amendments resulting from May 2010 Annual Improvements to IFRSs (effective for annual periods beginning on or after 1 July 2010)
- IAS 32: Financial Instruments: Presentation - Amendments relating to classification of rights issues parties (effective for annual periods beginning on or after 1 February 2010)
- IAS 34: Interim Financial Reporting - Amendments resulting from May 2010 Annual Improvements to IFRSs (effective for annual periods beginning on or after 1 January 2011)
- IFRIC 13: Customer Loyalty Programmes - Amendments resulting from May 2010 Annual Improvements to IFRSs (effective for annual periods beginning on or after 1 January 2011)
- IFRIC 14: AS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction - November 2009 Amendments with respect to voluntary prepaid contributions (effective for annual periods beginning on or after 1 January 2011)
- IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010)

(ii) Standards and Interpretations not adopted by the EU

- IFRS 1: First-time Adoption of International Financial Reporting Standards - Additional exemption for entities ceasing to suffer from severe hyperinflation (effective for annual periods beginning on or after 1 July 2011)
- IFRS 7: Financial Instruments: Disclosures — Amendments enhancing disclosures about transfers of financial assets (effective for annual periods beginning on or after 1 July 2011)
- IFRS 9: Financial Instruments - Classification and Measurement (effective for annual periods beginning on or after 1 January 2013)
- IAS 12: Income Taxes - Limited scope amendment (recovery of underlying assets) (effective for annual periods beginning on or after 1 January 2012)

The Board of Directors expects that the adoption of these standards or interpretations in future periods will not have a material effect on the financial statements of the group and the company.

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

2. Accounting policies (continued)

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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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 groups 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 recognised directly in equity and attributed to 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 recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. 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.

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 recognised in profit or loss as incurred.

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

2. Accounting policies (continued)

Business combinations (continued)

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 recognised.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3(2008) are recognised 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 recognised 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 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Interests in joint ventures

A joint venture is a contractual arrangement whereby the group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

When a group entity undertakes its activities under joint venture arrangements directly, the group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The group reports its interests in jointly controlled entities using the equity method of accounting, hereby an interest in jointly controlled entity is initially recorded at cost and adjusted thereafter for the post-acquisition change in the venturer's share of net assets of the jointly controlled entity. The group's share of the venturer's profit or loss is recognised in the consolidated statement of comprehensive income.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the group.

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

2. Accounting policies (continued)

Investments in subsidiary companies

In the individual accounts of the company, investments in subsidiary companies are presented at cost less provision for permanent diminution in value.

Other investments

Other investments are stated at cost less provision for permanent diminution in value.

Goodwill

Goodwill arising in a business combination is recognised 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 recognised 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 recognised 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.

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, or for purposes not yet determined, 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:

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

Accounting policies (continued)

Property, plant and equipment (continued)

Buildings	33 years
Leasehold property	Over the remaining period of the right for usage of the land
Motor vehicles	5 years
Furniture, fittings and office equipment	10 years
Computer hardware	5 years
Warehouse machinery	3 – 5 years

Depreciation is not provided on land.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease

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.

Intangible assets

Intangible assets consist of computer software, patents and licences which are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation 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 licences	3 years

The estimated useful life and amortisation 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.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. 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, are recognised in profit or loss when the asset is derecognised.

Repairs and maintenance

Expenditure for repairs and maintenance of property, plant and equipment and costs associated with maintenance of computer software programmes are recognised as an expense as incurred.

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

2. Accounting policies (continued)

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 recognised 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 recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised 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.

Taxation

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 recognised 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 utilised. 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.

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

2. Accounting policies (continued)

Taxation (continued)

Deferred tax (continued)

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interest in joint ventures except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 realised, 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 recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in the accounting for business combinations.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of 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 the consolidated 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 recognised in the profit and loss in the period in which they arise.

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

2. Accounting policies (continued)

Foreign currencies (continued)

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 recognised in other comprehensive income and accumulated in equity (attributable to non-controlling interests as appropriate).

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 derecognised, but they are not reclassified to profit or loss.

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.

Inventories

Inventories comprise finished IT components 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 its 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 and the 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 and the group's obligations.

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

2. Accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised 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 recognised immediately in profit or loss.

Financial assets

Available-for-sale financial assets (AFS 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 recognised and derecognised 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.

The group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets.

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.

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 subsidiaries of the company 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.

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

2. Accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (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, where appropriate, a shorter period.

Loans granted

Loans granted by the company and the group to the borrower are categorized as loans and are carried at amortized cost. This 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 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

The company 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 group derecognises 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 group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised 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 recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities and equity instruments issued by the 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.

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

2. Accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments issued by the group (continued)

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.

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 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 recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies as set out below.

The Directors of the company have considered the amendments of IAS 39 *Financial Instruments: Recognition and Measurement* and have assessed the impact on the financial statements. The possibility of having to exercise their obligation under the guarantee contracts is remote and thus does not meet the initial recognition criteria in accordance with IAS 37.

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 not interest bearing and are stated at their nominal value.

Derecognition of financial liabilities

The group and the company derecognises 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 derecognised and the consideration paid and payable is recognised in profit or loss.

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

2. Accounting policies (continued)

Segmental reporting

The group is organised 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

Derivative financial instruments

The group enters into forward exchange contracts to manage its exposure to foreign exchange rate risks. Further details of derivative financial instruments are disclosed in notes 13 and 20.

Derivatives are initially recognised 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 recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. During 2010 the group and the company did not designate any derivative as a hedging instrument.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised 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 realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities

Revenue recognition

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.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the group and the company has transferred to the buyer the significant risks and rewards of ownership of the goods
- the group and the company 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 revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

Interest revenue is recognised 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 revenue 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

2. Accounting policies (continued)

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 recognised as assets of the 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 capitalised. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating leases

Operating lease payments are recognised 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 recognised 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 recognised as a liability. The aggregate benefit of incentives is recognised 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.

Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred.

Dividend distribution

Dividend distribution to the group's and the company's shareholders is recognized in the group's and the company's financial statements in the year in which they are approved by the group's and the company's shareholders.

Comparative figures

Where necessary, comparative figures have been restated to coincide with current year's financial statements.

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

2. Accounting policies (continued)

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 group and the company 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 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 irrecoverability 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.

Provision for obsolete and slow-moving inventory

The group reviews its inventory records for evidence regarding the saleability 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 amortisation rates.

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

Accounting policies (continued)

Critical judgements in applying the entity's accounting policies and key sources of estimation uncertainty (continued)

Impairment of investments in subsidiaries

The company periodically evaluates the recoverability of investments in subsidiaries 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 investment in subsidiaries/associates may be impaired, the estimated future undiscounted cash flows associated with these subsidiaries/associates would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

Warranty provisions

Warranty provisions represent the group's and the company'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 group/company 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.

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 produces an analysis of the group's sales by geographical market, irrespective of the origin of the goods.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

3. Revenue (continued)

<i>Revenue analysis by geographical market (continued)</i>	2010 US\$	2009 US\$
The Group (continued)		
Former Soviet Union	588.378.541	372.573.766
Eastern Europe	481.963.173	457.844.333
Western Europe	109.926.026	110.973.607
Middle East & Africa	203.452.084	182.896.942
Other	51.342.903	38.168.835
	<u>1.435.062.727</u>	<u>1.162.457.483</u>

Revenue analysis by currency

	2010 US\$	2009 US\$
The Group		
US Dollars	767.386.232	612.945.712
Euro	268.030.091	227.725.742
Russian Rouble	87.611.515	41.050.871
Czech Koruna	73.635.344	44.488.655
Bulgarian Lev	30.101.764	30.972.348
Kazakhstan Tenge	28.035.737	5.372.327
Croatian Kuna	27.582.124	26.798.341
Belarusian Ruble	25.700.646	37.257.080
Romanian New Lei	24.547.669	23.157.587
Polish Zloty	24.141.759	35.300.971
Other	78.289.846	77.387.849
	<u>1.435.062.727</u>	<u>1.162.457.483</u>

	2010 US\$	2009 US\$
The Company		
US Dollars	817.873.776	685.405.769
Euro	110.891.275	64.298.594
Russian Rouble	5.662.303	-
	<u>934.427.354</u>	<u>749.704.363</u>

4. Currency movements on gross profit

	2010 US\$	2009 US\$
The Group		
Realised currency movements on trading activities	(2.660.330)	(2.501.114)
Unrealised currency movements on trading activities	(824.314)	(1.435.681)
Realised loss on executed forward contracts	(125.446)	-
Net unrealised loss on unexecuted forward contracts	(133.461)	-
Loss on currency movements	<u>(3.743.551)</u>	<u>(3.936.795)</u>

	2010 US\$	2009 US\$
The Company		
Realised currency movements on trading activities	(1.420.196)	166.075
Unrealised currency movements on trading activities	176.515	272.223
Realised loss on executed forward contracts	(233.477)	-
Net unrealised loss on unexecuted forward contracts	(35.328)	-
(Loss)/gain on currency movements	<u>(1.512.486)</u>	<u>438.298</u>

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5. Financial expense, net	2010 US\$	2009 US\$
The Group		
Financial income		
Interest income	483.815	626.224
Net exchange gain	53.859	-
Other financial income	356.575	-
	<u>894.249</u>	<u>626.224</u>
Financial expense		
Bank interest	4.340.601	4.196.570
Bank charges	1.651.024	1.219.661
Factoring interest	1.249.905	916.401
Factoring charges	618.032	340.150
Other financial expenses	172.493	75.923
Other interest	276.190	21.623
Net exchange loss	-	271.492
	<u>8.308.245</u>	<u>7.041.820</u>
Net	<u>(7.413.996)</u>	<u>(6.415.596)</u>
The Company	2010 US\$	2009 US\$
Financial income		
Interest income	1.710	7.845
Interest income from loans to subsidiary companies (note 27)	211.308	421.911
Net exchange gain	121.270	-
Other financial income	76.445	50.710
	<u>410.733</u>	<u>480.466</u>
Financial expense		
Bank interest	857.345	737.895
Bank charges	329.903	225.188
Factoring charges	-	113
Net exchange loss	-	283.397
Other interest	259.824	1.625
	<u>1.447.072</u>	<u>1.248.218</u>
Net	<u>(1.036.339)</u>	<u>(767.752)</u>
6. Other gains and losses	2010 US\$	2009 US\$
The Group		
Rental income	175.494	180.193
(Loss)/profit on disposal of property, plant and equipment	(150.674)	2.897
Bad debts recovered	52.844	291.108
Other income	211.759	232.710
	<u>289.423</u>	<u>706.908</u>
	2010 US\$	2009 US\$
The Company		
Dividends received	383.424	3.660.000
Other income	33.260	11.377
Bad debts recovered	-	8.000
Loss on disposal of property, plant and equipment	(123.678)	-
	<u>293.006</u>	<u>3.679.377</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

7. Profit/(loss) before taxation	2010 US\$	2009 US\$
The Group		
Profit/(loss) before taxation is stated after charging:		
(a) Depreciation	2,302,605	2,126,432
(b) Amortisation of intangible assets	707,054	769,782
(c) Auditors' remuneration	607,955	678,639
(d) Directors' remuneration – executive (Note 27)	559,627	523,998
(e) Directors' remuneration – non-executive (Note 27)	39,627	85,237
	2,302,605	2,126,432
	2010 US\$	2009 US\$
The Company		
Profit/(loss) before taxation is stated after charging:		
(a) Depreciation	462,854	464,616
(b) Amortisation of intangible assets	467,392	555,975
(c) Auditors' remuneration	342,470	406,358
(d) Directors' remuneration – executive (Note 27)	391,627	355,998
(e) Directors' remuneration – non-executive (Note 27)	39,627	85,237
	462,854	464,616
	2010 US\$	2009 US\$
8. Taxation		
The Group		
Credit/(debit) balance 1 January	64,659	(2,663,619)
Tax asset from subsidiaries acquired	(278)	-
Tax asset on disposal of subsidiary	-	628,040
Provision for the year	1,315,092	643,811
Under provision of prior year	7,477	12,571
Exchange difference on retranslation	(4,877)	241,492
Amounts (paid)/recovered, net	(891,424)	1,202,364
Net credit balance 31 December	490,649	64,659
	2010 US\$	2009 US\$
Tax receivable	(348,667)	(156,135)
Tax payable	839,316	220,794
Net	490,649	64,659

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 results of the foreign subsidiary companies.

As of 1 January 2006 all Cyprus resident companies of the group are taxed at 10%.

Dividends received by Cyprus companies are exempt from Corporation Tax. They are also exempt from Special Defence Contribution provided certain conditions are met.

Dividends received by a Cyprus resident company from another Cyprus resident company are exempt from Special Defence Contribution.

Dividends received by a Cyprus resident company from a non resident company are exempt from Special Defence Contribution.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

8. Taxation (continued) The Group (continued)

This exemption does not apply and the dividends are subject to 15% Defence Contribution if the foreign company paying the dividends

- (a) carries on more than 50% investment activities giving rise to investment income; and
- (b) the foreign tax burden on its profits is significantly lower than the Cyprus tax burden (in practice lower than 5%).

Dividends paid by a Cyprus resident company to its non resident shareholders (companies or individuals tax resident outside Cyprus) would not be subject to withholding tax in Cyprus, regardless of the existence of a Treaty between Cyprus and the country of residence of the shareholders.

The consolidated taxation charge for the year consists of the following:

	2010 US\$	2009 US\$
Provisions and withholding tax for the year	1.315.092	643.811
Under provision of prior years	7.477	12.571
Deferred tax income	(372.675)	(477.332)
Charge for the year	<u>949.894</u>	<u>179.050</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:

	2010 US\$	2009 US\$
Accounting profit/(loss) before taxation	2.251.942	(2.817.430)
Corporation tax thereon at the applicable rates	229.746	(152.824)
Tax on income not taxable in determining taxable profit	(235.705)	(327.906)
Effect of using tax losses brought forward	(12.225)	-
Effect of unused current year tax losses	476.313	446.904
Temporary differences	209.321	38.636
Tax on non-allowable expenses	518.865	441.994
	<u>1.186.315</u>	<u>446.804</u>
Withholding tax on dividend income	45.101	
Special contribution to defence fund	83.676	197.007
Under provision of prior years	7.477	12.571
Deferred tax income	(372.675)	(477.332)
Taxation charge for the year	<u>949.894</u>	<u>179.050</u>

	Corporation tax 2010 US\$	Defence contribution 2010 US\$	Total 2010 US\$	Total 2009 US\$
The Company				
(Debit)/credit balance 1				
January	(117.865)	196.423	78.558	148.915
Under provision of prior year	6.545	2.012	8.557	2.421
Withholding tax	45.101	-	45.101	
Provision for the year	-	83.133	83.133	196.894
Amount paid, net	(51.646)	(198.550)	(250.196)	(269.672)
(Debit)/credit balance 31				
December	<u>(117.865)</u>	<u>83.018</u>	<u>(34.847)</u>	<u>78.558</u>

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

8. Taxation (continued)

The Company (continued)

The charge for taxation is based on the company's profits for the year as adjusted for tax purposes.

The reconciliation of the accounting result to the taxation charge for the year is as follows:

	2010 US\$	2009 US\$
Accounting loss before taxation	(1.776.618)	(145.548)
Corporation tax thereon at the applicable rate of 10%	(177.662)	(14.555)
Tax effects of:		
Tax on income not taxable in determining taxable profit	(205.815)	(390.050)
Temporary differences	(2.917)	(21.563)
Effect of unused current year tax losses	97.061	196.904
Tax on non-allowable expenses	289.333	229.264
	-	-
Withholding tax on dividend income	45.101	-
Special contribution to defence fund	83.133	196.894
Under provision of prior years	8.557	2.421
Deferred tax credit	(59.346)	(159.689)
	<u>77.445</u>	<u>39.626</u>
The taxation charge for the year consists of the following:		
Withholding tax on dividend income	45.101	-
Special contribution to defence fund	83.133	196.894
Deferred tax credit	(59.346)	(159.689)
Under provision of prior years	8.557	2.421
	<u>77.445</u>	<u>39.626</u>

9. Deferred tax

	Temporary differences between accounting and tax NBV of PPE and intangibles (note i) US\$	Tax losses (note ii) US\$	Other temporary differences (note iii) US\$	Total US\$
The Group				
Credit/(debit) balance on 1 January 2009	35.298	-	(176.290)	(140.992)
Deferred tax charge/(credit) for the year	37.215	(446.904)	(67.643)	(477.332)
Exchange difference on retranslation	-	-	(7.471)	(7.471)
Credit/(debit) balance on 1 January 2010	72.513	(446.904)	(251.404)	(625.795)
Deferred tax charge/(credit) for the year	37.715	(465.902)	55.512	(372.675)
Exchange difference on retranslation	-	1.814	4.835	6.649
Credit/(debit) balance on 31 December 2010	<u>110.228</u>	<u>(910.992)</u>	<u>(191.057)</u>	<u>(991.821)</u>

ASBISC ENTERPRISES PLC

**NOTES TO THE FINANCIAL STATEMENTS
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9. Deferred tax (continued)

	Temporary differences between accounting and tax NBV of PPE and intangibles (note i) US\$	Tax losses (note ii) US\$	Total (note iv) US\$
The Company			
Credit balance on 1 January 2009	35.298	-	35.298
Deferred tax charge/(credit) for the year	37.215	(196.904)	(159.689)
Credit/(debit) balance on 1 January 2010	72.513	(196.904)	(124.391)
Deferred tax charge/(credit) for the year	37.715	(97.061)	(59.346)
Credit/(debit) balance on 31 December 2010	<u>110.228</u>	<u>(293.965)</u>	<u>(183.737)</u>

Note (i)

The Group and the Company

The deferred tax liability relates to excess of capital allowances over depreciation.

Note (ii)

The Group

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 group.

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 indefinitely. The company's management, based on their projections with respect to the future profitability of the company, are of the opinion that the tax losses of US\$ 2.939.650 carried forward will be utilised in future periods.

Note (iii)

The Group

Other temporary differences relate mainly to difference between treatment in accordance with International Financial Reporting Standards and treatment in accordance with local tax standards and mainly consist of unrealised profits/losses on revaluation of working capital and different treatment in valuing inventory.

Note (iv)

The Company

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.

	2010 US\$	2009 US\$
Deferred tax receivable	(293.965)	(196.904)
Deferred tax payable	110.228	72.513
Net	<u>(183.737)</u>	<u>(124.391)</u>

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

10. Inventories	2010 US\$	2009 US\$
The Group		
Goods held for resale	99,006,701	78,755,070
Goods in transit	5,524,296	6,060,882
Provision for slow moving and obsolete stock	(911,912)	(1,339,448)
	103,619,085	83,476,504

As at 31 December 2010, inventories pledged as security for financing purposes amounted to US\$ 27,916,476 (2009: US\$ 22,371,574).

<u>Movement in provision for slow moving and obsolete stock</u>	2010 US\$	2009 US\$
On 1 January	1,339,448	853,806
Net movement for the year	(461,891)	457,300
Exchange difference	34,355	28,342
On 31 December	911,912	1,339,448

	2010 US\$	2009 US\$
The Company		
Goods held for resale	16,761,728	17,598,923
Goods in transit	3,292,019	1,405,110
Provision for slow moving and obsolete stock	(195,226)	(144,243)
	19,858,521	18,859,790

As at 31 December 2010, inventories pledged as security for financing purposes amounted to nil (2009: nil).

<u>Movement in provision for slow moving and obsolete stock</u>	2010 US\$	2009 US\$
On 1 January	144,243	250,000
Net movement for the year	50,983	(105,757)
On 31 December	195,226	144,243

Change of valuation basis of inventories

As from 1 April 2009, the company and the group amended the way for valuing certain items of its inventory which are not covered under the price protection scheme provided by its key suppliers from the standard cost method to the weighted average cost method.

In the opinion of the management this amended valuation basis provides a more fair and relevant method for valuing these particular stock items.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

11. Trade receivables	2010 US\$	2009 US\$
The Group		
Trade receivables	280.952.154	219.001.324
Allowance for doubtful debts	(5.352.303)	(4.556.457)
	<u>275.599.851</u>	<u>214.444.867</u>

As at 31 December 2010, receivables that had been assigned as security for financing purposes amounted to US\$ 38.387.651 (2009: US\$ 42.461.176). In 2010, the group has recognised a loss of US\$ 2.368.507 (2009: US\$ 1.530.770) for the impairment of its trade receivables. The loss has been included in selling expenses in the income statement.

Movement in provision for doubtful debts:

	2010 US\$	2009 US\$
On 1 January	4.556.457	3.548.253
Provisions during the year	2.368.507	1.530.770
Amount written-off as uncollectible	(1.364.409)	(530.070)
Bad debts recovered	(52.844)	(291.108)
Exchange difference	(155.408)	298.612
On 31 December	<u>5.352.303</u>	<u>4.556.457</u>

Ageing of the group's receivables:

Year	Total receivables US\$	Outstanding but not due yet US\$	Overdue 0-30 days US\$	Overdue between 30-60 days US\$	Overdue more than 60 days US\$
2010	280.952.154	217.669.884	27.698.462	7.939.398	27.644.410
2009	219.001.324	151.540.308	33.693.056	10.077.730	23.690.230

Ageing of impaired receivables (provision for bad debts)

Year	Total US\$	Overdue 60-90 days US\$	Overdue 90-120 days US\$	Overdue more than 120 days US\$
2010	5.352.303	4.773	45.396	5.302.134
2009	4.556.457	12.798	558.525	3.985.134

	2010 US\$	2009 US\$
The Company		
Trade receivables	98.555.095	68.112.926
Allowance for doubtful debts	(1.389.544)	(938.444)
	<u>97.165.551</u>	<u>67.174.482</u>

In 2010, the company has recognised a loss of US\$ 451.100 (2009: US\$ 261.205) for the impairment of its trade receivables.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

11. Trade receivables (continued) The Company (continued)

Movement in provision for doubtful debts:

	2010 US\$	2009 US\$
On 1 January	938.444	700.317
Provisions during the year	451.100	261.205
Amount written-off as uncollectible	-	(15.078)
Bad debts recovered	-	(8.000)
On 31 December	1.389.544	938.444

Ageing of the company's receivables:

Year	Total receivables US\$	Outstanding but not due yet US\$	Overdue 0-30 days US\$	Overdue between 30-60 days US\$	Overdue more than 60 days US\$
2010	98.555.095	78.147.048	11.900.630	5.610.749	2.896.668
2009	68.112.926	42.998.297	13.606.657	4.661.714	6.846.258

Ageing of impaired receivables (provision for bad debts)

Year	Total US\$	Overdue 60-90 days US\$	Overdue 90-120 days US\$	Overdue more than 120 days US\$
2010	1.389.544	-	-	1.389.544
2009	938.444	-	-	938.444

12. Other current and non-current assets

1.1 Other current assets

The Group

	2010 US\$	2009 US\$
Other debtors and prepayments	3.001.796	2.648.844
VAT and other taxes refundable	3.244.704	3.133.742
Employee floats	326.032	350.425
Deposits and advances to service providers	857.630	852.045
	7.430.162	6.985.056

The Company

	2010 US\$	2009 US\$
Other debtors and prepayments	598.194	624.302
Amount due from subsidiary companies (Note 27)	82.807.439	69.052.935
Loans due from subsidiary companies (Note 27)	1.001.634	1.085.579
VAT refundable	11.468	335.714
	84.418.735	71.098.530

The directors consider that the carrying amount of other current assets of the group and the company approximate their fair value.

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12. Other current and non-current assets (continued)

1.2 Other non-current assets	2010 US\$	2009 US\$
The Company		
Long-term loans due from subsidiary companies (Note 27)	1.714.177	1.865.892
	<u>1.714.177</u>	<u>1.865.892</u>

13. Derivative financial asset

The Group	2010 US\$	2009 US\$
<u>Derivative financial assets carried at fair value through profit or loss</u>		
Foreign currency forward contracts	5.379	-
	<u>5.379</u>	<u>-</u>

Fair value measurement of derivative financial assets

	2010 Notional amount US\$	2010 Fair Value US\$
<u>Buying US\$/Selling PLN</u>	36.000	901
<u>Buying EUR/Selling HUF</u>	333.094	707
<u>Buying US\$/Selling HUF</u>	246.060	3.771
	<u>615.154</u>	<u>5.379</u>

- (i) A foreign currency forward 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 exchange rates.
- (ii) The group enters into currency forward contracts as part of its overall hedging strategy in order to minimise the exposure to foreign currency fluctuations.
- (iii) The group did not designate the said foreign currency forward contracts as hedging instruments, thus the resulting gain that arose on the fair value of the derivatives at the end of 2010, which amounted to US\$ 5.379 (2009: nil), was recognized in the statement of comprehensive income. During the year the group realised losses from execution of foreign currency forward contracts which amounted to US\$ 125.446 (2009: nil) (see note 4).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

14. Property, plant and equipment The Group

	Land and buildings US\$	Assets under construction US\$	Warehouse machinery US\$	Furniture and fittings US\$	Office equipment US\$	Motor vehicles US\$	Computer hardware US\$	Total US\$
Cost								
At 1 January 2009	12,915,207	5,551,839	223,219	1,682,730	2,659,536	3,260,333	5,302,632	31,595,496
Additions from acquisition of subsidiaries	-	-	-	26,934	39,085	-	14,947	80,966
Additions	183,592	1,198,901	74,546	337,103	268,759	315,429	672,348	3,050,678
Disposals upon sale of subsidiaries	-	-	-	-	-	-	(1,661)	(1,661)
Disposals	-	-	(150,132)	(61,343)	(264,195)	(305,502)	(729,625)	(1,510,797)
Transfers	6,182,145	(6,182,145)	-	-	-	-	-	-
Foreign exchange difference on retranslation	235,179	(568,595)	(4,605)	25,604	23,087	6,120	119,250	(163,960)
At 1 January 2010	19,516,123	-	143,028	2,011,028	2,726,272	3,276,380	5,377,891	33,050,722
Additions from acquisition of subsidiaries	-	-	-	953	214	-	1,720	2,887
Additions	106,863	3,402,910	31,920	222,353	195,453	598,214	645,938	5,203,651
Disposals	-	-	(5,690)	(78,566)	(150,004)	(241,565)	(275,108)	(750,933)
Foreign exchange difference on retranslation	(838,908)	-	(59)	(88,697)	(87,433)	(121,372)	(196,426)	(1,332,895)
At 31 December 2010	18,784,078	3,402,910	169,199	2,067,071	2,684,502	3,511,657	5,554,015	36,173,432
Accumulated depreciation								
At 1 January 2009	1,023,510	-	146,353	655,709	1,069,118	1,373,247	2,857,061	7,124,998
Charge for the year	330,181	-	14,769	232,527	261,270	541,094	746,591	2,126,432
Disposals upon sale of subsidiaries	-	-	-	-	-	-	(1,186)	(1,186)
Disposals	-	-	(144,652)	(36,347)	(217,163)	(240,733)	(322,280)	(961,175)
Foreign exchange difference on retranslation	11,557	-	(4,224)	22,505	35,186	26,750	128,443	220,217
At 1 January 2010	1,365,248	-	12,246	874,394	1,148,411	1,700,358	3,408,629	8,509,286
Charge for the year	477,917	-	18,342	215,720	296,810	527,081	766,735	2,302,605
Disposals	-	-	(5,690)	(52,701)	(51,475)	(229,582)	(258,111)	(597,559)
Foreign exchange difference on retranslation	(80,471)	-	(104)	(33,364)	(41,712)	(62,179)	(106,675)	(324,505)
At 31 December 2010	1,762,694	-	24,794	1,004,049	1,352,034	1,935,678	3,810,578	9,889,827
Net book value								
At 31 December 2010	17,021,384	3,402,910	144,405	1,063,022	1,332,468	1,575,979	1,743,437	26,283,605
At 31 December 2009	18,150,875	-	130,782	1,136,634	1,577,861	1,576,022	1,969,262	24,541,436

Assets under construction which related to the construction of warehouse and offices in Belarus (US\$ 2,791,971) and the Middle East (US\$ 3,390,174) became operational in 2009 and were transferred to land and buildings. During 2010 the group acquired land and building in Cyprus of capitalized cost of US\$ 3,400,604 which at 31 December 2010 was under reconstruction and renovation. Land and buildings of a total cost value of US\$ 18,746,536 (2009 US\$ 13,616,698) have been mortgaged for financing purposes. The fully depreciated assets of the group that are still in use amounted to US\$ 3,100,125 (2009: US\$ 1,807,738).

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

14. Property, plant and equipment (continued) The Company

	Land and buildings US\$	Assets under construction US\$	Furniture and fittings US\$	Office equipment US\$	Motor vehicles US\$	Computer hardware US\$	Total US\$
Cost							
At 1 January 2009	1.550.918	-	354.564	783.440	809.157	1.838.580	5.336.659
Additions	-	-	4.474	14.843	-	83.276	102.593
Disposals	-	-	-	-	(16.770)	(10.067)	(26.837)
At 1 January 2010	1.550.918	-	359.038	798.283	792.387	1.911.789	5.412.415
Additions	-	3.400.604	46.988	28.909	275.555	207.955	3.960.011
Disposals	-	-	(4.552)	(152.335)	(143.046)	(46.187)	(346.120)
At 31 December 2010	1.550.918	3.400.604	401.474	674.857	924.896	2.073.557	9.026.306
Accumulated depreciation							
1 January 2009	318.823	-	205.928	168.711	297.436	1.256.628	2.247.526
Charge for the year	46.997	-	31.816	77.040	123.189	185.574	464.616
Disposals	-	-	-	-	(16.770)	(7.967)	(24.737)
At 1 January 2010	365.820	-	237.744	245.751	403.855	1.434.235	2.687.405
Charge for the year	46.997	-	33.573	71.699	136.943	173.642	462.854
Disposals	-	-	(1.956)	(38.187)	(57.464)	(21.637)	(119.244)
At 31 December 2010	412.817	-	269.361	279.263	483.334	1.586.240	3.031.015
Net book value							
31 December 2010	1.138.101	3.400.604	132.113	395.594	441.562	487.317	5.995.291
31 December 2009	1.185.098	-	121.294	552.532	388.532	477.554	2.725.010

The fully depreciated assets of the company that are still in use amounted to US\$ 1.155.579 (2009: US\$ 1.296.614). During 2010 the company acquired land and building in Cyprus of capitalized cost of US\$ 3.400.604 which at 31 December 2010 was under reconstruction and renovation. The land and buildings have been mortgaged as securities for financing purposes.

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

15. Intangible assets

The Group

	Computer software US\$	Patents and licenses US\$	Total US\$
Cost			
At 1 January 2009	5,493,326	672,454	6,165,780
Additions from acquisition of subsidiaries	1,380	-	1,380
Additions	1,369,405	6,525	1,375,930
Disposals	(413,671)	(2,397)	(416,068)
Foreign exchange difference on retranslation	83,521	2,854	86,375
At 1 January 2010	6,533,961	679,436	7,213,397
Additions	121,457	129,601	251,058
Disposals upon disposal of subsidiaries	(76)	-	(76)
Disposals	(90,219)	(23,766)	(113,985)
Foreign exchange difference on retranslation	(53,518)	(12,013)	(65,531)
At 31 December 2010	6,511,605	773,258	7,284,863
Accumulated amortization			
At 1 January 2009	4,074,654	489,329	4,563,983
Charge for the year	706,320	63,462	769,782
Disposals	(382,966)	(1,717)	(384,683)
Foreign exchange difference on retranslation	85,793	2,723	88,516
At 1 January 2010	4,483,801	553,797	5,037,598
Charge for the year	623,931	83,123	707,054
Disposals upon disposal of subsidiaries	(76)	-	(76)
Disposals	(89,806)	-	(89,806)
Foreign exchange difference on retranslation	(34,832)	(7,227)	(42,059)
At 31 December 2010	4,983,018	629,693	5,612,711
Net book value			
At 31 December 2010	1,528,587	143,565	1,672,152
At 31 December 2009	2,050,160	125,639	2,175,799

The fully amortized intangibles of the group that are still in use amounted to US\$ 3,152,854 (2009: US\$ 2,418,200).

The Company

	Computer software US\$	Patents & licences US\$	Total US\$
Cost			
At 1 January 2009	4,293,430	441,194	4,734,624
Additions	1,247,635	-	1,247,635
Write-offs	(137)	-	(137)
At 1 January 2010	5,540,928	441,194	5,982,122
Additions	30,280	-	30,280
At 31 December 2010	5,571,208	441,194	6,012,402
Accumulated amortisation			
At 1 January 2009	3,316,018	396,149	3,712,167
Charge for the year	538,655	17,320	555,975
Write-offs	(82)	-	(82)
At 1 January 2010	3,854,591	413,469	4,268,060
Charge for the year	439,667	27,725	467,392
At 31 December 2010	4,294,258	441,194	4,735,452
Net book value			
31 December 2010	1,276,950	-	1,276,950
31 December 2009	1,686,337	27,725	1,714,062

The fully amortized intangible assets of the company that are still in use amounted to US\$ 2,785,832 (2009: US\$ 2,340,508).

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

16. Investments

a. Investment in subsidiary companies

The Company	2010 US\$	2009 US\$
Shares at cost of acquisition or written down value	4.919.085	4.575.909
Balance at 1 January	4.575.909	3.571.296
Increase in investments	60.895	974.185
Establishments during the year	282.281	-
Acquisitions during the year	-	30.428
Balance at 31 December	4.919.085	4.575.909

During the year 2010 the company increased its investment in MEGATREND D.O.O. SARAJEVO from 80% to 90% shareholding by acquiring an additional 10% from the non-controlling interest for \$60.895. In addition the company established two new subsidiaries namely ASBIS DE GMBH and ASBIS KOREA at the investment cost of US\$ 30.765 and US\$ 251.516 respectively.

At the year end the company held a participation in the following subsidiaries:

Subsidiary Company	Country of incorporation	Percentage of participation	
		2010 %	2009 %
ASBIS UKRAINE LTD - Group	Ukraine	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 - Group	United Arab Emirates	100	100
ASBIS SK SPOL S.R.O.	Slovakia	100	100
ASBIS Europe BV	Netherlands	100	100
ASBIS LIMITED	Ireland	100	100
ASBC F.P.U.E.	Belarus	100	100
E.M. EURO-MALL LTD (formerly ISA HARDWARE LTD) - Group	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
ASBIS NL BV (formerly Canyon Technology BV)	Netherlands	100	100
PRESTIGIO PLAZA LTD (formerly Prestigio Technologies (Cyprus) Ltd)	Cyprus	100	100
PRESTIGIO EUROPE SPOL S.R.O. (iv)	Czech Republic	100	100
PRESTIGIO LTD (i) (iv)	Ukraine	100	100
ISA HARDWARE SRO – dormant (ii)	Czech Republic	100	100
ISA HARDWARE DOO (ii)	Croatia	100	100
ISA HARDWARE HUNGARY COMMERCIAL LTD – dormant (ii)	Hungary	100	100
S.C. EUROMALL S.R.L. (formerly ISA Hardware International SRL) (ii)	Romania	100	100
EURO-MALL SRO (formerly ISA HARDWARE SRO) – Group (ii)	Slovakia	100	100
ISA HARDWARE D.O.O - dormant (ii)	Serbia	100	100
ISA HARDWARE SRO (ii)	Slovenia	100	100
PRESTIGIO PLAZA SP.ZO.O. (formerly ISA Hardware Sp.z.o.o.) (ii)	Poland	100	100
ASBIS TR BILGISAYAR LIMITED SIRKETI (v)	Turkey	100	100
MEGATREND D.O.O. SARAJEVO	Bosnia Herzegovina	90	80

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

16. Investments (continued) a. Investment in subsidiary companies (continued)

Subsidiary Company	Country of incorporation	Percentage of participation	
		2010	2009
		%	%
PTUE IT-MAX (v)	Belarus	100	100
CJSC ASBIS	Belarus	66.6	66.6
ASBIS IT S.R.L.	Italy	100	100
ASBIS Kazakhstan LLP	Kazakhstan	100	100
ASBIS TAIWAN CO., LTD	Taiwan	100	100
ASBIS DE GMBH (iii)	Germany	100	-
ASBIS KOREA (iii)	Korea	100	-
EUROMALL BULGARIA EOOD (iii) (ii)	Bulgaria	100	-
ION UKRAINE (iii) (vii)	Ukraine	100	-
SHARK ONLINE a.s. (iii) (vi)	Slovakia	51	-

- (i) Sold/liquidated during 2010
(ii) Held by E.M. Euro-Mall Ltd - Cyprus
(iii) Established/acquired during 2010
(iv) Held by Prestigio Technologies (Cyprus) Ltd
(v) Held by Asbis Middle East FZE
(vi) Held by Euro-mall s.r.o
(vii) Held by Asbis Ukraine Ltd

The principal activity of all subsidiary companies is the trading and distribution of computer hardware and software.

b. Investment in joint ventures	2010	2009
The Group	US\$	US\$
Cost		
At 1 January	-	-
Investment in joint ventures during the year	737.997	-
At 31 December	737.997	-
Accumulated share of profits from joint ventures		
At 1 January	-	-
Share of losses from joint ventures during the year	(52.365)	-
At 31 December	(52.365)	-
Investment in joint ventures recorded under the equity method of consolidation	685.632	-

During 2010 the group invested in two joint ventures. The first joint venture was 48% participation in AOSBIS Technology (Shenzhen) Corp. operating in China and the second was 50% participation in Shark Computers a.s. operating in Slovakia.

The Company	2010	2009
	US\$	US\$
Cost		
At 1 January	-	-
Investment in joint ventures during the year	351.597	-
At 31 December	351.597	-

During 2010 the company invested 48% in AOSBIS Technology (Shenzhen) Corp. operating in China.

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

17. Business combinations

1. Acquisitions

1.1. Acquisitions 2010 – the Group

During the year the group acquired 100% of the share capital of EUROMALL BULGARIA EOOD. From the excess of the consideration paid over the group's interest in the net assets acquired a goodwill of \$41.416 arose which was capitalised.

In addition 100% of the share capital of ION Ukraine was acquired and for which an additional \$8.797 goodwill was capitalised due to the excess of the consideration paid to the previous shareholders over the group's interest in the net assets acquired.

<u>Name of acquired entity</u>	<u>Type of operations</u>	<u>Date acquired</u>	<u>% acquired</u>
EUROMALL BULGARIA EOOD	Information Technology	1 January 2010	100%
ION UKRAINE	Information Technology	1 May 2010	100%

1.2. Acquisitions 2009 – the Group

During the year 2009 the group acquired 100% of the share capital of ASBIS TAIWAN CO., LTD. From the difference between the group's interest in the net assets acquired and the consideration paid, the following goodwill arose:

- Negative goodwill on the acquisition of ASBIS TAIWAN CO., LTD of US\$ 1.927 which was credited to the income statement

<u>Name of acquired entity</u>	<u>Type of operations</u>	<u>Date acquired</u>	<u>% acquired</u>
ASBIS TAIWAN CO., LTD	Information Technology	1 June 2009	100%

1.3. Acquired assets and liabilities

The net carrying value of underlying separately identifiable assets and liabilities transferred to the group at the date of acquisitions were as follows:

	2010 US\$	2009 US\$
Tangible and intangible assets	2.887	82.346
Inventories	244	398.751
Receivables	5.086	65.507
Other receivables	278	67.396
Short and long term loans	(61.708)	-
Payables and accruals	(9.584)	(684.421)
Cash and cash equivalents	22.869	102.778
Net identifiable (liabilities)/assets	<u>(39.928)</u>	<u>32.357</u>
Group's interest in net assets acquired	(39.928)	32.357
Goodwill	50.213	-
Negative goodwill	-	(1.927)
Total purchase consideration	<u>10.285</u>	<u>30.430</u>
Net cash flow arising on transfer:		
Total purchase consideration	(10.285)	(30.430)
Cash and cash equivalents acquired	22.869	102.778
Net cash inflow	<u>12.584</u>	<u>72.348</u>

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

17. Business combinations (continued)

1. Acquisitions (continued)

1.4. Financial information regarding acquired entities

	1 January to 31 December	Acquisition date to 31 December
	2010 US\$	2010 US\$
Revenue for the year/period	1.902.446	262.416
Loss for the year/period	(56.585)	(57.028)
	2009 US\$	2009 US\$
Revenue for the year/period	3.318.663	2.315.145
Profit for the year/period	-	-
	2010 US\$	2009 US\$
At 1 January	550.517	550.517
Goodwill arising from business combinations	50.213	-
At 31 December	600.730	550.517

Capitalised goodwill of US\$600.730 represents the economic value of the infrastructure acquired by the group plus gaining access to the acquired entities' own distribution networks. These intangibles have not been recognised separately from goodwill because their fair value could not be measured reliably due to their nature. The capitalised goodwill relates to the acquisition of the below entities:

	2010 US\$	2009 US\$
Megatrend D.O.O. Sarajevo	550.517	550.517
Euro-mall Bulgaria EOOD	41.416	-
ION Ukraine	8.797	-
	600.730	550.517

2. Disposals of subsidiaries

2.1. Disposals 2010 – the Group

During the year the group sold 100% of the share capital for one of its dormant subsidiaries PRESTIGIO LTD in Ukraine. From the difference between the group's interest in the net assets sold and the consideration received, the following gains arose:

- Gain on sale of PRESTIGIO LTD of US\$ 176 which was credited to the income statement

<u>Name of disposed entity</u>	<u>Type of operations</u>	<u>Date sold/ liquidated</u>	<u>% sold</u>
PRESTIGIO LTD	Information Technology	31 July 2010	100%

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

17. Business combinations (continued) 2. Disposals of subsidiaries (continued) 2.2. Disposals 2009 – the Group

During the year 2009 the group liquidated one of its dormant subsidiaries CANYON TECHNOLOGY LTD. In addition during the year the group sold 100% of the share capital of WARRANTY.RU LTD and PRESTIGIO LTD in Russia. From the difference between the group's interest in the net assets sold and the consideration received, the following gains arose:

- Gain on sale of WARRANTY.RU LTD of US\$ 1.324 which was credited to the income statement
- Gain on sale of PRESTIGIO LTD of US\$ 47.775 which was credited to the income statement

<u>Name of disposed entity</u>	<u>Type of operations</u>	<u>Date sold/ liquidated</u>	<u>% sold/ liquidated</u>
WARRANTY.RU LTD	Information Technology	31 May 2009	100%
PRESTIGIO LTD	Information Technology	29 December 2009	100%
CANYON TECHNOLOGY LTD	Information Technology	29 December 2009	100%

2.3. Disposed assets and liabilities

The net carrying value of underlying separately identifiable assets and liabilities disposed from the group at the date of disposal were as follows:

	2010 US\$	2009 US\$
Tangible and intangible assets	-	475
Receivables	-	432.704
Other receivables	-	654.268
Payables and accruals	-	(1.117.001)
Cash and cash equivalents	76	8.569
Net identifiable assets and liabilities	<u>76</u>	<u>(20.985)</u>
Group's interest in net liabilities sold	76	(20.985)
Gain on sale of subsidiaries	176	49.099
Total sale consideration received	<u>252</u>	<u>28.114</u>

Net cash flow arising on transfer:

Total sale consideration received	252	28.114
Cash and cash equivalents disposed	(76)	(8.569)
Net cash inflow	<u>176</u>	<u>19.545</u>

2.4. Financial information regarding disposed subsidiaries

	1 January to disposal date 2010 US\$	1 January to disposal date 2009 US\$
Revenue for the period	-	2.046.860
Loss for the period	<u>(1.114)</u>	<u>(1.026.733)</u>

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

18. Available-for-sale financial assets

	Country of incorporation	Participation %	Cost US\$	Impairment US\$	2010 US\$	2009 US\$
The Group						
<i>Investments held in related companies</i>						
E-Vision Ltd (i)	Cyprus	18%	90.000	(90.000)	-	-
<i>Other Investments</i>						
Asekol s.r.o.(ii)	Czech Republic	9,09%	9.580	-	9.580	9.580
			<u>99.580</u>	<u>(90.000)</u>	<u>9.580</u>	<u>9.580</u>
The Company						
<i>Investments held in related companies</i>						
E-Vision Ltd (i)	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.

19. Other current liabilities

	2010 US\$	2009 US\$
The Group		
Factoring creditors (i)	32.373.068	24.359.986
Non-trade accounts payable	4.578.205	4.822.123
Salaries payable and related costs	1.217.365	1.372.243
VAT payable	6.106.819	9.294.206
Amount due to directors – executive	20.630	1.071
Amounts due to directors – non-executive	10.402	14.790
Unpaid consideration for investment in joint venture	115.961	-
Accruals and deferred income	6.709.608	3.912.695
	<u>51.132.058</u>	<u>43.777.114</u>
The Company		
Accruals and deferred income	3.700.688	1.727.362
Non-trade accounts payable	576.106	722.761
Salaries payable and related costs	197.413	258.249
Amount due to subsidiary companies (Note 27)	479.177	5.975.402
Amount due to directors – executive (Note 27)	20.630	1.071
Amounts due to directors – non-executive (Note 27)	10.402	14.790
Unpaid consideration for investment in joint ventures	115.961	-
VAT payable	832.463	660.849
	<u>5.932.840</u>	<u>9.360.484</u>

(i) As at 31 December 2010 the group enjoyed factoring facilities of US\$ 48.245.810 (2009: US\$ 34.962.429). The factoring facilities are secured as mentioned in note 21.

The directors consider that the carrying amount of other current liabilities of the group and the company approximate their fair value.

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

20. Derivative financial liability

The Group	2010 US\$	2009 US\$
<u>Derivative financial liabilities carried at fair value through profit or loss</u>		
Foreign currency forward contracts	138.840	-
	<u>138.840</u>	<u>-</u>

Fair value measurement of derivative financial liabilities	2010 Notional amount US\$	2010 Fair Value US\$
<u>Buying US\$/Selling EUR</u>	6.852.103	35.328
<u>Buying EUR/Selling CZK</u>	31.945	(697)
<u>Buying US\$/Selling CZK</u>	45.578	10.571
<u>Buying US\$/Selling PLN</u>	482.000	8.797
<u>Buying EUR/Selling HRK</u>	1.226.667	1.812
<u>Buying US\$/Selling HRK</u>	879.118	10.295
<u>Buying US\$/Selling RON</u>	2.899.000	47.097
<u>Buying EUR/Selling HUF</u>	741.941	7.831
<u>Buying US\$/Selling HUF</u>	667.457	17.806
	<u>13.825.809</u>	<u>138.840</u>

The Company	2010 US\$	2009 US\$
<u>Derivative financial liabilities carried at fair value through profit or loss</u>		
Foreign currency forward contracts	35.328	-
	<u>35.328</u>	<u>-</u>

Fair value measurement of derivative financial liabilities	2010 Notional amount US\$	2010 Fair Value US\$
<u>Buying US\$/Selling EUR</u>	6.852.103	35.328
	<u>6.852.103</u>	<u>35.328</u>

- (i) A foreign currency forward 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 exchange rates.
- (ii) The group and the company enter into currency forward contracts as part of their overall hedging strategy in order to minimise the exposure to foreign currency fluctuations.
- (iii) The group and the company did not designate the said foreign currency forward contracts as hedging instruments, thus the resulting loss that arose on the fair value of the derivatives at the end of 2010, which amounted to US\$ 138.840 (2009: NIL) for the group and US\$ 35.328 (2009: NIL) for the company, was recognized in the statement of comprehensive income. During the year the group realised losses from execution of foreign currency forward contracts which amounted to US\$ 125.446 (2009: NIL) and the company losses which amounted to US\$ 233.477 (see note 4).

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

21. Bank overdrafts and short term loans	2010	2009
	US\$	US\$
The Group		
Bank overdrafts (Note 25)	27.010.563	16.285.502
Bank short term loans	24.382.256	18.657.298
Current portion of long term loans	677.903	864.053
	<u>52.070.722</u>	<u>35.806.853</u>

Summary of borrowings and overdraft arrangements

The group as at 31 December 2010 had the following financing facilities with banks in the countries that the company and its subsidiaries are operating:

- overdraft lines of US\$ 52.167.256 (31 December 2009: US\$ 41.158.551)
- short term loans/revolving facilities of US\$ 31.257.789 (31 December 2009: US\$ 20.947.902)
- bank guarantees of US\$ 7.825.171 (31 December 2009: US\$ 11.970.088)

The group had for the year ending 31 December 2010 cash lines (overdrafts, loans and revolving facilities) and factoring lines.

The Weighted Average Cost of Debt (cash lines and factoring lines) for the year was 7,4% (2009: 8,0%)

The factoring, overdraft and revolving facilities as well as the loans granted to the company and its subsidiaries by their bankers are secured by:

- First, second and third 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 and Slovakia
- Charge over receivables and inventories
- Corporate guarantees to the extent of facilities granted
- Assignment of insurance policies
- Pledged deposits of US\$ 888.327 (31 December 2009: US\$ 910.489)

	2010	2009
	US\$	US\$
The Company		
Bank overdrafts (Note 25)	9.766.786	4.497.939
Current portion of long term loans	87.271	-
	<u>9.854.057</u>	<u>4.497.939</u>

ASBISC ENTERPRISES PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(Expressed in United States Dollars)**

21. Bank overdrafts and short term loans (continued)

The Company (continued)

Summary of borrowings and overdraft arrangements (continued)

The company, as at 31 December 2010 enjoyed the following financing facilities from its bankers:

- overdraft facilities of US\$ 19.604.362 (2009: US\$ 16.486.531)
- long term loan facilities US\$ 1.952.753 (2009: nil)
- bank guarantee facilities US\$ 6.680.201 (2009: US\$ 10.431.378)

The company had for the year 2010 cash lines (overdrafts and revolving facilities) with average cost for the year 2010 of 5,2 % (2009: 5,5%).

The overdraft, revolving and factoring facilities granted to the company are secured by:

- First, second and third floating charges over all assets of the company
- Pledged deposits of US\$ 507.209 (2009: US\$ 523.643)

22. Long term liabilities

	2010 US\$	2009 US\$
The Group		
Bank loans (i)	4.902.217	3.915.227
Other long term liabilities	266.417	184.067
	<u>5.168.634</u>	<u>4.099.294</u>

(i) The long-term bank loans mainly represent loans received in Slovakia and Cyprus.

In Slovakia a loan was received from the subsidiary company for the purchase of land and erection of buildings. The loan bears interest at 1M BRIBOR +1,5% per annum and is due for repayment on 3 June 2017. The loan is secured via mortgage on the land and buildings of the subsidiary in Slovakia.

In Cyprus a loan was received from the parent company for the acquisition of land and building which is currently under reconstruction and renovation. The loan bears interest at 6M BRIBOR + 5% per annum and is due for repayment on 30 June 2023. The loan is secured via mortgage on the acquired land and buildings.

	2010 US\$	2009 US\$
The Company		
Bank loans (ii)	1.865.482	-
	<u>1.865.482</u>	<u>-</u>

(ii) The long-term bank loan mainly represents a loan received in Cyprus from the company for the acquisition of land and building which is currently under reconstruction and renovation. The loan bears interest at 6M BRIBOR + 5% per annum and is due for repayment on 30 June 2023. The loan is secured via mortgage on the acquired land and buildings.

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23. Finance leases	2010 US\$	2009 US\$
The Group		
Obligation under finance lease	540.425	242.035
Less: Amount payable within one year	(267.835)	(101.409)
Amounts payable within 2-5 years inclusive	<u>272.590</u>	<u>140.626</u>

24. Share capital	2010 US\$	2009 US\$
Authorised		
63.000.000 (2009: 63.000.000) shares of US\$ 0,20 each	<u>12.600.000</u>	<u>12.600.000</u>
Issued, called-up and fully paid		
55.500.000 (2009: 55.500.000) ordinary shares of US\$ 0,20 each	<u>11.100.000</u>	<u>11.100.000</u>

On 31 December 2010 the issued and fully paid share capital of the company consisted of 55.500.000 ordinary shares of US \$0,20 each.

25. Cash and cash equivalents	2010 US\$	2009 US\$
The Group		
Cash at bank and in hand	48.380.080	52.857.260
Bank overdrafts (Note 21)	(27.010.563)	(16.285.502)
	<u>21.369.517</u>	<u>36.571.758</u>

The cash at bank and in hand balances include an amount of US\$ 888.327 (2009: US\$ 910.489) which represents pledged deposits.

	2010 US\$	2009 US\$
The Company		
Cash at bank and in hand	37.191.772	40.309.240
Bank overdrafts (Note 21)	(9.766.786)	(4.497.939)
	<u>27.424.986</u>	<u>35.811.301</u>

The cash at bank and in hand balances include an amount of US\$ 507.209 (2009: US\$ 523.643) which represents pledged deposits.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

26. Commitments and contingencies

As at 31 December 2010 the group was committed in respect of purchases of inventories of a total cost value of US\$23,235,721 (2009: US\$13,631,812) which were in transit as at 31 December 2010 and delivered in January 2011. 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 has not passed to the group as at the year end.

As at 31 December 2010:

- the group was contingently liable in respect of bank guarantees of US\$7,825,171 (2009: US\$11,970,088) which the group had extended mainly to its suppliers
- the company had extended bank guarantees of US\$ 6,680,201 (2009: US\$ 10,431,378) mainly to its suppliers

The liabilities towards the company's and the group's suppliers covered by these guarantees are reflected in the financial statements under trade payables.

As at 31 December 2010 the group had no capital commitments (2009: nil)

As at 31 December 2010 the company was contingently liable for the amount of US\$ 67,630,174 (2009: US\$ 51,650,939) in respect of corporate guarantees given to financial institutions as security for financing facilities granted to the subsidiary companies. The liabilities of the subsidiary companies covered by the said corporate guarantees are reflected in note 21 of the financial statements.

As at 31 December 2010 the group and the company had no other legal commitments and contingencies.

27. Related party transactions and balances

Main shareholders

The following table presents shareholders possessing more than 5% of the company's shares as at 31 December 2010:

Name	Number of votes/shares	% of votes/share capital
KS Holdings Ltd	25,676,361	46,26%
Alpha Ventures S.A.	3,200,000	5,76%
Aviva Investors Funds	2,919,414	5,26%
Other	23,704,225	42,72%
Total	55,500,000	100,00%

Transactions between the company and its subsidiaries had been eliminated on consolidation. In the normal course of business, the group and the company undertook during the year 2009 on an arm's-length basis transactions with the fellow subsidiary company E-Vision Limited and its subsidiaries as follows:

The Group and the Company	2010 US\$	2009 US\$
Purchases of services and computer software from E-Vision Limited	-	1,240,000
Interest income	-	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

27. Related party transactions and balances (continued)

The Company

In the normal course of business, the company undertook during the year on an arm's-length basis transactions with its subsidiary companies as follows:

Intercompany transactions

	Sales of goods		Purchases of goods	
	2010 US\$	2009 US\$	2010 US\$	2009 US\$
Subsidiaries	<u>474.949.439</u>	<u>413.023.578</u>	<u>17.605.131</u>	<u>20.917.952</u>

	Sales of services		Purchases of services	
	2010 US\$	2009 US\$	2010 US\$	2009 US\$
Subsidiaries	<u>211.383</u>	<u>421.911</u>	<u>1.556.832</u>	<u>2.913.846</u>

Intercompany balances (Notes 12 & 19)

	Amounts owed by subsidiary companies		Amounts owed to subsidiary companies	
	2010 US\$	2009 US\$	2010 US\$	2009 US\$
Subsidiaries	<u>82.807.439</u>	<u>69.052.935</u>	<u>479.177</u>	<u>5.975.402</u>

During the year 2010 a balance of US\$ 1.350.000 owed by a subsidiary was provided for.

Loans owed from subsidiary companies

	2010 US\$	2009 US\$
Total loans owed from subsidiary companies	7.034.466	7.589.312
Provision for doubtful loans	(4.318.655)	(4.637.841)
Net loans owed from subsidiary companies (Note 12)	<u>2.715.811</u>	<u>2.951.471</u>
Net loans included in other current assets	1.001.634	1.085.579
Net loans included in other non-current assets	<u>1.714.177</u>	<u>1.865.892</u>
	<u>2.715.811</u>	<u>2.951.471</u>

During the year 2009 loans owed from subsidiary companies amounting to US\$ 2.013.841 were provided as doubtful.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

27. Related party transactions and balances (continued) The Company (continued)

The total loans owed from subsidiary companies before provision for doubtful loans are analysed below:

Subsidiary companies	Interest rate	2010 US\$	2009 US\$
ASBIS KAZAKHSTAN LLP (note i)	6%	-	5.366
ASBIS ME FZE (note ii)	9%	1.760.766	1.995.670
PRESTIGIO PLAZA LTD (note iii)	5%	95.170	103.026
ASBIS PL SP.Z O.O. (note iv)	7%	673.820	628.646
ASBIS EUROPE B.V. (note v)	5%	153.497	218.763
ASBIS NL BV (note vi)	-	4.318.655	4.637.841
ASBC F.P.U.E. (vii)	3%	32.558	-
		<u>7.034.466</u>	<u>7.589.312</u>

The total interest received from subsidiary companies before provision for doubtful loans are analysed below:

Subsidiary companies	2010 US\$	2009 US\$
PRESTIGIO LTD (Russia)	-	1.266
ASBIS KAZAKHSTAN LLP (note i)	-	4.907
ASBIS LV SIA	-	17.333
ASBIS ME FZE (note ii)	153.830	127.591
PRESTIGIO PLAZA LTD (note iii)	4.561	3.668
ASBIS PL SP.Z O.O. (note iv)	45.174	3.645
ASBIS EUROPE B.V. (note v)	7.388	49.954
ASBIS NL BV (note vi)	-	213.547
ASBC F.P.U.E. (vii)	355	-
Total interest received (note 5)	<u>211.308</u>	<u>421.911</u>

Notes on the loans provided to subsidiary companies

- (i) The loan due from ASBIS KAZAKHSTAN LLP was fully repaid during 2010.
- (ii) The subsidiary company ASBIS ME FZE entered into a loan agreement with the company on 13 January 2009. The loan is repayable on 13 January 2012 and it is unsecured.
- (iii) The subsidiary company PRESTIGIO PLAZA LTD entered into a loan agreement with the company on 6 April 2009. The loan is repayable on 6 April 2011 and it is unsecured.
- (iv) The subsidiary company ASBIS PL SP.Z O.O. entered into a loan agreement with the company on the 1 December 2009. The loan is subordinated to the loan obtained by the subsidiary company from a Polish financial institution and is repayable on 30 April 2011. The loan is unsecured.
- (v) The subsidiary company ASBIS EUROPE B.V. entered into a loan agreement with the company on 17 December 2008. The loan is unsecured.
- (vi) The subsidiary company ASBIS NL BV entered into a loan agreement with the company on 18 December 2008. The loan is fully provided at the year end. Since 2010 the company has stopped charging interest to the subsidiary.
- (vii) The subsidiary company ASBC F.P.U.E. entered into a loan agreement with the company on 30 July 2010. The loan is unsecured.

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27. Related party transactions and balances (continued)

Transactions and balances of key management	2010	2009
The Group	US\$	US\$
Directors' remuneration - executive	559.627	523.998
Directors' remuneration - non executive	39.627	85.237
	<u>599.254</u>	<u>609.235</u>
Amount due to directors - executive	20.630	1.071
Amount due to directors - non executive	10.402	14.790
	<u>31.032</u>	<u>15.861</u>

Transactions and balances of key management	2010	2009
The Company	US\$	US\$
Directors' remuneration - executive	391.627	355.998
Directors' remuneration - non executive	39.627	85.237
	<u>431.254</u>	<u>441.235</u>
Amount due to directors - executive	20.630	1.071
Amount due to directors - non executive	10.402	14.790
	<u>31.032</u>	<u>15.861</u>

28. Personnel expenses and average number of employees

	2010	2009
The Group	US\$	US\$
Salaries and other benefits	<u>34.149.270</u>	<u>30.656.609</u>
The average number of employees was	<u>1.214</u>	<u>1.191</u>

	2010	2009
The Company	US\$	US\$
Salaries and other benefits	<u>5.934.668</u>	<u>5.882.699</u>
The average number of employees was	<u>149</u>	<u>170</u>

29. Earnings per share

	2010	2009
	US\$	US\$
(Loss)/profit for the year attributable to members	<u>949.285</u>	<u>(3.208.380)</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>1,71</u>	<u>(5,78)</u>

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

30. Dividends

The company's dividend policy is to pay dividends at levels consistent with its growth and development plans, while maintaining a reasonable level of liquidity. However, due to the adverse impact of the world's financial crisis, the Board of Directors intends not to propose a payment of dividend to the forthcoming general meeting of shareholders.

No dividend has been paid in 2010 based on 2009 results.

31. Financial risk management

1. Financial risk factors

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 – to safeguard itself from the credit risk. During 2010 (same for 2009) none of the group's customers accounted for more than 3% of total sales; it is of strategic importance for the group not to rely on any single customer.

On-going 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 limited because the counterparties are financial institutions with high credit ratings assigned by international credit rating agencies.

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 monitors the interest rate fluctuations on a continuous basis and acts accordingly.

At the reporting date the profile of interest-bearing financial instruments was:

The Group	2010 US\$	2009 US\$
Variable rate instruments		
Overdrafts	27.010.563	16.285.502
Short-term loans	25.060.159	19.521.351
Long-term loans	4.902.217	3.915.227
Factoring advances	32.373.068	24.359.986
	<u>89.346.007</u>	<u>64.082.066</u>

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

31. Financial risk management (continued)

1. Financial risk factors (continued)

1.2. Interest rate risk (continued)

	2010 US\$	2009 US\$
The Company		
Variable rate instruments		
Overdrafts	9.766.786	4.497.939
Short-term loans	87.271	-
Long-term loans	1.865.482	-
	11.719.539	4.497.939

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2010 would have decreased equity and profit and loss 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 and equity.

	Equity and Profit & loss	
	2010 US\$	2009 US\$
The Group		
Variable rate instruments		
Overdrafts	270.106	162.855
Short-term loans	250.602	195.214
Long-term loans	49.022	39.152
Factoring advances	323.731	243.600
	893.461	640.821

	Equity and Profit & loss	
	2010 US\$	2009 US\$
The Company		
Variable rate instruments		
Overdrafts	97.668	44.979
Short-term loans	873	-
Long-term loans	18.655	-
	117.196	44.979

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/company has procedures with the object of minimising 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 group's/company's remaining contractual maturity for its 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.

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

31. Financial risk management (continued)

1. Financial risk factors (continued)

1.3. Liquidity risk (continued)

The Group						
	Carrying amounts US\$	3 months or less US\$	3-12 months US\$	1-2 years US\$	2-5 years US\$	More than 5 years US\$
31 December 2010						
Bank loans	29,962,376	11,102,964	13,957,195	697,408	2,078,263	2,126,546
Bank overdrafts	27,010,563	11,721,589	15,288,974	-	-	-
Factoring advances	32,373,068	29,167,752	3,205,316	-	-	-
Trade and other payables	282,867,693	281,527,121	1,340,572	-	-	-
Other short and long term liabilities	806,842	79,459	188,376	215,227	323,780	-
Total	373,020,542	333,598,885	33,980,433	912,635	2,402,043	2,126,546
31 December 2009						
Bank loans	23,436,578	3,726,970	15,794,381	648,916	1,788,857	1,477,454
Bank overdrafts	16,285,502	4,511,789	11,773,713	-	-	-
Factoring advances	24,359,986	10,210,859	14,149,127	-	-	-
Trade and other payables	229,742,455	229,742,455	-	-	-	-
Other short and long term liabilities	426,102	16,122	85,287	117,842	76,238	130,613
Total	294,250,623	248,208,195	41,802,508	766,758	1,865,095	1,608,067
The Company						
	Carrying amounts US\$	3 months or less US\$	3-12 months US\$	1-2 years US\$	2-5 years US\$	More than 5 years US\$
31 December 2010						
Bank loans	1,952,753	-	87,271	127,489	433,615	1,304,378
Bank overdrafts	9,766,786	9,766,786	-	-	-	-
Trade and other payables	175,512,352	175,512,352	-	-	-	-
Total	187,231,891	185,279,138	87,271	127,489	433,615	1,304,378
31 December 2009						
Bank loans	-	-	-	-	-	-
Bank overdrafts	4,497,939	4,497,939	-	-	-	-
Trade and other payables	136,138,374	136,138,374	-	-	-	-
Total	140,636,313	140,636,313	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

31. Financial risk management (continued)

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 recognised assets and liabilities are denominated in a currency that is not the group's measurement currency.

The group uses short-term derivative financial instruments to minimise 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 Rouble, 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.

The carrying amounts of the group's/company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

The Group

2010	Cash at bank and in hand US\$	Receivables US\$	Trade and other liabilities US\$	Borrowings US\$
US Dollars	36.816.721	157.898.667	(197.374.972)	(4.780.361)
Euro	3.942.592	52.949.343	(65.751.709)	(28.678.879)
Russian Rouble	1.122.466	26.602.867	(30.061.703)	(4.396.773)
Polish Zloty	264.421	3.754.852	(3.203.221)	(809.355)
Czech Koruna	1.539.702	6.749.593	(8.686.740)	(2.674.827)
Belarusian Rouble	443.348	5.375.341	(678.210)	(4.127.937)
Croatian Kuna	451.996	2.985.209	(270.692)	(3.232.612)
Romanian New Lei	49.888	5.144.749	(942.718)	(2.963.537)
Bulgarian Lev	739.717	4.398.995	(2.203.822)	(2.654.198)
Hungarian Forint	198.354	2.567.970	(467.663)	-
Kazakhstan Tenge	281.471	4.230.239	(501.224)	-
UAE Dirham	734.030	-	(4.193.935)	(284.733)
Other	1.795.374	10.377.567	(904.152)	(3.176.569)
	48.380.080	283.035.392	(315.240.761)	(57.779.781)

2009	Cash at bank and in hand US\$	Receivables US\$	Trade and other liabilities US\$	Borrowings US\$
US Dollars	40.566.541	115.765.824	(157.292.759)	(8.319.849)
Euro	4.695.867	46.304.739	(62.978.116)	(11.019.869)
Russian Rouble	1.059.350	21.598.465	(12.691.877)	(4.197.927)
Polish Zloty	22.675	2.450.170	(1.650.845)	(1.447.646)
Czech Koruna	2.081.804	4.470.045	(6.084.994)	(3.154.040)
Belarusian Rouble	1.069.662	3.930.462	(3.271.595)	-
Croatian Kuna	403.486	3.339.717	(868.768)	(3.536.754)
Romanian New Lei	85.840	4.387.095	(1.380.358)	(3.101.461)
Bulgarian Lev	321.809	4.189.737	(1.096.705)	(2.125.959)
Hungarian Forint	234.036	2.881.867	(716.361)	(425.600)
Ukraine Hryvna	135.971	715.042	(1.428.671)	-
UAE Dirham	964.381	-	(2.850.758)	-
Other	1.215.838	11.396.760	(1.790.634)	(2.819.077)
	52.857.260	221.429.923	(254.102.441)	(40.148.182)

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

31. Financial risk management (continued)

1.4.Currency risk (continued)

A strengthening/weakening of the group's major currencies in which it transacts against the US Dollar positively/negatively affects the group's net profit and equity's foreign exchange reserve respectively.

In 2010 the results of the group have been affected by the high volatility of local currencies especially during the first and second quarters in the major markets in which the group operates. Most of the local currencies of the group depreciated significantly against the US Dollar, the group's reporting currency, leading to foreign exchange losses. However the group had been designing and implementing hedging strategies and procedures from the beginning of 2010 but fully implemented only towards the end of the second quarter of 2010. Therefore exposure to high volatility of local currencies is from thereon considered significantly reduced.

In 2009, and mainly in the first quarter of 2009, the Euro and the other local currencies the group transacts in (i.e. the Russian Rouble, the Czech Crown, the Polish Zloty, the Hungarian Forint, etc) significantly depreciated against the US Dollar, the group's reporting currency. In 2010 and 2009 the group's profit and loss had been affected as follows:

- Negative effect on gross profit of US\$ 3.743.551 (2009: negative effect of US\$ 3.936.795)
- Positive effect on financial expenses of US\$ 53.859 (2009: negative effect of US\$ 271.492)

Additionally, the group's investment in subsidiaries in other currencies had a negative impact on equity amounting to US\$ 658.481 (2009: negative impact of US\$ 447.305).

The impact on the group's Profit and Loss and Equity from a steep depreciation of the Russian Rouble, the Euro and the other local currencies the group transacts in (i.e. the Czech Crown, the Polish Zloty, the Hungarian Forint, etc), is expected to be similar to 2010 results, if all other variables (such as operating volume and currency structure) remain stable. An impact in the opposite direction is expected from a weakening of US Dollar against the currencies in which the group transacts.

The Company

2010	Cash at bank and in hand US\$	Receivables US\$	Trade and other liabilities US\$	Borrowings US\$
US Dollars	36.145.401	157.950.908	(162.710.510)	-
Euro	498.130	25.341.847	(12.025.225)	(11.719.539)
Czech Koruna	547.641	-	(776.617)	-
Other	600	5.708	-	-
	<u>37.191.772</u>	<u>183.298.463</u>	<u>(175.512.352)</u>	<u>(11.719.539)</u>
2009	Cash at bank and in hand US\$	Receivables US\$	Trade and other liabilities US\$	Borrowings US\$
US Dollars	37.063.819	116.492.535	(125.933.083)	(4.497.939)
Euro	2.820.128	23.646.369	(9.536.003)	-
Czech Koruna	416.919	-	(660.849)	-
Other	8.374	-	(8.439)	-
	<u>40.309.240</u>	<u>140.138.904</u>	<u>(136.138.374)</u>	<u>(4.497.939)</u>

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

31. Financial risk management (continued)

1.4. Currency risk (continued) The Company (continued)

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. Its exposure to foreign exchange risk is restricted to monetary assets denominated in foreign currencies, mainly Euro.

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 group's financial instruments approximate their fair value.

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 2009.

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. Based on the committee's recommendations, the group expects to maintain its gearing ratio at approximately the same level.

The gearing ratio at the year-end was as follows:

	2010 US\$	2009 US\$
Debt (i)	89.346.007	64.082.066
Cash at bank and in hand	<u>(48.380.080)</u>	<u>(52.857.260)</u>
Net debt	<u>40.965.927</u>	<u>11.224.806</u>
Equity (ii)	<u>91.766.886</u>	<u>91.351.532</u>
Net debt to equity ratio	45%	12%

- (i) Debt includes short-term (factoring advances, overdrafts and short-term loans) and long-term borrowings.
- (ii) Equity includes all capital and reserves.

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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 prevailing in Cyprus and internationally 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.

33. Operating lease arrangements

Operating leases relate to office, warehouse and car facilities with lease terms between 1 to 10 years.

Non-cancellable operating lease arrangements

	2010		2009	
	Cars US\$	Offices and warehouses US\$	Cars US\$	Offices and warehouses US\$
Within 1 year	379.599	2.099.476	565.093	2.188.641
Between 2 to 5 years	401.259	2.147.951	637.212	2.099.601
More than 5 years	18.164	145.049	-	178.782
	<u>799.022</u>	<u>4.392.476</u>	<u>1.202.305</u>	<u>4.467.024</u>

The payment recognised as an expense during the year amounted to US\$ 2.729.608 (2009: US\$ 3.729.911).

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34. Operating segments

1.1. Adoption of IFRS 8 Operating Segments

The group has adopted IFRS 8 *Operating Segments* with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. As a result, following the adoption of IFRS 8, the identification of the group's reportable segments has changed.

1.2 Reportable segments

The group mainly operates in a single industry segment as a distributor of IT products. The group's operating segments are based on geographic location, and the measure of segment profit is profit from operations. The group operates in four principal geographical areas – Former Soviet Union, Eastern Europe, Western Europe and Middle East & Africa.

1.3 Segment revenues and results

The following is an analysis of the group's revenue and results from continuing operations by reportable segment:

	Segment revenue		Segment operating profit	
	2010 US\$	2009 US\$	2010 US\$	2009 US\$
Former Soviet Union	588.378.541	372.573.766	4.825.323	(533.426)
Eastern Europe	481.963.173	457.844.333	3.946.892	1.859.348
Western Europe	109.926.026	110.973.607	132.867	134.249
Middle East & Africa	203.452.084	182.896.942	555.560	1.236.813
Other	51.342.903	38.168.835	(31.762)	192.347
Total	<u>1.435.062.727</u>	<u>1.162.457.483</u>	<u>9.428.880</u>	<u>2.889.331</u>
Net financial expenses			(7.413.996)	(6.415.596)
Other gains and losses			289.423	708.835
Loss from joint ventures			(52.365)	-
Profit/(loss) before tax			<u>2.251.942</u>	<u>(2.817.430)</u>

1.4 Inter-segment revenues

Selling segment	Purchasing segment	2010 US\$	2009 US\$
Middle East & Africa	Former Soviet Union	-	1.356.685
Western Europe	Middle East & Africa	2.063.148	991.927

Revenue reported above represents revenue generated from external customers (note 1.3), as well as revenues from transactions with other operating segments of the same entity (note 1.4).

The accounting policies of the reportable segments are the same as the group's accounting policies described in note 2. Segment profit represents the profit earned by each segment without allocation of finance costs, other income and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Expressed in United States Dollars)

34. Operating segments (continued)

1.5 Segment capital expenditure (CAPEX) and depreciation & amortisation

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 amortisation	
	2010 US\$	2009 US\$	2010 US\$	2009 US\$
Former Soviet Union	4.276.064	4.412.332	365.945	242.874
Eastern Europe	12.354.783	13.545.517	1.102.140	1.111.535
Western Europe	511.741	636.818	237.124	242.369
Middle East & Africa	4.092.835	4.164.720	360.852	270.513
Unallocated	7.321.064	4.508.365	943.598	1.028.923
Total	<u>28.556.487</u>	<u>27.267.752</u>	<u>3.009.659</u>	<u>2.896.214</u>

1.6 Segment assets and liabilities

Segment assets	2010 US\$	2009 US\$
Former Soviet Union	189.253.508	129.247.148
Eastern Europe	128.640.027	119.860.646
Western Europe	35.239.222	36.583.229
Middle East & Africa	64.908.466	56.681.836
Total	<u>418.041.223</u>	<u>342.372.859</u>
Assets allocated in capital expenditure (1.5)	28.556.487	27.267.752
Other unallocated assets	19.029.034	16.182.338
Consolidated assets	<u>465.626.744</u>	<u>385.822.949</u>

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.

1.7 Geographical information

Since the group's operating segments are based on geographical location and this information has been provided above (1.3 – 1.6) no further analysis will be included.

1.8. Information about major customers

During 2010 (same for 2009) none of the group's customers accounted for more than 3% of total sales; it is of strategic importance for the group not to rely on any single customer.

35. Events after the reporting period

No significant events occurred after the end of the reporting period.

36. Comparative figures

Where necessary, comparative figures have been restated to coincide with the presentation of the current year's financial statements.