

**ANNUAL REPORT  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015**



Siarhei Kostevitch  
Chairman & CEO

**Dear Shareholders,**

The year we left behind was the most difficult time of our twenty five year plus old history. It was difficult from every perspective of business. Both revenues and profitability were significantly suffering and we were obliged to take some very difficult but necessary actions in order to safeguard the company's interests and ensure that we come out of this crisis stronger.

During 2015 we found ourselves trapped by unfavorable market conditions and unfortunately had to sell a very big portion of our own label stocks at much lower prices causing us significant amount of losses. Moreover to this, we were called to cover significant amount of warranty claims, emanating from the agreements signed in the past. Finally, we had to write off significant amounts from customer balances as a result of these unfavorable market conditions.

Having mentioned all the above, and having weathered the aforementioned one-off events, we have entered 2016 much stronger. The landscape we currently operate in remains very difficult but the company is much better prepared having rescaled its cost structure and focused on its core strengths of distribution. We have added more profitable lines in our product portfolio and have optimized our private label business ensuring that we enjoy higher profit margins.

With all measures mentioned above and driven by the immaculate dedication and hard work of the management team, I am confident that we will be able to deliver a much better result in 2016 matching our forecasts and market expectations.

Siarhei Kostevitch  
Chairman & CEO

**Directors' report on the Group operations**  
**For the fiscal year ended 31 December 2015**

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

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

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

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

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

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

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

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

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

## **Industry and Market Data**

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

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

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

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

## **Financial and Operating Data**

This annual report contains financial statements and financial information relating to the Group. In particular, this annual report contains our audited consolidated financial statements for the twelve months ended 31 December 2015. 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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Exchange rate at end of period .....	3.42	3.10	3.01	3.51	3.90
Average exchange rate during period <sup>(1)</sup> .....	2.97	3.23	3.16	3.18	3.79
Highest exchange rate during period.....	3.51	3.58	3.37	3.55	4.04
Lowest exchange rate during period .....	2.65	3.07	3.01	3.00	3.56

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

<b>Month (Polish Zloty to U.S. dollar)</b>	<b>Highest exchange rate during the month</b>	<b>Lowest exchange rate during the month</b>
January 2015.....	3.77	3.57
February 2015.....	3.72	3.64
March 2015.....	3.93	3.71
April 2015.....	3.81	3.60
May 2015.....	3.79	3.56
June 2015.....	3.79	3.66
July 2015.....	3.83	3.73
August 2015.....	3.84	3.66
September 2015.....	3.80	3.67
October 2015.....	3.90	3.70
November 2015.....	4.03	3.86
December 2015.....	4.04	3.87
January 2016.....	4.15	3.93
February 2016.....	4.06	3.91

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.

<b>Year ended December 31 (Euro to U.S. dollar)</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Exchange rate at end of period .....	0.7737	0.7582	0.7263	0.8228	0.9154
Average exchange rate during period <sup>(1)</sup> .....	0.7158	0.7740	0.7532	0.7586	0.9063
Highest exchange rate during period.....	0.7745	0.8261	0.7828	0.8228	0.9489
Lowest exchange rate during period .....	0.6714	0.7718	0.7236	0.7163	0.8293

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

<b>Month (Euro to U.S. dollar)</b>	<b>Highest exchange rate during the month</b>	<b>Lowest exchange rate during the month</b>
January 2015.....	0.8898	0.8293
February 2015.....	0.8912	0.8729
March 2015.....	0.9489	0.8916
April 2015.....	0.9479	0.8922
May 2015.....	0.9181	0.8773
June 2015.....	0.9174	0.8784
July 2015.....	0.9217	0.8975
August 2015.....	0.9209	0.8654
September 2015.....	0.8999	0.8735
October 2015.....	0.9121	0.8736
November 2015.....	0.9452	0.9082
December 2015.....	0.9469	0.9069
January 2016.....	0.9281	0.9149
February 2016.....	0.9214	0.8832

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

The following table set forth our selected historical financial data for the years ended December 31, 2014 and 2015 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 2015, 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 2015, that is: 1 US\$ = 3.9011 PLN and 1 EUR = 4.2615 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 2015, that is 1 US\$ = 3.7928 PLN and 1 EUR = 4.1848 PLN.

Period from 1 January to 31 December

	2015			2014
	USD	PLN	EUR	USD
<b>Revenue</b>	<b>1,181,613</b>	<b>4,481,623</b>	<b>1,070,929</b>	<b>1,551,170</b>
Cost of sales	(1,134,964)	(4,304,693)	(1,028,650)	(1,463,422)
<b>Gross profit</b>	<b>46,649</b>	<b>176,930</b>	<b>42,279</b>	<b>87,749</b>
Selling expenses	(30,630)	(116,174)	(27,761)	(42,543)
Administrative expenses	(19,075)	(72,347)	(17,288)	(28,947)
<b>Loss/(profit) from operations</b>	<b>(3,056)</b>	<b>(11,591)</b>	<b>(2,770)</b>	<b>16,258</b>
Financial expenses	(14,872)	(56,407)	(13,479)	(17,232)
Financial income	742	2,814	673	2,018
Other gains and losses	124	472	113	210
<b>Loss/(profit) before taxation</b>	<b>(17,062)</b>	<b>(64,712)</b>	<b>(15,464)</b>	<b>1,255</b>
Taxation	(91)	(344)	(82)	(276)
<b>Profit after taxation</b>	<b>(17,152)</b>	<b>(65,056)</b>	<b>(15,546)</b>	<b>979</b>
<b>Attributable to:</b>				
Non-controlling interest	6	21	5	28
Owners of the Company	<b>(17,158)</b>	<b>(65,077)</b>	<b>(15,551)</b>	<b>951</b>
	<b>(17,152)</b>	<b>(65,056)</b>	<b>(15,546)</b>	<b>979</b>

	USD (cents)	PLN (grosz)	EUR (cents)	USD (cents)
Earnings per share				
Weighted average basic and diluted earnings per share from continuing operations	(30.92)	(117.27)	(28.02)	1.71

	USD	PLN	EUR	USD
Net cash (outflows)/inflows from operating activities	(15,947)	(60,485)	(14,454)	41,809
Net cash outflows from investing activities	(4,151)	(15,742)	(3,762)	(1,563)
Net cash outflows from financing activities	(5,029)	(19,073)	(4,558)	(11,320)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(25,126)</b>	<b>(95,299)</b>	<b>(22,773)</b>	<b>28,926</b>
<b>Cash at the beginning of the year</b>	<b>29,416</b>	<b>111,570</b>	<b>26,661</b>	<b>490</b>
<b>Cash at the end of the year</b>	<b>4,290</b>	<b>16,271</b>	<b>3,888</b>	<b>29,416</b>

	As of 31 December 2015			As of 31 December 2014
	USD	PLN	EUR	USD
Current assets	352,259	1,374,199	322,468	464,706
Non-current assets	29,316	114,363	26,836	28,454
Total assets	381,575	1,488,562	349,305	493,160
Liabilities	300,095	1,170,701	274,716	389,522
Equity	81,480	317,860	74,589	103,639

## **Risk Factors**

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

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

#### ***The in-country crisis affecting two of our major markets and our gross profit and gross profit margin***

As reported in previous periods, we have experienced during 2014 and to-date, a severe crisis in one of our largest markets - Ukraine, which has resulted into a significantly lower demand from customers and a significant devaluation of the local currency (UAH) to US Dollar, our reporting currency. Russia is also deeply involved in this crisis and this is significantly affecting our largest market in terms of revenues and profit contribution. If this situation is not eased and stability does not return soon to the region, the Company's results are expected to continue to be adversely affected during 2016. The Company is undertaking a number of measures to protect itself from this crisis and mitigate its risks. Weakness of these markets have also affected some of our customers.

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

The Company's reporting currency is the U.S. dollar. In 2015 approximately 40% of our revenues were denominated in U.S. dollars, while the balance is denominated in Euro and other currencies, certain of which are linked to the Euro. Our trade payable balances are principally (about 80%) denominated in U.S. dollars. In addition, approximately half of our operating expenses are denominated in U.S. dollars and the other half in Euro or other currencies, certain of which are linked to the Euro. As a result, reported results are affected by movements in exchange rates, particularly in the exchange rate of the U.S. dollar against the Euro and other currencies of the countries in which we operate, including the Russian Rouble, the Ukrainian Hryvnia, the Czech Crown, the Polish Zloty, the Croatian Kuna, the Kazakhstani Tenge and the Hungarian Forint.

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

Our 2015 results have been negatively impacted indirectly due to the depreciation of local currencies in Russia and Ukraine, while the purchasing power of local consumers has decreased. However, when it comes to pure FX risk, this has not materialized into any significant FX losses, as our FX hedging strategy was successful.

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

## ***Worldwide financial environment***

The world's financial crisis has eased throughout the last years. This included recovery signals from some of our markets and stabilization in some of others. Following partial recovery, the Company has undertaken certain efforts to benefit from these signals both in revenues and profitability. The revised strategy and adaptation to the new environment, i.e. by rebuilding our product portfolio, has paid off in terms of increased market share and sales.

However, there are many uncertainties about the world economy following the developments in China and turmoil in the ME region coupled with volatility of currencies and fragility of demand in many markets. Additionally, from time to time, unpredictable situations may happen in selected markets, as was the case of Ukraine and Russia in 2014, continuing to-date, which has led to a significant instability in these countries' financial environment.

This is undoubtedly one of our major risk factors since the financial and economic situation dictates the business environment in which the Company operates. Demand might be negatively affected and the results of the Company could be negatively impacted.

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

The Company buys components and finished products from its suppliers on its own account and resells them to its customers. The Company extends credit to some of its customers at terms ranging from 21 to 90 days or, in a few cases, to 120 days. The Company's payment obligations towards its suppliers under such agreements are separate and distinct from its customers' obligations to pay for their purchases, except in limited cases where the Company's arrangements with its suppliers require the Company to resell to certain resellers or distributors. Thus, the Company is liable to pay its suppliers regardless of whether its customers pay for their respective purchases. As the Company's profit margin is relatively low compared to the total price of the products sold, in the event where the Company is not able to recover payments from its customers, it is exposed to a financial liquidity risk. The Company has in place credit insurance which covers such an eventuality for approximately 65% 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 risk 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 do not easily grant credit limits to customers. As a result, the Group is exposed to increased credit risk and its ability to analyse and assess 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, 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 a loss of market share in certain of the Group's markets. Price pressures can have a material adverse effect on the Company's profit margins and its overall profitability, especially in view of the fact that its gross profit margins, like those of most of its competitors, are low and sensitive to sales price fluctuations.

This was also visible in the tablet and smartphone segments where we have experienced the entrance of a number of strong competitors. This had a negative result on our profitability since we had to lower prices to get rid of our stocks.

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

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

In an effort to increase gross margins, the Company has developed the own brand business, that allows to generate higher gross profit margins. Since this business already accounts for a significant part of total sales, it positively affects the overall gross profit margins and profitability of the Company. However, this business is also connected with risks, including the risk of technology change, the risk of changes in demand and customer preferences. Additionally, no matter the product line or if it is own brand or third party, the margins shrink over time, due to more market entrants and market saturation. Therefore, it is extremely important for the Company to foresee market demand changes and offer new products right in time to satisfy consumer needs and be able to sell the previous technology as well.

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

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

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

For the own brand business division, the Company needs to balance between satisfying consumer demand and risk of inventory obsolescence or price erosion, by having the proper level of inventory. This risk was faced in H1 2015, when we had to sell excess stock from Q4 2014 at lower prices not to be left with obsolete inventories.

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

The part of our business consisting of distribution of third party products is dependent on the decisions and actions of a limited number of suppliers. In the year ended 31 December 2015, the Company held contracts with namely Intel, Advanced Micro Devices (AMD), Seagate, Microsoft, Dell, Toshiba, Acer, Apple, Lenovo and other international suppliers. Contracts with these suppliers are typically on a non-exclusive basis, allow for termination with or without cause and are open-ended with respect to requirements and output rather than imposing any commitment to a specific volume of business or scope of work.

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

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

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

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

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

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

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

We maintain 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 and 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.

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

The Group has managed to raise cash from various financial institutions, however in certain cases the cost of this financing is expensive. The Company has already negotiated better terms with some of its supply-chain financiers and is currently undertaking certain extra steps to further lower cost of financing. However, the sanctions imposed to Russia and tensions related to the Ukrainian crisis have resulted in

significantly increased cost of facilities in these countries and this may limit our efforts to further decrease the average cost of debt.

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

The Company's strategy is to focus more on profitability than on revenues, thus the Company has increased its engagement into the development of own brands business that allows for higher gross profit margins. This included the development of tablets, smartphones, GPS and other product lines that are sold under Prestigio and Canyon brands in all regions of the Company's operations.

Due to the fact that the Company's products, namely tablets and smartphones, were welcomed by the markets, it is expected that further development of own brands business may positively affect revenues and profits. However, competition has already been intensified and the Company may not be able to sustain its profitability levels. In addition to competition, due to increased volumes of own brands and the fact that we are not the manufacturers of these products, certain warranty issues have arisen and have negatively affected our results. The Company is undertaking a number of quality control measures to mitigate this risk, but given the volumes and the large amount of factories used to produce these products, these controls might not be enough.

Despite the Company's efforts, there can be no assurance of a similar development in own brand business in future periods. This is because there may be a significant change in market trends, customer preferences or technology changes that may affect the development of own brand business and therefore our results.

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

Increased own brands business require us to put extra efforts to avoid any problems with quality of devices. Despite all our efforts, we have noticed significant returns on specific models produced the last three years.

This risk has negatively affected H1 2015 results when we had to absorb significant losses emanating from epidemic failure. Because of this and due to the decision at certain ODMs not to honour their obligations under our agreement on products we were forced to re-assess our warranty provisions and recognize a significant loss. The Group is undertaking all possible steps towards ensuring proper compensation. This includes both negotiations and legal actions.

In order to avoid such problems in the future, a much more scrutinized selection of suppliers is currently in place, which however, does not guarantee elimination of the risk of warranty losses. The Company updated its procedures and started to decrease warranty cost beginning from Q3 2015. This is expected to continue in 2016.

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

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

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

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

The Group distributes IT components (to assemblers, system integrators, local brands and retail) as well as A-branded finished products like desktop PCs, laptops, servers, and networking to SMB and retail. Our IT product portfolio encompasses a wide range of IT components, blocks and peripherals, and mobile IT systems. We currently purchase the majority of our products from leading international manufacturers, including Intel, Advanced Micro Devices ("AMD"), Seagate, Western Digital, Samsung, Microsoft, Toshiba, Dell, Acer, Apple, 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 incorporated its holding Company in Cyprus and moved its headquarters to Limassol. Our Cypriot headquarters support, through two master distribution centres (located in the Czech Republic and the United Arab Emirates), our network of 31 warehouses located in 24 countries. This network supplies products to the Group's in-country operations and directly to its customers in approximately 60 countries.

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

Our revenues amounted to U.S. \$ 1,181,613 in 2015, compared to U.S. \$ 1,551,170 in 2014, following the crisis in the F.S.U. region, fierce competition and decrease in IT spending across our markets. As a result, despite good Q3 and Q4 2015, the Company posted a net loss after taxation of U.S. \$ 17,152 in comparison to a net profit after tax of U.S. \$ 0,979 in 2014.

Our headquarters are home to our centralized purchasing department and global control function, which centrally monitors and controls our global activities, including purchasing, warehousing and transportation operations. In line with our strategy of focusing on automation and innovation in order to increase our cost-efficiency, in 2002, we began developing the IT4Profit platform, our online purchasing platform for electronic trading with our customers (B2B) and electronic data interchange for the Company and its subsidiaries. Within this platform, we have also implemented our end-to-end online supply chain management system, in order to effectively manage our multinational marketplace and to increase automation and reporting transparency both internally and vis-à-vis our suppliers. Dealings through the IT4Profit online platform have grown to represent approximately 60% of our revenues in 2015.

We combine the international experience of our central management team with the local expertise of our offices in each of the 24 countries in which we operate. With our broad local presence, we have developed an in-depth knowledge and understanding of fast-growing 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") region.

### **History of the Group**

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

listing as at 18 of March 2008. The changes in the shareholders' structure that occurred in 2015 were the following:

(1) On November 27th, 2015 the Company received the following notification on the basis of art. 69 of Act on Public Offering from Mr. Siarhei Kostevitch, Chairman of the Board of Directors and the Company's CEO:

Acting on the basis of art. 69 of Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies dated July 29th 2005 I hereby inform about change in the number of possessed shares of ASBISc Enterprises Plc, that was above 33% by at least 1%. The change resulted from transaction of sale of 2,275,000 (two million two hundred seventy five thousand shares) shares on November 26th, 2015 conducted by related entity. The shares were transferred under 12-month lock-up.

Before the abovementioned transaction I held (directly and indirectly) 22,718,127 shares, that entitled to 22,718,127 votes at the General Meeting of Shareholders of ASBISc Enterprises Plc, that were equal to 40.93% in share capital of ASBISc Enterprises PLC and 40.93% in the total number of votes at its General Meeting of Shareholders. This included:

Directly:

41,766 shares of ASBISc Enterprises PLC of a nominal value 0,20 USD each, that were entitling to 41,766 votes at the General Meeting of Shareholders of ASBISc Enterprises Plc, that were equal to 0.08% in share capital of ASBISc Enterprises PLC and 0.08% in the total number of votes at its General Meeting of Shareholders.

Indirectly, through KS Holdings Ltd:

22,676,361 shares of ASBISc Enterprises PLC of a nominal value 0,20 USD each, that were entitling to 22,676,361 votes at the General Meeting of Shareholders of ASBISc Enterprises Plc, that were equal to 40.86% in share capital of ASBISc Enterprises PLC and 40.86% in the total number of votes at its General Meeting of Shareholders.

After the abovementioned transaction I hold (directly and indirectly) 20,443,127 shares, that entitle to 20,443,127 votes at the General Meeting of Shareholders of ASBISc Enterprises Plc, that are equal to 36.83% in share capital of ASBISc Enterprises PLC and 36.83% in the total number of votes at its General Meeting of Shareholders. This includes:

Directly:

41,766 shares of ASBISc Enterprises PLC of a nominal value 0,20 USD each, that entitle to 41,766 votes at the General Meeting of Shareholders of ASBISc Enterprises Plc, that are equal to 0.08% in share capital of ASBISc Enterprises PLC and 0.08% in the total number of votes at its General Meeting of Shareholders.

Indirectly, through KS Holdings Ltd:

20,401,361 shares of ASBISc Enterprises PLC of a nominal value 0,20 USD each, that entitle to 22,401,361 votes at the General Meeting of Shareholders of ASBISc Enterprises Plc, that are equal to 36.76% in share capital of ASBISc Enterprises PLC and 36.76% in the total number of votes at its General Meeting of Shareholders.

I do not plan to decrease my stake in ASBISc Enterprise PLC in the next 12 months from the date of this notification.

(2) On November 27th, 2015 the Company received the following notification on the basis of art. 69 of Act on Public Offering from KS Holdings Ltd:

Acting on the basis of art. 69 of Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies dated July 29th 2005 We hereby inform about change in the number of possessed shares of ASBISc Enterprises Plc, that was above 33% by at least 1%. The change resulted from transaction of sale of 2,275,000 (two million two hundred seventy five thousand shares) shares on November 26th, 2015.

Before the abovementioned transaction We held:

22,676,361 shares of ASBISc Enterprises PLC of a nominal value 0,20 USD each, that were entitling to 22,676,361 votes at the General Meeting of Shareholders of ASBISc Enterprises Plc, that were equal to 40.86% in share capital of ASBISc Enterprises PLC and 40.86% in the total number of votes at its General Meeting of Shareholders.

After the abovementioned transaction We hold:

20,401,361 shares of ASBISc Enterprises PLC of a nominal value 0,20 USD each, that entitle to 22,401,361 votes at the General Meeting of Shareholders of ASBISc Enterprises Plc, that are equal to 36.76% in share capital of ASBISc Enterprises PLC and 36.76% in the total number of votes at its General Meeting of Shareholders.

We do not plan to decrease our stake in ASBISc Enterprises PLC's in the next 12 months from the date of this notification.

(3) On July 14th, 2015 the Company has received from Quercus Towarzystwo Funduszy Inwestycyjnych S.A. acting on behalf of governed investment fund QUERCUS Parasolowy SFIO („the Fund”) notification that following to sale of the Company's shares on July 10th, 2015 total share of this Fund on its own descended below the threshold of 5% of total number of votes at the Company's General Meeting of Shareholders.

According to the notification, before the above mentioned sale of shares the Fund had 2 780 204 Company's shares that were equal to 5,01% in the Company's share capital and had 2 780 204 votes from these shares, that were equal to 5,01% of total number of votes.

According to the notification, after the abovementioned sale of shares the Fund holds 2 680 204 Company's shares, equal to 4,83% in the Company's share capital and have 2 680 204 votes from these shares, equal to 4,83% of total number of votes.

### **Strengths of the Group**

The Directors consider that our key strengths are:

- Broad geographic coverage combined with strong local presence.

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

- Experienced management team, combined with local expertise.

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

- Critical mass of operations.

Having revenues of almost 1,2 billion U.S. Dollars, sales in approximately 60 countries and facilities in 24 countries, we believe that we have become a strong partner for leading international suppliers of IT

components and finished products, including 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.

- Strong portfolio of own brands

In the past years we have invested in the development of our own brands and built a strong market position. This paid off in terms of both revenues and profitability, however in 2015 the amount of own brand business has decreased due to the turbulence in our big markets – Russia and Ukraine and our decision to continue it with a more balanced approach. To be precise, 2015 revenues from own brands amounted to U.S.\$ 133,913, compared to U.S.\$ 349,699 in 2014. Own brands' contribution in total revenue was 11.33%, compared to 22.54% in 2014. Despite the decrease in revenues from own brands in 2015, the Directors consider our own brands to be a significant advantage over competitors. The Company was proactive enough to invest in the right segments of products (i.e., smartphones, DVRs, GPSs) following the market trend which led to transition from the mobile computing (laptops) towards enhanced mobility and access to internet through these products. Therefore, it is expected that own brands will continue to produce significant part of our revenues, and improve our profitability in future periods.

- Significant improvement in cost structure and major decrease in expenses conducted in 2015

Following the turbulences in some of our major markets, overall decrease in IT spendings in 2015 and losses we had to face due to one off events in H1 2015, we have enforced deep restructuring actions in 2015. This resulted in a significant decrease in selling and administrative expenses in 2015, and further savings are expected in 2016. We do not plan to increase these expenses even if the situation in specific countries will get better. Therefore, we consider this improvement as an important factor that will help our profitability in the future.

### **Group Structure and Operations**

The following table presents our corporate structure as at December 31<sup>st</sup>, 2015:

<b>Company</b>	<b>Consolidation Method</b>
<b>ASBISC Enterprises PLC</b>	<b>Mother company</b>
Asbis Ukraine Limited (Kiev, Ukraine )	Full (100% subsidiary)

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

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, Apple 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**

During the year ended December 31<sup>st</sup>, 2015 there were the following changes in the structure of the Company and the Group:

- In Q1 2015 the process of liquidation of ASBIS Taiwan (Taipei City, Taiwan) was completed.
- In Q2 2015 Prestigio Plaza sp. z o.o. (Warsaw, Poland) has been put into liquidation.
- On July 27th, 2015 the Company received information that on July 21st, 2015 an application for liquidation of the inactive subsidiary company ASBIS DE GmbH filed by the Company, has been approved by proper court and liquidation of this subsidiary has been started. The liquidation process has been started due to the Company's efforts to build more lean and cost effective organization. As a result, customers in Germany will be served directly through the Company, and the Company will further decrease its admin expenses. Therefore, closure of this subsidiary will not have any impact on the Issuer's operations in Germany.
- In Q4 2015 the Company completed the process of restructuring its operations in Poland. Thus, activities were divided between ASBIS PL Sp. z o.o. (Warsaw, Poland) that will conduct mainly RMA related activities and a new subsidiary - ASBIS POLAND Sp. z o.o. (Warsaw, Poland) that will conduct all new sales activities, with a possibility of introducing new product lines to Poland.

### **Regional operations**

We operate as a one-stop-shop for the desktop PC, server, laptop, tablet PC, smartphones and software segments. The management believes that the Company is currently the only IT component and A-branded finished products distributor that covers substantially all of Eastern Europe, as part of a single supply chain with highly integrated sales and distribution systems. We also have operations in the Baltic States, the Balkans, the Former Soviet Union, the United Arab Emirates and other Middle East countries. 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 an in-depth knowledge of their respective product lines. Our sales staff are also trained by our suppliers, such as Intel, AMD, Seagate, Western Digital, Apple, Samsung, Microsoft, Hitachi and others, as a result of our status as an authorized distributor of their products. The Directors consider that this organisational process allows us to provide added value to our customers and differentiate us from our competitors.

### **Key Markets and Regions**

Historically, the regions of Central Eastern Europe ("CEE") and Former Soviet Union ("FSU") have been the larger revenue contributors of the Group. This has not changed in 2015, however CEE and MEA share in total revenues grew as a result of our strategy to offset lower business in F.S.U. related to the turbulence in Russia and Ukraine.

The following table presents a breakdown of our revenue by regions for the years ended 31 December 2015, 2014 and 2013:

	Year ended 31 December		
	2015	2014	2013
	%	%	%
Central and Eastern Europe	44.43	42.61	38.61
Former Soviet Union	31.84	33.30	38.05
Middle East & Africa	14.26	13.31	12.08
Western Europe	5.53	7.73	9.46
Other	3.94	3.05	1.80
<b>Total revenue</b>	<b>100</b>	<b>100</b>	<b>100</b>

## Products

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

We engage in 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 wide range of finished products from worldwide manufacturers (Dell, Toshiba, Lenovo, Apple, Acer) as well as software (Microsoft and antivirus software producers),
- sales of a range of private label products (such as tablet PCs, smartphones, e-book readers, data storage devices, GPS devices, peripherals, accessories) with larger volumes and profit potential selected by us and manufactured by ODM/OEM producers in the Far East under our own private label brands, Canyon and Prestigio.

The products that are purchased from suppliers and distributed by us are divided into various categories, 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 and tablet PCs and smartphones.

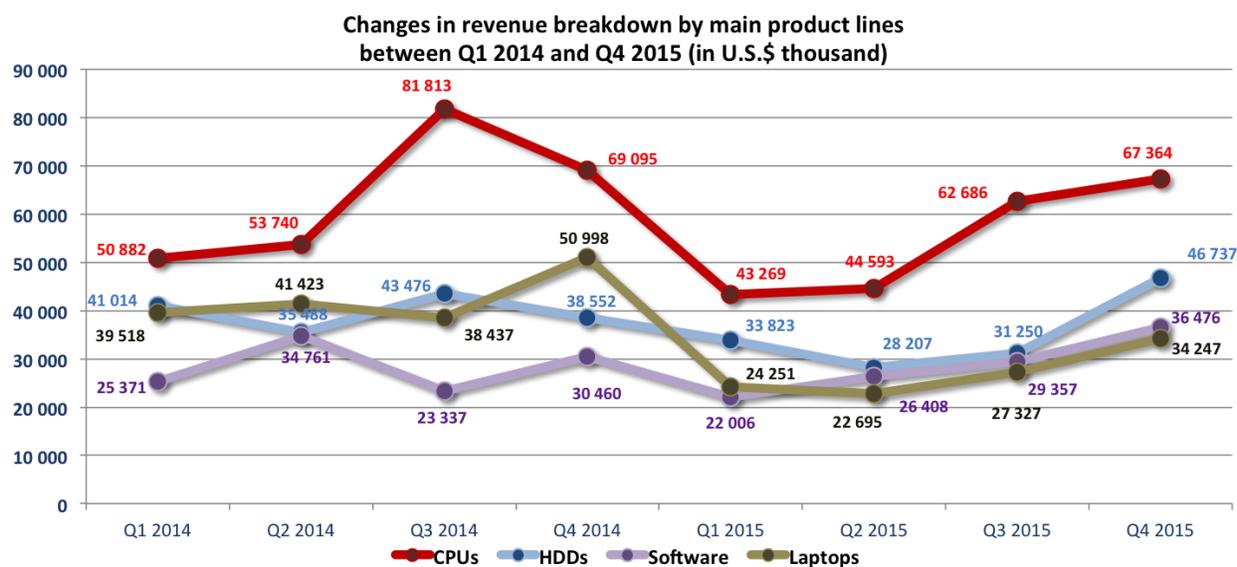
The following table presents revenues from each category of product in 2015 and 2014:

	Year ended 31 December	
	2015	2014
	(U.S. \$)	
Central processing units (CPU)	217,913	255,530
Smartphones	198,866	305,380
Hard disk drives (HDD)	140,017	158,532

Software	114,246	113,928
PC mobile (laptops)	108,520	170,376
Servers & server blocks	87,299	76,752
Tablets	73,945	216,384
Accessories & multimedia	49,000	60,089
Networking products	43,068	34,636
PC desktop	29,320	34,599
Peripherals	27,661	22,951
Display products	21,957	20,445
Flash memory	20,551	25,848
Memory modules (RAM)	17,701	19,992
Mainboards & VGA cards	7,934	10,750
Optical & floppy drives	1,482	2,185
Other	22,134	22,795
<b>Total revenue</b>	<b>1,181,613</b>	<b>1,551,170</b>

Starting from February 2014 revenues have been under a serious pressure resulting from the turbulence in our major markets which also affected a number of countries across our operations. This has not changed in 2015 to date and thus the lower revenues in all product lines the Group carries.

We continue our efforts to increase revenues as fast as possible, mainly through addressing our products more aggressively and by focusing on specific product groups. This is possible because ASBIS remains the distributor of first choice for many worldwide suppliers. A major and good example is APPLE that has entrusted an i-phone distribution to ASBIS for Ukraine, Belarus and Kazakhstan.



## **Private labels: Prestigio and Canyon**

We have developed two private label brands, Canyon and Prestigio. We, mainly through our purchasing office in China, select products or ranges of products with high profit potential from a number of ODM/OEM producers in the Far East, particularly in 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 brand at more competitive 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, handbags, phone accessories and speakers. Canyon is perceived to be a brand targeting younger customers who want good quality products at affordable prices. Canyon uses attractive colors and packaging to promote this image. During 2015 Canyon launched several new products which proved very successful and we plan to continue these projects going forward – but only to the extent we want to develop own brands. Our focus is on less products and models but better profitability. The share of own brands in our total sales in the mid-term is expected to be about 10%.

*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, GPS devices, tablet PCs and smartphones. Prestigio's brand slogan "The Art of High Tech" reflects the positioning of these products in this premium, high-specification design segment. In 2011 Prestigio was recognized as the leading GPS Navigator device in the F.S.U. and CEE regions. In 2013 we have further developed sales of tablets and e-book readers under Prestigio brand in most of the countries of our operations with success. In 2013 we have also decided to enter the smartphones segment with our own brand and started successfully selling Prestigio MultiPhones from Q4 2013. These moves were connected with anticipated and observed changes in the markets, and proved the Company's ability to benefit from its experience and know-how in order to improve its market share.

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 higher gross profit margins. Therefore, their contribution in our profitability is much higher than their contribution in 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 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 establish strong relationships based on mutual trust with our key suppliers. In that direction, we strive to provide full visibility to our suppliers by reporting to them crucial information on a daily/weekly basis, including stock levels, sales-out reports by country, thus assisting them in monitoring customer demand and allowing them time to comprehend and react to specific market peculiarities, trends and dynamics.

In 2015, a significant portion of our revenues was generated from ten biggest suppliers. However, the management believe that we place no reliance on anyone of our suppliers since we carry for every category a wide potfolio of brands.

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

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

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

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

### **Procurement Policies**

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

### **Sales and Marketing**

We focus on developing efficient online sales infrastructure and a rewarding profit commission scheme, as well as on investing in training our 410 sales managers in order to instil a thorough understanding of our product offerings with the goal of enhancing customer satisfaction. We also have the possibility to use some of our main suppliers marketing funds, to increase our sales and our clients satisfaction.

Our marketing department is divided into two groups. The product marketing group establishes pricing policies, oversees product supply and communicates with suppliers with regards to the training of PLMs. The channel marketing group 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 emerging markets and countries with less developed infrastructure over a period exceeding twenty years. Our key distribution objectives are to maintain availability of adequate in-country stock levels in order to meet customer demand, 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 two distribution centers. On the other hand, products such as memory modules and our private label products with small size, high-price dynamics and high value are supplied directly to our local in-country operations from the suppliers' factories.

In countries where infrastructure is not optimum, such as Russia, Ukraine, Egypt, 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 two master distribution centers are located in Dubai and Prague.

The facility in Prague is responsible for distribution across whole Europe; Dubai serves our operations in the Middle East and Africa and certain Central Asian countries, and Shenzhen facility is primarily responsible for our purchasing activities and quality control in the Far East.

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

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

*In-Country Operations.* We operate through 31 local offices in 24 countries. Customer orders are mainly served through the supply of local offices, and in the event that local inventory levels are insufficient, additional inventory is drawn from one of the three distribution centers. Each local office operates its own logistics function and is responsible for direct shipments to its customers. Our headquarters monitor and assess the performance of each local logistics center by using a number of key performance indicators, including transit time of incoming shipments, order 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 continuously improve. We use IT4Profit to effectively manage the flow of goods within our distribution network. This system collaborates and exchanges business data with our key suppliers, master distribution centers, subsidiaries and customers. Local subsidiaries place their orders online through our e-market place on [www.IT4Profit.com](http://www.IT4Profit.com) and receive their goods directly from one of the three distribution centers. In addition, local logistics staff use this online system to ensure that every online order is picked, packed and shipped within the allocated timeframe.

IT4Profit provides the following functions:

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

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, Dell and IBM hardware. In case of a system failure, spare servers kept at a number of locations where we operate can be made available within 24 hours. In addition to the daily back-ups that we maintain in Cyprus, we outsource services for storing daily back-ups at an external site in Amsterdam. In the event of a system failure, we can restore applications and recover data. In such an instance, this will enable us to continue operating with electronic means and servicing our clients. 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 27,000 customers in approximately 65 countries in 2015. We have no reliance on any single customer, as our biggest customer is responsible only for about 1% of total revenues. Approximately 50% of our total sales were 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 decade 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 have not successfully replicated 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 small and medium business ("SMBs") segment of the IT clientele since this sector has been too small for OEMs to dedicate their sales 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.

Beginning from 2014 some vendors, like Lenovo, joined the global market of new booming segments like tablets and smartphones. This has affected the market by decreasing overall gross profit margin. This situation was more visible in 2015 thus our decision to shrink tablets segment when it comes to own brands. This is however typical to any product line that is introduced to the market, as margins usually shrink over time as markets saturate thus this move was predicted and the only right move to make.

For companies having own brands business, like us, it is important to find new niches all the time, and leverage on market position and brand recognition. The need for new product lines is especially important, since the recently booming line of tablets started showing signs of saturation in WE and CEE markets, while FSU markets are currently under a serious turbulence.

### **Market trends**

The world's financial crisis eased from 2011 and therefore demand grew in many markets of our operations. However, due to a lot of uncertainties over the economic situation in the Euro-zone, Russia and Ukraine and a number of other economic uncertainties in different countries, overall gross margins have shrunk in a number of countries. Thus, the Company decided to conduct more selective sales and focus more on profitability than just on revenues. This strategy included a decrease in engagement in

large volume, low margin product lines and an increase in the new segments of networking and cloud services , as well as accessories, that allow for better margins.

Independent market analysis shows that the smartphones business is already three times bigger than the whole PC segment, however little growth is expected. Thus the Company entered into a number of distribution agreements with various vendors and also started selling smartphones other than its own brand. While the smartphones segment continued to grow and still has a lot of potential, the tablets market started showing signs of saturation. This trend continued in 2015, when our revenues from the smartphones segment was still big, while due to erosion of margins we have decided to shrink our investment in the tablet segment. Eventually, sales of all product lines decreased in 2015 as compared to 2014 due to an overall decrease in IT spending across the globe which is translated to about 20% decrease in the EMEA region where we operate. For 2016 independent analysts forecast the market to be flat or grow by a single digit, thus our focus will be mostly on margins improvement and efficiency. On the other hand though, we investigate new opportunities that will be supported by big vendors, like cloud services and internet of things (“IoT”).

The policy described above and the fact that the Company built a solid market position and gained recognition from customers, allows the Company’s management to be optimistic about 2016. This is particularly true, because the Company is flexible enough to move between product lines, since its business is built on several pillars.

In 2014 and 2015 the Company made a great effort of refocusing its business in the direction of CEE rather than the F.S.U. region due to better margins and stronger market position. However with improvements observed in the F.S.U. region, it will be further developed by the Company.

As there are many factors affecting our business nowadays, it is hard to estimate the pace of growth. However, due to upgraded product portfolio, restructuring actions taken in 2015 and broad geographical presence, the management believes that in 2016 the Company will try to increase its revenues faster than the market itself and deliver an increase in its profitability, as compared to 2014 and 2015. However, growth in revenues is the Company’s aim only to the extent this allows for healthy margins and profitability.

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

IT distribution in Central and Eastern Europe and the Former Soviet Union is fragmented. Major multinational players who dominate the U.S. and Western European markets (such as Ingram Micro, Tech Data, Actebis and 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 have the largest share in each of the countries.

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

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

- a) Elko (Riga) in the Baltic States, Russia and Ukraine;
- b) 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, MSAN and NOD in the Balkans and the 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. However, if we consider any acquisitions, they would be considered rather by access to interesting product lines or markets, not just adding same products or markets that we already have.

### **Competitive Landscape – Private Labels**

The private labels, Canyon and Prestigio, are competing with a variety of brands in all markets we operate. The market leaders of the tablet and smartphone segments are Apple and Samsung. However, due to Prestigio positioning in the countries where we operate, we face competition from brands in the same segment, like Lenovo. In 2015 the market was flooded by cheap brands, thus we have decided not to compete on price but rather on quality and decreased product lines and number of models to achieve better margins.

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

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

- a) increasing sales and market share in particular countries of Central and Eastern Europe, Middle East and Africa and the Former Soviet Union and taking advantage of the weaknesses of competition;
- b) Keep enhancing the IT component business by adding more third party products to our portfolio and improving the gross profit margin;
- c) further optimizing of our private label business;
- d) decreasing cost of financing
- e) controlling our cost structure, enhancing operating efficiency and automated processes, including our online sales channels;
- f) continuing our successful foreign exchange hedging.

### **Increasing sales and market share in particular countries of Central and Eastern Europe Middle East and Africa and the Former Soviet Union and taking advantage of the weaknesses of competition**

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

Following the turbulence in Russia and Ukraine, that also affected a number of nearby markets, beginning from 2014 we have been forced to change our sales profile significantly. Since demand in Russia and Ukraine decreased, we have focused towards the development of sales in other regions, most importantly in CEE. This allowed us to decrease dependance from FSU markets, by increasing sales in other regions. However, we had to achieve it quickly, and therefore sometimes at a cost of lower gross profit margin. Finally, this strategy was proven successful, as we were able to substitute a significant amount of sales lost in the FSU region and produce profits.

As for the FSU region, we have decided to adapt our sales strategy to current market conditions, and focus on less customers, but achieve more profit through higher margins, even with lower inventory levels.

We intend to intensify our efforts in this market and we believe that FSU should return back to position within 2016.

**Keep enhancing the IT component business and adding more third party products to our portfolio and improving gross profit margin;**

Traditional IT components segment is characterized by high volumes, low gross profit margins. The same happens to every single product line over time. Such was the case of laptops in 2012, and then tablets in 2014, as this market already started showed and confirmed signs of saturation in both 2014 and 2015. Thus, the Company continues its efforts to rebuild its product portfolio by adding more finished-goods, namely networking, accessories and other products in order to benefit from growing sales and better margins. In the same time, we do not intend to stop the tablets or smartphones segments, but we shall conduct this business focusing on less models and better margins. This strategy paid off well in the second half of 2015 and therefore the Company will continue, in order to increase its overall gross profit margin in the future.

**Further optimizing of 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. 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 keeping share of private label business in our total revenues at levels close to 10% will have a positive impact on the overall profitability, as these products deliver a higher profit margin, compared to international suppliers' products distributed by us. And when total share is limited all related expenses from manufacturing, factoring to RMA is under controll. Thus, we will increase such sales only to the extent this does not drive up our financial expenses nor affect our cashflows. We aim to continue expanding the range of our private label products and strengthening their promotion in our markets and we expect that this will have a positive impact on our revenues and profitability.

**Decreasing cost of financing**

Private label business demands a much higher need for cash available, compared to distribution business due to manufacturing, sales and RMA processes. In the past, the Group has managed to raise cash from various financial institutions however in certain cases the cost of this financing was above our weighted average cost of debt. Thus, in 2014 we have started working on decreasing this cost. Still the cost was high in 2015, especially due to large old stocks we have to sell out in H1 2015 and this affected negatively our results. The situation started to getting better in the second half of 2015. We plan to work hard on decreasing our financial expenses in 2016.

The Company currently undertakes all necessary steps to continue to decrease its cost of financing and deliver a higher net profit.

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

We continue to focus on improving our operating efficiency and enhancing our automated processes, with a view to reducing operating expenses and increasing our profit margins, 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 2015 and we aim to increase this percentage going forward. Our cost structure has been significantly decreased during 2015 following the

cost cutting actions undertaken by the Company. The cost structure will continue to be under strict control in the coming year.

- **Continuing our successful foreign exchange hedging;**

2014 and 2015 were specific years due to market turbulence in Russia and Ukraine, that nobody could have forecasted and other tensions in global economy. However, while in 2014 we have suffered significant currency losses in the first half of the year, we have improved our FX hedging strategy and it shielded our results until now successfully.

However, since there is no such thing as perfect hedging, the currency environment needs to be closely monitored and FX hedging strategies to be updated as soon as new developments are visible in the markets. This is especially true because some situations, as the case liberalization of forex rates in Kazakhstan, cannot be predicted.

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

The table below presents our main real properties:

Name of Subsidiary	Country	Square meters			Total
		Plot	Office	Warehouse	
ASBISc Enterprises Plc	Cyprus	--	1,630	200	1,830
Asbis CZ, spol.s.r.o.	Czech Republic	5,000	232	1,300	1,532
Asbis Ukraine Limited	Ukraine	--	2,646	348	2,994
ZAO Automatic Systems of Business Control-Minsk	Belarus	--	1056	--	1,056
Asbis SK sp.l. sr.o.	Slovakia	9,128	759	4,622	5,381
Asbis Middle East FZE	United Arab Emirates	6,500	930	4,307	5,237
CJSC ASBIS (Asbis BY)	Belarus	-	1205	1030	2235
ASBIS BULGARIA LTD	Bulgaria	3,855	-	-	3,855

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, including their word and graphical representations in color and design.

- ASBIS
- "CANYON";
- "PRESTIGIO" and its product group trademarks, which include Nobile, Cavaliere, Signore, Visconte, Emporio, Prestigio MultiPad and Prestigio Grace
- "Euromall"; and
- "PrestigioPlaza.com"
- We have also added a new trademark to Canyon Family – CANYON LED, and filed for registration for lighting devices and accessories in EU recently.

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

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

### **Insurance**

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

**Products insurance.** We have a products insurance policy with M.N. Leons B.V. We assume the risks of products we receive from our suppliers only upon transfer of legal title, and thereafter. Under our product insurance policy, covering the twenty four months ending 1 January 2018 with tacit renewal thereafter our products are insured for a maximum of U.S. \$ 4,000 from any single shipment of computers, monitors and supplies of accessories transported from country to country or warehouse to warehouse. Typical shipment values for each warehouse are as follows: Czech Republic: U.S. \$ 120 and the Middle East: U.S. \$ 140.

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

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

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

**Credit Insurance:** We have a major credit insurance policy in place with Atradius Credit Insurance N.V. reducing our exposure in respect to possible non-recoverability of our receivables. The insurers have agreed to indemnify us for losses due to bad debts in respect of goods delivered and services performed during the policy period, which covers a term of twelve months, subject to annual renewal. We insured more than 65% of our 2015 revenues.

The major insurance policy is held with Atradius Credit Insurance N.V. which was signed in April 2008 and is renewed every year. It covers Asbisc Enterprises PLC, Asbis Middle East FZE, Asbis D.o.o. (Slovenia), Asbis Doo (Serbia), Asbis OOO (Russian Federation), ASBIS 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. \$ 60.

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

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

The following Management's discussion and analysis of our financial position and results of operations reviews our historical financial results as at, and for the years ended, 31 December 2015 and 2014. The reader shall read the following discussion in conjunction with our audited financial statements as at the end of the years ended 31 December 2015 and 2014, including the accompanying notes thereto, which are included elsewhere in this Annual Report, and have been prepared in accordance with IFRS and audited by KPMG Limited, our independent auditors and in conjunction with the information set forth under "*Risk Factors*" and "*Information on the Company*".

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

## Summary

The principal events of 2015 were as follows:

- Revenues in 2015 decreased by 23.82% to U.S. \$ 1,181,613 from U.S. \$ 1,551,170 in 2014. This decrease has mainly resulted from the crisis in the F.S.U. region, fierce competition and overall decrease in IT spendings in EMEA that is calculated by independent analysts at 20.00%.
- Gross profit in 2015 decreased by 46.84% to U.S. \$ 46,649 from U.S. \$ 87,749 in 2014.
- Gross profit margin in 2015 decreased to 3.95% from 5.66% in 2014. This was mainly the result of several one off items which occurred at the same time in H1 2015.
- Selling expenses in 2015 decreased by 28.00% to U.S. \$ 30,630 from U.S. \$ 42,543 in 2014 as a result of lower sales and gross profit and restructuring actions.
- Administrative expenses in 2015 decreased by 34.10% to U.S. \$ 19,075 from U.S. \$ 28,947 in 2014 following cost cutting actions taken by the Company.
- Financial expenses in 2015 have decreased by 13.70% to U.S.\$ 14,872 from U.S.\$ 17,232.
- EBITDA in 2015 was negative and amounted to U.S. \$ -482 in comparison to a positive number of U.S. \$ 19,134 in 2014. This is the result of losses from H1 2015, while from Q3 2015 the Company started to produce growing EBITDA again.
- As a result, despite profitability improvement in Q3 and Q4 2015, losses from H1 2015 had a very bad impact on the net result of the year. In 2015 the Company posted a net loss after tax of U.S. \$ 17,152 in comparison to a net profit after tax of U.S. \$ 979 in 2014.

## Principal Factors Affecting Financial Condition and Results of Operations

In 2015, the Company's results of operations have been adversely affected and are expected to continue to be affected by a number of factors. These factors were: the in-country crisis seriously affecting major markets, currency fluctuations, competition and price pressures, low gross profit margins, potential inventory obsolescence and price erosions, the worldwide unstable financial environment, seasonality, development of own brand business, high cost of debt, warranty claims and overstock of own brand products.

In H1 2015 and the beginning of Q3 2015 a major work of selling out old own brand stock has been completed, therefore the margins and cash flow continued to improve in Q4. The Company continues a back-to-back supply policy for own brands business, to ensure that no such problem will arise again in the future. More importantly, gross profit margin grew even faster than revenues, while selling expenses grew at a lower pace than revenues. As a result, the Company significantly improved its profitability and net profit after tax exceeded USD 2 million.

Despite the improvement in Q4, the Company believes that the challenging times for ASBIS are not over yet. A number of negative factors are expected to continue affecting our results. However, we are now much better prepared and we expect the positive trend in our results to continue in 2016. These factors are discussed in more detail below.

### ***The in-country crisis affecting two of our major markets and our gross profit and gross profit margin***

As reported in previous reports, we have experienced throughout last year and to-date, a severe crisis in one of our largest markets - Ukraine, which has resulted into a significantly lower demand from customers and a significant devaluation of the local currency (UAH) to US Dollar, our reporting currency. Russia is also deeply involved in this crisis and this is significantly affecting our largest market in terms of revenues and profit contribution. If this situation is not eased and stability does not return soon to the region, the Company's results are expected to continue to be adversely affected during 2016. The Company is undertaking a number of measures to protect itself from this crisis and mitigate its risks. Weakness of these markets have also affected some of our customers.

### ***Currency fluctuations***

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

### ***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, 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 a loss of market share in certain of the Group's markets. Price pressures can have a material adverse effect on the Company's profit margins and its overall profitability, especially in view of the fact that its gross profit margins, like those of most of its competitors, are low and sensitive to sales price fluctuations.

This was also visible in the tablet and smartphone segments where we have experienced the entrance of a number of strong competitors. This had a negative result on our profitability since we had to lower prices to get rid of our stocks.

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

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

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

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

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

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

For the own brand business division, the Company needs to balance between satisfying consumer demand and risk of inventory obsolescence or price erosion, by having the proper level of inventory. This risk was faced in H1 2015, when we had to sell excess stock from Q4 2014 at lower prices in order not to be left with obsolete inventories.

### ***Credit risk***

The Company buys components and finished products from its suppliers on its own account and resells them to its customers. The Company extends credit to some of its customers at terms ranging from 21 to 90 days or, in a few cases, to 120 days. The Company's payment obligations towards its suppliers under such agreements are separate and distinct from its customers' obligations to pay for their purchases, except in limited cases where the Company's arrangements with its suppliers require the Company to resell to certain resellers or distributors. Thus, the Company is liable to pay its suppliers regardless of whether its customers pay for their respective purchases. As the Company's profit margin is relatively low compared to the total price of the products sold, in the event where the Company is not able to recover payments from its customers, it is exposed to a financial liquidity risk. The Company has in place credit insurance which covers such an eventuality for approximately 65% 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 risk 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 do not easily grant credit limits to customers. As a result, the Group is exposed to increased credit risk and its ability to analyse and assess credit risk is of extremely high importance.

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

The world's financial crisis has eased throughout the last years. This included recovery signals from some of our markets and stabilization in some of others. Following partial recovery, the Company has undertaken certain efforts to benefit from these signals both in revenues and profitability. The revised strategy and adaptation to the new environment, i.e. by rebuilding our product portfolio, has paid off in terms of increased market share and sales.

However, there are many uncertainties about the world economy following the developments in China and turmoil in the ME region coupled with volatility of currencies and fragility of demand in many markets. Additionally, from time to time, unpredictable situations may happen in selected markets, as was the case of Ukraine and Russia in 2014, continuing to-date, which has led to a significant instability in these countries' financial environment.

### ***Seasonality***

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

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

The Company's strategy is to focus more on profitability than on revenues, thus the Company has increased its engagement into the development of own brands business that allows for higher gross profit margins. This included the development of tablets, smartphones, GPS and other product lines that are sold under Prestigio and Canyon brands in all regions of the Company's operations.

Despite the Company's efforts, there can be no assurance of a similar development pace in own brand business in future periods. This is because there may be a significant change in market trends, customer preferences or technology changes that may affect the development of own brand business and therefore its results.

The Company's intention is to keep own brands share in total revenues above 10%, however the main objective is to produce profits without significant expenses that we experienced in the past. If the situation with private labels does not stabilize, the Company will be bold in making a decision of stopping this business if it is proven not worthy for its shareholders.

### ***Warranty Claims from own brand products***

Increased own brands business require us to put extra efforts to avoid any problems with quality of devices. Despite all our efforts, we have noticed significant returns on specific models produced the last years.

This risk has negatively affected H1 2015 results when we had to provide for losses due to the decline of certain ODMs to satisfy their contractual obligations on products with epidemic failure. Unfortunately, these factories refused to do so and we were forced to re-assess our provisions for returns and recognize a significant loss. The Group is undertaking all possible steps towards ensuring proper compensation. This includes both negotiations and legal actions.

In order to avoid such problems in the future, a much more scrutinized selection of suppliers is currently in place, which however, does not guarantee elimination of the risk of warranty losses.

The Company updated its procedures and started to decrease warranty cost beginning from Q3 2015. This is expected to continue in 2016.

## High cost of debt

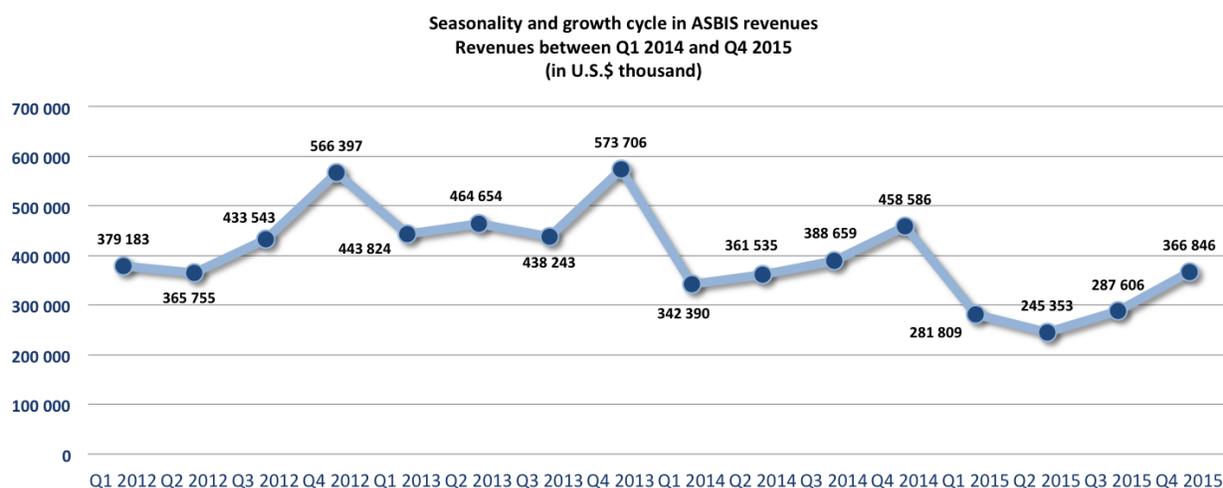
Private label business means a much higher need for cash available to support growth. The Group has managed to raise cash from various financial institutions, however in certain cases the cost of this financing is expensive. The Company has already negotiated better terms with some of its supply-chain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

## Financial position and results of operations

### Year ended December 31, 2015 compared to year ended December 31, 2014

**Revenues:** Revenues in 2015 decreased by 23.82% to U.S. \$ 1,181,613 from U.S. \$ 1,551,170 in 2014.

This decrease has mainly resulted from the crisis in the F.S.U. region, fierce competition, old stock that we focused to sell out in H1 2015 and therefore limited other sales and overall decrease in IT spendings that for EMEA was calculated for about 20.00% by independent analysts. However, revenues in 2015 were improving every quarter and having seen the results of our restructuring actions and some improvement in countries, we expect this trend to continue in 2016. Despite the decline in revenues year-on-year, the management considers its actual amount to be a good achievement, having in mind the market situation.



The table below sets forth a breakdown of revenues, by product, for the years ended 31 December 2015 and 2014:

	2015		2014	
	U.S. \$ thousand	% of total revenues	U.S. \$ thousand	% of total revenues
Central processing units (CPUs)	217,913	18.44%	255,530	16.47%
Smartphones	198,866	16.83%	305,380	19.69%
Hard disk drives (HDDs)	140,017	11.85%	158,532	10.22%
Software	114,246	9.67%	113,928	7.34%
PC-mobile (laptops)	108,520	9.18%	170,376	10.98%
Other	328,107	27.77%	331,040	21.34%
<b>Total revenue</b>	<b>1,181,613</b>	<b>100%</b>	<b>1,551,170</b>	<b>100%</b>

Starting from 2014 revenues have been under a serious pressure resulting from the turbulence in our major markets which also affected a number of countries across our operations. This has not changed in 2015 to date and thus the lower revenues in all product lines the Group carries.

Additionally, revenues from own brands were negatively affected by the excess stock inherited from Q4 2014. This was mostly because we focused on selling out the old stock instead of conducting new business. This started to change in Q3 2015 when revenues from major product lines - although still lower than previous years - started showing improvement as compared to previous periods of 2015 (revenues from CPUs, HDDs, Software and Laptops grew significantly).

We continue our efforts to increase revenues as fast as possible, mainly through addressing our products more aggressively and by focusing on specific product groups. This is possible because ASBIS remains the distributor of first choice for many worldwide suppliers. A major and good example is APPLE that has entrusted an i-phone distribution to ASBIS for Ukraine, Belarus and Kazakhstan

In 2015 compared to 2014, revenues from almost all main product lines decreased or were stable (with the exception of software that grew) due to the market turbulence. The smallest decrease was noted for CPUs and HDDs, while tablets and laptops suffered the most. Own brands segment also decreased, both due to market and our strategy to focus on margins.

Revenues from own brand business decreased by 71.66% in 2015 as compared to 2014. This is a direct result of the Company's strategy to decrease both the number of product lines offered under own brands and the number of models within specific product lines. The Company's intention is to continue developing its own brand sales to the extent they bring targeted gross margin and deliver healthy cash flow. We do not expect our own brands sales to grow in 2016.

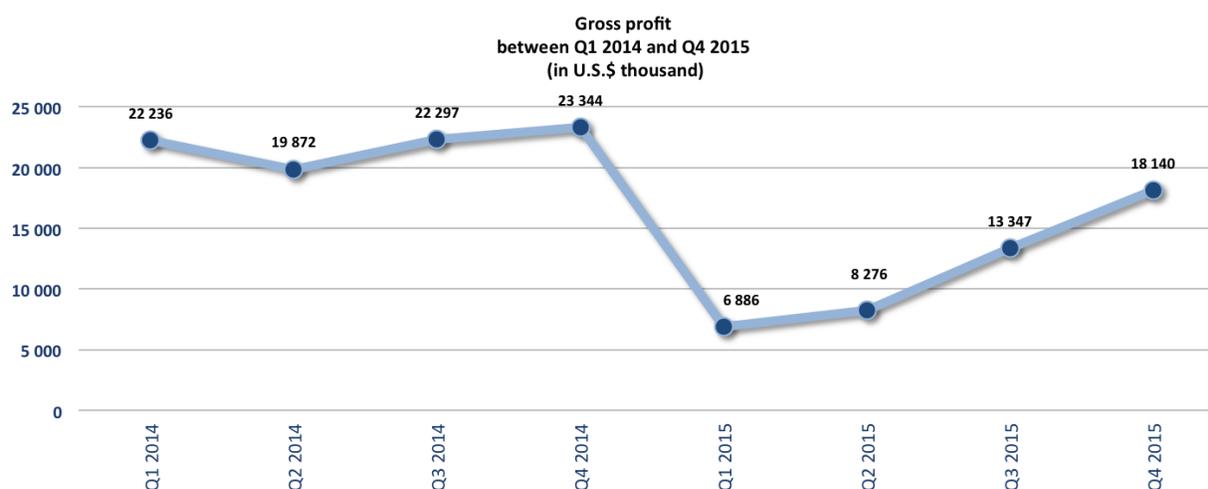
The table below presents a geographical breakdown of sales for the years ended 31 December 2015 and 2014:

	2015		2014	
	U.S. \$ thousand	% of total revenues	U.S. \$ thousand	% of total revenues
<b>Central and Eastern Europe</b>	525,044	44.43%	660,959	42.60%
<b>Former Soviet Union</b>	376,266	31.84%	516,564	40.66%
<b>Middle East and Africa</b>	168,489	14.26%	206,394	8.96%
<b>Western Europe</b>	65,286	5.53%	119,927	6.19%
<b>Other</b>	46,528	3.94%	47,327	1.59%
<b>Total</b>	1,181,613	100%	1,551,170	100%

The table below presents a country-by-country breakdown of sales for our most important markets for the years ended 31 December 2015 and 2014 by its performance:

2015				2014		
	Country	Sales in U.S. \$ thousands	% of total revenues	Country	Sales in U.S. \$ thousands	% of total revenues
1.	Slovakia	250,777	21.22%	Russia	284,464	18.34%
2.	Russia	190,694	16.14%	Slovakia	237,787	15.33%
3.	United Arab Emirates	129,018	10.92%	United Arab Emirates	144,264	9.30%
4.	Kazakhstan	86,020	7.28%	Poland	105,046	6.77%
5.	Czech Republic	56,603	4.79%	Ukraine	84,626	5.46%
6.	Romania	48,993	4.15%	Kazakhstan	83,144	5.36%
7.	Ukraine	48,493	4.10%	Czech Republic	77,408	4.99%
8.	Poland	47,688	4.04%	United Kingdom	65,025	4.19%
9.	Belarus	43,507	3.68%	Romania	60,945	3.93%
10.	Bulgaria	26,834	2.27%	Belarus	52,831	3.41%
11.	Other	252,986	21.41%	Other	355,630	22.93%
	<b>TOTAL</b>	<b>1,181,613</b>	<b>100%</b>	<b>TOTAL</b>	<b>1,551,170</b>	<b>100%</b>

**Gross Profit:** Gross profit in 2015 decreased by 46.84% to U.S. \$ 46,649 from U.S. \$ 87,749 in 2014. However, after weak H1 2015, it started to grow in the second half of the year.



**Gross profit margin (gross profit as a percentage of revenues):** Due to weak H1 2015 for the year 2015 gross profit margin was still lower compared to 2014. Gross profit margin in 2015 decreased to 3.95%

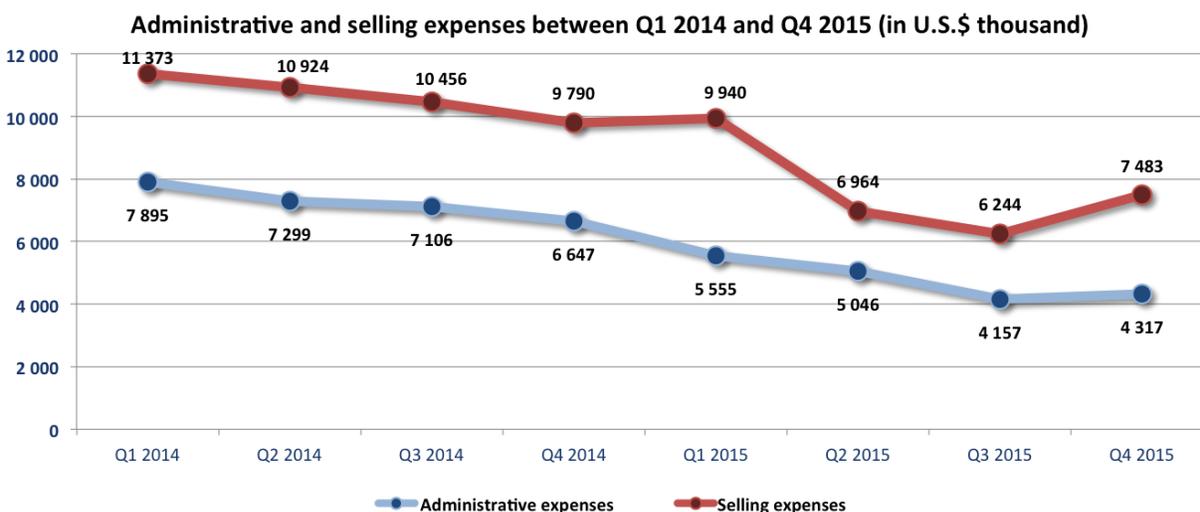
from 5.66% in 2014. This was the result of large own brand inventories that had to be sold off at a loss in Q1 and Q2 2015.

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

Selling expenses in 2015 decreased by 28.00% to U.S. \$ 30,630 from U.S. \$ 42,543 in 2014. This was the result of cost cutting actions and lower sales and gross profit, resulting in lower commissions.

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

Administrative expenses in 2015 decreased by 34.10% to U.S. \$ 19,075 from U.S. \$ 28,947 in 2014 following cost cutting actions taken by the Company. Further savings are planned and expected for 2016.



*Financial expenses:* In 2015 financial expenses have decreased by 13.70% to U.S.\$ 14,872 from U.S.\$ 17,232.

*Operating profit:* Operating loss for the year ended 31 December 2015 amounted to U.S.\$ 3,056 compared to profit U.S. \$ 16,258 in 2014. Profit from operations started to improve in the second half of 2015; in Q4 2015 we had an operating profit of U.S. \$ 6,341, doubling U.S.\$ 2,946 posted in Q3 2015. With the positive trend noted we do expect our results to further improve in 2016, thus the operating profit should continue to grow.

*Profit Before Taxation:* In 2015 loss before taxation amounted to U.S.\$ 17,062, compared to profit of U.S.\$ 1,255 in 2014.

*EBITDA:* In 2015 EBITDA was negative and amounted to U.S. \$ -482 in comparison to a positive number of U.S. \$ 19,134 in 2014. This is the result of losses from H1 2015, while from Q3 2015 the Company started to produce positive EBITDA again.

*Profit After Taxation:* Despite profitability improvement in Q3 and Q4 2015, losses from H1 2015 had a very bad impact on the net result of the year. In 2015 the Company posted a net loss after tax of U.S. \$ 17,152, in comparison to a net profit after tax of U.S. \$ 979 in 2014.

## 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. While our cash flow was stretched in H1 2015, it has significantly improved in Q3 and Q4 2015 as we generated a positive number on cash from operations in both of these quarters. This allowed us to improve the twelve months cash flow and much improve our cash position at the end of the year. However, this was not enough to offset the negative cash flow from H1 2015, mostly because of the losses we suffered.

The following table presents a summary of cash flows for the twelve months ended December 31<sup>st</sup>, 2015 and 2014:

	Twelve months ended December 31 <sup>st</sup>	
	2015	2014
	U.S. \$	
Net cash (outflows)/inflows from operating activities	(15,947)	41,809
Net cash outflows from investing activities	(4,151)	(1,563)
Net cash outflows from financing activities	(5,029)	(11,320)
Net (decrease)/increase in cash and cash equivalents	(25,126)	28,926

### ***Net cash outflows/inflows from operations***

Net cash outflows from operations amounted to U.S. \$ 15,947 for the twelve months ended December 31<sup>st</sup>, 2015, compared to inflows of U.S. \$ 41,809 in the corresponding period of 2014. This is mainly attributed to losses we faced in the first half of the year.

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

Net cash outflows from investing activities was U.S. \$ 4,151 for the twelve months ended December 31<sup>st</sup>, 2015, compared to U.S. \$ 1,563 in the corresponding period of 2014. These outflows relate to on-going investments for fixed assets (i.e., the extension of the Bratislava building) and the acquisition of an intangible asset.

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

Net cash outflows from financing activities was U.S. \$ 5,029 for the twelve months ended December 31<sup>st</sup>, 2015, compared to outflows of U.S. \$ 11,320 in the corresponding period of 2014. Decreased outflows mostly relate to less external financing needed by the Group (therefore, lower utilization of bank debt) and no dividend payment in 2015.

### ***Net (decrease)/increase in cash and cash equivalents***

As a result of worse cash from operating activities (mainly owed to losses) and decreased financing, in 2015 cash and cash equivalents have decreased by U.S. \$ 25,126, compared to an increase of U.S. \$ 28,926 in 2014.

## Capital Resources

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

As at 31 December 2015, we had a total short-term and long-term debt (excluding amounts due to factoring creditors) of U.S. \$ 45,149 (including U.S. \$ 43,336 of current maturities due within one year

from 31st, December 2015), compared to U.S. \$ 60,244 (including U.S. \$ 58,706 of current maturities, as at 31 December 2014).

The table below presents our principal debt facilities as at 31 December 2015:

<b>ENTITY</b>	<b>Financial institution</b>	<b>Type of facilities</b>	<b>Credit limit</b>	<b>Currency</b>	<b>Rate</b>	<b>US\$ Equivalent</b>	<b>Valid from</b>	<b>Valid till</b>
Asbisc Enterprises Plc	Cyprus Development Bank	Overdraft	2 500 000	Euro	0,91	\$2 732 750	23.Sep.10	30.Nov.16
Asbisc Enterprises Plc	Cyprus Development Bank	L/C-Bank Guarantees	2 433 000	USD	1,00	\$2 433 000	23.Sep.10	30.Nov.16
Asbisc Enterprises Plc	Cyprus Development Bank	Overdraft	3 100 000	USD	1,00	\$3 100 000	23.Sep.10	30.Nov.16
Asbisc Enterprises Plc	Cyprus Development Bank	Loan	534 634	Euro	0,91	\$584 408	23.Sep.10	30.Jun.19
Asbisc Enterprises Plc	Barclays Bank Plc	Bank Guarantees	150 000	USD	1,00	\$150 000	23.Dec.15	22.Dec.16
Asbisc Enterprises Plc	Bank of Cyprus	Overdraft-Multicurrency	8 396 550	USD	1,00	\$8 396 550	14.Apr.10	non term
Asbisc Enterprises Plc	Bank of Cyprus	Guarantees	343 989	USD	1,00	\$343 989	14.Apr.10	non term
Asbisc Enterprises Plc	Bank of Cyprus Factors	Factoring	4 000 000	USD	1,00	\$4 000 000	1.Jan.15	non term
Asbisc Enterprises Plc	Bank of Cyprus	Overdraft	1 000 000	USD	1,00	\$1 000 000	1.Nov.09	non term
ASBIS Kypros Ltd	Bank of Cyprus	Overdraft	100 000	Euro	0,91	\$109 310	18.Jul.12	15.May.16
ASBIS Kypros Ltd	Bank of Cyprus	Factoring	800 000	Euro	0,91	\$874 480	18.Jul.12	18.Jul.16
ASBIS Kypros Ltd	Bank of Cyprus	Overdraft	400 000	Euro	0,91	\$437 240	20.Aug.08	28.May.16
Prestigio Plaza	Cyprus Development Bank	Overdraft	50 000	Euro	0,91	\$54 655	15.Dec.11	non term
Prestigio Plaza	Bank of Cyprus	Overdraft	50 000	Euro	0,91	\$54 655	30.Jul.15	30.Jul.16
Asbis CZ, spol s.r.o	CSOB bank	Revolving	80 000 000	Koruna	24,47	\$3 268 909	08.Oct.13	non term
Asbis CZ, spol s.r.o	CSOB bank	Overdraft	15 000 000	Koruna	24,47	\$612 920	23.Jul.12	non term
Asbis CZ, spol s.r.o	Transfinance	Factoring	45 000 000	Koruna	24,47	\$1 838 761	02.Jun.09	non term
Asbis PL Sp. z.o.o	Bank Zachodni WBK S.A.	Overdraft	5 000 000	Polish Zloty	3,76	\$1 328 162	31.Oct.12	30.Sep.16
Asbis PL Sp. z.o.o	Bank Zachodni WBK S.A.	Bank guarantee	20 210 000	Polish Zloty	3,76	\$5 368 432	31.Jan.13	29.Sep.16
Asbis Poland Sp. z o.o.	BOS BANK S.A	Overdraft	10 000 000	Polish Zloty	3,76	\$2 656 325	13.Nov.15	12.Nov.16
Asbis Poland Sp. z o.o.	BOS BANK S.A	Factoring	10 000 000	Polish Zloty	3,76	\$2 656 325	16.Nov.15	15.Nov.16
Asbis Romania SRL	Alpha Bank	Overdraft	13 500 000	RON	4,15	\$3 254 816	30.Oct.14	15.Jan.16
Asbis Romania SRL	Alpha Bank	Overdraft	6 500 000	RON	4,15	\$1 567 134	30.Oct.14	15.Jan.16

Asbis Romania SRL	BRD-GSG	Factoring	6 000 000	RON	4,15	\$1 446 585	15.Jul.14	16.Jul.16
Asbis SK spol s.r.o	Tatrabanka a.s.	Overdraft	15 000 000	Euro	0,91	\$16 396 500	1.Nov.15	30.Apr.16
Asbis SK spol s.r.o	Tatrabanka a.s.	Revolving Credit	11 000 000	Euro	0,91	\$12 024 100	1.Nov.14	31.Oct.16
Asbis SK spol s.r.o	Tatrabanka a.s.	Long Term Loan	615 303	Euro	0,91	\$672 588	1.Nov.13	30.Jun.17
Asbis SK spol s.r.o	CSOB Leasing	Financial Leasing	106 217	Euro	0,91	\$116 106		
Asbis SK spol s.r.o	Tatrabanka a.s.	Long Term Loan	1 277 563	Euro	0,91	\$1 396 504	29.Oct.15	30.Sep.20
Asbis SK spol s.r.o	Tatrabanka a.s.	Factoring	6 287 777	Euro	0,91	\$6 873 169	13.Nov.15	31.Oct.16
ASBIS Cr d.o.o	Erste&Steiermarkische bank d.d.	Short term Loan	19 500 000	HRK	6,99	\$2 788 981	22.Jul.15	23.Jul.16
ASBIS Cr d.o.o	Societe Generale-Splitska Banka D.D	bank guarantee	750 000	HRK	6,99	\$107 268	15.Nov.15	15.11.2016 + 3 months respiro
ASBIS Cr d.o.o	Prvi faktor d.o.o.	Factoring	8 400 000	HRK	6,99	\$1 201 407	22.Feb.10	no date
Asbis D.o.o Beograd	Societe Generale	Short Term Loan	20 000 000	RSD	111,2	\$179 780	30.May.15	30.Apr.16
Asbis D.o.o Beograd	Societe Generale	Customs Guarantee	12 000 000	RSD	111,2	\$107 868	27.Feb.15	27.Feb.16
Asbis Hungary Ltd	Erste Bank	Short term Loan	600 000 000	Huf	282,75	\$2 122 016	27.Mar.15	27.Mar.16
Asbis Siovenia d.o.o	S-factoring d.o.o.	Factoring	1 200 000	Euro	0,91	\$1 311 720	23.Sep.13	Till date
Asbis Siovenia d.o.o	Sparkasse Bank	Short term Loan	300 000	Euro	0,91	\$327 930	28.May.15	28.May.16
Asbis Bulgaria Ltd	Unicredit Bulbank Plc	Revolving loan up to	4 000 000	BGN	1,79	2 234 549	30.Jun.15	30.Jun.16
Asbis Bulgaria Ltd	Unicredit Factoring EAD	Factoring line	1 000 000	BNG	1,79	558 637	31-Oct-14	31.Dec.16
Asbis Bulgaria Ltd	Citibank N.A. - Sofia Branch	Factoring line	2 000 000	BNG	1,79	1 117 275	13-Sep-13	non term
Asbis Middle East FZE	National Bank of Fujairah	Trust Receipt Loan	15 500 000	Dirham	3,68	\$4 217 687	26-Dec-06	Till date
Asbis Middle East FZE	National Bank of Fujairah	Factoring / Discounting	8 000 000	Dirham	3,68	\$2 176 871	26-Dec-06	Till date
Asbis Middle East FZE	HSBC Bank Middle East Limited	Import Line Facility	20 000 000	Dirham	3,68	\$5 442 177	05.May.13	Till date
Asbis Middle East FZE	HSBC Bank Middle East Limited	Factoring / Discounting	20 000 000	Dirham	3,68	\$5 442 177	17.Jun.09	Till date
Asbis Middle East FZE	Citibank N.A.	Short Term Loan -Import Line Facility	5 500 000	Dirham	3,68	\$1 494 565	28.Jan.14	Till date
Asbis Middle East FZE	Citibank N.A.	Local Bill/Cheque Discounting	4 500 000	Dirham	3,68	\$1 222 826	28.Jan.14	Till date
Asbis Middle East FZE	HSBC	Long Term Loan-car lease	9 956	Dirham	3,68	\$2 709	01.Jan.13	01.Apr.17

Asbis Middle East FZE	HSBC	Long Term Loan-car lease	14 187	Dirham	3,68	\$3 860	21.Nov.13	21.Nov.17
Asbis Middle East FZE	HSBC	Long Term Loan-car lease	98 986	Dirham	3,68	\$26 935	21.Nov.13	21.Nov.17
Asbis Middle East FZE	HSBC	Long Term Loan-car lease	23 376	Dirham	3,68	\$6 361	21.Nov.13	21.Nov.17
Asbis Middle East FZE	HSBC	Long Term Loan-car lease	59 752	Dirham	3,68	\$16 259	01.Aug.14	31.Jul.18
OOO Asbis-Moscow	Moscow Credit bank	Overdraft	150 000 000	RUR	72,88	\$2 058 102	26.Mar.15	25.Mar.16
OOO Asbis-Moscow	Moscow Credit bank	Short Term Loan	300 000 000	RUR	72,88	\$4 116 203	18.Feb.15	17.Feb.16
OOO Asbis-Moscow	VTB Bank	Factoring	180 000 000	RUR	72,88	\$2 469 722	3.Jun.15	Till date
OOO Asbis-Moscow	Absolut Bank	Factoring	1 943 000 000	RUR	72,88	\$26 659 276	2.Sep.15	Till date
ASBIS Bosnia	SBERBANK BH d.d.	Overdraft	350 000	KM	1,79	\$195 523	9.May.15	9.May.16
ASBIS Bosnia	SBERBANK BH d.d.	Revolving	250 000	KM	1,79	\$139 659	31.Jan.15	31.Jan.16
ASBIS Bosnia	SBERBANK BH d.d.	Revolving	250 000	KM	1,79	\$139 659	30.Apr.15	30.Apr.16
ASBIS Bosnia	Raiffeisen Bank d.d.	Revolving	300 000	KM	1,79	\$167 591	26.Nov.15	26.May.16
ASBIS Bosnia	Raiffeisen Bank d.d.	Overdraft	300 000	KM	1,79	\$167 591	9.Mar.15	11.Mar.16
ASBIS Bosnia	Raiffeisen Bank d.d.	Revolving	100 000	KM	1,79	\$55 864	3.Aug.15	3.Feb.16
ASBIS Bosnia	Raiffeisen Bank d.d.	Revolving	130 000	KM	1,79	\$72 623	12.Aug.15	11.Apr.16
ASBIS Bosnia	Raiffeisen Bank d.d.	Revolving	200 000	KM	1,79	\$111 727	21.Sep.15	21.May.16
ASBIS Bosnia	Raiffeisen Bank d.d.	Bank guarantee	48 896	KM	1,79	\$27 315	28.Jan.15	28.Jan.16
ASBIS Bosnia	Raiffeisen Bank d.d.	Bank guarantee	62 587	KM	1,79	\$34 963	1.Sep.15	30.Jun.16
ASBIS Bosnia	Raiffeisen Bank d.d.	Bank guarantee	93 880	KM	1,79	\$52 445	1.Sep.15	30.Jun.16
ASBIS Bosnia	Raiffeisen Bank d.d.	Bank guarantee	179 009	KM	1,79	\$100 000	28.Jan.15	28.Jan.16
Asbis Latvia	Swedbank Lizings SIA	Factoring	480 000	EUR	0,91	\$524 688	21.May.15	21.May.16
Zao Asbis (Asbis Belarus)	Bank Moscow-Minsk	Short Term Loan	4 500 000	USD	1,00	\$4 500 000	20.Sep.13	19.Sep.16
Zao Asbis (Asbis Belarus)	Bank Moscow-Minsk	Short Term Loan	13 000 000 000	BYR	18 569,00	\$700 092	22.Apr.15	21.Apr.16
Zao Asbis (Asbis Belarus)	Bank Priorbank	Factoring	16 600 000 000	BYR	18 569,00	\$893 963	15.Jan.15	30.Apr.16
Zao Asbis (Asbis Belarus)	Absolut Bank	Short Term Loan	21 400 000 000	BYR	18 569,00	\$1 152 458	22.Jul.15	22.Jul.16
Zao Asbis (Asbis Belarus)	Absolut Bank	Short Term Loan	2 700 000 000	BYR	18 569,00	\$145 404	10.Dec.15	9.Mar.16
ASBIS Kazakhstan	Alfabank	Short Term Loan	270 000 000	KZT	339,47	\$795 357	8.Aug.14	8.Aug.17
ASBIS Kazakhstan	Alfabank	Factoring	1 900 000 000	KZT	339,47	\$5 596 960	4.May.14	4.May.17
ASBIS Ukraine	Fidobank	Overdraft	5 000 000	UAH	24,00	\$208 328	2.Sep.15	1.Mar.16
ASBIS Ukraine	OTP Bank	Short Term Loans	30 000 000	UAH	24,00	\$1 249 965	14.Nov.14	13.Nov.17
ASBIS Ukraine	Credit Agricole	Short Term Loans	1 000 000	USD	1,00	\$1 000 000	26.May.15	30.Apr.16

Prestigio Europe	ČSOB bank	overdraft	2 000 000	CZK	21,12	\$94 692	1.Sep.14	non term
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## Capital Expenditure

Our total capital expenditure for tangible and intangible assets amounted to U.S. \$ 4,457 for the year ended 31 December 2015, compared to U.S. \$ 2,075 for the year ended 31 December 2014.

## Commitments and contingencies

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

## Critical Accounting Policies

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

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

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

## Financial forecast for the year 2016

After a series of successful restructuring actions throughout 2014 and 2015 the Company expects 2016 to be much improved. Thus, on March 21st, 2016 the Company announced its official financial forecast for 2016.

The Company forecasts for 2016 that will reach the following:

- Sales revenue at the level between USD 1,15 billion and USD 1,25 billion and
- Net profit after tax at the level between USD 4,0 million and USD 5,0 million

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

The significant assumptions of the forecasted results are the following:

- The situation in our major markets of Russia and Ukraine will stabilize, i.e., the situation will be no worse than in 2015
- The depreciation of Russia's and Ukraine's currencies will not continue, thereby negatively affecting demand on those markets
- There would be no significant disturbance in the general economic environment in other markets where the Company operates

- There will be no significant un-provided for RMA losses for own brand goods
- Competition in all major segments will remain similar to that of 2015, with no new significant market entrants.

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

##### Board of Directors

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

The following table sets out our current Directors:

Name	Year of Birth	Position	Appointed to the Board	Expiry of term	Nationality
Siarhei Kostevitch	1964	Chairman, Chief Executive Officer	30 August 1999	4 June 2016	Belarussian/Cypriot
Marios Christou	1968	Chief Financial Officer	28 December 2001	4 June 2016	Cypriot
Constantinos Tziamalis	1975	Director of Risk & Investor Relations	23 April 2007	5 June 2017	Cypriot
Yuri Ulasovich	1962	Director, COO	29 September 2015	Next AGM	Belarussian/Cypriot
Demos Demou	1969	Non Executive Director	7 August 2015	Next AGM	Cypriot
Chris Pavlou	1945	Non Executive Director	18 June 2012	4 June 2016	Cypriot

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

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

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

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

23 April 2007. In January 2010 Constantinos has been also appointed as head of the FX Risk Management team.

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

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

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

#### **Directors' remuneration**

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

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

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

Executive Directors are also entitled to receive a bonus every quarter depending upon 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.

The following table presents the remuneration (including bonuses) of Directors for the years ended 31 December 2015 and 2014, respectively (U.S.\$):

Name	2015			2014		
	Salary	Other benefits	Total	Salary	Other benefits	Total
Siarhei Kostevitch	164	-	164	253	-	253
Marios Christou	61	-	61	82	-	82
Constantinos Tziamalis	60	-	60	77	-	77
Efstathios Papadakis	7	-	7	17	-	17
Chris Pavlou	5	-	5	23	-	23
Demos Demou	0	-	0	-	-	-
TOTAL	297	-	297	452	-	452

### Share ownership

The table below presents the 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)	20,443,127	36.83%
Constantinos Tziamalis	555,000	1.00%
Marios Christou	518,000	0.93%
Yuri Ulasovich	210,000	0,38%
Demos Demou	0	0%
Chris Pavlou	0	0%

Siarhei Kostevitch holds shares as the shareholder of KS Holdings Ltd.

During 2015 there were the following changes in the number of shares possessed by the Directors:

- On December 21st, 2015 the Company received notification on the basis of art. 160 of Act on Trading on financial instruments from Mr. Marios Christou, Director of the Company, who informed that on December 21st he was notified about receiving 250.000 shares of the Company. Shares were received with no consideration and transferred from KS Holdings Ltd under the transfer that KS Holdings Limited informed on November 26th, 2015. Transferred shares are covered with a 12-months lock-up agreement.
- On December 21st, 2015 the Company received notification on the basis of art. 160 of Act on Trading on financial instruments from Mr. Constantinos Tziamalis, Director of the Company, who informed that on December 21st he was informed about receiving 500.000 shares of the Company. Shares were received with no consideration and transferred from KS Holdings Ltd under the transfer that KS Holdings Limited notified on November 26th, 2015. Transferred shares are covered with a 12-months lock-up agreement.
- On November 27th, 2015 the Company received the following notification on the basis of art. 69 of Act on Public Offering from Mr. Siarhei Kostevitch, Chairman of the Board of Directors and the Company's CEO:

Acting on the basis of art. 69 of Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies dated July 29th 2005 I hereby inform about change in the number of possessed shares of ASBISc Enterprises Plc, that was above 33% by at least 1%. The change resulted from transaction of sale of 2,275,000 (two million two hundred seventy five thousand shares) shares on November 26th, 2015 conducted by related entity. The shares were transferred under 12-month lock-up.

Before the abovementioned transaction I held (directly and indirectly) 22,718,127 shares, that entitled to 22,718,127 votes at the General Meeting of Shareholders of ASBISc Enterprises Plc, that were equal to 40.93% in share capital of ASBISc Enterprises PLC and 40.93% in the total number of votes at its General Meeting of Shareholders. This included:

Directly:

41,766 shares of ASBISc Enterprises PLC of a nominal value 0,20 USD each, that were entitling to 41,766 votes at the General Meeting of Shareholders of ASBISc Enterprises Plc, that were equal to 0.08% in share capital of ASBISc Enterprises PLC and 0.08% in the total number of votes at its General Meeting of Shareholders.

Indirectly, through KS Holdings Ltd:

22,676,361 shares of ASBISc Enterprises PLC of a nominal value 0,20 USD each, that were entitling to 22,676,361 votes at the General Meeting of Shareholders of ASBISc Enterprises Plc, that were equal to 40.86% in share capital of ASBISc Enterprises PLC and 40.86% in the total number of votes at its General Meeting of Shareholders.

After the abovementioned transaction I hold (directly and indirectly) 20,443,127 shares, that entitle to 20,443,127 votes at the General Meeting of Shareholders of ASBISc Enterprises Plc, that are equal to 36.83% in share capital of ASBISc Enterprises PLC and 36.83% in the total number of votes at its General Meeting of Shareholders. This includes:

Directly:

41,766 shares of ASBISc Enterprises PLC of a nominal value 0,20 USD each, that entitle to 41,766 votes at the General Meeting of Shareholders of ASBISc Enterprises Plc, that are equal to 0.08% in share capital of ASBISc Enterprises PLC and 0.08% in the total number of votes at its General Meeting of Shareholders.

Indirectly, through KS Holdings Ltd:

20,401,361 shares of ASBISc Enterprises PLC of a nominal value 0,20 USD each, that entitle to 22,401,361 votes at the General Meeting of Shareholders of ASBISc Enterprises Plc, that are equal to 36.76% in share capital of ASBISc Enterprises PLC and 36.76% in the total number of votes at its General Meeting of Shareholders.

I do not plan to decrease my stake in ASBISc Enterprise PLC in the next 12 months from the date of this notification.

## **Committees**

The Audit Committee of the Company, comprising Demos Demou (who substituted Efstathios Papadakis) and Chris Pavlou (both non-executive Directors) and Marios Christou (as attending member) is chaired by

Demos Demou. The Audit Committee meets at least twice a year. The Audit Committee is responsible for ensuring that the Group's financial performance is properly monitored, controlled and reported. It also meets the auditors and reviews reports from the auditors relating to accounts and internal control systems. The Audit Committee meets at least once a year with the auditors.

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

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

There were no changes to main management rules in 2015.

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

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

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

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

### **Employees**

As at 31 December 2015, we employed 1126 employees, of whom 112 were employed by the Company and the remainder in the rest of the Company's offices worldwide. The split of employees by area of activity as at 31 December 2015 and 2014 is as follows:

	<b>As at 31 December</b>	
	<b>2015</b>	<b>2014</b>
Sales and Marketing	580	792
Administration and IT	146	237
Finance	123	146
Logistics	277	329
<b>Total</b>	<b>1,126</b>	<b>1,504</b>

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

### **Major Shareholders**

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

<b>Name</b>	<b>Number of shares</b>	<b>% of share capital</b>	<b>Number of votes</b>	<b>% of votes</b>
KS Holdings Ltd	20,401,361	36.76%	20,401,361	36.76%
Quercus Towarzystwo Funduszy Inwestycyjnych S.A. Quercus Parasolowy SFIO and Quercus Absolutnego Zwrotu FIZ)*	3,274,931	5.90%	3,274,931	5.90%
ING OFE	2,872,954	5.18%	2,872,954	5.18%

\* Including 2,775,045 shares corresponding to 5.00% votes at the AGM held by Quercus Parasolowy SFIO - according to notification from December 9th, 2011 corrected with notification from July 14<sup>th</sup>, 2015.

In 2015 the Company has received the following information about changes in its shareholders structure:

(1) On November 27th, 2015 the Company received the following notification on the basis of art. 69 of Act on Public Offering from Mr. Siarhei Kostevitch, Chairman of the Board of Directors and the Company's CEO:

Acting on the basis of art. 69 of Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies dated July 29th 2005 I hereby inform about change in the number of possessed shares of ASBISc Enterprises Plc, that was above 33% by at least 1%. The change resulted from transaction of sale of 2,275,000 (two milion two hundred seventy five thousand shares) shares on November 26th, 2015 conducted by related entity. The shares were transferred under 12-month lock-up.

Before the abovementioned transaction I held (directly and indirectly) 22,718,127 shares, that entitled to 22,718,127 votes at the General Meeting of Shareholders of ASBISc Enterprises Plc, that were equal to 40.93% in share capital of ASBISc Enterprises PLC and 40.93% in the total number of votes at its General Meeting of Shareholders. This included:

Directly:

41,766 shares of ASBISc Enterprises PLC of a nominal value 0,20 USD each, that were entitling to 41,766 votes at the General Meeting of Shareholders of ASBISc Enterprises Plc, that were equal to 0.08% in share capital of ASBISc Enterprises PLC and 0.08% in the total number of votes at its General Meeting of Shareholders.

Indirectly, through KS Holdings Ltd:

22,676,361 shares of ASBISc Enterprises PLC of a nominal value 0,20 USD each, that were entitling to 22,676,361 votes at the General Meeting of Shareholders of ASBISc Enterprises Plc, that were equal to 40.86% in share capital of ASBISc Enterprises PLC and 40.86% in the total number of votes at its General Meeting of Shareholders.

After the abovementioned transaction I hold (directly and indirectly) 20,443,127 shares, that entitle to 20,443,127 votes at the General Meeting of Shareholders of ASBISc Enterprises Plc, that are equal to 36.83% in share capital of ASBISc Enterprises PLC and 36.83% in the total number of votes at its General Meeting of Shareholders. This includes:

Directly:

41,766 shares of ASBISc Enterprises PLC of a nominal value 0,20 USD each, that entitle to 41,766 votes at the General Meeting of Shareholders of ASBISc Enterprises Plc, that are equal to 0.08% in share capital of ASBISc Enterprises PLC and 0.08% in the total number of votes at its General Meeting of Shareholders.

Indirectly, through KS Holdings Ltd:

20,401,361 shares of ASBISc Enterprises PLC of a nominal value 0,20 USD each, that entitle to 22,401,361 votes at the General Meeting of Shareholders of ASBISc Enterprises Plc, that are equal to 36.76% in share capital of ASBISc Enterprises PLC and 36.76% in the total number of votes at its General Meeting of Shareholders.

I do not plan to decrease my stake in ASBISc Enterprise PLC in the next 12 months from the date of this notification.

(2) On November 27th, 2015 the Company received the following notification on the basis of art. 69 of Act on Public Offering from KS Holdings Ltd:

Acting on the basis of art. 69 of Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies dated July 29th 2005 We hereby inform about change in the number of possessed shares of ASBISc Enterprises Plc, that was above 33% by at least 1%.

The change resulted from transaction of sale of 2,275,000 (two million two hundred seventy five thousand shares) shares on November 26th, 2015.

Before the abovementioned transaction We held:

22,676,361 shares of ASBISc Enterprises PLC of a nominal value 0,20 USD each, that were entitling to 22,676,361 votes at the General Meeting of Shareholders of ASBISc Enterprises Plc, that were equal to 40.86% in share capital of ASBISc Enterprises PLC and 40.86% in the total number of votes at its General Meeting of Shareholders.

After the abovementioned transaction We hold:

20,401,361 shares of ASBISc Enterprises PLC of a nominal value 0,20 USD each, that entitle to 20,401,361 votes at the General Meeting of Shareholders of ASBISc Enterprises Plc, that are equal to 36.76% in share capital of ASBISc Enterprises PLC and 36.76% in the total number of votes at its General Meeting of Shareholders.

We do not plan to decrease our stake in ASBISc Enterprise PLC In the next 12 months from the date of this notification.

(3) On July 14th, 2015 the Company has received from Quercus Towarzystwo Funduszy Inwestycyjnych S.A. acting on behalf of governed investment fund QUERCUS Parasolowy SFIO („the Fund”) notification that following to sale of the Company's shares on July 10th, 2015 total share of this Fund on its own descended below the threshold of 5% of total number of votes at the Company's General Meeting of Shareholders.

According to the notification, before the above mentioned sale of shares the Fund had 2 780 204 Company's shares that were equal to 5,01% in the Company's share capital and had 2 780 204 votes from these shares, that were equal to 5,01% of total number of votes.

According to the notification, after the abovementioned sale of shares the Fund holds 2 680 204 Company's shares, equal to 4,83% in the Company's share capital and have 2 680 204 votes from these shares, equal to 4,83% of total number of votes.

## **Related Party Transactions**

During the year ended 31 December 2015 the Company did not have any material related party transactions exceeding the Polish Zloty equivalent of Euro 500 thousand other than typical or routine transactions. For ordinary course of business transactions, please refer to the notes on the audited financial statement attached on this annual report.

In the year 2015, a number of transactions have occurred between us and our subsidiaries and between our subsidiaries. In our opinion all of these transactions were based on terms that did not vary from market terms and their nature and conditions resulted from ongoing needs and operations of the Company and of the Group, such as contracts related to the purchases of goods for onward distribution to external clients. All of these transactions and related outstanding balances were eliminated in the Financial Statements included in this Annual Report and, as a result, did not have any impact on our consolidated financial results and on our financial position as a whole.

## **ITEM 6. FINANCIAL INFORMATION**

### **Legal Proceedings**

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

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

During the year ended 31<sup>st</sup> December 2015 we have not granted 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 granted guarantees**

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

The Company has decreased corporate guarantees to support its subsidiaries' local financing from U.S.\$ 171,288 at December 31<sup>st</sup>, 2014 to U.S.\$ 136,683 at December 31<sup>st</sup>, 2015, representing more than 10% of the Company's equity.

The total bank guarantees and letters of credit raised by the Group (mainly to Group suppliers) as at December 31<sup>st</sup>, 2015 was U.S. \$ 8,725 – as per note number 16 to the financial statements – which is more than 10% of the Company's equity.

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

This has been discussed in note 32 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 2016 intends to grow organically, therefore there is no risk connected with the realization of current investment intentions.

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

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

- a) note 13 - Trade receivables - Ageing analysis of receivables
- b) note 32 – Financial risk management – point 1.3. Liquidity risk

## **Information about the structure of main deposits and capital investments in 2015**

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

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

## **Information about relevant off balance sheet positions as at December 31<sup>st</sup>, 2015**

There were no relevant off balance sheet positions as at December 31<sup>st</sup>, 2015 other than Bank Guarantees disclosed in note 22 of the audited financial statements.

## **DIVIDEND POLICY**

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

Following strong results of 2013, the Company paid a dividend in July 2014. This followed a resolution of the Company's AGM from June 5<sup>th</sup>, 2014. The dividend pay-out was U.S.\$ 0.06 per share (compared to U.S.\$ 0.05 in 2013), in line with the recommendation of the Board of Directors. The dividend record date was June 18<sup>th</sup>, 2014 and the dividend pay-out date was July 3<sup>rd</sup>, 2014. Due to low profitability in 2014, the Company has not paid any dividends in 2015.

Since the Company posted a loss in 2015, the Board of Directors will not recommend to the forthcoming Annual General Meeting of Shareholders a dividend payment.

Any future dividends will be solely at the discretion of the Board of Directors and the general meeting of shareholders after taking into account various factors, including business prospects, future earnings, cash requirements, financial position, expansion plans and requirements of the Cypriot law. The Cyprus law does not limit dividends that may be paid out except that it states that dividends may only be paid out of profits and may not be higher than recommended by the Board of Directors.

## **Material Contracts**

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

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

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

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 year period unless terminated by of either party giving the other 3 months' written notice.

DELL also has right to terminate agreements or any part of it immediately on giving notice in writing to ASBIS if there is a change of control or if any export control requirement or regulation is breached or could be breached or if any of the sales targets is failed to achieve or if ASBIS enters into arrangements which could result in a conflict of interest with DELL.

In addition, agreements may be terminated by either party forthwith on giving notice in writing if continuance of agreements becomes unduly difficult by the reason of diplomatic relations between the respective countries of the parties or if any material or persistent breach of any terms of agreements is committed and shall have been failed after warning in writing or if party shall have a receiver or administrative receiver or the equivalent appointed of it or a court of competent jurisdiction shall make an order to that effect or if party shall enter into any voluntary arrangement with its creditors.

If the agreements are so terminated, all outstanding unpaid invoices shall become immediately payable by ASBIS in place of the payment terms previously agreed between parties.

### **Agreements with TOSHIBA**

ASBISC Enterprises PLC (ASBIS) has entered into several TOSHIBA Authorised Distributor Agreements in 2006 with TOSHIBA (TEG) pursuant to which ASBIS was appointed as authorised non-exclusive distributor to sell and distribute 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 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

#### Report on Application of Corporate Governance Rules in 2014

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

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

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

The following table summarizes information about application of corporate governance rules applied, not applied, partially applied or non-applicable for the Company in 2015:

No.	RULE	YES/NO Partially N/A	COMMENTS
<b>INTRODUCTION</b>			
<p>Note: Companies formed under Cyprus laws do not have a supervisory board or a management board. Cyprus companies have a board of directors, members of which are appointed to fill certain executive (the "Executive Directors") and non-executive positions (the "Non-executive Directors") (the "Board of Directors"). The Non-executive Directors (called independent directors), generally, are neither officers nor employees of Cyprus companies as opposed to the Executive Directors, who generally, are officers and employees of Cyprus companies. Generally, officers of a Cyprus law corporation may be treated as the management authority of a corporation, which however should not be equated with a management board within the meaning of Polish law.</p> <p>The management of the business and the conduct of the affairs of Asbisc Enterprises PLC (the "Company") are vested in the Board of Directors. The Board of Directors takes its decisions in a group by majority voting. In case of an equality of votes, the chairman has a casting vote.</p> <p>Due to a fact that Cyprus companies do not have either a supervisory board or a management board these terms used in this Best Practices refer to the Board of Directors of the Company.</p>			
<b>I RECOMMENDATIONS FOR BEST PRACTICE FOR LISTED COMPANIES</b>			
1.	<p>A company should pursue a transparent and effective information policy using both traditional methods and modern technologies and latest communication tools ensuring fast, secure and effective access to information. Using such methods to the broadest extent possible, a company should in particular:</p> <ul style="list-style-type: none"><li>- maintain a company website whose scope and method of presentation should be based on the model investor relations service available at <a href="http://naszmodel.gpw.pl/">http://naszmodel.gpw.pl/</a>;</li><li>- ensure adequate communication with investors and analysts, and use to this purpose also modern methods</li></ul>		<p>The company uses different channels to make communication with investors as effective as it can be. Some of the channels are:</p> <ul style="list-style-type: none"><li>- ESPI reports</li><li>- Company's website</li><li>- Press releases</li><li>- Press conferences</li><li>- Cyclic meetings and</li></ul>

	of Internet communication.	<b>YES</b>	<p>contact with analysts and portfolio managers</p> <ul style="list-style-type: none"> <li>- Meetings with individual investors</li> <li>- Dedicated team taking care about contact with investors, as well as answering investors questions</li> </ul> <p>The Company provides dedicated websites for investors both in English and Polish available at <a href="http://investor.asbis.com">http://investor.asbis.com</a> and <a href="http://investor.asbis.pl">http://investor.asbis.pl</a>, that contain all information required by WSE</p> <p>Additionally the Company introduced a system for fast answering investors questions through internet communication.</p> <p>The company still develops new channels of communication to ensure best possible access to information for investors.</p>
2.	[deleted]	-	-
3.	A company should make every effort to ensure that any cancellation of a General Meeting or change of its date should not prevent or restrict the exercise of the shareholders' right to participate in a General Meeting.	<b>YES</b>	
4.	Where securities issued by a company are traded in different countries (or in different markets) and in different legal systems, the company should strive to ensure that corporate events related to the acquisition of rights by shareholders take place on the same dates in all the countries where such securities are traded.	<b>N/A</b>	Company is listed only at Warsaw Stock Exchange.
5.	A company should have a remuneration policy and rules of defining the policy. The remuneration policy should in particular determine the form, structure, and level of remuneration of members of supervisory and management bodies. Commission Recommendation of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC) and Commission Recommendation of 30 April 2009 complementing that Recommendation (2009/385/EC) should apply in defining the remuneration policy for members of supervisory and management bodies of the company.	<b>YES</b>	Remuneration committee chaired by non-executive members reviews and approves remuneration of members of the company governing bodies.
6.	A member of the Supervisory Board should have appropriate expertise and experience and be able to devote the time necessary to perform his or her duties. A member of the Supervisory Board should take relevant action to ensure that the Supervisory Board is informed about issues significant to the company.	<b>YES</b>	Due to a fact that Cyprus companies do not have either a supervisory board or a management board these terms used in this Best Practices refer to the Board of Directors of the Company

			and its non-executive Directors. (see the Introduction Note).
7.	<p>Each member of the Supervisory Board should act in the interests of the company and form independent decisions and judgments, and in particular:</p> <ul style="list-style-type: none"> <li>- refuse to accept unreasonable benefits which could have a negative impact on the independence of his or her opinions and judgments;</li> <li>- raise explicit objections and separate opinions in any case when he or she deems that the decision of the Supervisory Board is contrary to the interest the company.</li> </ul>	<b>YES</b>	Due to a fact that Cyprus companies do not have either a supervisory board or a management board these terms used in this Best Practices refer to the Board of Directors of the Company. (see the Introduction Note).
8.	No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related entities.	<b>YES</b>	
9.	The WSE recommends to public companies and their shareholders that they ensure a balanced proportion of women and men in management and supervisory functions in companies, thus reinforcing the creativity and innovation of the companies' economic business.	<b>YES</b>	Members of the Company's Board of Directors are appointed by the General Meeting of Shareholders.
10.	If a company supports different forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers its activity in this area to be a part of its business mission and development strategy, impacting the innovativeness and competitiveness of the enterprise, it is good practice to publish, in a mode adopted by the company, the rules of its activity in this area.	<b>YES</b>	
11.	<p>As part of a listed company's due care for the adequate quality of reporting practice, the company should take a position, expressed in a communication published on its website, unless the company considers other measures to be more adequate, wherever with regard to the company:</p> <ul style="list-style-type: none"> <li>- published information is untrue or partly untrue from the beginning or at a later time;</li> <li>- publicly expressed opinions are not based on material objective grounds from the beginning or as a result of later circumstances.</li> </ul> <p>This rule concerns opinions and information expressed publicly by company representatives in the broad sense or by other persons whose statements may have an opinion-making effect, whether such information or opinions contain suggestions advantageous or disadvantageous to the company.</p>	<b>YES</b>	
12.	A company should enable its shareholders to exercise the voting right during a General Meeting either in person or through a plenipotentiary, outside the venue of the General Meeting, using electronic communication means.	<b>YES</b>	
<b>II BEST PRACTICE FOR MANAGEMENT BOARDS OF LISTED COMPANIES</b>			
1.	A company should operate a corporate website and publish on it,		Due to a fact that Cyprus

	<p>in addition to information required by legal regulations:</p> <ol style="list-style-type: none"> <li>1) basic corporate regulations, in particular the statutes and internal regulations of its governing bodies;</li> <li>2) professional CVs of the members of its governing bodies;</li> <li>2a) on an annual basis, in the fourth quarter – information about the participation of women and men respectively in the Management Board and in the Supervisory Board of the company in the last two years;</li> <li>3) current and periodic reports;</li> <li>4) [deleted]</li> <li>5) where members of the company's governing body are elected by the General Meeting – the basis for proposed candidates for the company's Management Board and Supervisory Board available to the company, together with the professional CVs of the candidates within a timeframe enabling a review of the documents and an informed decision on a resolution;</li> <li>6) annual reports on the activity of the Supervisory Board taking account of the work of its committees together with the evaluation of the internal control system and the significant risk management system submitted by the Supervisory Board;</li> <li>7) shareholders' questions on issues on the agenda submitted before and during a General Meeting together with answers to those questions;</li> <li>8) information about the reasons for cancellation of a General Meeting, change of its date or agenda together with grounds;</li> <li>9) information about breaks in a General Meetings and the grounds of those breaks;</li> <li>9a) a record of the General Meeting in audio or video format;</li> <li>10) information on corporate events such as payment of the dividend, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles of such operations. Such information should be published within a timeframe enabling investors to make investment decisions;</li> <li>11) information known to the Management Board based on a statement by a member of the Supervisory Board on any relationship of a member of the Supervisory Board with a shareholder who holds shares representing not less than 5% of all votes at the company's General Meeting;</li> <li>12) where the company has introduced an employee incentive scheme based on shares or similar instruments – information about the projected cost to be incurred by the company from to its introduction;</li> <li>13) a statement on compliance with the corporate governance rules contained in the last published annual report, as well as the report referred to in § 29.5 of the Exchange Rules, if published;</li> <li>14) information about the content of the company's internal rule of changing the company authorised to audit financial statements or information about the absence of such rule.</li> </ol>	<b>YES</b>	<p>companies do not have either a supervisory board nor a management board annual reports on the activity of the Supervisory Board taking account of the work of its committees together with the evaluation of the work of the Supervisory Board and of the internal control system and the significant risk management system are not published on the company website.</p>
2.	A company should ensure that its website is also available in English, at least to the extent described in section II.1.	<b>YES</b>	
3.	Before a company executes a significant agreement with a related entity, its Management Board shall request the approval of the transaction/agreement by the Supervisory Board. This condition does not apply to typical transactions made on market terms		This rule is non-applicable as the company has only one Board of Directors.

	within the operating business by the company with a subsidiary where the company holds a majority stake. For the purpose of this document, related entity shall be understood within the meaning of the Regulation of the Minister of Finance issued pursuant to Article 60.2 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies (Dz.U. No. 184, item 1539, as amended).	<b>N/A</b>	
4.	A member of the Management Board should provide notification of any conflicts of interest which have arisen or may arise, to the Management Board and should refrain from taking part in the discussion and from voting on the adoption of a resolution on the issue which gives rise to such a conflict of interest.	<b>YES</b>	Cyprus Companies have only one Board. Individual Board members are obliged to disclose to the board any conflict of interest in connection with the performed function or of the risk of such conflict.
5.	[deleted]	-	-
6.	A General Meeting should be attended by members of the Management Board who can answer questions submitted at the General Meeting.	<b>YES</b>	There is no Management Board. But the Company's Board of Directors members attend the General Shareholders Meeting in the number that makes it possible to answer all questions submitted by the shareholders. Company treats presence of Board of Directors members in the General Meeting as a substitute of Management Board members presence called in this rule.
7.	A company shall set the place and date of a General Meeting so as to enable the participation of the highest possible number of shareholders.	<b>YES</b>	The Company believes that the system of voting at its shareholders' meeting allows the participation of as many shareholders as possible. It is the practice of the Company to hold its shareholders meeting at its registered office. What is more, the Company intends to start internet transmission of the General Shareholders meetings if it is considered necessary to improve the shareholders attendance.
8.	If a company's Management Board is informed that a General Meeting has been summoned pursuant to Article 399 § 2-4 of the Code of Commercial Partnerships and Companies, the company's Management Board shall immediately perform the actions it is required to take in connection with organising and conducting a General Meeting. This rule shall also apply if a General Meeting is summoned on the basis of authorisation given by the registration court pursuant to Article 400 § 3 of the Code of Commercial Partnerships and Companies.	<b>N/A</b>	The Company is registered in Cyprus and complies with Cyprus law. Additionally the Company has the Board of Directors, and does not have the Management Board and Supervisory Board.

### III BEST PRACTICE FOR SUPERVISORY BOARD MEMBERS

1.	<p>In addition to its responsibilities laid down in legal provisions the Supervisory Board should:</p> <ol style="list-style-type: none"> <li>1) once a year prepare and present to the Ordinary General Meeting a brief assessment of the company's standing including an evaluation of the internal control system and the significant risk management system;</li> <li>2) [deleted]</li> <li>3) review and present opinions on issues subject to resolutions of the General Meeting.</li> </ol>	<b>N/A</b>	<p>There is no supervisory board. The Directors and Auditors report together with the accounts are available to shareholders before the holding of the Annual General Meeting. A copy of every set of financial statements which is to be laid before the Company in an Annual general meeting, together with a copy of the Directors' and Auditors' report, shall be available to every shareholder of the Company not less than twenty-one days before the date of the meeting. The Company meets this criteria by publishing proper reports and by publishing documents at its websites dedicated for investors.</p>
2.	<p>A member of the Supervisory Board should submit to the company's Management Board information on any relationship with a shareholder who holds shares representing not less than 5% of all votes at the General Meeting. This obligation concerns financial, family, and other relationships which may affect the position of the member of the Supervisory Board on issues decided by the Supervisory Board.</p>	<b>YES</b>	
3.	<p>A General Meeting should be attended by members of the Supervisory Board who can answer questions submitted at the General Meeting.</p>	<b>YES</b>	<p>There is no Supervisory Board. But the Company's Board of Directors members attend the General Shareholders Meeting in the number that makes it possible to answer all questions submitted by the shareholders The Company treats presence of Board of Directors members in the General Meeting as a substitute of Management Board members presence called in this rule.</p>
4.	<p>A member of the Supervisory Board should notify any conflicts of interest which have arisen or may arise to the Supervisory Board and should refrain from taking part in the discussion and from voting on the adoption of a resolution on the issue which gives rise to such a conflict of interest.</p>	<b>YES</b>	<p>There is no Supervisory Board. But members of the Board of Directors are to notify any conflicts of interest and are to act according to this rule.</p>
5.	<p>A member of the Supervisory Board should not resign from this function if this action could have a negative impact on the Supervisory Board's capacity to act, including the adoption of resolutions by the Supervisory Board.</p>	<b>YES</b>	

6.	At least two members of the Supervisory Board should meet the criteria of being independent from the company and entities with significant connections with the company. The independence criteria should be applied under Annex II to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. Irrespective of the provisions of point (b) of the said Annex, a person who is an employee of the company or an associated company cannot be deemed to meet the independence criteria described in the Annex. In addition, a relationship with a shareholder precluding the independence of a member of the Supervisory Board as understood in this rule is an actual and significant relationship with any shareholder who has the right to exercise at least 5% of all votes at the General Meeting.	<b>YES</b>	The Company treats non-executive directors in its Board as independent from the Company. Thus the Company always aims to have a number of non-executive directors in its Board who are called independent directors (see Introduction Note).  However, because under Cyprus law there is only one Board and the management of the business and the conduct of the affairs of the Company are vested in the Directors it is not possible to have at least half of the Directors to be non-executive since it may hinder the operations of the Company.
7.	[deleted]	-	-
8.	Annex I to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors... should apply to the tasks and the operation of the committees of the Supervisory Board.	<b>YES</b>	Companies formed under Cyprus laws do not have a supervisory board or management board. Instead of that Board of Directors exists that include non-executive Directors.
9.	Execution by the company of an agreement/transaction with a related entity which meets the conditions of section II.3 requires the approval of the Supervisory Board.	<b>NO</b>	Companies formed under Cyprus laws do not have a supervisory board or management board. Instead of that Board of Directors exists. However agreements or transactions with a related entity which meets the conditions of section II.3 is a matter of approval of all members of the Board of Directors – including independent non-executive members.
<b>IV BEST PRACTICES FOR SHAREHOLDERS</b>			
1.	Presence of representatives of the media should be allowed at General Meetings.	<b>YES</b>	
2.	The rules of General Meetings should not restrict the participation of shareholders in General Meetings and the exercising of their rights. Amendments of the rules should take effect at the earliest as of the next General Meeting.	<b>YES</b>	
3.	[deleted]	-	-
4.	A resolution of the General Meeting concerning an issue of shares with subscription rights should specify the issue price or the mechanism of setting it or obligate the competent body to set it before the date of subscription rights within a timeframe enabling	<b>N/A</b>	Board of Directors makes the decision regarding issue of shares.

	an investment decision.		
5.	Resolutions of the General Meeting should allow for a sufficient period of time between decisions causing specific corporate events and the date of setting the rights of shareholders pursuant to such events.	<b>YES</b>	
6.	The date of setting the right to dividend and the date of dividend payment should be set so to ensure the shortest possible period between them, in each case not longer than 15 business days. A longer period between these dates requires detailed grounds.	<b>YES</b>	
7.	A resolution of the General Meeting concerning a conditional dividend payment may only contain such conditions whose potential fulfillment must take place before the date of setting the right to dividend.	<b>YES</b>	
8.	[deleted]	-	-
9.	A resolution of the General Meeting to split the nominal value of shares should not set the new nominal value of the shares at a level which could result in a very low unit market value of the shares, which could consequently pose a threat to the correct and reliable valuation of the company listed on the Exchange.	<b>YES</b>	
10.	A company should enable its shareholders to participate in a General Meeting using electronic communication means through: <ul style="list-style-type: none"> <li>1) real-life broadcast of General Meetings;</li> <li>2) real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting.</li> </ul>	<b>YES</b>	

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

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

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

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

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

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

The Company carries out annual reviews of its strategy, development, results and plans. Based on conclusions drawn from that review, a detailed budgeting process is performed including all functional

areas of the Company, with the participation of the medium and top level management. The budget prepared for the following year is adopted and approved by the Board of Directors.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

This has been presented in Item 5, page 52 of this annual report.

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

There are no shareholders with preference shares.

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

##### **Voting rights**

Each share confers the right to cast one vote.

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

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

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

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

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

All shares have equal rights.

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

No business shall be transacted at any general meeting unless a quorum of shareholders is present at the time when the meeting proceeds to business. Save as otherwise provided in the Articles of Association, a quorum shall be three shareholders present, in person or through telephone or other telecommunication

connection or by proxy, and entitled to vote upon the business to be transacted. The provisions governing the quorum are set forth in Articles 62-66 of the Articles of Association.

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

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

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

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

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

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

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

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

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

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

- A right to participate share in the Company's profits through a dividend distribution if such dividend is decided to be paid by the general meeting following a proposal by the Board of

Directors. The dividends are subject to a lien by the Company if any amount is owed by the shareholder to the Company.

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

Under Cypriot law, the Company has to notify all shareholders in writing of its intention to issue new shares and the price of the shares to be issued. Each individual notice should include the number of shares each shareholder is entitled to buy, a period during which a shareholder may exercise its pre-emptive rights and purchase the offered shares, and the price per share. In general, under Cypriot law, a shareholder may exercise its right by sending to the Company the signed form together with payment for shares up to the maximum amount allowed to be purchased. If the shareholder does not exercise his or her pre-emptive rights within the period specified, the shares may be sold to third party buyers.

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

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

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

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

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

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

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

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

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

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

The Board of Directors must refuse to register any transfer of shares when required by the Cypriot Companies Law for example in the case of certificated shares when the transfer is not supported by an approved instrument of transfer or if a court order is issued by a court of competent authority. If the Board of Directors decline to register a transfer, the Company must within 2 months after the date of lodgment of such transfer give to the lodging party written notice of the refusal and the reasons for it. However, in the case of dematerialized shares listed on the WSE, the Board of Directors may not decline to register a transfer of such shares, since the procedure for making such transfer does not require notification to or acceptance of the Board of Directors. This means that the Board of Directors has no influence on the registration and is not in the position to refuse to register a transfer of WSE listed shares.

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

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

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

### *Description of Lock up*

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

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

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

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

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

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

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

### Alternate

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

### Powers

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

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

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

### Shares

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

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

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

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

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

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

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

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

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

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

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

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

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

At a poll every share has one vote.

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

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

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

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

#### **XI. Members of the Board of Directors and its committees and description of its operations during the year ended December 31<sup>st</sup>, 2015**

The following table sets out our current Directors:

<b>Name</b>	<b>Year of Birth</b>	<b>Position</b>	<b>Appointed to the Board</b>	<b>Expiry of term</b>	<b>Nationality</b>
Siarhei Kostevitch	1964	Chairman, Chief Executive Officer	30 August 1999	4 June 2016	Belarussian/Cypriot
Marios Christou	1968	Chief Financial Officer	28 December 2001	4 June 2016	Cypriot
Constantinos Tziamalis	1975	Director of Risk & Investor Relations	23 April 2007	5 June 2017	Cypriot
Yuri Ulasovich	1962	Director, COO	29 September 2015	Next AGM	Belarussian/Cypriot
Demos Demou	1969	Non Executive Director	7 August 2015	Next AGM	Cypriot
Chris Pavlou	1945	Non Executive Director	18 June 2012	4 June 2016	Cypriot

During the year ended December 31<sup>st</sup>, 2015 there were the following changes in the Board of Directors members:

(1) On September 29th, 2015 Mr. Yuri Ulasovich was appointed to the Board of Directors as an Executive Director.

(2) On August 13th, 2015 Mr. Efstathios Papadakis, non-executive Director of the Company, has resigned from his position.

(3) On August 7th, 2015 Mr. Demos Demou has been appointed to the Board of Directors as a Non-Executive Director.

(4) On June 23<sup>rd</sup>, 2015 Mr. Efstathios Papadakis has been re-elected to the Board of Directors, as Non-executive Director by the Company's Annual General Meeting of Shareholders

During the year ended December 31<sup>st</sup>, 2015, 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 2014 annual report, 2015 six months report, 2015 Q1 and Q3 reports)
- Discussion on the current market situation, especially in Russia and Ukraine and the Company's action plan to overcome the market difficulties and the Group's perspectives
- Discussion on restructuring actions
- Discussion on the expenses structure and its amendments
- Approval of budget for the year
- Discussion on latest developments of the Company and perspectives
- Discussion and decision on dividend payment
- Discussion on buyback program
- Application of corporate governance rules
- Review of the Board role and effectiveness

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

During the year ended December 31<sup>st</sup>, 2015, the Audit Committee - comprising Demos Demou (who substituted Efstathios Papadakis during the year) and Chris Pavlou (both non-executive Directors) and Marios Christou (as attending member) and chaired by Demos Demou (earlier Efstathios Papadakis) - had conducted a total number of two meetings. Issues discussed on the Audit Committee meetings were then presented to the Board of Directors.

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

## **PART II**

### **ITEM 8. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

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

The last agreement has been signed on 14<sup>th</sup> September, 2015.

The following table presents a summary of accountant fees and services for the twelve months ended December 31, 2015 and 2014:

<b>(U.S. \$)</b>	<b>2015</b>	<b>2014</b>
Auditors fees regarding annual report <sup>(1)</sup>	343	420
Auditors fees regarding other approval services	0	0
Auditors fees for tax advisory	0	0
Auditors fees for other services	0	0
<b>Total fees</b>	<b>343</b>	<b>420</b>

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

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

**Limassol, March 28th, 2016**

.....  
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 CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015

# ASBISC ENTERPRISES PLC

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## REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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# ASBISC ENTERPRISES PLC

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## OFFICERS AND PROFESSIONAL ADVISERS

Board of Directors	Siarhei Kostevitch (Belarusian/Cypriot) Chairman and Chief Executive Officer
	Marios Christou (Cypriot)
	Constantinos Tziamalis (Cypriot)
	Yuri Ulasovich (Belarusian) ( <i>appointed on 29 September 2015</i> )
	Efstathios Papadakis (Cypriot) ( <i>resigned on 4 August 2015</i> ) Non-Executive Director
	Christakis Pavlou (Cypriot) Non-Executive Director
	Demos Demou (Cypriot) ( <i>appointed on 4 August 2015</i> ) Non-Executive Director
Secretary	Alfo Secretarial Limited Limassol, Cyprus
Registered office	Kolonakiou 43, Diamond Court Ayios Athanasios, 4103, Limassol, Cyprus
Independent auditors	KPMG Limited Limassol, Cyprus
Legal adviser	Costas Tsirides & Co. Law Office Limassol, Cyprus
Bankers	Credit Bank of Moscow Bank Moscow-Minsk Tatra banka, a.s. Bank of Cyprus Public Company Ltd The Cyprus Development Bank Public Company Ltd Ceskoslovenska obchodni banka, a. s. (CSOB bank) BRD Groupe Societe Generale Erste & Steiermarkische Bank d.d. Unicredit Bulbank Plc National Bank of Fujairah HSBC Bank Middle East Limited BZ WBK Faktor Sp. z o.o. Bank Ochrony Srodowiska S.A Toyota Tsusho Europe S.A. Citibank N.A Alfabank KZ Deutsche Bank AG, New York Branch FIMBANK PLC

# ASBISC ENTERPRISES PLC

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

In accordance with Article 9 sections (3c) and (7) of the Transparency Requirements (Traded Securities in a Regulated Market) Law 190 (1) / 2007 (the "Law") we, the members of the Board of Directors and the Financial Controller responsible for the drafting of the consolidated financial statements of Asbisc Enterprises Plc (the "Company") and its subsidiaries (the "Group") and the Company's separate financial statements for the year ended 31 December 2015, confirm to the best of our knowledge that:

- a) the consolidated financial statements of the Group and the Company's separate financial statements for the year ended 31 December 2015 which are presented on pages 7 to 60:
  - (i) have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union and Article 9(4) of the Law, and
  - (ii) give a true and fair view of the assets and liabilities, the financial position and the profit or loss of the Group and the Company, and
  
- b) the Board of Directors' report provides a fair review of the developments and the performance of the business and the financial position of the Group and the Company, together with a description of the principal risks and uncertainties that they face.

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

Siarhei Kostevitch (Belarusian/Cypriot)  
Chairman and Chief Executive Officer .....

Marios Christou (Cypriot)  
Executive Director .....

Constantinos Tziamalis (Cypriot)  
Executive Director .....

Yuri Ulasovich (Belarusian/Cypriot)  
Executive Director .....

Demos Demou (Cypriot)  
Non-Executive Director .....

Christakis Pavlou (Cypriot)  
Non-Executive Director .....

### **Financial Controller responsible for the drafting of the financial statements**

Loizos Papavassiliou (Cypriot)  
Financial Controller .....

Limassol, 28 March 2016

# ASBISC ENTERPRISES PLC

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## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015**

The Directors present their annual report on the affairs of Asbisc Enterprises Plc (the "Company" or the "parent Company") and its subsidiaries (together with the Company, the "Group") together with the Group's and the Company's audited financial statements for the year ended 31 December 2015.

### **Principal activity**

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

### **Group financial statements**

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

### **Results**

The consolidated loss for the year attributable to the members was US\$ 17,152,420 compared to profit of US\$ 978,923 in 2014. Details of the consolidated results of the Group are presented on page 7 of the financial statements.

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

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

### **Existence of branches**

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

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

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

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

The Group's and the Company's development to date, financial results and position are presented in the financial statements on pages 16 to 60.

The Group has reached revenues for the year of US\$ 1,181,613,369 as compared to US\$ 1,551,170,250 in 2014. This is mainly attributed to the negative trends faced in its biggest markets of operations – namely Russia and Ukraine – emanating from the turbulence in the region. Also, the Group concentrated on selling excessive own brand necessitated lower prices to sell it out.

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

- competitive pressures in the market places it operates that may significantly affect gross and net margins;
- national and international economic and geopolitical factors;
- technological changes and other market trends;
- financial and other risks as described in notes 32 and 33.

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

### **Dividends**

Our dividend policy is to pay dividends at levels consistent with our growth and development plans, while maintaining a reasonable level of liquidity. The Board of Directors does not recommend the payment of a dividend.

# ASBISC ENTERPRISES PLC

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## **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015**

### **Share Capital**

On 31 December 2015 the issued and fully paid up share capital of the Company consisted of 55,500,000 ordinary shares of US\$ 0.20 each. There were no changes in the share capital of the Company during the year and up to the date of the financial statements.

Following the annual general meeting of the shareholders on 23 June 2015, a share buyback program with the following conditions was approved:

- the maximum amount of money that can be used to realize the program is US\$ 500,000
- the maximum number of shares that can be bought within the program is 1,000,000 shares
- the program's time frame is 12 months from the resolution's date
- the shares purchased within the program could be held for a maximum of two years from acquisition
- the minimum price for transaction of purchase of shares within the program is PLN 1.0 per share with the maximum price of PLN 6.0 per share

At the end of 2015 the Company held a total of 16,389 (2014: 16,389) shares purchased under the buyback program.

### **Board of Directors**

The members of the Board of Directors at 31 December 2015 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 except Mr. Yuri Ulasovich, who was appointed on 29 September 2015 as an executive Director of the Company, Mr. Demos Demou, who was appointed on 4 August 2015 as a non-Executive Director of the Company and Mr. Efstathios Papadakis, non-Executive Director of the Company, who resigned on the same day. There were no significant changes in the assignment of the responsibilities of the members of the Board of Directors. The remuneration of the members of the Board of Directors is disclosed in notes 5 and 27 to the financial statements.

In accordance with the Company's Articles of Association Mr. Marios Christou and Mr. Christakis Pavlou who are subject to retirement by rotation, retire at the next annual general meeting of the Company and, being eligible, offer themselves for re-election. In addition, Mr. Yuri Ulasovich and Mr. Demos Demou, who have been appointed during the year 2015, retire at the next Annual General Meeting but being eligible offered themselves for re-election.

### **Corporate Governance**

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

The Board of the Company has two committees:

- the Audit Committee and
- the Remuneration Committee

The Remuneration Committee consists of the two non-executive Directors together with the Chairman. The Audit Committee consists of the two non-executive Directors.

### **Auditors**

The auditors of the Company, Messrs KPMG Limited, have expressed their willingness to continue in office and 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, 28 March 2016

# ASBISC ENTERPRISES PLC

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## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ASBISC ENTERPRISES PLC**

### **Report on the Consolidated and the Separate Financial Statements of Asbisc Enterprises Plc**

We have audited the accompanying consolidated financial statements of Asbisc Enterprises Plc ("the Company") and its subsidiaries (together with the Company, the "Group") and the separate financial statements of the Company on pages 7 to 60, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2015, and the consolidated income statement, and statements of comprehensive income, changes in equity and cash flows of the Group, and the income statement, and statements of comprehensive income, changes in equity and cash flows of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Board of Directors' Responsibility for the Financial Statements*

The Board of Directors is responsible for the preparation of consolidated and separate financial statements of the Group and the Company 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, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatements, whether due to fraud or error.

#### *Independent Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated and separate financial statements of the Group and the Company 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 about whether the consolidated and separate 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 auditors' judgment, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal control relevant to the entity's preparation of consolidated and separate 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 consolidated financial statements.

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

#### *Opinion*

In our opinion, the consolidated financial statements of the Group and the separate financial statements of the Company give a true and fair view of the financial position of the Group and the Company as at 31 December 2015, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, as amended from time to time.

## Report on Other legal Requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009, as amended from time to time, 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, so far as appears from our examination of those books.
- The consolidated and the separate financial statements are in agreement with the books of account.
- In our opinion and to the best of the information available to us and according to the explanations given to us, the consolidated and separate financial statements give the information required by the Cyprus Companies Law, Cap. 113, as amended from time to time, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 3-4 is consistent with the consolidated and the separate financial statements.

Pursuant to the requirements of the Directive DI190-2007-04 of the Cyprus Securities and Exchange Commission, we report that a corporate governance statement has been made for the information relating to paragraphs (a), (b), (c), (f) and (g) of article 5 of the said Directive, and it forms a special part of the Report of the Board of Directors.

## 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 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009, as amended from time to time, and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Sylvia A. Loizides  
Certified Public Accountant and Registered Auditor  
for and behalf of

KPMG Limited  
Certified Public Accountants and Registered Auditors

KPMG Center,  
No.11, 16<sup>th</sup> June 1943 Street,  
3022 Limassol,  
Cyprus.

Limassol, 28 March 2016

# ASBISC ENTERPRISES PLC

## CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 US\$	2014 US\$
<b>Revenue</b>	3	1,181,613,369	1,551,170,250
Cost of sales		<u>(1,134,964,355)</u>	<u>(1,463,421,640)</u>
<b>Gross profit</b>		46,649,014	87,748,610
Selling expenses		(30,630,140)	(42,543,227)
Administrative expenses		<u>(19,074,811)</u>	<u>(28,946,962)</u>
<b>(Loss)/profit from operations</b>		(3,055,937)	16,258,421
Financial income	6	741,974	2,018,310
Financial expenses	6	(14,872,136)	(17,232,177)
Other gains and losses	4	<u>124,426</u>	<u>210,437</u>
<b>(Loss)/Profit before tax</b>	5	(17,061,673)	1,254,991
Taxation	7	<u>(90,747)</u>	<u>(276,068)</u>
<b>(Loss)/profit for the year</b>		<u>(17,152,420)</u>	<u>978,923</u>
<b>Attributable to:</b>			
Owners of the Company		(17,158,036)	950,988
Non-controlling interests		<u>5,616</u>	<u>27,935</u>
		<u>(17,152,420)</u>	<u>978,923</u>
		US\$ cents	US\$ cents
<b>Earnings per share</b>			
Basic and diluted from continuing operations		<u>(30.92)</u>	<u>1.71</u>

# ASBISC ENTERPRISES PLC

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## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	<b>2015 US\$</b>	<b>2014 US\$</b>
<b>(Loss)/profit for the year</b>	<u>(17,152,420)</u>	<u>978,923</u>
<b>Other comprehensive loss:</b>		
Exchange difference on translating foreign operations	<u>(5,006,487)</u>	<u>(7,531,321)</u>
<b>Other comprehensive loss for the year</b>	<u>(5,006,487)</u>	<u>(7,531,321)</u>
<b>Total comprehensive loss for the year</b>	<u><u>(22,158,907)</u></u>	<u><u>(6,552,398)</u></u>
<b>Total comprehensive loss attributable to:</b>		
Owners of the Company	(22,147,517)	(6,559,248)
Non-controlling interests	<u>(11,390)</u>	<u>6,850</u>
	<u><u>(22,158,907)</u></u>	<u><u>(6,552,398)</u></u>

# ASBISC ENTERPRISES PLC

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Notes	2015 US\$	2014 US\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	23,504,905	24,358,674
Intangible assets	10	2,752,302	1,438,467
Available-for-sale financial assets	11	11,794	11,794
Goodwill	31	1,555,972	1,734,340
Deferred tax assets	20	<u>1,519,787</u>	<u>910,954</u>
<b>Total non-current assets</b>		<u>29,344,760</u>	<u>28,454,229</u>
<b>Current assets</b>			
Inventories	12	96,921,653	132,322,616
Trade receivables	13	217,466,159	262,334,038
Other current assets	14	13,695,820	11,353,220
Derivative financial assets	25	1,069,705	183,804
Current taxation	7	722,723	847,119
Cash at bank and in hand	26	<u>22,383,203</u>	<u>57,665,105</u>
<b>Total current assets</b>		<u>352,259,263</u>	<u>464,705,902</u>
<b>Total assets</b>		<u>381,604,023</u>	<u>493,160,131</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	15	11,100,000	11,100,000
Share premium		23,518,243	23,518,243
Retained earnings and other components of equity		<u>46,706,131</u>	<u>68,853,671</u>
Equity attributable to owners of the parent		81,324,374	103,471,914
Non-controlling interests		<u>155,261</u>	<u>166,651</u>
<b>Total equity</b>		<u>81,479,635</u>	<u>103,638,565</u>
<b>Non-current liabilities</b>			
Long term borrowings	17	1,840,933	1,615,712
Other long term liabilities	18	366,588	455,063
Deferred tax liabilities	20	<u>83,771</u>	<u>47,667</u>
<b>Total non-current liabilities</b>		<u>2,291,292</u>	<u>2,118,442</u>
<b>Current liabilities</b>			
Trade payables		190,693,046	256,100,201
Other current liabilities	21	19,857,706	30,244,306
Short term borrowings	16	86,670,131	99,262,555
Derivative financial liabilities	24	124,563	1,264,863
Current taxation	7	<u>487,650</u>	<u>531,199</u>
<b>Total current liabilities</b>		<u>297,833,096</u>	<u>387,403,124</u>
<b>Total liabilities</b>		<u>300,124,388</u>	<u>389,521,566</u>
<b>Total equity and liabilities</b>		<u>381,604,023</u>	<u>493,160,131</u>

Signed on behalf of the Board of Directors on 28 March 2016.

.....  
**Constantinos Tziamalis**  
Director

.....  
**Marios Christou**  
Director

# ASBISC ENTERPRISES PLC

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

### Attributable to equity holders of the parent

	Share capital US\$	Share premium US\$	Treasury stock US\$	Translation of foreign operations US\$	Retained earnings US\$	Total US\$	Non-controlling interests US\$	Total US\$
<b>Balance at 1 January 2014</b>	11,100,000	23,518,243	(79,515)	(627,017)	79,376,864	113,288,575	159,801	113,448,376
<i>Total comprehensive income</i>								
Profit for the year	-	-	-	-	950,988	950,988	27,935	978,923
Other comprehensive loss for the year	-	-	-	(7,510,236)	-	(7,510,236)	(21,085)	(7,531,321)
<i>Transactions with owners recorded directly in equity</i>								
Dividend declared (Note 30)	-	-	-	-	(3,322,717)	(3,322,717)	-	(3,322,717)
Share-based payments	-	-	65,304	-	-	65,304	-	65,304
<b>Balance at 31 December 2014</b>	11,100,000	23,518,243	(14,211)	(8,137,253)	77,005,135	103,471,914	166,651	103,638,565
<i>Total comprehensive income</i>								
(Loss)/profit for the year	-	-	-	-	(17,158,036)	(17,158,036)	5,616	(17,152,420)
Other comprehensive loss for the year	-	-	-	(4,989,481)	-	(4,989,481)	(17,006)	(5,006,487)
<i>Transactions with owners recorded directly in equity</i>								
Share-based payments	-	-	(23)	-	-	(23)	-	(23)
<b>Balance at 31 December 2015</b>	<u>11,100,000</u>	<u>23,518,243</u>	<u>(14,234)</u>	<u>(13,126,734)</u>	<u>59,847,099</u>	<u>81,324,374</u>	<u>155,261</u>	<u>81,479,635</u>

The retained earnings shown above at 31 December 2015 were readily distributable up to the amount of US\$ 15,187,311 which represents the retained earnings of the Company. The remaining amount in retained earnings of US\$ 44,659,788 represents the earnings retained in the subsidiary companies of the Group. Treasury stock represents remaining balance of own shares bought back during 2011 and 2012 (note 15).

# ASBISC ENTERPRISES PLC

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 US\$	2014 US\$
<b>(Loss)/profit for the year before tax</b>		(17,061,673)	1,254,991
Adjustments for:			
Exchange difference arising on consolidation		(3,565,541)	(5,366,260)
Depreciation of property, plant and equipment	8	2,042,141	2,501,689
Amortisation of intangible assets	10	532,322	373,863
Loss from the sale of property, plant and equipment and intangible assets	4	51,280	65,888
Provision for bad debts and receivables written off		3,139,912	2,062,878
Bad debts recovered	4	(4,425)	(35,220)
Interest received	6	(103,447)	(204,647)
Interest paid	6	6,060,762	8,059,720
Share based payments		(23)	65,304
<b>Operating (loss)/profit before working capital changes</b>		(8,908,692)	8,778,206
Decrease in inventories		35,400,964	39,643,172
Decrease in trade receivables		41,732,392	102,686,785
(Increase)/decrease in other current assets		(3,228,501)	4,828,376
Decrease in trade payables		(65,407,155)	(60,902,756)
Decrease in other current liabilities		(11,526,900)	(14,645,092)
(Decrease)/increase in other non-current liabilities		(88,475)	72,938
Increase/(decrease) in factoring creditors		2,816,924	(29,051,064)
<b>Cash (outflows)/inflows from operations</b>		(9,209,443)	51,410,565
Interest paid	6	(6,060,762)	(8,059,720)
Taxation paid, net	7	(677,112)	(1,542,056)
<b>Net cash (outflows)/inflows from operating activities</b>		(15,947,317)	41,808,789
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	10	(1,852,201)	(911,432)
Purchase of property, plant and equipment	8	(2,604,522)	(1,163,742)
Proceeds from sale of property, plant and equipment and intangible assets		202,819	307,923
Interest received	6	103,447	204,647
<b>Net cash outflows from investing activities</b>		(4,150,457)	(1,562,604)
<b>Cash flows from financing activities</b>			
Payment of final dividend		-	(3,322,717)
Proceeds/(repayments) of long term loans and long term obligations under finance lease		225,220	(1,096,489)
Repayments of short term borrowings and short term obligations under finance lease		(5,253,849)	(6,900,904)
<b>Net cash outflows from financing activities</b>		(5,028,629)	(11,320,110)
<b>Net decrease/(increase) in cash and cash equivalents</b>		(25,126,403)	28,926,075
<b>Cash and cash equivalents at beginning of the year</b>		29,416,259	490,184
<b>Cash and cash equivalents at end of the year</b>	26	4,289,856	29,416,259

# ASBISC ENTERPRISES PLC

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## PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 US\$	2014 US\$
<b>Revenue</b>	3	658,507,859	941,015,485
Cost of sales		<u>(658,355,354)</u>	<u>(932,640,345)</u>
<b>Gross profit</b>		152,505	8,375,140
Selling expenses		(5,025,814)	(6,604,520)
Administrative expenses		<u>(5,344,900)</u>	<u>(8,755,560)</u>
<b>Loss from operations</b>		(10,218,209)	(6,984,940)
Financial income	6	1,703,977	3,999,019
Financial expenses	6	(3,006,258)	(3,398,595)
Other gains and losses	4	<u>687,122</u>	<u>2,754,235</u>
<b>Loss before tax</b>	5	(10,833,368)	(3,630,281)
Taxation	7	<u>716,875</u>	<u>460,949</u>
<b>Loss for the year</b>		(10,116,493)	(3,169,332)
Other comprehensive income for the year		-	-
<b>Total comprehensive loss for the year</b>		<u>(10,116,493)</u>	<u>(3,169,332)</u>

# ASBISC ENTERPRISES PLC

## PARENT COMPANY STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 US\$	2014 US\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	5,384,785	5,839,325
Intangible assets	10	2,637,223	1,270,226
Investment in subsidiary companies	9	11,312,569	11,317,265
Deferred tax assets	20	<u>1,224,397</u>	<u>503,529</u>
<b>Total non-current assets</b>		<u>20,558,974</u>	<u>18,930,345</u>
<b>Current assets</b>			
Inventories	12	29,714,921	48,156,087
Trade receivables	13	42,814,072	68,239,239
Other current assets	14	70,317,732	79,561,749
Derivative financial assets	25	986,836	-
Cash at bank and in hand	26	<u>4,017,904</u>	<u>35,784,290</u>
<b>Total current assets</b>		<u>147,851,465</u>	<u>231,741,365</u>
<b>Total assets</b>		<u>168,410,439</u>	<u>250,671,710</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	15	11,100,000	11,100,000
Share premium		23,518,243	23,518,243
Retained earnings and other components of equity		<u>15,187,311</u>	<u>25,303,827</u>
<b>Total equity</b>		<u>49,805,554</u>	<u>59,922,070</u>
<b>Non-current liabilities</b>			
Long term borrowings	17	419,266	680,202
Deferred tax liabilities	20	<u>108,707</u>	<u>108,707</u>
<b>Total non-current liabilities</b>		<u>527,973</u>	<u>788,909</u>
<b>Current liabilities</b>			
Trade payables		101,267,747	165,820,263
Other current liabilities	21	9,879,906	15,569,913
Short term borrowings	16	6,919,212	7,434,821
Derivative financial liabilities	24	-	1,118,196
Current taxation	7	<u>10,047</u>	<u>17,538</u>
<b>Total current liabilities</b>		<u>118,076,912</u>	<u>189,960,731</u>
<b>Total liabilities</b>		<u>118,604,885</u>	<u>190,749,640</u>
<b>Total equity and liabilities</b>		<u>168,410,439</u>	<u>250,671,710</u>

The financial statements were approved by the Board on 28 March 2016.

.....  
**Constantinos Tziamalis**  
Director

.....  
**Marios Christou**  
Director

# ASBISC ENTERPRISES PLC

## PARENT COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital US\$	Share premium US\$	Treasury stock US\$	Retained earnings US\$	Total US\$
<b>Balance at 1 January 2014</b>	11,100,000	23,518,243	(79,515)	31,810,087	66,348,815
<i>Total comprehensive income</i>					
Total comprehensive loss for the year	-	-	-	(3,169,332)	(3,169,332)
<i>Transactions with owners recorded directly in equity</i>					
Dividend declared (Note 30)	-	-	-	(3,322,717)	(3,322,717)
Share-based payments	-	-	65,304	-	65,304
<b>Balance at 31 December 2014</b>	<u>11,100,000</u>	<u>23,518,243</u>	<u>(14,211)</u>	<u>25,318,038</u>	<u>59,922,070</u>
<i>Total comprehensive income</i>					
Loss for the year	-	-	-	(10,116,493)	(10,116,493)
<i>Transactions with owners recorded directly in equity</i>					
Share-based payments	-	-	(23)	-	(23)
<b>Balance at 31 December 2015</b>	<u>11,100,000</u>	<u>23,518,243</u>	<u>(14,234)</u>	<u>15,201,545</u>	<u>49,805,554</u>

The retained earnings shown above at 31 December 2015 were readily distributable up to the amount of US\$ 15,201,545 which represents the retained earnings of the Company. Treasury stock represents remaining balance of own shares bought back during 2011 and 2012 (note 15).

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 17% is payable on such deemed dividends to the extent that the ultimate shareholders (physical persons) are Cyprus domiciled tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

Dividends paid to non-Cyprus tax resident shareholders are not subject to withholding tax in Cyprus. Dividends paid to Cyprus tax resident domiciled physical persons are subject to withholding tax at the above rates.

# ASBISC ENTERPRISES PLC

## PARENT COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 US\$	2014 US\$
<b>Loss for the year before tax</b>		(10,833,368)	(3,630,281)
Adjustments for:			
Depreciation of property, plant and equipment	8	458,497	491,696
Amortisation of intangible assets	10	439,910	166,055
Loss from the sale of property, plant and equipment and intangible assets	4	15,056	1,897
(Profit)/loss from the disposal of investment	4	(2,947)	15,601
Provision for bad debts and receivables written off		1,669,691	373,013
Bad debts recovered		-	(6,672)
Dividend income	4	(399,520)	(858,084)
Interest received	6	(84,035)	(5,435)
Interest paid	6	831,764	999,181
Share based payments		(23)	65,304
<b>Operating loss before working capital changes</b>		(7,904,975)	(2,387,725)
Decrease in inventories		18,441,166	41,905,962
Decrease in trade receivables		23,755,476	31,063,948
Decrease in other current assets		8,278,257	16,695,220
Increase in non-current assets		-	(349)
Decrease in trade payables		(64,552,516)	(49,631,511)
Decrease in other current liabilities		(6,798,811)	(3,478,343)
(Decrease)/increase in other non-current liabilities		-	8,344
Increase in factoring creditors		286,048	372,051
<b>Cash (outflows)/inflows from operations</b>		(28,495,355)	34,547,597
Interest paid	6	(831,764)	(999,181)
Taxation paid, net	7	(11,484)	(131,165)
<b>Net cash (outflows)/inflows from operating activities</b>		(29,338,603)	33,417,251
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	10	(1,823,422)	(767,832)
Purchase of property, plant and equipment	8	(56,703)	(183,369)
Proceeds from sale of property, plant and equipment and intangible assets		54,205	1,117
Interest received	6	84,035	5,435
Dividends received		399,520	858,084
Net increase in investment in subsidiary companies		(1,749)	(1,745,709)
Net advances for loans to related parties		(21,076)	(1,061,724)
<b>Net cash outflows from investing activities</b>		(1,365,190)	(2,893,998)
<b>Cash flows from financing activities</b>			
Payment of final dividend		-	(3,322,717)
Repayments of long term loans		(260,936)	(275,969)
Proceeds/(repayments) of short term borrowings		24,779	(9,584)
<b>Net cash outflows from financing activities</b>		(236,157)	(3,608,270)
<b>Net (decrease) /increase in cash and cash equivalents</b>		(30,939,950)	26,914,983
<b>Cash and cash equivalents at beginning of the year</b>		30,371,615	3,456,632
<b>Cash and cash equivalents at end of the year</b>	26	(568,335)	30,371,615

The notes on pages 16 to 60 form an integral part of these consolidated financial statements.

# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### **1. Incorporation and principal activities**

Asbisc Enterprises Plc (the "Company or "the parent Company") was incorporated in Cyprus on 9 November 1995 with limited liability. The Group's and the Company's principal activity is the trading and distribution of computer hardware and software in a number of geographical regions as disclosed in note 23. The main shareholder of the Company is K.S. Holdings Limited, a Company incorporated in Cyprus. The details of the Company's registered office are disclosed on page 1.

The Company is listed on the Warsaw Stock Exchange since 30th October 2007.

### **2. Summary of significant accounting policies**

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented in these consolidated financial statements.

#### **Statement of compliance**

The consolidated 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.

The financial statements were approved by the Board of Directors and authorised for issue on 28 March 2016.

#### **Basis of preparation**

The financial statements which are expressed in United States Dollars, the Group's presentation and the Company's presentation and functional currency, have been prepared under the historical cost convention except for certain financial instruments that are measured at fair value, as explained in the accounting policies below.

#### *Use of estimates and judgements*

The preparation of financial statements in conformity with 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 the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. 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 on pages 28 and 29.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 2. Summary of significant accounting policies (continued)

#### Adoption of new and revised International Financial Reporting Standards

In the current year, the Group and the Company have adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for annual periods beginning on 1 January 2015.

The following Standards, Amendments to Standards and Interpretations, that may be relevant to the Group, had been issued but were not yet effective for the year ended 31 December 2015. The Group does not plan to adopt these early:

- IFRS 10, IFRS 12 and IAS 28 (Amendments): Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016).
- IFRS 11 'Accounting for acquisitions of interests in Joint Operations' (Amendments) (effective for annual periods beginning on or after 1 January 2016).
- IAS 1 (Amendments): Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016).
- IAS 27 (Amendments) "Equity method in separate financial statements" (effective for annual periods beginning on or after 1 January 2016).
- IAS 16 and IAS 38 (Amendments) "Clarification of acceptable methods of depreciation and amortisation" (effective for annual periods beginning on or after 1 January 2016).
- IFRS 15 "Revenue from contracts with customers" (effective for annual periods beginning on or after 1 January 2017).
- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018).
- IAS 19 (Amendments) "Defined Benefit Plans: Employee Contributions" (effective for annual periods beginning on or after 1 February 2015)
- Annual Improvements to IFRSs 2010–2012 Cycle (effective for annual periods beginning on or after 1 February 2015)
- Annual Improvements to IFRSs 2012–2014 Cycle (effective for annual periods beginning on or after 1 January 2016)

Other than resulting increased disclosure, the impact of the above on the financial statements has not yet been fully assessed by the Board of Directors, therefore it is not currently known or reasonably estimable.

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 2. Summary of significant accounting policies (continued)

#### Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration of each acquisition is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 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 sharebased payment awards are measured in accordance with IFRS 2 Share Based Payment; and
- assets (or disposal Groups) that are classified as held for sale in accordance with IFRS 5 Noncurrent Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition by acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

#### Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

#### Investments in subsidiary and associate

In the individual accounts of the Company, investments in subsidiary and are presented at cost less provision for impairment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 2. Summary of significant accounting policies (continued)

#### 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.

#### 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.

#### Revenue recognition

##### *Sale of goods*

Revenue represents amounts invoiced to customers in respect of sales of goods during the year and is stated net of trade discounts, rebates, customer returns and other similar allowances. Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Company/Group has transferred to the buyer the significant risks and rewards of ownership of the goods
- the Company/Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect to the transaction can be measured reliably

##### *Dividend and interest income*

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

Interest income 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 income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 2. Summary of significant accounting policies (continued)

#### **Borrowing costs**

All borrowing costs are recognised in the income statement in the period in which they are incurred using the effective interest method.

#### **Employee benefits**

##### *Defined contribution pension plans*

A defined contribution plan, Employee Provident Fund, is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Company operates a defined contribution scheme, the assets of which are held in a separate trustee-administered fund. Obligations for contributions to defined contribution pension plans are recognized as staff costs in the statement of comprehensive income in the year during which services are rendered by employees.

##### *Contributions to the Government Social Insurance Fund*

The Company and the employees contribute to the Government Social Insurance Fund at the prevailing statutory rate which is applied on employees' salaries. The scheme is funded by payments from employees and by the Company. The Company's contributions are expensed as incurred and are included in staff costs. The Company has no further payment obligations once the contributions have been paid. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available

#### **Share-based payment transactions**

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

#### **Foreign currencies**

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in United States Dollars (US\$), which is the functional currency of the Company and the presentation currency for both the consolidated and separate financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items are measured in terms of historical cost in a foreign currency and are not retranslated.

Exchange differences are recognised in the profit and loss in the period in which they arise. For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in United States Dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the date of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### **2. Summary of significant accounting policies (continued)**

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are reclassified to other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

#### **Tax**

Income tax expense represents the sum of the tax currently payable and deferred tax.

##### *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

##### *Deferred tax*

Deferred tax is 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.

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 in other comprehensive income, in which case the tax is also recognised in equity.

#### **Dividend distribution**

Dividend distribution to the shareholders is recognized in the financial statements in the year in which dividends are declared.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 2. Summary of significant accounting policies (continued)

#### Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Properties in the course of construction for production, rental or administrative purposes, are carried at cost less any recognized impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and are ready for their intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is provided at rates calculated to write off the cost less the estimated residual value of property, plant and equipment (other than freehold land and properties under construction) on a straight-line basis over their estimated useful economic lives as follows:

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

No depreciation is provided on land.

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

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in the profit and loss.

The estimated useful life and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

#### Intangible assets

Intangible assets consist of computer software, patents and 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 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. 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 2. Summary of significant 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.

#### **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 Company/Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 2. Summary of significant 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.

#### Derivative financial instruments

The Company/Group enters into derivative contracts to manage its exposure to foreign exchange rate risks. 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.

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.

#### Non derivative financial assets

Financial assets are classified into the following specified categories: 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are 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.

#### *Available-for-sale financial assets (AFS financial assets)*

Available-for-sale financial assets (AFS) are non-derivative financial assets that are either designated as AFS or are not classified as (a) loans and receivables, (b) held to maturity investments, or (c) financial assets at fair value through profit and loss.

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

AFS are recognised initially at fair value and are subsequently also remeasured at fair value. The resulting gain or loss is recognised in the statement of comprehensive income. AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 2. Summary of significant accounting policies (continued)

#### Financial instruments (continued)

##### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise cash and cash equivalents, and trade and other receivables:

- *Trade receivables*

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

- *Factored trade receivables*

Certain Group companies have entered into various invoice discounting agreements with factoring companies from which a percentage of approved invoices are collected in advance. The invoices which are given for collection in advance are with recourse and included within trade receivables, whereas the amount collected from the factoring Company is presented in the consolidated statement of financial position under current liabilities until the date of settlement by the debtors. Factoring expenses are charged to the consolidated statement of comprehensive income.

- *Loans granted*

Loans granted by the Company/Group to the borrower are categorized as loans. They are measured at initial recognition at fair value and are subsequently measured at amortized cost. Fair value is defined as the fair value of cash consideration given to originate those loans as is determined by reference to market prices at granting date. All loans are recognized when cash is advanced to the borrower. An allowance for loan impairment is established if there is objective evidence that the Company/Group will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

- *Cash and cash equivalents*

Cash and cash equivalent are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method, The Company/Group considers all short-term highly liquid instruments with maturities of 3 months or less which are subject to insignificant risk of changes in value to be cash equivalents.

##### *Derecognition of financial assets*

The Company/Group 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 Company/Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company/Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company/Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company/Group continues to 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 2. Summary of significant accounting policies (continued)

#### Financial instruments (continued)

##### Non derivative financial liabilities and equity instruments issued by the Company/Group

###### *Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement, and the definitions of a financial liability and an equity instrument.

###### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

###### *Accounting for financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Company/Group are accounted for in accordance with IAS 39 and measured initially at their fair values, and subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies as set out below.

###### *Bank borrowings*

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

###### *Trade payables*

Trade payables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method.

##### Derecognition of financial liabilities

The Group and the Company 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.

##### Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or liability, or, where appropriate, a shorter period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 2. Summary of significant accounting policies (continued)

#### **Inventories**

Inventories comprise IT products (components and finished products) which are stated at the lower of cost and net realizable value. Cost is determined on the basis of standard cost method for the price-protected stock items and on the weighted average cost method for the non price-protected stock items and comprises the cost of acquisition plus any other costs that are incurred to bring the stock items to their present location and condition. Net realizable value represents the estimated selling price for inventories less all cost necessary to make the sale.

#### **Provisions**

A provision is recognized in the statement of financial position when the Company/Group has a legal or constructive present obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that the reimbursement will be received and the amount of the receivable can be measured reliably.

#### *Warranties*

Provisions for the expected cost of warranty are recognized at the date of sale of the relevant products, at the Directors' best estimate of the expenditure required to settle the Company's/Group's obligations.

#### **Impairment**

##### (i) Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, including an interest in an equity-investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

##### *Financial assets measured at amortised cost*

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by Grouping together assets with similar risk characteristics.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 2. Summary of significant accounting policies (continued)

#### *Available-for-sale financial assets*

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in other comprehensive income to profit or loss. The amount reclassified is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through other comprehensive income.

#### (ii) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. Goodwill is tested annually for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is 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 (CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (CGU) 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.

### **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 considers the detailed criteria for the recognition of revenue from the sale of goods as set out in IAS18 Revenue and, in particular, whether the Company/Group has 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

#### *Provision for bad and doubtful debts*

The Company/Group reviews its trade and other receivables for evidence of their recoverability. Such evidence includes the customer's payment record, the customer's overall financial position and expected recovery from credit insurance. If indications of 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 Company/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.

#### *Impairment of investments in subsidiaries, associated and jointly controlled enterprises*

The Company periodically evaluates the recoverability of investments in subsidiaries, associates and jointly controlled enterprises/jointly controlled enterprises whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that the investment in subsidiaries/associates/jointly controlled enterprises may be impaired, the estimated future undiscounted cash flows associated with these entities would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

#### *Warranty provisions*

Warranty provisions represent the Company's/Group's best estimate of the liability as a result of the warranties granted on certain products and is based on past experience and industry averages for defective products.

#### *Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

#### *Income taxes*

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company/Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 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.

	<b>2015 US\$</b>	<b>2014 US\$</b>
Former Soviet Union	376,265,658	516,563,716
Central Eastern Europe	525,044,419	660,959,032
Western Europe	65,285,897	119,926,726
Middle East & Africa	168,489,072	206,393,583
Other	46,528,323	47,327,193
	<u>1,181,613,369</u>	<u>1,551,170,250</u>

#### *Revenue analysis by currency*

	<b>The Group</b>		<b>The Company</b>	
	<b>2015 US\$</b>	<b>2014 US\$</b>	<b>2015 US\$</b>	<b>2014 US\$</b>
US Dollar	360,737,557	489,642,996	559,644,679	770,296,321
Euro	340,670,761	444,245,902	50,942,882	78,100,089
Russian Rouble	121,384,246	159,888,165	46,775,651	92,327,976
Kazakhstan Tenge	81,580,881	75,377,233	-	-
Romanian New Lei	48,340,727	60,826,956	-	-
Belarusian Ruble	39,694,911	45,729,432	-	-
Ukraine Hryvnia	38,911,420	35,091,886	-	-
Czech Koruna	30,219,401	46,830,530	-	-
Polish Zloty	29,635,903	38,486,226	9,057	-
Bulgarian Lev	26,358,357	37,013,985	-	-
Croatian Kuna	23,047,604	27,244,480	-	-
Hungarian Forint	21,734,456	20,692,955	-	-
Bosnian Mark	10,140,506	14,756,288	-	-
Saudi Riyal	-	14,793,366	-	-
Other	9,156,639	40,549,850	1,135,590	291,099
	<u>1,181,613,369</u>	<u>1,551,170,250</u>	<u>658,507,859</u>	<u>941,015,485</u>

### 4. Other gains and losses

	<b>The Group</b>		<b>The Company</b>	
	<b>2015 US\$</b>	<b>2014 US\$</b>	<b>2015 US\$</b>	<b>2014 US\$</b>
Dividend received	-	-	399,520	858,084
Loss on disposal of property, plant and equipment	(51,280)	(65,888)	(15,056)	(1,897)
Loss on disposal of investment	-	-	2,947	(15,601)
Other income	127,270	159,398	211,834	1,803,467
Bad debts recovered	4,425	35,220	-	6,672
Rental income	44,011	81,707	87,877	103,510
	<u>124,426</u>	<u>210,437</u>	<u>687,122</u>	<u>2,754,235</u>

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 5. (Loss)/profit before tax

	The Group		The Company	
	2015 US\$	2014 US\$	2015 US\$	2014 US\$
(Loss)/profit before tax is stated after charging :				
(a) Amortisation of intangible assets (Note 10)	532,322	373,863	439,910	166,055
(b) Depreciation (Note 8)	2,042,141	2,501,689	458,497	491,696
(c) Auditors' remuneration – audit fees	342,720	420,308	208,689	241,423
(d) Directors' remuneration – executive (Note 27)	306,472	412,137	175,286	159,157
(e) Directors' remuneration – non-executive (Note 27)	16,670	40,192	16,670	40,192
	<u>16,670</u>	<u>40,192</u>	<u>16,670</u>	<u>40,192</u>

### 6. Financial expense, net

	The Group		The Company	
	2015 US\$	2014 US\$	2015 US\$	2014 US\$
<b>Financial income</b>				
Interest income	103,447	204,647	42,035	2,752
Interest income from loans to subsidiary companies (Note 27)	-	-	42,000	2,683
Other financial income	465,474	588,403	304,281	87,599
Net exchange gain	<u>173,053</u>	<u>1,225,260</u>	<u>1,315,661</u>	<u>3,905,985</u>
	<u>741,974</u>	<u>2,018,310</u>	<u>1,703,977</u>	<u>3,999,019</u>
<b>Financial expense</b>				
Bank interest	6,060,762	8,059,720	831,764	999,181
Bank charges	1,383,128	2,001,153	296,644	324,974
Derivative charges	811,532	1,195,706	579,711	1,020,831
Factoring interest	4,309,777	3,981,412	126,383	98,887
Factoring charges	570,454	631,713	31,858	21,973
Other financial expenses	344,253	362,658	-	-
Other interest	<u>1,392,230</u>	<u>999,815</u>	<u>1,139,898</u>	<u>932,749</u>
	<u>14,872,136</u>	<u>17,232,177</u>	<u>3,006,258</u>	<u>3,398,595</u>
Net	<u>(14,130,162)</u>	<u>(15,213,867)</u>	<u>(1,302,281)</u>	<u>600,424</u>

### 7. Tax

	The Group		The Company	
	2015 US\$	2014 US\$	2015 US\$	2014 US\$
(Receivable)/payable balance 1 January	(315,920)	351,591	17,538	129,900
Provision for the year	677,306	893,202	3,992	13,785
Under/(over) provision of prior year periods	13,000	23,559	-	(5,868)
Exchange difference on retranslation	67,653	(42,216)	-	-
Amounts paid, net	<u>(677,112)</u>	<u>(1,542,056)</u>	<u>(11,483)</u>	<u>(120,279)</u>
Net (receivable)/payable balance 31 December	<u>(235,073)</u>	<u>(315,920)</u>	<u>10,047</u>	<u>17,538</u>

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 7. Tax (continued)

	The Group		The Company	
	2015 US\$	2014 US\$	2015 US\$	2014 US\$
Tax receivable	(722,723)	(847,119)	-	-
Tax payable	487,650	531,199	10,047	17,538
Net	<u>(235,073)</u>	<u>(315,920)</u>	<u>10,047</u>	<u>17,538</u>

The taxation charge of the Group comprises corporation tax charge in Cyprus on the taxable profits of the Company and those of its subsidiaries which are subject to tax in Cyprus and corporation tax in other jurisdictions on the taxable results of the foreign subsidiary companies.

The Company and all Cyprus resident companies of the Group are subject to corporation tax at the rate of 12.5%. The tax rates of subsidiaries in foreign jurisdictions range between 0% to 30%.

Dividends received by the Cyprus companies of the Group are exempt from corporation tax and they are also exempt from defence tax.

Bank interest received by the Company and all Cyprus resident companies of the Group are subject to defense tax of 30% (2014: 30%).

#### Tax charge for the year

	The Group		The Company	
	2015 US\$	2014 US\$	2015 US\$	2014 US\$
Provisions and withholding tax for the year	677,305	893,202	3,992	13,785
Under/(over) provision of prior years	13,000	23,559	-	(5,868)
Deferred tax charge	<u>(599,558)</u>	<u>(640,693)</u>	<u>(720,867)</u>	<u>(468,866)</u>
Net	<u>90,747</u>	<u>276,068</u>	<u>(716,875)</u>	<u>(460,949)</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:

	The Group		The Company	
	2015 US\$	2014 US\$	2015 US\$	2014 US\$
(Loss)/profit before tax	<u>(17,061,673)</u>	<u>1,254,991</u>	<u>(10,833,368)</u>	<u>(3,630,281)</u>
Corporation tax thereon at the applicable tax rates	(2,220,924)	4,154	(1,354,171)	(453,785)
Tax on income not taxable in determining taxable profit.	(178,403)	(279,376)	(197,213)	(184,401)
Effect of using tax losses brought forward	(43,419)	(117,951)	-	476,860
Effect of unused current year tax losses	2,606,748	619,006	1,387,752	-
Temporary differences	191,110	298,483	(6,254)	16,967
Tax on non-allowable expenses	307,859	372,067	169,886	161,326
Tax charges and penalties	10,343	-	-	-
	673,314	896,383	-	16,967
Special contribution to defence fund	3,992	(3,182)	3,992	(3,182)
Under/(over) provision of prior years	13,000	23,560	-	(5,868)
Deferred tax charge	<u>(599,559)</u>	<u>(640,693)</u>	<u>(720,867)</u>	<u>(468,866)</u>
<b>Tax charge</b>	<u>(90,747)</u>	<u>276,068</u>	<u>(716,875)</u>	<u>(460,949)</u>

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 8. Property, plant and equipment

The Group	Land and buildings US\$	Assets under construction US\$	Computer hardware US\$	Warehouse machinery US\$	Motor vehicles US\$	Furniture and fittings US\$	Office equipment US\$	Total US\$
At 1 January 2014	24,605,978	24,879	7,220,034	174,406	3,653,398	3,061,788	3,764,420	42,504,903
Additions	17,292	-	636,005	-	279,627	109,444	121,374	1,163,742
Disposals	(432,761)	-	(433,336)	(4,103)	(353,914)	(151,784)	(242,356)	(1,618,254)
Transfers	24,822	(24,822)	-	-	-	-	-	-
Foreign exchange difference on retranslation	(1,704,439)	(57)	(595,519)	(846)	(458,594)	(345,833)	(390,185)	(3,495,473)
At 31 December 2014	22,510,892	-	6,827,184	169,457	3,120,517	2,673,615	3,253,253	38,554,918
Additions	1,935,613	-	328,696	198,990	-	50,811	90,412	2,604,522
Disposals	-	-	(269,355)	-	(552,196)	(87,578)	(114,393)	(1,023,522)
Foreign exchange difference on retranslation	(1,091,328)	-	(449,694)	520	(314,559)	(252,719)	(361,533)	(2,469,313)
At 31 December 2015	23,355,177	-	6,436,831	368,967	2,253,762	2,384,129	2,867,739	37,666,605
<b>Accumulated depreciation</b>								
At 1 January 2014	3,393,288	-	5,067,589	75,480	1,985,309	1,761,161	2,240,471	14,523,298
Charge for the year	463,461	-	860,590	18,454	453,924	399,739	305,521	2,501,689
Disposals	(350,520)	-	(402,904)	(3,543)	(251,252)	(83,569)	(167,822)	(1,259,610)
Foreign exchange difference on retranslation	(348,346)	-	(438,098)	(458)	(261,358)	(267,418)	(253,455)	(1,569,133)
At 31 December 2014	3,157,883	-	5,087,177	89,933	1,926,623	1,809,913	2,124,715	14,196,244
Charge for the year	566,795	-	709,590	25,909	312,223	189,056	238,568	2,042,141
Disposals	-	-	(258,328)	-	(387,553)	(29,578)	(114,393)	(789,852)
Foreign exchange difference on retranslation	(213,967)	-	(446,470)	670	(190,711)	(184,517)	(251,838)	(1,286,833)
At 31 December 2015	3,510,711	-	5,091,969	116,512	1,660,582	1,784,874	1,997,052	14,161,700
<b>Net book value</b>								
At 31 December 2015	19,844,466	-	1,344,862	252,455	593,180	599,255	870,687	23,504,905
At 31 December 2014	19,353,009	-	1,740,007	79,524	1,193,894	863,702	1,128,538	24,358,674

Land and buildings of a total cost value of US\$ 26,949,248 (2014: US\$ 35,157,504) are mortgaged for financing purposes. The cost of fully depreciated assets of the Group that are still in use amounted to US\$ 6,016,250 (2014: US\$ 8,774,154).

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 8. Property, plant and equipment (continued)

The Company	Land and buildings US\$	Computer hardware US\$	Motor vehicles US\$	Furniture and fittings US\$	Office equipment US\$	Total US\$
At 1 January 2014	5,710,813	2,493,837	709,897	427,792	769,073	10,111,412
Additions	38,560	142,864	-	1,945	-	183,369
Disposals	-	(6,580)	-	-	(658)	(7,238)
At 31 December 2014	5,749,373	2,630,121	709,897	429,737	768,415	10,287,543
Additions	5,296	40,047	-	5,020	6,340	56,703
Disposals	-	-	(192,825)	-	-	(192,825)
At 31 December 2015	5,754,669	2,670,168	517,072	434,757	774,755	10,151,421
<b>Accumulated depreciation</b>						
At 1 January 2014	740,946	2,078,096	357,799	323,769	463,026	3,963,636
Charge for the year	132,833	171,518	101,227	20,172	65,946	491,696
Disposals	-	(6,580)	-	-	(534)	(7,114)
At 31 December 2014	873,779	2,243,034	459,026	343,941	528,438	4,448,218
Charge for the year	139,414	170,722	65,923	19,263	63,175	458,497
Disposals	-	(18,884)	(118,989)	(1,367)	(839)	(140,079)
At 31 December 2015	1,013,193	2,394,872	405,960	361,837	590,774	4,766,636
<b>Net book value</b>						
At 31 December 2015	4,741,476	275,296	111,112	72,920	183,981	5,384,785
At 31 December 2014	4,875,594	387,087	250,871	85,796	239,977	5,839,325

The land and buildings have been mortgaged as securities for financing purposes. The cost of fully depreciated assets of the Company that are still in use amounted to US\$ 3,263,909 (2014: US\$ 3,005,030).

### 9. Investments

#### a. Investment in subsidiary companies

The Company	2015 US\$	2014 US\$
Shares at cost of acquisition or written down value	11,312,569	11,317,265
Balance at 1 January	11,317,265	9,587,157
Increase in investments	25,732	1,745,709
Liquidation of investments	(30,428)	(15,601)
At 31 December	11,312,569	11,317,265

During 2015 the Company established a new subsidiary Asbis Poland Sp. Z. o.o. for the amount of \$25,732. In addition Asbis Taiwan Co. Ltd, an investment of US\$ 30,428, went into liquidation.

During 2014 the Company increased its investment in its wholly owned subsidiary E.M. Euro-mall Ltd by US\$ 1,744,042. The Company also established two new subsidiaries: "E-Vision" Unitary Enterprise for the amount of \$102 and Asbis UK Ltd for the amount of \$1,565. In addition ISA Hardware Hungary Commercial Ltd, an investment of US\$ 15,601, went into liquidation.

All subsidiaries are involved in the trading and distribution of computer hardware and software.

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 9. Investments (continued)

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

Subsidiary Company	Country of incorporation	Percentage of participation	
		2015 %	2014 %
ASBIS UKRAINE LTD	Ukraine	100	100
ASBIS Kazakhstan LLP	Kazakhstan	100	100
ASBIS PL SP.Z O.O.	Poland	100	100
ASBIS-BALTIC AS	Estonia	100	100
ASBIS ROMANIA SRL	Romania	100	100
ASBISC-CR D.O.O.	Croatia	100	100
ASBIS D.O.O.	Serbia	100	100
ASBIS HUNGARY COMMERCIAL LTD	Hungary	100	100
ASBIS BULGARIA LTD	Bulgaria	100	100
ASBIS CZ, SPOL S.R.O.	Czech Republic	100	100
ASBIS VILNIUS UAB	Lithuania	100	100
ASBIS D.O.O.	Slovenia	100	100
ASBIS ME FZE	United Arab Emirates	100	100
ASBIS SK SPOL S.R.O.	Slovakia	100	100
ASBIS LIMITED	Ireland	100	100
ASBC F.P.U.E.	Belarus	100	100
E.M. EURO-MALL LTD	Cyprus	100	100
ASBIS LTD	Russia	100	100
ASBIS MOROCCO SARL – dormant	Morocco	100	100
ASBIS LV SIA	Latvia	100	100
ASBIS KYPROS LIMITED	Cyprus	100	100
PRESTIGIO PLAZA NL BV (ASBIS NL BV)	Netherlands	100	100
PRESTIGIO PLAZA LTD	Cyprus	100	100
PRESTIGIO EUROPE SPOL S.R.O. (iv)	Czech Republic	100	100
EUROMALL CZ SRO – dormant (ii)	Czech Republic	100	100
EURO MALL D.O.O. - dormant (ii)	Croatia	100	100
S.C. EUROMALL S.R.L. - dormant (ii)	Romania	100	100
EURO-MALL SRO (ii)	Slovakia	100	100
ISA HARDWARE D.O.O - dormant (ii)	Serbia	100	100
ASBIS d.o.o.	Bosnia Herzegovina	90	90
ASBIS DE GmbH (i)	Germany	100	100
PRESTIGIO PLAZA SP.ZO.O. - dormant (ii)	Poland	100	100
ASBIS TR BILGISAYAR LIMITED SIRKETI (v)	Turkey	100	100
PTUE IT-MAX (v)	Belarus	100	100
CJSC ASBIS	Belarus	100	100
ADVANCED SYSTEMS COMPANY LLC (v)	Saudi Arabia	100	100
E-Vision" Unitary Enterprise (vii)	Belarus	100	-
Asbis UK Ltd (vii)	United Kingdom	100	100
ASBIS TAIWAN CO., LTD (viii)	Taiwan	-	100
SHARK Computers a.s. (vi)	Slovakia	100	100
SHARK ONLINE a.s. (vi)	Slovakia	100	100

(i) Liquidated during 2015

(ii) Held by E.M. Euro-Mall Ltd - Cyprus

(iii) Established during 2015

(iv) Held by Prestigio Plaza Ltd

(v) Held by Asbis Middle East FZE

(vi) Held by Euro-mall s.r.o

(vii) Established during 2014

(viii) Liquidated during 2014

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 10. Intangible assets

The Group	Computer software US\$	Patents and licenses US\$	Total US\$
<b>At 1 January 2014</b>	6,708,587	1,145,482	7,854,069
Additions	899,068	12,364	911,432
Disposals/ write-offs	(73,474)	(598)	(74,072)
Foreign exchange difference on retranslation	(219,118)	(61,592)	(280,710)
At 31 December 2014	7,315,063	1,095,656	8,410,719
Additions	687,396	1,164,805	1,852,201
Disposals/ write-offs	(18,204)	(23,733)	(41,937)
Foreign exchange difference on retranslation	(133,040)	(4,634)	(137,674)
<b>At 31 December 2015</b>	<b>7,851,215</b>	<b>2,232,094</b>	<b>10,083,309</b>
<b>Accumulated amortisation</b>			
<b>At 1 January 2014</b>	5,904,126	1,022,154	6,926,280
Charge for the year	298,073	75,790	373,863
Disposals/ write-offs	(58,373)	(533)	(58,906)
Foreign exchange difference on retranslation	(216,854)	(52,131)	(268,985)
At 31 December 2014	5,926,972	1,045,280	6,972,252
Charge for the year	297,030	235,292	532,322
Disposals/ write-offs	(7,282)	(14,223)	(21,505)
Foreign exchange difference on retranslation	(124,600)	(27,462)	(152,062)
<b>At 31 December 2015</b>	<b>6,092,120</b>	<b>1,238,887</b>	<b>7,331,007</b>
<b>Net book value</b>			
At 31 December 2015	1,759,095	993,207	2,752,302
At 31 December 2014	1,388,091	50,376	1,438,467

The cost of fully amortized intangibles of the Group that are still in use amounted to US\$ 4,679,007 (2014: US\$ 4,944,299 ).

The Company	Computer software US\$	Patents and licenses US\$	Total US\$
At 1 January 2014	5,578,929	466,380	6,045,309
Acquisitions	755,579	12,253	767,832
At 31 December 2014	6,334,508	478,633	6,813,141
Acquisitions	668,246	1,155,176	1,823,422
At 31 December 2015	7,002,754	1,633,809	8,636,563
<b>Accumulated amortisation</b>			
At 1 January 2014	4,932,121	444,739	5,376,860
Charge for the year	160,749	5,306	166,055
At 31 December 2014	5,092,870	450,045	5,542,915
Charge for the year	232,809	207,101	439,910
Acquisitions	-	18,249	18,249
Disposals/ write offs	(1,734)	-	(1,734)
At 31 December 2015	5,323,945	675,395	5,999,340
<b>Net book value</b>			
31 December 2015	1,678,809	958,414	2,637,223
31 December 2014	1,241,638	28,588	1,270,226

The cost of fully amortized intangible assets of the Company that are still in use amounted to US\$ 4,297,066 (2014: US\$ 4,277,127).

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 11. Available-for-sale financial assets

The details of the investments are as follows:

	Country of incorporation	Participation %	Cost US\$	Impairment US\$	2015 US\$	2014 US\$
<b>The Group</b>						
<i>Investments held in related companies</i>						
E-Vision Ltd	Cyprus	18%	90,000	(90,000)	-	-
<i>Other investments</i>						
Asekol s.r.o.	Czech Republic	9.09%	9,580	-	9,580	9,580
Regnon S.A.	Poland	0.01%	2,214	-	2,214	2,214
			<u>101,794</u>	<u>(90,000)</u>	<u>11,794</u>	<u>11,794</u>

	Country of incorporation	Participation %	Cost US\$	Impairment US\$	2015 US\$	2014 US\$
<b>The Company</b>						
<i>Investments held in related companies</i>						
E-Vision Ltd	Cyprus	18%	<u>90,000</u>	<u>(90,000)</u>	<u>-</u>	<u>-</u>

(i) The remaining 82% is held by the main shareholder of the Company, KS Holdings Limited.

(ii) The above available for sale investments are private equity investments with no quoted market price. Due to the fact that the fair value cannot be measured reliably they are measured at cost less any identified impairment losses.

### 12. Inventories

	The Group		The Company	
	2015 US\$	2014 US\$	2015 US\$	2014 US\$
Goods in transit	9,746,106	17,354,875	4,865,231	7,690,403
Goods held for resale	91,463,696	116,866,430	28,250,676	41,465,774
Provision for slow moving and obsolete stock	<u>(4,288,149)</u>	<u>(1,898,689)</u>	<u>(3,400,986)</u>	<u>(1,000,090)</u>
	<u>96,921,653</u>	<u>132,322,616</u>	<u>29,714,921</u>	<u>48,156,087</u>

#### The Group

As at 31 December 2015, inventories pledged as security for financing purposes amounted to US\$ 24,218,991 (2014: US\$ 37,694,346).

#### The Company

As at 31 December 2015, inventories pledged as security for financing purposes amounted to US\$ nil (2014: US\$ nil).

#### Movement in provision for slow moving and obsolete stock

	The Group		The Company	
	2015 US\$	2014 US\$	2015 US\$	2014 US\$
On 1 January	1,898,689	2,115,332	1,000,090	1,404,491
Net movement for the year	2,497,744	(91,690)	2,400,896	(404,401)
Exchange difference	<u>(108,284)</u>	<u>(124,953)</u>	<u>-</u>	<u>-</u>
On 31 December	<u>4,288,149</u>	<u>1,898,689</u>	<u>3,400,986</u>	<u>1,000,090</u>

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 13. Trade receivables

	The Group		The Company	
	2015 US\$	2014 US\$	2015 US\$	2014 US\$
Trade receivables	223,539,664	268,515,408	43,559,324	68,666,766
Allowance for doubtful debts	(6,073,505)	(6,181,370)	(745,252)	(427,527)
	<u>217,466,159</u>	<u>262,334,038</u>	<u>42,814,072</u>	<u>68,239,239</u>

#### The Group

As at 31 December 2015, receivables of the Group that have been assigned as security for financing purposes amounted to US\$ 66,427,397 (2014: US\$ 86,454,197).

#### The Company

As at 31 December 2015, receivables of the Company that have been assigned as security for financing purposes amounted to US\$ 2,167,831 (2014: US\$ 1,881,783).

Movement in provision for doubtful debts:

	The Group		The Company	
	2015 US\$	2014 US\$	2015 US\$	2014 US\$
On 1 January	6,181,370	5,869,385	427,527	91,101
Provisions during the year	3,139,912	2,062,878	1,669,691	373,012
Provision on acquisition of subsidiaries	-	-	-	(29,914)
Amount written-off as uncollectible	(2,774,462)	(788,949)	(1,351,966)	-
Bad debts recovered	(4,425)	(35,220)	-	(6,672)
Exchange difference	(468,890)	(926,724)	-	-
On 31 December	<u>6,073,505</u>	<u>6,181,370</u>	<u>745,252</u>	<u>427,527</u>

#### The Group

##### Ageing of non-impaired receivables

Year	Total receivables US\$	Outstanding but not due yet US\$	Overdue 1-30 days US\$	Overdue between 30-60 days US\$	Overdue more than 60 days US\$
2015	217,466,159	172,721,044	13,113,627	1,154,967	30,476,521
2014	262,334,038	192,254,318	27,608,615	15,961,282	26,509,823

##### Ageing of impaired receivables (provision for bad debts)

Year	Total US\$	Overdue 1-90 days US\$	Overdue 90-120 days US\$	Overdue more than 120 days US\$
2015	6,073,505	5,714	198,535	5,869,256
2014	6,181,370	37,511	3,066	6,140,793

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 13. Trade receivables (continued)

#### The Company

##### Ageing of non-impaired receivables

Year	Total receivables US\$	Outstanding but not due yet US\$	Overdue 1-30 days US\$	Overdue between 30-60 days US\$	Overdue more than 60 days US\$
2015	42,814,072	18,132,210	3,247,982	148,982	21,284,898
2014	68,239,239	25,086,167	14,494,882	14,323,379	14,334,811

##### Ageing of impaired receivables (provision for bad debts)

Year	Total US\$	Overdue 1-90 days US\$	Overdue 90-120 days US\$	Overdue more than 120 days US\$
2015	745,252	-	-	745,252
2014	427,527	-	-	427,527

### 14. Other current assets

#### Other current assets

	The Group		The Company	
	2015 US\$	2014 US\$	2015 US\$	2014 US\$
Deposits and advances to service providers	599,117	776,259	-	-
Employee floats	40,330	62,994	-	-
VAT and other taxes refundable	6,568,663	6,753,191	26,788	36,695
Other debtors and prepayments	6,487,710	3,760,776	866,023	1,577,256
Amount due from subsidiary companies (Note 27)	-	-	68,351,162	76,895,115
Loans due from subsidiary companies (Note 27)	-	-	1,073,759	1,052,683
	<u>13,695,820</u>	<u>11,353,220</u>	<u>70,317,732</u>	<u>79,561,749</u>

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 15. Share capital

	2015 US\$	2014 US\$
<b>Authorised</b>		
63,000,000 (2012: 63,000,000) shares of US\$ 0.20 each	<u>12,600,000</u>	<u>12,600,000</u>
<b>Issued and fully paid</b>		
55,500,000 (2012: 55,500,000) ordinary shares of US\$ 0.20 each	<u>11,100,000</u>	<u>11,100,000</u>

On 31 December 2015 the issued and fully paid share capital of the Company consisted of 55,500,000 ordinary shares of US \$0.20 each.

Following an extraordinary general meeting of the shareholders on 23 June 2015, a share buyback program with the following conditions was approved:

- the maximum amount of money that can be used to realize the program is US\$ 500,000
- the maximum number of shares that can be bought within the program is 1,000,000 shares
- the program's time frame is 12 months from the resolution's date
- the shares purchased within the program could be held for a maximum of two years from acquisition
- the minimum price for transaction of purchase of shares within the program is PLN 1.0 per share with the maximum price of PLN 6.0 per share

At the end of 2015 the Company held a total of 16,389 (2014: 16,389) shares purchased for a total consideration of US\$ 14,211 (2014: US\$ 14,211).

### 16. Short term borrowings

	The Group		The Company	
	2015 US\$	2014 US\$	2015 US\$	2014 US\$
<b>Current borrowings</b>				
Bank overdrafts (Note 26)	18,093,347	28,248,846	4,586,239	5,412,675
Current portion of long term loans	934,818	933,554	165,142	140,363
Bank short term loans	24,308,125	29,523,070	-	-
Short term obligations under finance leases (Note 19)	<u>34,520</u>	<u>74,688</u>	-	-
Total short term debt	<u>43,370,810</u>	<u>58,780,158</u>	<u>4,751,381</u>	<u>5,553,038</u>
Factoring creditors	<u>43,299,321</u>	<u>40,482,397</u>	<u>2,167,831</u>	<u>1,881,783</u>
	<u>86,670,131</u>	<u>99,262,555</u>	<u>6,919,212</u>	<u>7,434,821</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 16. Short term borrowings (continued)

#### Summary of borrowings and overdraft arrangements

##### The Group

As at 31 December 2015 the Group enjoyed factoring facilities of US\$ 66,864,392 (31 December 2014: US\$ 83,045,488).

In addition, the Group as at 31 December 2015 had the following financing facilities with banks in the countries that the Company and its subsidiaries are operating:

- overdraft lines of US\$ 44,425,253 (31 December 2014: US\$ 51,761,403)
- short term loans/revolving facilities of US\$ 48,447,298 (31 December 2014: US\$ 58,023,364)
- bank guarantee and letters of credit lines US\$ 8,725,281 (31 December 2014: US\$ 11,484,368)

The Group had for the year ending 31 December 2015 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 9.5% (31 December 2014: 6.4%).

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

- Floating charges over all assets of the Company
- Mortgage on land and buildings that the Group owns in Cyprus, Czech Republic, Belarus, Middle East, Bulgaria, Slovakia and Ukraine
- Charge over receivables and inventories
- Corporate guarantees to the extent of facilities granted to subsidiary companies
- Assignment of insurance policies
- Pledged deposits of US\$ 5,626,714 (31 December 2014: US\$ 6,222,423)

##### The Company

As at 31 December 2015 the Company enjoyed factoring facilities of US\$ 4,000,000 (31 December 2014: US\$ 2,437,580).

In addition, the Company, as at 31 December 2015 had the following financing facilities with banks:

- Overdraft facilities of US\$ 15,229,300 (2014: US\$ 15,400,103 )
- Long term loan facilities US\$ 584,408 (2014: US\$ 820,563)
- Bank guarantee and letter of credit lines of US\$ 2,926,989 (2014: US\$ 3,200,407)

The Company had cash lines (overdrafts and revolving facilities) with average cost for the year of 5,8% (2014: 6.4%).

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

- Floating charges over all assets of the Company
- Pledged deposits US\$ 1,822,500 (2014: US\$ 2,817,157)
- Mortgage on immovable properties in the amount of US\$ 8,623,440 (2014 US\$ 8,917,199)

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 17. Long term borrowings

	The Group		The Company	
	2015 US\$	2014 US\$	2015 US\$	2014 US\$
Bank loans	1,812,754	1,538,139	419,266	680,202
Long term obligations under finance leases (note 19)	28,179	77,573	-	-
	<u>1,840,933</u>	<u>1,615,712</u>	<u>419,266</u>	<u>680,202</u>

#### The Group

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

The subsidiary company Asbis SK Spol s.r.o. obtained a loan for the purchase of land and erection of a building in Slovakia. The loan bears interest at 1M EURIBOR +1.5% per annum and is due for repayment on 3 June 2017. The loan is secured via mortgage on the land and building of the subsidiary. During 2015, the same subsidiary, obtained another loan for the extension of its warehouse. The loan bears interest at 3M EURIBOR +1.4 per annum and is due for repayment on 3 September 2020.

The parent Company obtained a loan for the acquisition of land and buildings in Cyprus. The loan bears interest at 6M EURIBOR + 5.5% per annum and is due for repayment on 31 March 2021. The loan is secured via mortgage on the acquired land and buildings.

#### The Company

(ii) The long-term bank loan mainly represents a loan received by the parent Company for the acquisition of land and buildings. The loan bears interest at 6M EURIBOR + 5.5% per annum and is due for repayment on 31 March 2021. The loan is secured via mortgage on the acquired land and buildings.

(iii) The bank loan granted to the Company is secured by:

- Mortgage on immovable properties in the amount of US\$ 8,623,440 (2014: US\$ 8,917,199)

### 18. Other long term liabilities

	The Group		The Company	
	2015 US\$	2014 US\$	2015 US\$	2014 US\$
Pension provision	<u>366,588</u>	<u>455,063</u>	-	-

### 19. Finance leases

	The Group		The Company	
	2015 US\$	2014 US\$	2015 US\$	2014 US\$
Obligation under finance lease	62,698	152,261	-	-
Less: Amount payable within one year	<u>(34,520)</u>	<u>(74,688)</u>	-	-
Amounts payable within 2-5 years inclusive	<u>28,178</u>	<u>77,573</u>	-	-

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 20. Deferred tax assets/(liabilities)

<b>The Group</b>	<b>Temporary differences between accounting and tax base of PPE and intangibles (note i)</b>	<b>Tax losses (note ii)</b>	<b>Other temporary differences (note iii)</b>	<b>Total</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Credit/(debit) balance on 1 January 2014	143,532	(195,769)	(204,901)	(257,138)
Deferred tax (credit)/charge for the year	(130,960)	(575,108)	65,374	(640,694)
Exchange difference on retranslation	35,095	5,409	(5,959)	34,545
Credit/(debit) balance on 31 December 2014	47,667	(765,468)	(145,486)	(863,287)
Deferred tax charge/(credit) for the year	15,441	(635,407)	20,408	(599,558)
Exchange differences	20,663	3,678	2,488	26,829
Credit/(debit) balance on 31 December 2015	<u>83,771</u>	<u>(1,397,197)</u>	<u>(122,590)</u>	<u>(1,436,016)</u>

<b>The Company</b>	<b>Temporary differences between accounting and tax base of PPE and intangibles (note i)</b>	<b>Tax losses (note ii)</b>	<b>Other temporary differences (note iii)</b>	<b>Total</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Debit/(credit) balance on 1 January 2014	100,363	-	(26,320)	74,043
Deferred tax charge/(credit) for the year	8,344	(476,860)	(349)	(468,865)
Credit/(debit) balance on 31 December 2014	108,707	(476,860)	(26,669)	(394,822)
Deferred tax charge/(credit) for the year	-	(720,868)	-	(720,868)
Credit/(debit) balance on 31 December 2015	<u>108,707</u>	<u>(1,197,728)</u>	<u>(26,669)</u>	<u>(1,115,690)</u>

#### **Note (i)**

##### **The Group and the Company**

The deferred tax liability relates to excess of tax written down value and accounting value of fixed assets.

#### **Note (ii)**

##### **The Group**

The deferred tax asset arises from the tax losses that can be carried forward and setoff against the first available taxable profits of the Group companies subject to the carry forward of losses restrictions stipulated in the relevant laws of the country of each relevant subsidiary.

##### **The Company**

The deferred tax asset arises from the tax losses that can be carried forward and set-off against the first available taxable profits of the Company.

In accordance with the Cyprus tax legislation, tax losses can be carried forward for 5 years.

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 20. Deferred tax (continued)

#### *Note (iii)*

##### *The Group and the Company*

Other temporary differences relate mainly to different accounting bases between treatment in accordance with IFRSs and treatment in accordance with local tax standards and mainly consist of the tax effect of unrealised profits/losses on revaluation of working capital and of 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.

	2015 US\$	2014 US\$
Deferred tax assets	(1,224,397)	(503,529)
Deferred tax liabilities	108,707	108,707
Net deferred tax assets	<u>(1,115,690)</u>	<u>(394,822)</u>

### 21. Other current liabilities

	The Group		The Company	
	2015 US\$	2014 US\$	2015 US\$	2014 US\$
Salaries payable and related costs	1,173,825	1,475,960	161,590	194,953
Amount due to directors - executive (Note 27)	-	1,122,681	-	1,122,681
VAT payable	6,624,220	10,305,056	298,266	1,776,792
Accruals and deferred income	9,166,640	12,831,772	3,210,199	6,943,039
Non-trade accounts payable	1,080,274	2,801,693	1,080,274	770,416
Provision of warranties	1,812,747	1,707,144	489,473	1,707,144
Amount due to subsidiary companies (Note 27)	-	-	4,640,104	3,054,888
	<u>19,857,706</u>	<u>30,244,306</u>	<u>9,879,906</u>	<u>15,569,913</u>

### 22. Commitments and contingencies

As at 31 December 2015 the Group was committed in respect of purchases of inventories of a total cost value of US\$ 2,010,060 (31 December 2014: US\$ 3,258,157) which were in transit at 31 December 2015 and delivered in January 2016. Such inventories and the corresponding liability towards the suppliers have not been included in these financial statements since, according to the terms of purchase title of the goods had not passed to the Group at year end.

As at 31 December 2015 the Group was contingently liable in respect of bank guarantees and letters of credit of US\$ 8,725,281 (31 December 2014: US\$ 11,484,368) which the Group has extended 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.

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 23. Operating segments

#### The Group

##### 1.1 Segment information

The Group mainly operates in a single industry segment as a distributor of IT products. Information reported to the chief operating decision maker for the purposes of allocating resources to the segments and to assess their performance is based on geographical locations. The Group operates in four principal geographical areas – Former Soviet Union, Eastern Europe, Western Europe and Middle East & Africa.

##### 1.2 Segment revenues and results

	Segment revenue		Segment operating profit	
	2015 US\$	2014 US\$	2015 US\$	2014 US\$
Former Soviet Union	376,265,658	516,563,716	(3,010,392)	7,627,993
Central Eastern Europe	525,044,419	660,959,032	1,186,943	8,168,348
Western Europe	65,285,898	119,926,726	(1,049,466)	(1,574,226)
Middle East & Africa	168,489,073	206,393,583	447,832	2,397,613
Other	46,528,321	47,327,193	(630,854)	(361,307)
Total	<u>1,181,613,369</u>	<u>1,551,170,250</u>	<u>(3,055,937)</u>	<u>16,258,421</u>
Net financial expenses			(14,130,162)	(15,213,867)
Other gains and losses			124,426	210,437
Profit before taxation			<u>(17,061,673)</u>	<u>1,254,991</u>

##### 1.3 Inter-segment revenues

Selling segment	Purchasing segment	2015 US\$	2014 US\$
Western Europe	Middle East & Africa	<u>-</u>	<u>9,193</u>

Revenue reported above represents revenue generated from external customers (note 1.2), as well as revenues from transactions with other operating segments of the same entity (note 1.3).

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.

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 23. Operating segments (continued)

#### 1.4 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	
	2015 US\$	2014 US\$	2015 US\$	2014 US\$
Former Soviet Union	4,105,812	5,033,410	450,026	723,371
Central Eastern Europe	12,158,485	11,635,459	870,766	1,030,924
Western Europe	85,910	143,273	43,617	69,853
Middle East & Africa	3,406,971	3,446,663	252,556	292,863
Unallocated	<u>8,056,001</u>	<u>7,272,676</u>	<u>957,498</u>	<u>758,541</u>
	<u>27,813,179</u>	<u>27,531,481</u>	<u>2,574,463</u>	<u>2,875,552</u>

#### 1.5 Segment assets and liabilities

Segment assets	2015 US\$	2014 US\$
Former Soviet Union	101,836,477	168,000,256
Central Eastern Europe	159,681,004	151,910,016
Western Europe	24,880,728	58,422,613
Middle East & Africa	<u>50,096,896</u>	<u>24,173,211</u>
Total	336,495,105	402,506,096
Assets allocated in capital expenditure (1.4)	27,813,179	27,531,481
Other unallocated assets	<u>17,266,559</u>	<u>63,122,554</u>
Consolidated assets	<u>381,574,843</u>	<u>493,160,131</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.

#### 1.6 Geographical information

Since the Group's operating segments are based on geographical location and this information has been provided above (1.2 – 1.5) no further analysis will be included.

#### 1.7. Information about major customers

During 2015 (same for 2014) none of the Group's customers accounted for more than 1% of total sales; it is of strategic importance for the Group not to rely on any single customer.

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 24. Derivative financial liabilities

	The Group		The Company	
	2015 US\$	2014 US\$	2015 US\$	2014 US\$
<u>Derivative financial liabilities carried at fair value through profit or loss</u>				
Foreign currency derivative contracts	124,563	1,264,863	-	1,118,196

### Fair value measurement of derivative financial liabilities

The Group	Nominal amount 2015 US\$	Nominal amount 2014 US\$	Fair value 2015 US\$	Fair value 2014 US\$
Buying US\$/Selling EUR	7,819,000	6,634,989	73,332	(150,726)
Buying US\$/Selling UAH	6,133,959	700,000	30,277	15,030
Buying US\$/Selling CZK	3,028,000	-	11,836	-
Buying US\$/Selling RSD	468,746	998,241	10,514	(1,680)
Buying CZK/Selling USD	347,000	1,250,000	(1,595)	27,751
Buying EUR/Selling RSD	35,179	-	199	-
Buying US\$/Selling RUB	-	11,183,000	-	1,311,548
Buying US\$/Selling RON	-	5,079,000	-	(236,559)
Buying US\$/Selling GBP	-	4,188,130	-	(11,049)
Buying EUR/Selling RON	-	437,580	-	(12,526)
Buying PLN/Selling EUR	-	12,153	-	(104)
Buying PLN/Selling GBP	-	213,502	-	2,015
Buying PLN/Selling USD	-	5,065,234	-	141,074
Charges on open contracts	-	-	-	180,089
	<u>17,831,884</u>	<u>35,761,829</u>	<u>124,563</u>	<u>1,264,863</u>

The Company	Nominal amount 2015 US\$	Nominal amount 2014 US\$	Fair value 2015 US\$	Fair value 2014 US\$
Buying US\$/Selling EUR	-	6,274,411	-	(148,634)
Buying US\$/Selling RUB	-	11,183,000	-	1,311,548
Buying US\$/Selling RON	-	5,079,000	-	(236,559)
Buying US\$/Selling RSD	-	500,000	-	(3,473)
Buying EUR/Selling RON	-	437,580	-	(12,526)
Buying CZK/Selling US\$	-	1,250,000	-	27,751
Charges on open contracts	-	-	-	180,089
	<u>-</u>	<u>24,723,991</u>	<u>-</u>	<u>1,118,196</u>

(i) The Group and the Company enter into currency derivative contracts, namely forward and future currency derivatives, as part of their overall hedging strategy in order to minimise the exposure to foreign currency fluctuations.

(ii) A foreign currency forward derivative contract is a contractual agreement between two parties to exchange two currencies at a given exchange rate at some point in the future. The fair value of the derivative can be either positive (asset) or negative (liability) as a result of fluctuations in the forward exchange rates.

(iii) A foreign currency future derivative contract is a contractual agreement between two parties to buy or sell currency at a predetermined price in the future. The fair value of the derivative can be either positive (asset) or negative (liability) as a result of fluctuations in the period end exchange rate.

(iv) During the year the Group realised gains from execution of foreign currency derivative contracts of US\$ 176,757 (2014: gains of US\$ 8,725,687) and the Company realized loss of US\$ 268,700 (2014: gains of US\$ 8,140,665).

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 25. Derivative financial assets

	The Group		The Company	
	2015 US\$	2014 US\$	2015 US\$	2014 US\$
<u>Derivative financial assets carried at fair value through profit or loss</u>				
Foreign currency derivative contracts	1,069,705	183,804	986,836	-

### Fair value measurement of derivative financial assets

The Group	Nominal amount 2015 US\$	Nominal amount 2014 US\$	Fair value 2015 US\$	Fair value 2014 US\$
	Buying US\$/Selling RUB	15,540,000	-	1,179,681
Buying US\$/Selling EUR	4,349,445	331,833	54,142	-
Buying US\$/Selling BGN	3,723,000	-	79,207	(214)
Buying US\$/Selling PLN	3,208,000	-	1,820	-
Buying US\$/Selling GBP	1,293,524	-	45,753	-
Buying US\$/Selling HRK	330,000	-	2,811	-
Buying US\$/Selling RON	1,500,000	-	(1,987)	-
Buying EUR/Selling HRK	331,800	-	851	-
Buying PLN/Selling EUR	-	492,091	-	4,082
Buying PLN/Selling USD	-	2,080,437	-	38,912
Buying HUF/Selling EUR	-	206,503	-	3,471
Buying EUR/Selling PLN	-	571,085	-	(4,208)
Charges on open contracts	-	-	(292,573)	-
	<u>30,275,769</u>	<u>3,681,949</u>	<u>1,069,705</u>	<u>42,043</u>

The Company	Nominal amount 2015 US\$	Nominal amount 2014 US\$	Fair value 2015 US\$	Fair value 2014 US\$
	Buying US\$/Selling EUR	4,349,445	-	54,142
Buying US\$/Selling GBP	1,293,524	-	45,753	-
Buying US\$/Selling RON	1,500,000	-	(1,987)	-
Buying US\$/Selling RUB	15,540,000	-	1,179,681	-
Buying US\$/Selling PLN	3,208,000	-	1,820	-
Charges on open contracts	-	-	(292,573)	-
	<u>25,890,969</u>	<u>-</u>	<u>986,836</u>	<u>-</u>

(i) The Group and the Company enter into currency derivative contracts, namely forward and future currency derivatives, as part of their overall hedging strategy in order to minimise the exposure to foreign currency fluctuations.

(ii) A foreign currency forward derivative contract is a contractual agreement between two parties to exchange two currencies at a given exchange rate at some point in the future. The fair value of the derivative can be either positive (asset) or negative (liability) as a result of fluctuations in the forward exchange rates.

(iii) A foreign currency future derivative contract is a contractual agreement between two parties to buy or sell currency at a predetermined price in the future. The fair value of the derivative can be either positive (asset) or negative (liability) as a result of fluctuations in the period end exchange rate.

(iv) During the year the Group realised loss from execution of foreign currency derivative contracts of US\$ 176,757 (2014: gains of US\$ 8,725,687) and the Company realized loss of US\$ 268,700 (2014: gains of US\$ 8,140,665).

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 26. Cash and cash equivalents

	The Group		The Company	
	2015 US\$	2014 US\$	2015 US\$	2014 US\$
Cash at bank and in hand	22,383,203	57,665,105	4,017,904	35,784,290
Bank overdrafts (Note 16)	<u>(18,093,347)</u>	<u>(28,248,846)</u>	<u>(4,586,239)</u>	<u>(5,412,675)</u>
	<u>4,289,856</u>	<u>29,416,259</u>	<u>(568,335)</u>	<u>30,371,615</u>

#### The Group

The cash at bank and in hand balance includes an amount of US\$ 5,626,714 (31 December 2014: US\$ 6,222,423) which represents pledged deposits.

#### The Company

The cash at bank and in hand balance includes an amount of US\$ 1,822,500 (31 December 2014: US\$ 2,817,157) which represents pledged deposits.

### 27. Related party transactions and balances

#### Main shareholders

The following table presents shareholders possessing directly or indirectly more than 5% of the Company's shares and shares held by the Company under the share buyback program as at 31 December 2015:

Name	Number of votes/shares %	Votes/share capital %
KS Holdings Ltd	20,401,361	36.76
Quercus Towarzystwo Funduszy Inwestycyjnych S.A.	3,274,931	5.90
ING OFE	2,872,954	5.18
Asbisc Enterprises Plc (share buyback program)	16,389	0.03
Other	<u>28,934,365</u>	<u>52.13</u>
<b>Total</b>	<u>55,500,000</u>	<u>100.00</u>

Transactions and balances between the Company and its subsidiaries have been eliminated on consolidation.

#### The Company

In the normal course of business, the Company undertook during the year transactions with its subsidiary companies and had year end balances as follows:

#### Intercompany (trading) transactions

	Sales of goods		Purchases of goods	
	2015 US\$	2014 US\$	2015 US\$	2014 US\$
Subsidiaries	<u>445,731,589</u>	<u>623,915,649</u>	<u>44,284,021</u>	<u>39,434,117</u>
	Sales of services		Purchases of services	
	2015 US\$	2014 US\$	2015 US\$	2014 US\$
Subsidiaries	<u>2,260,134</u>	<u>10,117,642</u>	<u>1,243,129</u>	<u>2,977,072</u>

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 27. Related party transactions and balances (continued)

#### Intercompany (trading) balances (Notes 14)

	Amounts owed by subsidiary companies		Amounts owed to subsidiary companies	
	2015	2014	2015	2014
	US\$	US\$	US\$	US\$
Subsidiaries	<u>69,424,921</u>	<u>76,895,115</u>	<u>4,640,104</u>	<u>3,054,888</u>

#### Loans to subsidiary companies

	2015	2014
	US\$	US\$
Loans to subsidiary companies (Note 14)	<u>1,073,759</u>	<u>1,052,683</u>
	<u>1,073,759</u>	<u>1,052,683</u>

The total loans to subsidiary companies before provision for doubtful loans are unsecured and analysed below:

Subsidiary companies	Interest rate	Source currency	2015	2014
	%		US\$	US\$
CJSC ASBIS (Note (i))	4%	US Dollar	<u>1,073,759</u>	<u>1,052,683</u>
			<u>1,073,759</u>	<u>1,052,683</u>

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

	2015	2014
	US\$	US\$
CJSC ASBIS (note (i))	<u>42,000</u>	<u>2,683</u>
Total interest received (Note 6)	<u>42,000</u>	<u>2,683</u>

(i) The subsidiary company entered into a loan agreement with the Company on 24 November 2014. The loan is repayable within 6 months.

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 27. Related party transactions and balances (continued)

#### Transactions and balances of key management

	The Group		The Company	
	2015 US\$	2014 US\$	2015 US\$	2014 US\$
Directors' remuneration and benefits - executive	284,614	412,137	153,428	159,157
Directors' remuneration - non executive	16,670	40,192	16,670	40,192
<u>Key management remuneration</u>				
- In capacity as Director	21,858	-	21,858	-
- In capacity as other key management personnel	833,187	1,385,040	255,712	635,879
Employer's contributions-provident fund	7,276	3,668	7,276	3,668
Employer's contributions-social insurance and other benefits	143,925	216,005	68,745	118,609
	<u>1,307,530</u>	<u>2,057,042</u>	<u>523,689</u>	<u>957,505</u>
Amounts due to Directors - executive	-	<u>1,122,681</u>	-	<u>1,122,681</u>

#### Share-based payment arrangements

Following an annual general meeting of the shareholders on 23 June 2015, a share buyback program that entitled key management personnel to purchase shares in the Company was approved.

At 31 December 2015, the Group has the following share-based payment arrangement.

#### Share option programme (equity-settled)

- the maximum amount of money that can be used to realize the program is US\$ 500,000
- the maximum number of shares that can be bought within the program is 1,000,000 shares
- the program's time frame is 12 months from the resolution's date
- the shares purchased within the program could be held for a maximum of two years from acquisition
- the minimum price for transaction of purchase of shares within the program is PLN 1.0 per share with the maximum price of PLN 6.0 per share

At the end of 2015 the Company held a total of 16,389 (2014: 16,389) shares purchased for a total consideration of US\$ 14,211 (2014: US\$ 14,211).

### 28. Personnel expenses and number of employees

	The Group		The Company	
	2015 US\$	2014 US\$	2015 US\$	2014 US\$
Salaries and other benefits	<u>27,951,121</u>	<u>44,412,823</u>	<u>4,103,665</u>	<u>7,285,996</u>
The number of employees at year end was	<u>1,126</u>	<u>1,504</u>	<u>113</u>	<u>143</u>

### 29. Earnings per share

	2015 US\$	2014 US\$
(Loss)/profit for the year attributable to members	<u>(17,158,036)</u>	<u>950,988</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>
Basic and diluted earnings per share	<u>US\$ Cents (30.92)</u>	<u>US\$ Cents 1.71</u>

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 30. Dividends

Our dividend policy is to pay dividends at levels consistent with our growth and development plans, while maintaining a reasonable level of liquidity. The Board of Directors does not recommend the payment of a dividend.

### 31. Business combinations

#### The Group

#### 1. Acquisitions

##### 1.1. Goodwill arising on acquisitions

	2015 US\$	2014 US\$
At 1 January	1,734,340	1,969,009
Foreign exchange difference on retranslation	<u>(178,368)</u>	<u>(234,669)</u>
At 31 December (note i)	<u>1,555,972</u>	<u>1,734,340</u>

(i) The capitalized goodwill arose from the business combinations of the following subsidiaries:

	2015 US\$	2014 US\$
ASBIS d.o.o. (BA) (formerly Megatrend D.O.O. Sarajevo)	381,349	424,419
SHARK Computers a.s.	<u>1,174,623</u>	<u>1,309,921</u>
	<u>1,555,972</u>	<u>1,734,340</u>

##### 1.2. Impairment testing

For ASBIS d.o.o. (BA) (formerly Megatrend D.O.O. Sarajevo), a detailed impairment analysis was performed and based on the results it has been concluded that no impairment is required.

For SHARK Computers a.s., the recoverable amount was estimated by applying the following significant assumptions:

- Actual and budgeted EBIT which ranged from US\$ 523,099 to US\$ 1,022,675 based on expected efficiency improvements.
- Pre-tax discount rate calculated based on the Company's weighted average cost of capital of 9.7%.
- Budgeted revenue growth rate of 10% per year based on expected expansion to local and foreign markets.

### 2. Disposals of subsidiaries

#### 2.1.a Disposals to 31 December 2015

During the period the following Group's subsidiary went into liquidation. No gain or loss arose on the event.

<u>Name of disposed entity</u>	<u>Type of operations</u>	<u>Date liquidated</u>	<u>% liquidated</u>
- Asbis Taiwan Co. Ltd	Information Technology	13 April 2015	100

#### 2.1.b Disposals to 31 December 2014

During the period the following Group's subsidiary went into liquidation. No gain or loss arose on the event.

<u>Name of disposed entity</u>	<u>Type of operations</u>	<u>Date liquidated</u>	<u>% liquidated</u>
- Asbis IT S.R.L.	Information Technology	30 December 2013	100%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 32. 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 to the Group. The Group sets up and maintains specific controls to mitigate its credit risk, as it realizes its importance for the Group's viability.

The Group had established and systematically follows a thorough procedure prior to registering new customers into its system. Every new customer is checked both internally and via various reputable credit sources prior to such registration and, more importantly, prior to granting of any credit. The Group runs an internal credit department consisting of local, regional and corporate credit managers. Corporate managers decide for all significant credit line requests and review the work of regional and local managers. The Group uses all available credit tools – i.e. credit insurance, credit information bureaus, letter of guarantee – to safeguard itself from the credit risk. We insured more than 65% of our 2015 receivables.

During 2015 (same for 2014) none of the Group's customers accounted for more than 1% of total sales; it is of strategic importance for the Group not to rely on any single customer.

Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit insurance is purchased. The credit risk on liquid funds and derivative financial instruments is determined by the credit ratings assigned to the financial institutions with which these funds are held.

The table below shows an analysis of the Group's bank deposit by the credit rating of the bank in which they are held:

<u>Bank group based on credit ratings by Moody's</u>	<b>2015</b> <b>US\$</b>	<b>2014</b> <b>US\$</b>
A1	80,408	407,746
A2	6,183,911	4,082,266
Aa2	518	635,551
Aa3	223,534	380,063
Ba1	116,074	76,464
Ba2	1,038,864	-
Ba3	1,178,102	1,797,576
Baa1	4,054,539	2,848,064
Baa2	3,019,092	30,943,495
Baa3	198	289,437
Caa1	2,927	40,695
Caa3	2,051,224	162,779
Without credit rating	<u>4,433,813</u>	<u>16,000,969</u>
	<u>22,383,204</u>	<u>57,665,105</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015****32. Financial risk management (continued)****1.2. Interest rate risk**

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are dependent on changes in market interest rates. The Group deposits excess cash and borrows at variable rates. The Group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

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

	<b>The Group</b>		<b>The Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
<b>Variable rate instruments</b>				
Overdrafts	18,093,347	28,248,846	4,586,239	5,412,675
Short-term loans	25,242,943	30,456,624	165,142	140,363
Long-term loans	1,812,754	1,538,139	419,266	680,202
Factoring advances	43,299,321	40,482,397	2,167,831	1,881,783
	<u>88,448,365</u>	<u>100,726,006</u>	<u>7,338,478</u>	<u>8,115,023</u>

**Sensitivity analysis**

An increase of 100 basis points in interest rates at 31 December 2015 would have decreased profit or 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 or loss.

	<b>The Group</b>		<b>The Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
<b>Variable rate instruments</b>				
Overdrafts	180,933	282,488	45,862	54,127
Short-term loans	252,429	304,566	1,651	1,404
Long-term loans	18,128	15,381	4,193	6,802
Factoring advances	432,993	404,824	21,678	18,818
	<u>884,483</u>	<u>1,007,259</u>	<u>73,385</u>	<u>81,151</u>

**1.3 Liquidity risk**

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group/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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 32. Financial risk management (continued)

#### 1.3 Liquidity risk (continued)

##### The Group

31 December 2015	Carrying amounts US\$	Contractual cash flows US\$	3 months or less US\$	3-12 months US\$	1-2 years US\$	2-5 years US\$	More than 5 years US\$
Bank loans	27,055,697	27,055,697	16,731,154	8,511,789	735,962	1,076,792	-
Bank overdrafts	18,093,347	18,093,347	8,071,477	10,021,870	-	-	-
Factoring advances	43,299,321	43,299,321	42,002,331	1,296,990	-	-	-
Trade and other payables	211,038,402	211,038,402	210,231,407	806,995	-	-	-
Other short and long term liabilities	553,850	553,850	133,365	25,719	21,751	373,015	-
	<u>300,040,617</u>	<u>300,040,617</u>	<u>277,169,734</u>	<u>20,663,363</u>	<u>757,713</u>	<u>1,449,807</u>	<u>-</u>
31 December 2014	Carrying amounts US\$	Contractual cash flows US\$	3 months or less US\$	3-12 months US\$	1-2 years US\$	2-5 years US\$	More than 5 years US\$
Bank loans	31,994,763	32,137,035	13,301,441	17,210,192	770,004	855,398	-
Bank overdrafts	28,248,846	28,248,846	7,765,648	20,483,198	-	-	-
Factoring advances	40,482,397	40,482,397	39,919,380	563,017	-	-	-
Trade and other payables	286,875,706	286,875,706	285,520,837	1,354,869	-	-	-
Other short and long term liabilities	1,872,187	1,872,187	1,339,551	-	39,546	493,090	-
	<u>389,473,899</u>	<u>389,616,171</u>	<u>347,846,857</u>	<u>39,611,276</u>	<u>809,550</u>	<u>1,348,488</u>	<u>-</u>

##### The Company

31 December 2015	Carrying amounts US\$	Contractual cash flows US\$	3 months or less US\$	3-12 months US\$	1-2 years US\$	2-5 years US\$	More than 5 years US\$
Bank loans	584,408	584,408	40,350	124,792	175,482	243,784	-
Bank overdrafts	4,586,239	4,586,239	4,586,239	-	-	-	-
Factoring advances	2,167,831	2,167,831	2,167,831	-	-	-	-
Trade and other payables	111,157,700	111,157,700	110,992,558	165,142	-	-	-
Other short and long term liabilities	-	-	-	-	-	-	-
	<u>118,496,178</u>	<u>118,496,178</u>	<u>117,786,978</u>	<u>289,934</u>	<u>175,482</u>	<u>243,784</u>	<u>-</u>
31 December 2014	Carrying amounts US\$	Contractual cash flows US\$	3 months or less US\$	3-12 months US\$	1-2 years US\$	2-5 years US\$	More than 5 years US\$
Bank loans	820,565	929,375	46,430	131,072	218,309	533,564	-
Bank overdrafts	5,412,675	5,412,675	5,412,675	-	-	-	-
Factoring advances	1,881,783	1,881,783	1,881,783	-	-	-	-
Trade and other payables	181,407,714	181,407,714	181,407,714	-	-	-	-
Other short and long term liabilities	1,118,196	1,118,196	1,118,196	-	-	-	-
	<u>190,640,933</u>	<u>190,749,743</u>	<u>189,866,798</u>	<u>131,072</u>	<u>218,309</u>	<u>533,564</u>	<u>-</u>

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 32. 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 companies' 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 monetary assets and monetary liabilities at the reporting date are denominated in the following currencies:

#### The Group

2015	Cash at bank and in hand	Receivables	Trade and other liabilities	Borrowings
	US\$	US\$	US\$	US\$
US Dollar	6,518,641	102,036,663	(142,548,758)	(14,111,985)
Euro	5,783,036	64,880,647	(92,659,240)	(7,949,086)
Russian Rouble	9,166	5,150,007	(75,311)	-
Polish Zloty	947,997	1,280,851	(481,712)	(2,775,582)
Czech Koruna	2,332,368	6,532,486	(4,855,415)	(3,261,808)
Belarusian Rouble	72,251	3,333,500	(1,075,791)	(3,765,707)
Croatian Kuna	662,008	3,452,705	(1,975,150)	(2,788,981)
Romanian New Lei	1,873,572	11,375,491	(2,899,881)	(3,659,590)
Bulgarian Lev	513,039	4,060,715	(2,126,968)	(2,221,748)
Hungarian Forint	179,666	2,843,445	(826,551)	(1,208,933)
Kazakhstan Tenge	229,036	4,193,975	(3,169,618)	(350,262)
Ukraine hryvnia	2,507,214	5,966,622	(324,874)	(1,816,616)
Bosnian Mark	227,427	2,152,983	(99,948)	(1,050,238)
Other	527,782	14,971,594	(1,343,069)	(617,795)
	<u>22,383,203</u>	<u>232,231,684</u>	<u>(254,462,286)</u>	<u>(45,578,331)</u>

#### The Group

2014	Cash at bank and in hand	Receivables	Trade and other liabilities	Borrowings
	US\$	US\$	US\$	US\$
US Dollar	38,773,400	95,251,816	(189,297,049)	(13,039,298)
Euro	1,738,849	82,073,138	(97,656,211)	(8,027,821)
Russian Rouble	1,870,250	26,760,755	(19,735,106)	(7,867,899)
Polish Zloty	24,197	10,873,313	(4,088,656)	(7,665,663)
Czech Koruna	1,385,860	6,423,273	(4,638,753)	(4,077,722)
Belarusian Rouble	630,397	3,196,637	(792,895)	(2,738,164)
Croatian Kuna	753,840	2,304,550	(722,492)	(3,094,203)
Romanian New Lei	1,524,447	12,966,589	(2,043,662)	(5,248,152)
Bulgarian Lev	1,134,815	3,564,125	(947,488)	(3,897,832)
Hungarian Forint	250,765	2,487,558	(679,354)	(878,202)
Kazakhstan Tenge	2,508,973	5,191,513	(610,116)	-
UAE Dirham	838,022	-	-	(60,388)
Saudi Riyal	198,822	3,796,034	(275,479)	-
Other	6,032,469	18,981,761	(7,135,705)	(4,255,589)
	<u>57,665,106</u>	<u>273,871,062</u>	<u>(328,622,967)</u>	<u>(60,850,933)</u>

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 32. Financial risk management (continued)

#### 1.4. Currency risk (continued)

##### The Company

2015	Cash at bank and in hand	Receivables	Trade and other liabilities	Borrowings
	US\$	US\$	US\$	US\$
US Dollar	1,551,914	89,749,463	(105,658,570)	-
Euro	2,057,935	11,345,955	(6,472,081)	(5,170,492)
Czech Koruna	201,808	222,546	(448,937)	-
Russian Rouble	-	5,103,177	(547)	-
Swiss Franc	31,691	941	-	-
Polish Zloty	749	6,676,638	-	(155)
British Pound	173,807	1,019,920	(745,396)	-
	<u>4,017,904</u>	<u>114,118,640</u>	<u>(113,325,531)</u>	<u>(5,170,647)</u>

##### The Company

2014	Cash at bank and in hand	Receivables	Trade and other liabilities	Borrowings
	US\$	US\$	US\$	US\$
US Dollar	34,328,584	131,256,256	(170,458,496)	(3,901,947)
Euro	348,282	12,700,141	(11,972,146)	(2,317,276)
Czech Koruna	992,007	299,058	(1,962,951)	-
Russian Rouble	-	3,125,430	-	-
Swiss Franc	115,417	387,127	(14,101)	-
Other	-	32,976	-	(14,016)
	<u>35,784,290</u>	<u>147,800,988</u>	<u>(184,407,694)</u>	<u>(6,233,239)</u>

The Company is not exposed to any material foreign exchange risk, as most of its operations are conducted in US Dollars, the Company's reporting currency. Its exposure to foreign exchange risk is restricted to monetary assets denominated in foreign currencies, mainly Euro and Russian Ruble and this risk is mitigated by the appropriate use of currency derivative contracts.

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### Financial risk management (continued)

#### 2. Fair values

##### The Group and The Company

Financial instruments comprise financial assets and financial liabilities. Financial assets mainly consist of bank balances, receivables and investments. Financial liabilities mainly consist of trade payables, factoring balances, bank overdrafts and loans. The Directors consider that the carrying amount of the Company's/Group's financial instruments approximate their fair value at the reporting date. Financial assets and financial liabilities carried at fair value through profit or loss represent foreign currency derivative contracts categorized as a Level 2 (inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)) fair value hierarchy.

#### 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 2014.

The capital structure of the Group consists of debt, which includes borrowings, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

##### Gearing ratio

The Group's risk management committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risk associated with it.

##### The Group

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

	2015 US\$	2014 US\$
Debt (i)	88,482,885	100,800,694
Cash at bank and in hand	<u>(22,383,203)</u>	<u>(57,665,105)</u>
Net debt	<u>66,099,682</u>	<u>43,135,589</u>
Equity (ii)	<u>81,479,635</u>	<u>103,638,565</u>
Net debt to equity ratio	81%	42%
(i)	Debt includes short-term (factoring advances, overdrafts and short-term loans) and long-term borrowings.	
(ii)	Equity includes all capital and reserves.	

##### The Company

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

	2015 US\$	2014 US\$
Debt (i)	7,338,478	8,115,023
Cash at bank and in hand	<u>(4,017,904)</u>	<u>(35,784,290)</u>
Net debt	<u>3,320,574</u>	<u>(27,669,267)</u>
Equity (ii)	<u>49,805,554</u>	<u>59,922,070</u>
Net debt to equity ratio	7%	-
(i)	Debt includes short-term (factoring advances, overdrafts and short-term loans) and long-term borrowings.	
(ii)	Equity includes all capital and reserves.	

# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### Financial risk management (continued)

#### 4. Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the fair value hierarchy of the Company's assets:

	<b>The Group Level 2 US\$</b>	<b>The Company Level 2 US\$</b>
<b>Assets</b>		
Derivative financial assets	<u>1,069,705</u>	<u>986,836</u>
<b>Liabilities</b>		
Derivative financial liabilities	<u>124,563</u>	<u>-</u>

The fair value of financial instruments that are not traded in an active market (for example, unlisted equity securities) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

### 33. 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.

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 33. Other risks (continued)

#### *Situation in Ukraine and Russia*

The Group is exposed to the economic and financial markets of the Russian Federation and Ukraine. We have experienced starting from 2014 a severe crisis in Ukraine, which has resulted into a lower demand from customers and a significant devaluation of the local currency (UAH) to US Dollar, our reporting currency, that led the National Bank of Ukraine to introduce certain administrative restrictions on currency conversion transactions. Russia, as well as other nearby markets, have also been negatively affected. The accession of the Crimea region to the Russian Federation resulted in a significant deterioration of the relationship between Ukraine and Russia. Furthermore, the imposition of economic sanctions on Russian individuals and legal entities as well as retaliatory sanctions imposed by the Russian government, have resulted in increased economic uncertainty including a depreciation of the Russian Ruble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. All these developments have resulted in lower revenues and profitability for the Group.

The longer term effects on the Ukrainian economy of the political and economic crisis and the implemented sanctions on Russia, as well as the threat of additional future sanctions, are difficult to determine. Whilst management believes it is taking appropriate measures to support the sustainability of the Group's business in these markets in the current circumstances, a continuation of the current unstable business environment in these markets could negatively further affect the Group's results and financial position in a manner not currently determinable.

These consolidated financial statements reflect management's current assessment of the impact of the Russian and Ukrainian business environment on the operations and the financial position of the Group. The future business environment may differ from today's management's assessment.

#### *Other risks*

The general economic environment may affect the Group's/Company's operations to a great extent. Concepts such as inflation, unemployment, and development of the gross domestic product are directly linked to the economic course of every country and any variation in these and the economic environment in general may create chain reactions in all areas hence affecting the Group/Company.

### 34. Operating lease arrangements

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

#### **The Group**

##### Non-cancellable operating lease arrangements

	2015		2014	
	Cars US\$	Offices and warehouses US\$	Cars US\$	Offices and warehouses US\$
Within 1 year	534,987	307,752	635,493	1,397,063
Between 2 to 5 years	695,099	633,921	453,209	478,105
More than 5 years	-	678,231	-	517,363
	<u>1,230,086</u>	<u>1,619,904</u>	<u>1,088,702</u>	<u>2,392,531</u>

The payment recognised as an expense during the year amounted to US\$ 2,148,666 (2014: US\$ 3,245,492).

#### **The Company**

During 2015 and 2014, the Company had no operating leases.