

**ANNUAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008**

Limassol, March 30th, 2009



John Hirst
Non Executive Chairman

Dear Shareholders,

2008 began very positively for Asbis despite growing turmoil in the financial markets and growth rates were very encouraging. As the year progressed, it became clear that many of the geographic markets we serve were experiencing major difficulties and that the company needed to respond. The management team took early and serious action to reduce costs and control working capital and although these steps were well advanced by the final quarter when the market suffered most, the full benefits of the action will be evident in the first quarter of 2009 and throughout that year.

The company results were also damaged by the sudden and worse than expected falls in some currencies - notably the rouble. Here, too measures were taken quickly to reduce exposure and to ensure where possible that sales were denominated in 'hard currency'.

Despite the market difficulties, the company has continued to make progress by building its supplier base, updating its product range and improving its infrastructure. Sales in many of our markets have continued to grow as a consequence and we are confident that our market position continues to strengthen.

We are confident that we have measures in place to ensure that we weather the current economic storms and that as conditions improve we will emerge stronger and able to take advantage of the long term underlying growth potential of the markets we serve.

John Hirst

Chairman

Dear Shareholders,

2008 was a difficult year for ASBIS, due to the world's financial crisis that affected the company's results in the second part of the year. Therefore the company was able to deliver only 7,0% of annual growth of sales, combined with about U.S. \$ 4,1 million of net profit.

After the first half of the year we were in a position to deliver best results in the Company history. However steep currencies volatility in the second part of the year, especially in the last three months, negatively affected our business, as we mainly buy in U.S. \$ and principally sell to a big extend in local currencies in Central Europe and Russia.

On the other hand, 2008 was the time, when we have significantly broadened our product portfolio, by signing a total number of 32 distribution agreements with existing and new suppliers.

We have also completed our geographical presence in Balkans and Baltics, started new operations in Italy, Kazakhstan and in the very promising market of Turkey, as well as completed a new warehouse in U.A.E. to support strong growth of our business in the Middle East region.

Despite the world's financial crisis we were able to deliver healthy 7,0% growth of sales, that included 120% growth of sales in laptops, 16,5% growth in software, and 51% growth in peripherals.

The world's financial crisis negatively affected the company's results and markets in 2008, therefore the company has undertaken necessary steps to safeguard from any further influence. This includes a cost saving program and actions taken to decrease its foreign exchange exposure.

Seeing results of the undertaken actions, I would like to ensure all shareholders that we strongly believe that with the current infrastructure, market position, operational abilities, continuous refining portfolio and sales channels we are in a position to regard the future with confidence and believe that the future of ASBIS group is bright. We will do our best to make 2009 a successful year!

Siarhei Kostevitch, CEO



Siarhei Kostevitch
CEO of ASBIS Group

Directors report on the Group operations
For the fiscal year ended 31 December 2008

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

The Group distributes servers, desktop PCs, laptops and networking to assemblers, system integrators and retailers. 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, Samsung, Microsoft, Toshiba, Dell and Hitachi. In addition, a significant part of our revenue is comprised of sales of IT products under our private labels, Prestigio and Canyon. In addition, we offer "white label" products, which are products that are distributed through the Group and branded with some of our largest customers' own brands.

ASBISc began business in 1992 in Belarus and in 1995 we incorporated our holding company in Cyprus and moved our headquarters to Limassol. Our Cypriot headquarters support, through three master distribution centres (located in the Czech Republic, Finland and the United Arab Emirates), our network of 33 warehouses located in 26 countries. This network supplies products to the Group's in-country operations and directly to its customers in approximately 75 countries.

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.

We disclose important risk factors that could cause our actual results to differ materially from our expectations under Item 1. "Key Information", Item 3. "Operating and Financial Review and Prospects" and elsewhere in this annual report. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf. When we indicate that an event, condition or circumstance could or would have an adverse effect on us, we mean to include effects upon our business, financial and other conditions and results of operations.

Industry and Market Data

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

- Gartner - a leading research company on IT, and
- IDC – a dedicated organization on publishing data for IT industry.

We believe that these industry publications, surveys and forecasts are reliable, but we have not independently verified them and cannot guarantee their accuracy or completeness. Some of this data we used were produced prior to the global economic crisis happened in the last three months of the year in discussion and therefore some of the data might have become inaccurate.

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

Financial and Operating Data

This annual report contains financial statements and financial information relating to the Group. In particular, this annual report contains our audited consolidated financial statements for the twelve months ended 31 December 2008. 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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Exchange rate at end of period.....	2.99	3.26	2.91	2.44	2.96
Average exchange rate during period ⁽¹⁾	3.64	3.25	3.10	2.77	2.41
Highest exchange rate during period.....	4.06	3.45	3.30	3.04	3.13
Lowest exchange rate during period	2.97	2.91	2.86	2.43	2.02

The average exchange rate as certified for customs purposes by NBP on the last business day of each month during the applicable period

Month (Polish Zloty to U.S. dollar)	Highest exchange rate during the month	Lowest exchange rate during the month
January 2008.....	2.53	2.41
February 2008	2.50	2.32
March 2008.....	2.33	2.23
April 2008	2.24	2.13
May 2008.....	2.23	2.15
June 2008.....	2.20	2.12
July 2008.....	2.13	2.02
August 2008.....	2.27	2.06
September 2008.....	2.45	2.25
October 2008.....	3.13	2.39
November 2008.....	3.08	2.73
December 2008.....	3.08	2.85
January 2009.....	3.46	2.88
February 2009.....	3.90	3.47

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

Year ended December 31 (Euro to U.S. dollar)	2004	2005	2006	2007	2008
Exchange rate at end of period.....	0.7331	0.8449	0.7597	0.6798	0.7099
Average exchange rate during period ⁽¹⁾	0.8048	0.8044	0.7970	0.7269	0.6809
Highest exchange rate during period.....	0.8476	0.8565	0.8442	0.7747	0.6259
Lowest exchange rate during period	0.7331	0.7387	0.7515	0.6727	0.8053

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

Month (Euro to U.S. dollar)	Highest exchange rate during the month	Lowest exchange rate during the month
January 2008.....	0.7123	0.6929
February 2008	0.6909	0.6727
March 2008.....	0.6967	0.6791
April 2008	0.6907	0.6715
May 2008.....	0.6901	0.6577
June 2008.....	0.6592	0.6326
July 2008.....	0.6406	0.6259
August 2008.....	0.6846	0.6417
September 2008.....	0.7185	0.6795
October 2008.....	0.8053	0.7075
November 2008.....	0.8011	0.7706
December 2008.....	0.7935	0.6819
January 2009.....	0.7821	0.7169
February 2009.....	0.7955	0.7716

Selected Financial Data

The following table set forth our selected historical financial data for the years ended December 31, 2008 and 2007 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 2008, 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 2008, that is: 1 US\$ = 2.9618 PLN and 1 EUR = 4.1724 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 2008, that is 1 US\$ = 2.4115 PLN and 1 EUR = 3.5463 PLN.

Period from 1 January to 31 December

	USD	2008 PLN	EUR	2007 USD
Revenue	1,495,324	3,605,974	1,016,827	1,397,349
Cost of sales	(1,418,115)	(3,410,785)	(964,325)	(1,329,409)
Gross profit	77,209	186,189	52,502	67,939
Selling expenses	(34,706)	(83,694)	(23,601)	(25,358)
Administrative expenses	(27,175)	(65,533)	(18,479)	(16,845)
Profit from operations	15,327	36,962	10,423	25,737
Financial expenses	(8,745)	(21,089)	(5,947)	(5,192)
Financial income	200	481	136	750
Other Income	346	833	235	337
Negative goodwill and goodwill written off	90	216	61	(223)
Impairment of investments	(90)	(217)	(61)	-
Profit before taxation	7,127	17,187	4,846	21,409
Taxation	(3,024)	(7,292)	(2,056)	(2,723)
Profit after taxation	4,103	9,895	2,790	18,686
Attributable to:				
Minority interest	83	199	56	-
Equity holders of the parent	4,021	9,696	2,734	18,686
	4,103	9,895	2,790	18,686

	USD (cents)	PLN (grosz)	EUR (cents)	USD (cents)
Earnings per share				
Weighted average basic and diluted earnings per share from continuing operations	7.24	17.46	4.92	37.94

	USD	PLN	EUR	USD
Net cash inflows/(outflows) from operating activities	(623)	(1,502)	(424)	1,075
Net cash inflows/(outflows) from investing activities	(13,654)	(32,927)	(9,285)	7,612
Net cash inflows/(outflows) from financing activities	(2,075)	(5,003)	(1,411)	22,572
Net increase/(decrease) in cash and cash equivalents	(16,352)	(39,432)	(11,119)	16,035
Cash at the beginning of the year	29,286	36,418	9,642	13,250
Cash at the end of the year	12,934	80,489	21,311	29,286

	As of 31 December 2008			As of 31 December 2007
	USD	PLN	EUR	USD
Current assets	336,117	995,513	238,595	348,601
Non-current assets	26,773	79,297	19,005	17,304
Total assets	362,891	1,074,810	257,600	365,906
Liabilities	267,878	793,400	190,154	270,205
Equity	95,013	281,410	67,446	95,701

Risk Factors

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

Risk factors relating to our business and industry

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

Our reporting currency is the U.S. dollar. Approximately 40% of our revenues are denominated in U.S. dollars, while the balance of our revenues is denominated in Euro and other currencies, certain of which are linked to the Euro. Our trade payable balances are principally denominated in U.S. dollars. In addition, approximately half of our operating expenses are denominated in U.S. dollars and the other half in Euro or other currencies, certain of which are linked to the Euro.

As a result, reported results are affected by movements in exchange rates, particularly in the exchange rate of the U.S. dollar against the Euro and other currencies of the countries in which we operate, including the Russian Rouble, the Czech Crown and the Polish Zloty. In particular, a strengthening of the U.S. dollar against the Euro and other currencies of the countries in which we operate may result in a decrease in our revenues, as reported in U.S. dollars, and foreign exchange loss relating to trade receivables and payables, which would have a negative impact on our operating and net profit despite a positive impact on our operating expenses. On the other hand, a devaluation of the U.S. dollar against the Euro and other currencies of the countries in which we operate may have a positive impact on our revenues, as reported in U.S. dollars, which would have a positive impact on operating and net profit despite a negative impact on our operating expenses.

In addition, foreign exchange fluctuation between the U.S. dollar and the Euro or other currencies of the countries in which we operate may result in translation gains or losses affecting foreign exchange reserve.

Furthermore, a major devaluation or depreciation of any such currencies may result in disruption in the international currency markets and may limit the ability to transfer or to convert such currencies into U.S. dollars and other currencies.

There can be no assurance that fluctuations in the exchange rates of the Euro and other currencies of the countries in which we operate against the U.S. dollar will not have a material adverse effect on our business, financial condition and results of operations.

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

We buy products from our suppliers on our own account and distribute them to our customers. We extend credit to some of our customers at terms ranging from 21 to 60 days or, in certain cases, up to 90 days. Our payment obligations towards our suppliers under such agreements are separate and distinct from our customers' obligations to pay for their purchases, except in limited cases in which our arrangements with our suppliers require us to resell to certain resellers or sub-distributors. Thus, we are liable to pay our suppliers regardless of whether our customers pay for their respective purchases. As our profit margin is relatively low compared to the total price of the products sold, in the event we are unable to recover payments from our customers, we are exposed to a financial liquidity risk. We have in place credit insurance which covers such an eventuality for approximately 55% of our revenue. Therefore, any doubtful debts provided for and bad debts written off due to our inability to collect could have a material adverse effect on our business, operating results and financial condition

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 in which we operate is a highly competitive market, particularly with regards to product selection, quality, inventory, price, customer service and credit availability and hence is open to margin pressure from competitors and new entrants. We compete at the international level with a wide variety of suppliers of varying sizes, covering different product categories and geographic markets. In particular, in each of the markets in which we operate we face competition from a number of either international distributors such as Avenet Inc., Tech Data Corp., Ingram Mirco Inc. and Arrow Electronics Inc., which are much larger than we, but do not always cover the same geographic regions with local presence as we do, as well as from regional or local distributors, such as Elko, mainly in the Baltic States, Russia, Ukraine and the Adriatic Region, Kvazar Micro and Millennium Distribution in the Former Soviet Union, AB, ABC Data and Action in Poland and ATC and 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 our sales prices. Such pressures may also lead to loss of market share, in certain of our markets. Price pressures can have a material adverse effect on our profit margins and our overall profitability, especially in view of the fact that our gross profit margins, like those of most of our competitors, are relatively low and sensitive to price fluctuations. Competitive pressures from existing competitors and new market entrants could have a material adverse effect on our business, operating results and financial condition.

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.

Our gross profit margins, like those of other distributors of IT products, are low and we expect them to continue to be low in the future. Increased competition arising from industry consolidation and low demand for certain IT products may hinder our ability to maintain or improve our gross margins. A portion of our 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, we may not be able to reduce our operating expenses as a percentage of revenue to mitigate any further reductions in gross margins in the future. Our inability to manage our costs could have a material adverse effect on our business, results of operations and financial condition.

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.

As a distributor, we are often required to buy components according to forecasted requirements, orders of our customers and in anticipation of market demand. The market for IT 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 components. As we increase the scope of our business, and inventory management for our customers become more significant, there is an increasing need for us to hold inventory to serve as a buffer in anticipation of the actual needs of our customers. This increases the risk of inventory becoming devalued or obsolete and could affect our profits either because prices for obsolete products tend to decline quickly, or as a result of the need to make provisions for write-offs. In an oversupply situation, other distributors may resort to price reductions to dispose of their existing inventories, forcing us to lower our prices to stay competitive. Our ability to manage our inventory and protect our business against price erosion is critical to our success.

We benefit from advantageous contract terms which protect us against declining prices or slow moving inventory with respect to certain types of products supplied by a number of our suppliers (see Item 2 "Information on the Company - Our Main Suppliers - Price Protection Policy and Stock Rotation Policy").

These policies, however, do not cover all products distributed by us, may not continue to be offered by all suppliers in the future and, in any case, do not protect sales of our own private labels, Canyon and Prestigio. As a result, inventory obsolescence and resulting price erosion could have a material adverse impact on our business, financial condition and results of operations.

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

Our business is dependent on the decisions and actions of a limited number of suppliers. In the year ended 31 December 2008, namely Intel, Advanced Micro Devices (AMD), Seagate and Microsoft. Contracts with these suppliers are typically on a non-exclusive basis, allow for termination with or without cause and are open-ended with respect to requirements and output rather than imposing any commitment to a specific volume of business or scope of work.

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

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

We have significant contracts with a limited number of customers and other business partners, some of which are oral agreements, the precise terms of which and the enforceability of which, remain uncertain, or are agreements that may be terminated without cause or by written notice at the expiry of their term.

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

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

We operate as a distributor, or a "middleman", between manufacturers and our customers. Manufacturers are sometimes able to outsource their sales and marketing functions by engaging the services of a distributor and concentrating on their core competencies. With the emergence, however, of new internet

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

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

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

ITEM 2. INFORMATION ON THE COMPANY

History and Development of Asbisc Enterprises Plc and Business Overview

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

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

The Group distributes servers, desktop PCs, laptops and networking to assemblers, system integrators and retailers. 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, Samsung, Microsoft, Toshiba, Dell and Hitachi. In addition, a significant part of our revenue is comprised of sales of IT products under our private labels, Prestigio and Canyon, which together accounted for about 5% of our total revenues in 2008. We also offer "white label" products, which are products that are distributed through the Group and branded with some of our largest customers' own brands.

ASBISc began business in 1992 in Belarus and in 1995 we incorporated our holding company in Cyprus and moved our headquarters to Limassol. Our Cypriot headquarters support, through three master distribution centres (located in the Czech Republic, Finland and the United Arab Emirates), our network of 33 warehouses located in 26 countries. This network supplies products to the Group's in-country operations and directly to its customers in approximately 75 countries.

In 2008, we sold, among other products, approximately 4.17 million central processing units ("CPUs"), 3.27 million hard disk drives ("HDDs") and 2.61 million memory modules (including both RAM and flash memory modules), either sourced from leading industry manufacturers or sold under our private brands. These compared to approximately 4.29 million CPUs, 3.98 million HDDs and 3.44 million memory modules in 2007.

Our revenues increased to U.S. \$ 1,495,324 in 2008, from U.S. \$ 1,397,349 in 2007, representing an increase of 7.0%. Over the same period, our profits after taxation decreased to U.S. \$ 4,103 in 2008, from U.S. \$ 18,686 in 2007 mainly due to the effects of the world's financial crisis, specifically foreign exchange losses.

Our headquarters are home to our centralized purchasing department and our global control function, which centrally monitors and controls our global activities, including purchasing, warehousing and transportation operations. In line with our strategy of focusing on automation and innovation in order to increase our cost-efficiency, in 2002, we began developing the IT4Profit platform, our online purchasing platform for electronic trading with our customers (B2B) and electronic data interchange for the Company and its subsidiaries. Within this platform, we have also implemented our end-to-end online supply chain management system, in order to effectively manage our multinational marketplace and to increase automation and reporting transparency both internally and vis-à-vis our suppliers. Dealings through the IT4Profit online platform have grown to represent approximately 55% of our revenues in 2008.

We combine the international experience of our central management team with the local expertise of our offices in each of the 26 countries in which we operate. With our broad local presence, we have developed in-depth knowledge and understanding of fast-growing IT markets in regions such as Central and Eastern Europe and our diverse cultural, linguistic and legal landscape, which may form significant barriers to entry for most of our international competitors. The Directors believe that this advantage has helped us to

quickly and cost-effectively penetrate emerging markets and strengthen our competitive position not only in Eastern Europe and Former Soviet Union, but also the Middle East and Africa ("EMEA").

History of the Group

We were established in Minsk, Belarus in 1992 by Mr. Siarhei Kostevitch and our main activity was the distribution of Seagate Technology products in the territory of the Former Soviet Union. Then, in 1995, we were incorporated in Cyprus and we moved our headquarters to Limassol. In 2002, in order to fund further growth, we privately placed U.S. \$ 6,000 worth of shares with MAIZURI Enterprises Ltd (formerly named Black Sea Fund Limited), and U.S. \$ 4,000 with Alpha Ventures SA. In 2006, we listed our common stock on Alternative Investment Market of London Stock Exchange, 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.

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

Strengths

The Directors consider that our key strengths are:

- Broad geographic coverage in Central and Eastern Europe and Former Soviet Union combined with local presence.

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

- Our experienced management team, combined with local expertise.

Our management team consists of experienced executives. Our Chief Executive Officer has been with the Company since inception in 1992, while a number of our key executives have served for longer than seven 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 reached revenues of U.S. \$ 1,495,324 in 2008 and with sales in approximately 75 countries and facilities in 26 countries, we believe that we have become a strong partner for, and has improved our position with, leading international suppliers of IT components, including Intel, AMD, Seagate, Samsung, Microsoft, Hitachi, Dell and Toshiba, in most of our regions of operation. Thanks to our size and the scope of our regional reach, we have achieved authorized distributor status with leading international suppliers, either on a pan-European, regional, or on a country-by-country basis, thus enjoying a number of beneficial commercial terms and achieving agreements with respect to the distribution of products offering higher profit margins.

- Price protection and stock rotation policy for inventory.

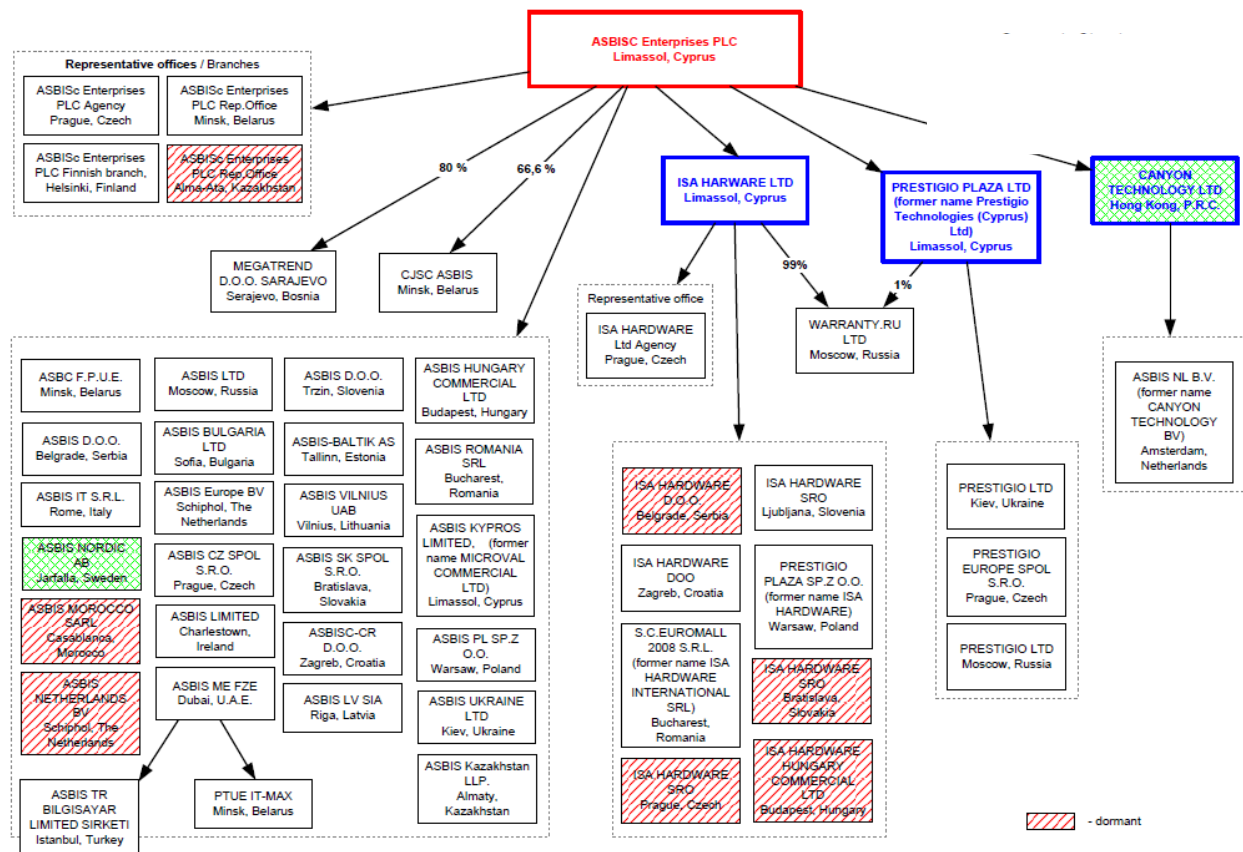
As an authorized distributor for a number of leading international suppliers of IT components, we are able to benefit from certain beneficial contract terms that provide protection from declining prices or slow moving inventory. In particular, such terms allow us to return part of the inventory to the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

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

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

Group Structure and Operations

The following chart presents our corporate structure as at 31 December 2008:



Company	Consolidation Method
ASBISC Enterprises PLC	Mother company
Asbis Ukraine Limited (Kiev, Ukraine)	Full (100% subsidiary)
ISA Hardware Limited (Kiev, Ukraine)	Full (100% subsidiary)
Asbis PL Sp.z.o.o (Warsaw, Poland)	Full (100% subsidiary)
AS Asbis Baltic (Tallinn, Estonia)	Full (100% subsidiary)
Asbis Romania S.R.L (Bucharest, Romania)	Full (100% subsidiary)
Asbis Cr d.o.o (Zagreb, Croatia)	Full (100% subsidiary)
Asbis d.o.o Beograd (Belgrade, Serbia)	Full (100% subsidiary)
Asbis Hungary Commercial Limited (Budapest, Hungary)	Full (100% subsidiary)
Asbis Bulgaria Limited (Sofia, Bulgaria)	Full (100% subsidiary)
Asbis CZ, spol.s.r.o (Prague, Czech Republic)	Full (100% subsidiary)
UAB Asbis Vilnius (Vilnius, Lithuania)	Full (100% subsidiary)
Asbis Slovenia d.o.o (Trzin, Slovenia)	Full (100% subsidiary)
Asbis Middle East FZE (Dubai, U.A.E)	Full (100% subsidiary)
Asbis SK sp.l sr.o (Bratislava, Slovakia)	Full (100% subsidiary)
Asbis Europe B.V (Schiphol, Netherlands)	Full (100% subsidiary)
Asbis Limited (Charlestown, Ireland)	Full (100% subsidiary)
FPUE Automatic Systems of Business Control (Minsk, Belarus)	Full (100% subsidiary)
ISA Hardware Limited–Group (Limassol, Cyprus)	Full (100% subsidiary)
ООО ‘ Asbis’-Moscow (Moscow, Russia)	Full (100% subsidiary)
Asbis Nordic AB (Jaelfaella, Sweden)	Full (100% subsidiary)
Asbis Morocco Limited (Casablanca, Morocco)	Full (100% subsidiary)
Warranty RU Limited (Moscow, Russia)	Full (100% subsidiary)
ISA Hardware s.r.o (Prague, Czech Republic)	Full (100% subsidiary)
ISA Hardware d.o.o (Zagreb, Croatia)	Full (100% subsidiary)
ISA Hardware Hungary Commercial Limited Liability Co (Budapest, Hungary)	Full (100% subsidiary)
Euro-Mall SRL(formerly ISA Hardware International S.R.L) (Bucharest, Romania)	Full (100% subsidiary)
ISA Hardware s.r.o Slovakia (Bratislava, Slovakia)	Full (100% subsidiary)
ISA Hardware d.o.o Beograd (Belgrade, Serbia)	Full (100% subsidiary)
ISA Hardware s.r.o Slovenia (Ljubljana, Slovenia)	Full (100% subsidiary)
Prestigio Plaza Sp. z o.o (Warsaw, Poland)	Full (100% subsidiary)
Prestigio Plaza Ltd (formerly Prestigio Technologies) (Limassol, Cyprus)	Full (100% subsidiary)
Prestigio Europe s.r.o (Prague, Czech Republic)	Full (100% subsidiary)
Prestigio Limited (Moscow, Russia)	Full (100% subsidiary)
Prestigio Ukraine Limited (Kiev, Ukraine)	Full (100% subsidiary)
Canyon Technology Ltd (Hong Kong, People’s Republic of China)	Full (100% subsidiary)
ASBIS NL.B.V. (Amsterdam, Netherlands)	Full (100% subsidiary)
Asbis Kypros Ltd (Limassol, Cyprus)	Full (100% subsidiary)
Asbis TR Bilgisayar Limited Sirketi (Istanbul, Turkey)	Full (100% subsidiary)
SIA “ASBIS LV” (Riga, Latvia)	Full (100% subsidiary)
Megatrend d.o.o. (Sarajevo, Bosnia Herzegovina)	80% ownership
PTUE IT-MAX (Minsk, Belarus)	Full (100% subsidiary)
ASBIS Close Joint-Stock Company (former CZA O ASBIS) (Minsk, Belarus)	66.6% ownership
ASBIS IT S.R.L.” (Rome, Italy)	Full (100% subsidiary)
ASBIS Kazakhstan LLP (Almaty, Kazakhstan)	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 ASBIS name are involved in distribution of IT components finished products and equipment, including distribution of products from worldwide leading manufacturers such as Intel, Seagate, Samsung, Microsoft, Hitachi Dell and Toshiba and many other well known international suppliers. Our subsidiaries operating under Prestigio and Canyon brands are primarily responsible for the procurement, quality control, marketing and wholesale distribution of our private label (Canyon and Prestigio) IT equipment. These products are also distributed by subsidiaries operating under the ASBIS and ISA business names.

Changes in the Group's structure

- a) New subsidiaries were acquired:
 - i. - Megatrend d.o.o. (Sarajevo, Bosnia Herzegovina – acquisition of 80% shares)
 - ii. - CZAO ASBIS (Minsk, Belarus – 66.6% ownership)
 - iii. - PTUE IT-MAX (Minsk, Belarus – 100% subsidiary)
- b) New subsidiaries have been incorporated:
 - i. ASBIS Kazakhstan LLP” (Almaty, Kazakhstan – as 100% subsidiary)
 - ii. SIA “ASBIS LV” Latvia (Riga, Latvia – 100% subsidiary)
 - iii. ASBIS IT S.R.L. (Rome Italy – 100% subsidiary)
 - iv. ASBIS TURKEY BILGISAYAR LTD STI (Istanbul, Turkey- 100% subsidiary)
- c) Three subsidiaries changed their names:
 - i. -ISA Hardware International S.R.L (Bucharest, Romania) changed name to Euro-Mall SRL
 - ii. Prestigio Technologies (Limassol, Cyprus) changed name to Prestigio Plaza Ltd
 - iii. CZAO ASBIS (Minsk, Belarus) changed name to ASBIS Close Joint-Stock Company
- d) Two subsidiaries were liquidated since they were dormant:
 - i. - Asbis Fin OY (Helsinki, Finland)
 - ii. - Comptizon Ltd (British Virgin Islands)

Regional operations

We operate as a one-stop-shop for the desktop PC, server, laptop and software segments. The management believes that the company is currently the only IT component and laptop distributor that covers substantially all of Eastern Europe, as part of a single supply chain with highly integrated sales and distribution systems. We also have operations in the Baltic States, the Balkans, the Former Soviet Union, the United Arab Emirates and other Middle East countries, Ireland and the Netherlands. In countries with a large geographic area and a less developed infrastructure, such as Russia, Ukraine, Belarus, Kazakhstan, Egypt, Morocco, Algeria and Tunisia, we have developed and manage sales through a network of local resellers. These resellers distribute products, supported by pre-sales and post-sales services provided by us. As the level of infrastructure development increases in these countries, the Directors intend to shift from an indirect to a direct sales model through establishing local operations. See "*Directions of Further Development*".

We also provide technical support for all new products that we stock through product line sales managers. Sales personnel receive internal training and focus groups are established that have in-depth knowledge of their respective product lines. Our sales staff are also trained by our suppliers, such as Intel, AMD, Seagate, Samsung, Microsoft, Hitachi and others, as a result of our status as an authorized distributor of their products. The Directors consider that this organisational process allows us to provide added value to our customers and differentiate us from our competitors.

We are represented in the following locations:



Key Markets

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

The following table presents the breakdown of our revenue by regions for the years ended 31 December 2008, 2007 and 2006:

	Year ended 31 December		
	2008	2007 %	2006
Former Soviet Union	43.4	48.8	48.7
Central and Eastern Europe	33.7	32.4	34.0
Western Europe	9.5	8.9	8.8
Middle East & Africa	11.3	8.0	6.8
Other	2.1	1.9	1.7
Total revenue	100	100	100

Products

We are engaged in sales and distribution of a variety of products including IT components, laptops, server and mobile building blocks and peripherals to third party distributors, OEMs, retailers and e-tailers and resellers. Our customers are located mainly in Central and Eastern Europe, the Former Soviet Union, North and South Africa and the Middle East. In 2008 we have signed a total number of 32 new distribution agreements.

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, Seagate and AMD,
- sales of a range of finished products from worldwide manufacturers (Dell, Toshiba, Lenovo, Acer) as well as software (mainly Microsoft),
- sales of a range of private label products (such as notebooks, LCD monitors, VGA cards, data storage devices and GPS Devices) with larger volumes and with profit potential selected by us and manufactured by ODM/OEM producers in the Far East under our own private label brands, Canyon and Prestigio.

The products that are purchased from suppliers and distributed by us are divided into various categories, which consist of (i) central processing units, (ii) hard disk drives, (iii) memory modules, which includes random access memory and flash memory modules, (iv) mainboards and VGA cards, (v) software, (vi) peripherals, which are external or internal devices attached to a computer for added functionality such as a scanner or a printer, (vii) PC-mobile, which are mainly laptops, (viii) display products such as LCD TVs and monitors, (ix) optical and floppy drives, which include DVD drives, (x) desktop computers, (xi) servers and server blocks, (xii) accessories and multimedia, (xiii) networking products, and (xiv) other products, which include cameras, special customer orders and products purchased by our subsidiaries to service their customers.

In 2008, we sold, among other products, approximately 4.17 million central processing units ("CPUs"), 3.27 million hard disk drives ("HDDs") and 2.61 million memory modules (including both RAM and flash memory modules), either sourced from leading industry manufacturers or sold under our private brands. These compared to approximately 4.29 million CPUs, 3.98 million HDDs and 3.44 million memory modules in 2007.

The following table presents revenues from each category of product in 2008, 2007 and 2006:

	Year ended 31 December		
	2008	2007	2006
	(U.S. \$)		
Central Processing Units (CPU)	396,972	402,843	336,945
Hard disk drives (HDD)	211,062	265,967	219,110
Software	183,305	157,381	45,053
PC mobile (laptops)	254,579	115,298	33,004
Mainboards & VGA cards	45,907	64,437	52,559
PC desktop	52,139	35,788	25,904
Peripherals	30,256	30,256	34,855
Display products	29,326	43,095	29,308

Memory modules (RAM)	31,972	63,523	65,112
Accessories & multimedia	25,546	22,098	16,190
Servers & server blocks	22,091	27,457	18,791
Optical & floppy drives	15,464	28,895	28,029
Flash memory	8,588	12,360	8,961
Networking products	6,835	7,666	9,129
Other	170,244	120,284	85,843
Total revenue	1,495,324	1,397,349	1,008,795

Private Labels: Prestigio and Canyon

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

Canyon. Canyon was launched in 2001 as a supplier of motherboards and video graphics adaptors (VGA) cards to Eastern European markets. The brand has evolved and currently primarily targets retail chains with IT and consumer electronic peripherals and accessories, supplying products such as RAM and flash memory modules, networking products, external HDD, MP3 players and speakers. Canyon is perceived to be a brand aimed at younger customers who want good quality products at affordable prices. Canyon uses attractive colors and packaging to promote this image.

Prestigio. Prestigio was launched at the end of 2002 with the aim of becoming a supplier of premium quality IT products and now supplies laptops, LCD TVs and monitors, digital media centers and data storage devices. Prestigio has been positioned to profit from the continued market increase of flat panel displays with LCD technologies as well as the good demand for GPS Devices. Prestigio's brand slogan "The Art of High Tech" reflects the positioning of these products in this premium, high-specification design segment.

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

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

Suppliers and Procurement

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

Our Main Suppliers

We believe that establishing strong supplier relationships is a critical success factor for our business and have devoted considerable resources over the years to establishing strong relationships based on mutual trust with our key suppliers. In that direction, we strive to provide full visibility to our suppliers by reporting to them crucial information on a daily/weekly basis, including stock levels, sales-out reports by country,

thus assisting them in monitoring customers' demand and allowing them time to comprehend and react to specific market peculiarities, trends and dynamics.

The following table presents the percentage of sales generated by products from our key suppliers for the years 2008 and 2007.

	Year ended 31 December	
	2008	2007
	(%)	(%)
Intel	19.0	21.3
Microsoft	12.3	11.1
AMD	10.1	11.6
Toshiba	9.9	4.3
Seagate	9.1	11.4
Dell	6.0	1.2
Prestigio ⁽¹⁾	3.7	5.1
Samsung	2.1	3.7
Hitachi	1.9	3.1
Canyon ⁽¹⁾	1.6	2.2

1. Prestigio and Canyon are our own private label products that we sell in the markets in which we operate.

In 2008, a significant proportion (approximately 72.0%) of our revenues were generated from our eight biggest suppliers however the management believes that we place no reliance on any of our suppliers since we carry for every category a wide portfolio of brands.

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

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

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

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

Procurement Policies

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

Sales and Marketing

We focus on developing efficient online sales infrastructure and a rewarding profit commission scheme, as well as on investing in training our 560 sales managers in order to instill a thorough understanding of our product offerings with the goal of enhancing customer satisfaction. We also have the possibility to use some of our main suppliers marketing funds, to increase our sales and our clients satisfaction.

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

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

Distribution

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

Distribution model. Our distribution model is based on a system of centralized purchasing operations at our headquarters in Cyprus, which is in direct contact with the suppliers. Suppliers replenish their product stocks with our warehouses weekly or even several times per week, after receiving our product orders, most of them by shipping their products directly to our four 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 four distribution centers. On the other hand, products such as memory modules 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, the Ukraine, Egypt, Kazakhstan and countries in North Africa, we operate through a system of authorized resellers (dealers). In these countries, sales and marketing efforts are carried out by our representative offices. We sell to resellers directly from our Cyprus headquarters, ship the products from our regional distribution centers, and provide different loyalty schemes designed on a country-specific basis.

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

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
Helsinki	274	1,316	1590	Outsourced
Dubai	550	6,475	7,025	Leased

Following the trend our growing operations in the Middle East region and the need for further support, we have decided to erect our own new distribution center and warehouse in Dubai, Jebel Ali Free Trade Zone. It is expected to be fully operational from second quarter of 2009.

Also, in 2008 we have decided to centralize our European logistics at our Prague distribution center, which is located much closer to our main European markets. Therefore our distribution center in Amsterdam has been shut down. This move enabled us to save on overheads and decrease of inventory days.

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

In-Country Operations. We operate through 33 local offices in 26 countries. Customer orders are mainly served through the supply of the local offices, and in the event that local inventory levels are insufficient, additional inventory is drawn from one of the three distribution centers. Each local office operates its own logistics function and is responsible for direct shipments to its customers. Our headquarters monitor and assess the performance of each local logistics center by using a number of key performance indicators, including transit time of incoming shipments, order fulfilment, (such as pick, pack and ship time and the percentage of orders shipped to commitment by date and time), on-time delivery, transport, cost per kilogram shipped and cycle count performance.

Transport Management System. Our transport management system aims at providing information concerning costs of delivery, delivery schedules, tracking and tracing as well as electronic invoicing, to our direct customers. Our successfully piloted Global Positioning System ("GPS") with a number of our transport service providers in Central and Eastern Europe, allows us to communicate with our customers on a real-time basis regarding expected delivery times.

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, which was internally developed, and which we are continuously in the process of improving. We use IT4Profit to effectively manage the flow of goods within our distribution network. This system collaborates and exchanges business data with our key suppliers, master distribution centers, subsidiaries and customers. Local subsidiaries place their orders online through our e-market place on www.IT4Profit.com and receive their goods directly from one of the

four 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.

On January 28th 2009, the Company has signed a purchase agreement with E-Vision Ltd and purchased full ownership, all rights, title and interest in and to certain computer programs known as IT4PROFIT platform.

IT4Profit provides the following functions:

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

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

Disaster Recovery

We have developed, and will continue to enhance, an enterprise-wide business plan, incorporating a disaster recovery plan, that will enable us to restore all major procedures from offices around the world. For our servers, we use Intel and IBM hardware. In case of a system failure, spare servers kept at a number of locations where we operate can be made available within 24 hours. In addition to the daily back-ups that we maintain in Cyprus, UUNET, an external company, is outsourced by us for storing daily back-ups at an external site in Amsterdam. In the event of a system failure, UUNET is responsible for restoring the applications and the recovery of the data. In such an instance, this will enable us to continue operating with electronic means and servicing our clients. All sites follow the same procedures for back-ups. Every week a full back-up of each site is taken and stored off-site. There are also daily differential back-ups, which can be easily restored.

Customers

We served over 30,000 customers in approximately 75 countries in the year ended 31 December 2008 in comparison to about 24,000 customers in the year ended 31 December 2007. . We have no reliance on any single customer, as our biggest customer is responsible only for about 3% of our total revenues. 55% of our total sales is on-line, based on our IT4Profit platform described above.

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

Industry Overview and competition

European market characteristics

The IT industry encompasses three areas of activity: hardware, software and IT services. Distribution plays a key role in the IT sector, especially with respect to hardware and software, by facilitating

producers' access to end-users, extending product market reach and offering value added services, where distributors offer their customers logistical support, order management and delivery services such as just-in-time ("JIT").

The IT hardware distribution landscape in Europe has changed significantly over the past decades as improved technology and competing business models have given IT vendors multiple options for distribution of their products. While one of the global leaders in IT hardware, Dell Inc., developed a highly successful direct sales franchise in the mature markets of the U.S and Western Europe, other sector players failed to successfully replicate this business model, especially in the regions where we operate. Having re-evaluated their distribution strategies, most hardware manufacturers reinforced their relationships with distributors.

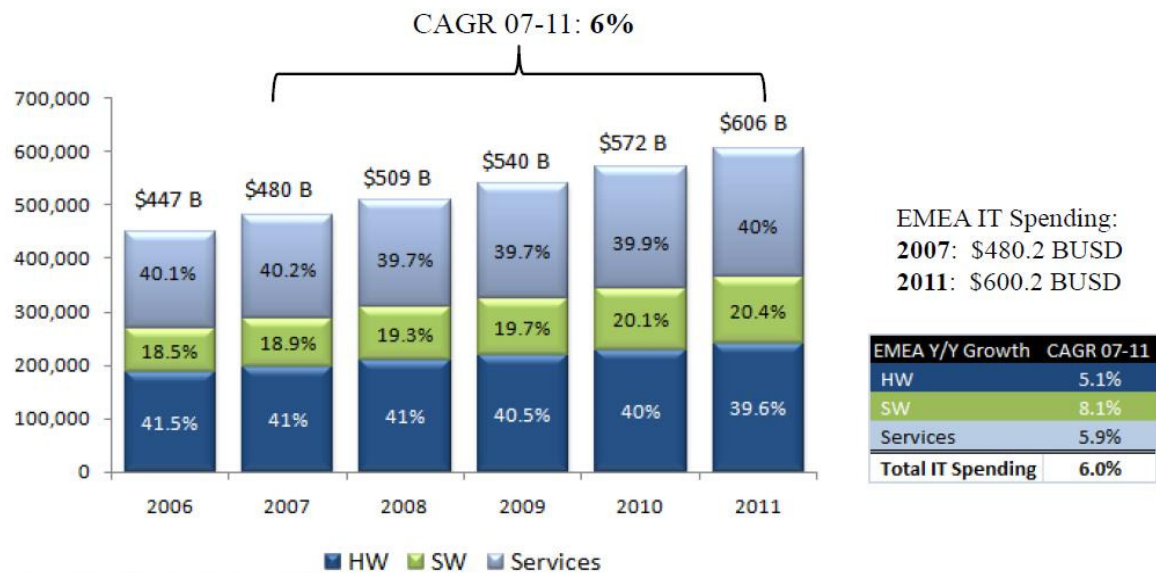
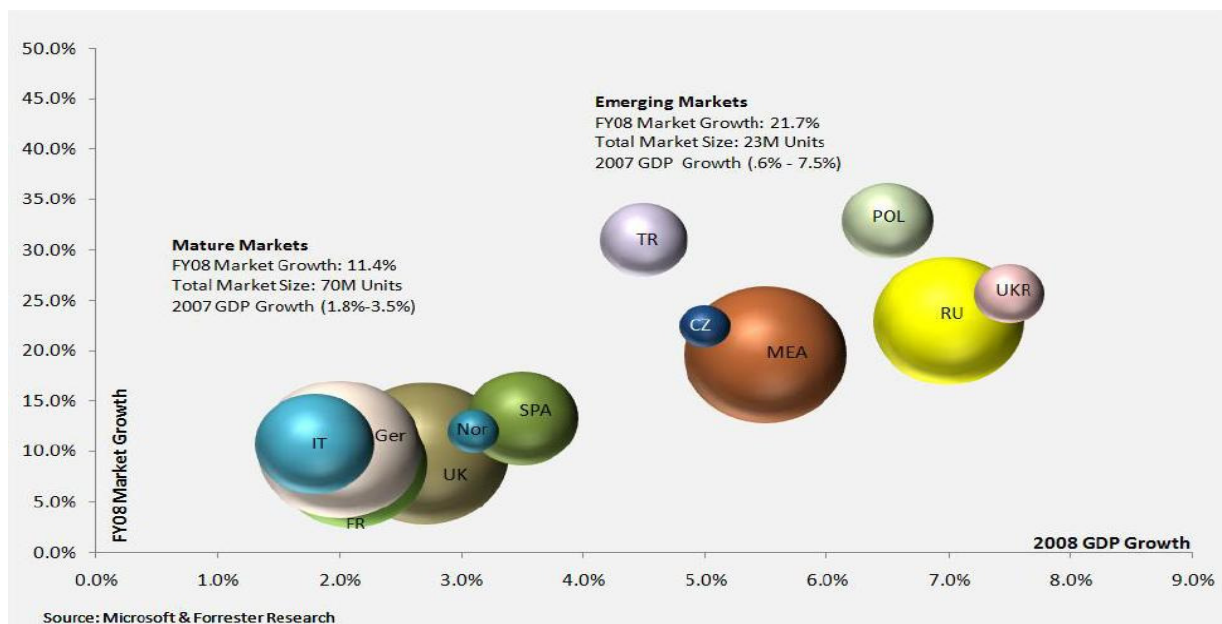
This is particularly true of the European market, where a diversity of national business practices, as well as cultural and language differences make it difficult to pursue efficient hardware distribution models without having strong local presence. In the Central and Eastern European and Former Soviet Union markets, different currencies, varying levels of economic development, import regulations and periodic episodes of political and economic instability create additional impediments to IT distribution not found in Western Europe. The European IT components distribution market is characterised by a three-tier structure: pan-European, regional and local distributors who buy directly from manufacturers and sell mainly to local Original Equipment Manufacturers ("OEMs"), value-added resellers ("VARs"), other resellers and local distributors, as well as to retailers and e-tailers that in turn resell to end users. Historically European OEMs have relied on distribution companies to serve the Small and Medium Business ("SMBs") segment of the IT clientele since the SMB sector has been too small for OEMs to dedicate their selling efforts on.

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

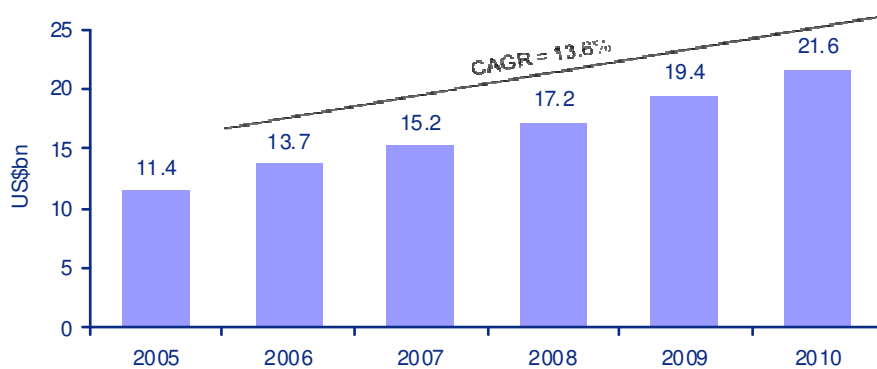
Market growth trends

The IT distribution sector growth prospects depend on the overall IT spending, which is highly correlated to GDP growth, and the level of saturation of a particular market, i.e. PC ownership and internet/broadband technology usage. New products, such as hand-held devices and GPS devices, and desktop-notebook substitution provide an additional boost to the sector's development.

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



The graph below indicates CEE growth market by value of PCs shipments (US\$bn).



Source: IDC 2008

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

Competitive Landscape

IT distribution in Central and Eastern Europe and the Former Soviet Union is fragmented. Major multinational players which dominate the market in the U.S. and Western Europe (such as Ingram Micro, Tech Data, Actebis or Bell Micro) are present in a few countries each. A large number of local distributors operate mostly in a single country with only a few operating in more than one country. Typically, these local players command the largest shares in each of the countries.

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

While some consolidation has taken place in the last few years, the biggest international competitors such as Ingram Micro Europe (with its dedicated components sales force), Tech Data and Actebis have not managed to establish themselves locally in Central and Eastern Europe and Former Soviet Union (with a notable exception of Actebis's ABC Data subsidiary in Poland which is amongst top 3 local players) and rely on trade-desk teams to sell into these countries. While these trade desk teams are strong competitors with respect to larger accounts in the region (such as regional operations of multinational OEMs), the Directors consider that they are not significantly impacting the lower distribution tiers due to their inability to support large numbers of geographically dispersed customers.

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

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

As some consolidation is seen on the market, and this trend may continue due to the world's financial crisis and limited abilities of the smaller distributors, ASBIS is ready to benefit from any opportunities that may arise. As the global financial crisis deepens more consolidation is expected to happen in the next couple of years. Many small competitors might be forced to seek alliances with bigger and more solid distributors in the market place. The directors believe that this might create opportunities for which ASBIS will be benefiting from.

Directions of further development

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

- a) decreasing the foreign exchange exposure and therefore improving the Company's profitability
 - b) continuing the cost cutting program introduced in November 2008
 - c) increasing sales and market share in Europe, Middle East and Africa ("EMEA") region;
 - d) developing our private label business;
 - e) continuing to focus on leveraging on our size and distribution capacity to achieve better commercial terms and optimize our product mix; and
 - f) enhancing operating efficiency and automated processes, including our online sales channels.
- Decreasing FX exposure and therefore mitigating influence of the world's financial crisis on the Company's profitability

The biggest negative impact on the Company revenues and profitability in 2008 was from currencies volatility. This has resulted in about U.S. \$ 10 million foreign exchange losses. Therefore limitation of the FX risk is one of the key points of strategy for 2009. Actions to mitigate its foreign exchange risk include:

- a) The Company has started to invoice some of its customers in countries with weakening currency in U.S. Dollar or U.S. Dollar equivalent
 - b) The Company hedges the balance sheets of its subsidiaries by converting their assets and liabilities in local currencies
 - c) The Company is covering some of its subsidiaries' un-hedged positions with forward contracts.
- Continuing the cost cutting program introduced in November 2008

Seeing limitations on some of the markets of the Company's operations in 2008, due to the world's financial crisis, the Company has decided to introduce cost cutting actions. These actions will be ongoing in 2009 and are expected to keep the company's cost structure at acceptable levels.

- Increasing sales and market share in the EMEA region.

As confirmed by independent market reports produced by Gartner, computer penetration in the markets in which we operate, is still significantly lower than in more developed Western European markets. As soon as the current environment gets better demand for computer products in these markets is expected to grow rapidly and to continue to grow at a high rate in the foreseeable future. We will continue to focus on increasing our revenue from and market share in these growing markets and believe that we are in an advantageous position to do so, due to our relationships with leading international suppliers, extended distribution network and strong local presence.

- Development of private label business.

Our private label (branded) product lines, Canyon and Prestigio, are manufactured by leading Original Equipment Manufacturers ("OEM") in the Far East (i.e., Korea, Taiwan, and China), often based on designs developed by us, selected on the basis of their quality and potential for achieving high profit margins in our markets. We market and sell these products under our own brands, successfully competing with products of comparable quality marketed under international brands. We believe that increasing sales of private label products as part of our total revenues will have a positive impact on our overall profitability, as these products return a higher profit margin, compared to international suppliers' products distributed by us. As a result, we aim to continue expanding the range of our private label products and strengthening their promotion in our markets.

- Continuing to focus on leveraging our size and distribution capacity to achieve better commercial terms and optimize our product mix.

Our local presence in a number of markets in which we operate and the size and breadth of our operations, combined with our centralized procurement system for negotiating with suppliers, help increase our purchasing power and strengthen our ability to negotiate and achieve more beneficial terms in our distribution agreements, including achieving agreements with respect to the distribution of products offering higher profit margins.

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

We continue to focus on improving operating efficiency and enhancing our automated processes, with a view to reducing operating expenses and increasing our profit margins, mainly through enhancing our own online, end-to-end supply chain management system, which operates over our IT4Profit platform. This automated system covers a wide range of our activities, from purchasing processes with key suppliers, to intercompany transactions, order processing and business data exchange with customers, as well as automated B2C (business-to-customer) connection with e-shops of resellers. More than 55% of our revenues were derived from online transactions with customers in 2008, and we aim to increase this percentage going forward.

Real property and other tangible assets

The table below presents our main real properties:

Name of Subsidiary	Country	Square meters			
		Plot	Office	Warehouse	Total
ASBISc Enterprises Plc	Cyprus	--	1,080	--	1,080
Asbis CZ, spol.s.r.o.	Czech Republic	5,000	232	1,300	1,532
Asbis Ukraine Limited	Ukraine	--	532	2368	2,990
ZAO Automatic Systems of Business Control-Minsk	Belarus	--	1,047	--	1,047
Asbis SK sp.l. sr.o.	Slovakia	9,128	1,206	2,875	4,081
Asbis Middle East FZE	United Arab Emirates	6,500	930	4,307	5,237
IT-MAX	Belarus	-	621	919	1,540

Our remaining premises are under lease.

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

Intellectual Property

We have registered the following trademarks:

- a) "ASBIS", in blue and white and color formats and also "ASBIS ISP";
- b) "CANYON"; and
- c) "PRESTIGIO".

These trademarks are registered and protected in the countries in which we operate, to the extent and other terms set forth in the provisions based on which they were registered. Generally, the trademarks have a 10-year protection period, which expires (depending on the trademark and the country to which the protection refers) from 2010 to 2014, it being understood that we can apply for extension of such protection periods upon expiry of the current registration. In addition, we have registered a number of domain names for ASBIS, ISA Hardware, Canyon and Prestigio.

Insurance

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

Products insurance. We have a products insurance policy with M.N. Leons B.V. We assume the risks of products we receive from our suppliers only upon transfer of legal title, which is when the goods reach us and thereafter. Under our product insurance policy, covering the twenty four months ending 31 December 2009 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; the Netherlands: U.S. \$ 40; Finland: U.S. \$ 140; and the Middle East: U.S. \$ 140.

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

- The Czech Republic: U.S. \$ 20,000.
- The Netherlands: U.S. \$ 2,000.
- Finland: U.S. \$ 5,000.
- The Middle East: U.S. \$ 15,000.

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

Credit Insurance: We have two major credit insurance policies in place with Atradius Credit Insurance N.V. and Euler Hermes Kreditversicherungs AG ("Euler Hermes") reducing our exposure in respect to possible non-recoverability of our receivables. Both insurers have agreed to indemnify us for losses due to bad debts in respect of goods delivered and services performed during the policy period, which covers a term of twelve months, subject to annual renewal. We insured more than 50% of our 2008 revenues.

The first major insurance policy is held with Atradius Credit Insurance N.V.; which was signed in April 2008 and covers Asbisc Enterprises PLC, the Company, Asbis Middle East FZE, Asbis Limited (Ireland), Asbis D.o.o. (Slovenia), Asbis NL B.V. (Netherlands), Asbis Europe B.V. (Netherlands), Asbis Turkey, Asbis IT Srl (Italy), Asbis CR d.o.o. (Croatia), Asbis Doo (Serbia) and Asbis OOO (Russian Federation). 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. \$ 85.

The second insurance policy is with Euler Hermes Kreditversicherungs AG ("Euler Hermes"), which commenced in May 2003, is considered by the management as a milestone in credit insurance for us. One of our core vendors in co-operation with Euler-Hermes offered us the Credit Insurance Program ("CIP"). At that time, we were the only Central and Eastern European distributor to participate in such a vendor-driven program. This flexible and tailor-made program has given us a competitive advantage over other distributors on insurance of small customers. This insurance policy is held by the Company and extends to cover ASBIS CZ, spol s.r.o., ASBIS CR d.o.o., ASBIS Hungary Limited, ASBIS Vilnius UAB, ASBIS PL Sp z.o.o., ASBIS SK spol s.r.o. (Slovakia); and ASBIS d.o.o. (Slovenia), ASBIS Bulgaria Limited, ASBIS Romania S.R.L., AS ASBIS Baltic, ASBIS LV SIA (Latvia), as well as to specific customers in Algeria, Tunisia and Morocco. Under this policy we have the flexibility of providing eligible customers a discretionary credit limit up to a maximum of U.S.\$ 75. This policy has been renewed till January 2010.

ITEM 3. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following Management's discussion and analysis of our financial condition and results of operations discusses our historical financial results as at, and for the years ended, 31 December 2008 and 2007. The reader shall read the following discussion in conjunction with our audited financial statements as at and for the years ended 31 December 2008 and 2007, including the accompanying notes thereto, which are included elsewhere in this Annual Report, and have been prepared in accordance with IFRS and audited by Deloitte & Touche Limited, our independent auditors and in conjunction with the information set forth under "*Risk Factors*" and "*Information on the Company*".

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

Summary

The principal events of 2008 were as follows:

- Revenues increased by 7.0% to U.S. \$ 1,495,324 from U.S.\$ 1,397,349 in 2007.
- Gross profit increased by 13.6% to U.S.\$ 77,209 from U.S.\$ 67,939 in 2007. Gross profit margin improved to 5.2%, compared to 4.9% in 2007.
- Our EBITDA decreased by 33.97% to U.S.\$ 18,249 in comparison to U.S.\$ 27,636 in 2007. Our EBITDA margin was 1.22% compared to 1.98% in 2007.
- Our net profit after taxation amounted to U.S.\$ 4,103 in comparison to net profit of U.S.\$ 18,686 in 2007.
- Our earnings per share amounted to U.S. \$ 0.0724 in comparison to U.S. \$ 0.3794 in 2007.

Principal Factors Affecting Financial Condition and Results of Operations

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

World's Financial Crisis

The world's financial crisis that has led the global economy into a dramatic slowdown has affected the Company's results starting from Q3 2008. This has happened after a very promising first half of the year, when the Company reached results much better than in the corresponding periods of the preceding years. Unfortunately, seeing the current situation, it is expected that this impact of the world's financial crisis will continue to adversely affect the Company's results of operations going forward until the crisis lasts. This financial crisis has negatively impacted both the Company's revenues and profitability in Q3 and Q4 2008, and therefore results of the whole year.

Traditionally IT distributors generate 40-50% of annual profitability in the last quarter of the calendar year (Q4). The crisis led to several adverse effects, including lower demand in some countries of the Company's operations, due to decreased access on credit facilities by customers and decreased purchasing power of consumers. Although the Company was able to partially offset this negative impact due to its broad geographical presence, it was not possible to achieve the desired revenues.

On top of this, the Company was negatively affected by the sharp depreciation of local currencies and volatility against the US Dollar, the Group's reporting currency.

The Company has taken appropriate actions to minimize the impact of the global financial crisis and currency volatility on its financial results; It :

- a) Has undertaken significant cost-cutting actions in November 2008 (including savings on overheads, mostly in Russia and the Netherlands) and continues same in 2009, the results of which will be visible from Q1 of 2009 (it is expected that the saving from those actions will be around U.S.\$ 1.4 million in Q1 and U.S.\$ 1.6 million per quarter beginning from Q2)
- b) Has increased its U.S. Dollar denominated sales, to decrease its foreign exchange exposure (as it mainly purchases goods in U.S. Dollars and principally sells in local currencies)
- c) Improved both short term and long term hedging strategies by increasing loans, factoring and using other hedging tools in local subsidiaries
- d) Improved credit risk management

Currency fluctuations

As mentioned above, the Company's reporting currency is the U.S. dollar. Approximately 40% of the Company's revenues are denominated in U.S. dollars, while the balance is denominated in Euro and other currencies, certain of which are linked to the Euro. Since most of the Company's trade payable balances are denominated in U.S. dollars (about 80%), the Company was exposed to foreign exchange risk as the majority of its receivables are denominated in local currencies. In addition, a large amount of the Company's operating expenses are denominated in U.S. dollars and this has also affected the Group's results.

This foreign exchange risk grew dramatically in Q3 and Q4 2008 due to the world's financial crisis. Therefore the biggest impact of the foreign exchange losses that the Group suffered during the three months ended 31 December 2008, was created by the steep depreciation of the local currencies (i.e., the Russian Ruble, the Hungarian Forint, the Czech Koruna. the Polish Zloty etc) against the US Dollar

This steep and constant depreciation of the aforementioned currencies had multiple negative effects on the Group's results such as lower revenues, lower profitability, instability in prices and translation losses.

It is hard to eliminate the foreign exchange risk in such a dynamically changing environment, however the Group is taking appropriate measures possible to mitigate such risk:

- d) The Company has started to invoice some of its customers in countries with weakening currency in U.S. Dollar or U.S. Dollar equivalent
- e) The Company hedges the balance sheets of its subsidiaries by converting their assets and liabilities in local currencies
- f) The Company is covering some of its subsidiaries' un-hedged positions with forward contracts.

Interest rate fluctuations

As at 31 December 2008, the Company's total borrowings (excluding amounts due to factoring creditors) amounted to U.S.\$ 58,832 (excluding finance leases) and for the twelve months ended 31 December 2008 its interest expense was U.S.\$ 4,366 on those borrowings. Most of the Company's borrowings bear interest at a floating rate, i.e. either U.S. LIBOR, EURIBOR or local interbank rates, plus a certain spread. During this crisis - and especially in the fourth quarter of 2008 - these local interbank rates decreased, the cost of financing increased.

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 and the Adriatic Region, Kvazar Micro, and Merlion in the Former Soviet Union, AB, ABC Data and Action in Poland and ATC and ED System in the Czech Republic and Slovakia.

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

Low gross profit margins

The Company's gross profit margins, like those of other distributors of IT products, are low and the Company expects them to remain low in the 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 2008 the Company's gross profit margin has increased to 5.2% compared to 4.9% in 2007. It would have grown more, if not for the huge forex losses (especially in Q4 2008, when the Company's gross profit margin decreased to 4.1% compared to 5.5% in the corresponding period of 2007).

Inventory obsolescence and price erosion

The Company is often required to buy components according to forecasted requirements and orders of its customers and in anticipation of market demand. The market for IT 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 components. As the Company increases the scope of its business and, in particular, of inventory management for its customers, there is an increasing need to hold inventory to serve as a buffer in anticipation of the actual needs of the Company's customers. This increases the risk of inventory becoming devalued or obsolete and could affect the Company's profits either because prices for obsolete products tend to decline quickly, or as a result of the need to make provisions for write-offs. In an oversupply situation, other distributors may resort to price reductions to dispose of their existing inventories, forcing the Company to lower its prices to stay competitive. The Company's ability to manage its inventory and protect its business against price erosion is critical to its success.

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

Credit risk

The Company buys components and finished products from its suppliers on its own account and resells them to its customers. The Company extends credit to some of its customers at terms ranging from 21 to 60 days or, in certain cases, to 90 days. The Company's payment obligations towards its suppliers under

such agreements are separate and distinct from its customers' obligations to pay for their purchases, except in limited cases in which the Company's arrangements with its suppliers require the Company to resell to certain resellers or distributors. Thus, the Company is liable to pay its suppliers regardless of whether its customers pay for their respective purchases. As the Company's profit margin is relatively low compared to the total price of the products sold, in the event the Company is unable to recover payments from its customers, it is exposed to a financial liquidity risk. The Company has in place credit insurance which covers such an eventuality for approximately 50 percent of its revenue.

Growth markets

Information technology penetration in the markets in which the Company operates, is still significantly lower than in more mature Western European markets.

Very positive results of the first half of 2008 were partially offset by the world's financial crisis, that has affected the Company's operations and financial results in the second half of the year. Due to this crisis, many markets the Group operates in have shrunk.

Large markets like Russia and Ukraine, were affected more by the crisis, and the demand there was lower than expected and this will continue in the near future. However seeing the potential of those markets in the preceding years and in the first half of 2008, the Company believes that in the mid term and long term these markets will show good growth.

In the same time, the Company still enjoyed good growth in some of the markets where it operates. Especially, Middle East and African countries seemed to be less affected by the recent world's financial crisis and demand on those markets remained satisfactory.

Seasonality

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, for distributors of IT components demand tends to increase in the period starting from September to the end of the year.

Due to the world's financial crisis and its consequences on the international markets, 2008 trend was different. Demand observed during the three months ended 31 December 2008 in some countries of the Company's operations was significantly lower than expected. Therefore, given this financial crisis, seasonality trends changed. It is expected that this seasonality effect might revert to a certain extent toward the end of 2009.

Financial condition and results of operations

We did not publish any financial forecast for the year ended 31 December 2008.

Year ended December 31, 2008 compared to year ended December 31, 2007

Revenues: The Company's revenues increased by 7.0% to U.S. \$ 1,495,324 from U.S.\$ 1,397,349 in 2007. This increase reflected an increase in units sold and larger coverage of the EMEA region. The better coverage of the region was not enough to offset lower demand deriving from the world financial crisis that impacted all markets the Group operates in, especially FSU countries (Russia, Ukraine).

The table below sets forth a breakdown of our revenues, by product, for the years ended 31 December 2008 and 2007:

	For the years ended 31 December			
	2008		2007	
	U.S. \$	per cent. of total revenues	U.S. \$	per cent. of total revenues
Central processing units (CPUs)	396,972	26.53%	402,843	28.8%
Hard disk drives (HDDs)	211,062	14.10%	265,967	19.0%
Software	183,305	12.25%	157,381	11.3%
PC-mobile (laptops)	254,579	17.02%	115,298	8.3%
Other	449,406	30.09%	455,860	32.6%
Total revenue	1,495,324	100.0%	1,397,349	100.0%

Revenues from central processing units ("CPUs") decreased by 1.5% to U.S. \$ 396,972 (26.5% of our revenues) for the year 2008, from U.S. \$ 402,843 (28.8% of our revenues) for 2007, mainly due to decrease of unit sales in Q4 2008 and decrease of the average selling price (ASP).

Revenues from the sale of hard disk drives ("HDDs") decreased by 20.6% to U.S. \$ 211,062 (14.1% of our revenues) for the year 2008, from U.S. \$ 265,967 (19.0% of our revenues) for 2007 mainly due to lower unit sales in Q4 2008 and lower average sales price ("ASP").

Revenues from the sale of software increased by 16.5% to U.S. \$ 183,305 (12.3% of our revenues) for the year 2008 from U.S. \$ 157,381 (11.3% of our revenues) in 2007, mainly due to high demand for Microsoft software and open licences.

Revenues from the sale of PC-mobile (laptops) increased by 120.8% to U.S. \$ 254,579 (17% of our revenues) for the year 2008 from U.S. \$ 115,298 (8.3% of our revenues) in 2007, mainly due to high demand and sales of Toshiba, Dell, Lenovo and other laptops, The Company is also developing its own brands, Canyon and Prestigio, as it allows the Company to reach , double digit gross margins. In 2008 own brands contribution in total sales revenue was more than 5%. It is the Company's intention to further develop own brands sales so that in the medium term their contribution in total sales revenue will reach 10-12%.

The table below presents a geographical breakdown of sales for the years ended 31 December 2008 and 2007:

	For the years ended 31 December			
	2008		2007	
	U.S. \$	per cent. of total revenues	U.S. \$	per cent. of total revenues
Former Soviet Union	649,444	43.4%	681,730	48.8%
Eastern Europe	503,809	33.7%	452,914	32.4%
Western Europe	142,057	9.5%	124,739	8.9%
Middle East & Africa	169,465	11.3%	111,643	8.0%
Other	30,550	2.0%	26,323	1.9%
Total revenues	1,495,324	100.0%	1,397,349	100.0%

The table below presents a country-by-country breakdown of sales for our most important markets for the years ended 31 December 2008 and 2007:

	For the years ended 31 December			
	2008		2007	
	U.S.\$	per cent. of total revenues	U.S.\$	per cent. of total revenues
Russia	429,895	28.73%	397,741	28.5%
Slovakia	163,609	10.99%	132,505	9.5%
Ukraine	149,604	9.99%	222,008	15.9%
United Arab Emirates	79,874	5.34%	55,122	3.9%
Poland	68,041	4.55%	66,847	4.8%
Czech Republic	66,816	4.47%	56,476	4.0%
Belarus	47,874	3.20%	25,244	1.8%
Romania	47,745	3.20%	60,064	4.3%
Other	441,866	29.5%	381,342	27.3%
Total revenues:	1,495,324	100.0%	1,397,349	100.0%

Gross Profit: Gross profit for the year ended 31 December 2008 increased by 13.6% to U.S. \$ 77,209 from U.S. \$ 67,939 in 2007.

Gross profit margin (gross profit as a percentage of revenues) improved to 5.2% for the year ended 31 December 2008, compared to 4.9% in 2007. This increase in gross profit margin was mainly a result of improved product mix achieved by the Group throughout the year.

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

Selling expenses increased by 36.9% to U.S. \$ 34,706 for the year ended 31 December 2008 from U.S. \$ 25,358 in 2007. This increase was driven primarily by increased investment in marketing and advertising of our newly introduced product lines (DELL, Lenovo, Toshiba) and own private label brands, Canyon and Prestigio, and other products and an increase in salaries and benefits paid to sales employees (mainly in the first half of 2008).

Selling expenses represented 2.3% and 1.8% of our revenues for the years ended 31 December 2008 and 2007, respectively.

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

Administrative expenses increased by 61.3% to U.S. \$ 27,175 for the year ended 31 December 2008 from U.S. \$ 16,845 in 2007. In each year, administrative expenses were comprised largely of salaries and wages paid to administrative employees and rent payable.

Administrative expenses represented 1.8% and 1.2% of our revenues for each of the years 2008 and 2007, respectively.

Operating Profit: Operating profit for the year ended 31 December 2008 decreased by 40.5% to U.S. \$ 15,327, from U.S. \$ 25,737 in 2007.

Operating margin (operating profit as a percentage of revenues) decreased to 1.0% for the year 2008 from 1.8% for 2007, mainly due to an increase in our selling and administrative expenses.

Profit Before Taxation: Profit before taxation decreased by 66.7% to U.S. \$ 7,127 for the year ended 31 December 2008 from U.S. \$ 21,409 for 2007.

Profit After Taxation: Profit after taxation for the year ended 31 December 2008 decreased by 78.0% to U.S. \$ 4,103 from U.S. \$ 18,686 for 2007.

Profit attributable to members: Profit attributable to members decreased by 75.9% to U.S. \$ 4,021 for the year 2008 from U.S. \$ 18,686 for 2007.

Earnings per share: Earnings per share decreased by 80.9% to U.S. \$ 0.0724 for the year ended 31 December 2008 compared to U.S. \$ 0.38 for 2007.

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. The Company expects to fund its liquidity requirements, for the most part, through operating cash flows and debt financing.

The following table presents a summary of cash flows for the years 2008 and 2007:

	Year ended 31 December	
	2008	2007
	(U.S. \$)	
Net cash inflows/(outflows) from operating activities	(623)	1,075
Net cash inflows/(outflows) from investing activities	(13,654)	(7,612)
Net cash inflows/(outflows) from financing activities	(2,075)	22,572
Net increase/(decrease) in cash and cash equivalents	(16,352)	16,035

Net cash inflows/(outflows) from operations

Cash outflows from operations were U.S. \$ 623 for the year 2008, compared to cash inflows of U.S. \$ 1,075 for 2007. The decrease was primarily due to decreased profitability and increased working capital need.

Net cash inflows/(outflows) from investing activities

Net cash used in investing activities was U.S. \$ 13,654 in the year 2008, compared to U.S. \$ 7,612 in 2007. This increase is mainly due to investments made to acquire and erect offices and warehouse in UAE, Slovakia and Belarus..

Net cash inflows/(outflows) from financing activities

Net cash outflows from financing activities was U.S. \$ 2,075 for the year ended 31 December 2008, compared to inflows of U.S. \$ 22,572 for 2007.

Capital Resources

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

As at 31 December 2008, we had total short-term and long-term debt (excluding amounts due to factoring creditors) of U.S. \$ 58,832, including U.S. \$ 54,165 of current maturities (due within one year), compared to U.S. \$ 43,028, including U.S. \$ 40,837 of current maturities, as at 31 December 2007.

The table below presents our principal outstanding debt facilities as at 31 December 2008:

ENTITY	Financial institution	Type of facilities	Credit limit	Currency	Valid from	Valid till
Asbisc Enterprises Plc	BNP Paribas Cyprus	Overdraft-Multicurrency	10,000,000	Usd	5/Sep/08	5/Sep/09
Asbisc Enterprises Plc	Cyprus Development Bank	Overdraft	2,185,067	Euro	30/Nov/07	30/Nov/08
Asbisc Enterprises Plc	Cyprus Development Bank	Short Term Loan	2,150,538	Euro		
Asbisc Enterprises Plc	Bank of Cyprus	Overdraft-Multicurrency	10,000,000	Usd	15/Apr/08	15/Apr/09
Asbis CZ, spol s.r.o	Csob Bank	Overdraft	20,000,000	Koruna	12/Jul/06	non term
Asbis CZ, spol s.r.o	Csob Bank	Revolving	90,000,000	Koruna	12/Jul/06	non term
Asbis CZ, spol s.r.o	Csob Bank	Loan	8,225,600	Koruna	1/Nov/02	1/Nov/10
Asbis PL, SP z.o.o	Bre Bank S.A.	Overdraft	7,800,000	Polish Zloty	14/Mar/08	31/Jul/09
Asbis Romania SRL	Alpha Bank	Overdraft	8,502,600	Ron	17-Feb-08	17-Feb-09
Asbis Romania SRL	Alpha Bank	Overdraft	2,267,360	Ron	20-Mar-08	20-Mar-09
Asbis SK spol s.r.o	Tatrabanka a.s.	Overdraft	237,000,000	Skk	1/Nov/08	31/Oct/09
Asbis SK spol s.r.o	Tatrabanka a.s.	Overdraft	123,000,000	Skk	1/Nov/08	31/Oct/09
Asbis SK spol s.r.o	Tatrabanka a.s.	Loan	110,000,000	Skk	22/Nov/07	30/Jun/17
ASBIS Cr d.o.o	Erste&Steiermarkische bank d.d.	bank loan	20,000,000	Hrk	21-Jan-08	23-Jan-09
Asbis D.o.o Beograd	Societe Generale	Short Term Loan	45,100,000	Csd	15-Dec-08	15-Dec-09
Asbis D.o.o Beograd	Societe Generale	Overdraft	80,400,000	Csd	15-Dec-08	15-Dec-09
Asbis Hungary Ltd	Raiffeisen Hungary	Short-term loan	80,000,000	Forint	9-Mar-08	9-Mar-09
Asbis Hungary Ltd	Raiffeisen Hungary	Short-term loan	220,000,000	Forint	9-Mar-08	9-Mar-09
Asbis Bulgaria Ltd	Bulbank AD	Revolving loan	3,000,000	Bng	27/Oct/08	10/Oct/09
Asbis Middle East FZE	National Bank of Fujairah	Loan	8,000,000	Dirham	From the date of completion of the security documentation (26/12/06)	TILL DATE
Asbis Middle East FZE	HSBC Bank Middle East Limited	Loan	5,000,000	Dirham	1-Jul-08	30-Apr-09
UAB Asbis Vilnius	Vilnius Banka	Short Term Loan	1,500,000	Litas	23/Sep/08	23/Sep/09
Asbis Ltd	Ulster Bank	Overdraft	9,500	Euro		
OOO Asbis-Moscow	RosEvroBank	Short Term Loan	50,000,000	Rur	25/Dec/08	25/Jun/09
IT Max	Bank Moskva-Minsk	Long Term Loan	1,804,650	Euro	1/Jan/08	31/Dec/13
ZAO Asbis	Bank Moscow-Minsk	Short Term Loan	2,100,000,000	BLR	21/Nov/08	31/Jan/09

Capital Expenditure

Our total capital expenditure for fixed and intangible assets increased to U.S. \$ 14,037 for the year ended 31 December 2008 from U.S. \$ 8,117 for the year ended 31 December 2007. This increase was largely due to higher expenditure on property, plant and equipment mainly in Slovakia, Belarus and the United Arab Emirates.

Commitments and Contingencies

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

Critical Accounting Policies

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

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

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

ITEM 4. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Board of Directors

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

The following table sets out our current Directors:

Name	Year of Birth	Position	Appointed to the Board	Expiry of term	Nationality
John Hirst	1952	Non Executive Chairman	4 September 2006	4 September 2009	British
Siarhei Kostevitch	1965	Chief Executive Officer	30 August 1999	31 December 2010	Belarussian
Marios Christou	1968	Chief Financial Officer	28 December 2001	31 December 2009	Cypriot
Constantinos Tziamalis	1975	Director of Credit & Investor Relations	23 April 2007	31 December 2009	Cypriot
Laurent Journoud	1970	Director, Executive Vice-President Sales and Marketing	26 June 2003	31 December 2009	French
Paul Swigart	1969	Non Executive Director	4 September 2006	30 April 2009	American
Henri Richard	1958	Non Executive Director	31 January 2008	31 January 2009	French

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

John Hirst, born in 1952, holds a B.A. in Economics from Leeds University. He is also a Companion of the Chartered Management Institute, Associate in Corporate Treasury Management and a Fellow of the Institute of Chartered Accountants in England & Wales. Between 1979 and 1998, John served in various roles at Imperial Chemicals Industries plc, including that of CEO for ICI Performance Chemical, and from 1988 until 2005, he was the CEO of Premier Farnell plc, the UK listed global electronics distribution company. Since 2005, John has been a non-executive director of Hammerson Plc. He is currently Chief Executive Officer of the UK Met Office.

Siarhei Kostevitch, born in 1965, holds a Masters degree in radio engineering design from the Radio Engineering University of Minsk (1987). Between 1987 and 1992, Siarhei worked as a member of the Research Center at the Radio Engineering University in Minsk, where he published a series of articles on microelectronics design in local and world-wide specialist magazines. In 1990, Siarhei established a design and manufacturing business in Minsk, Belarus, and within 15 years built it into the leading computer component distributor in Eastern Europe and the Former Soviet Union. Siarhei is the CEO of the Group. Mr. Siarhei Kostevitch is married to Mrs. Elena Ulasovich Kostevitch who is Mr. Yuri Ulasovich's sister. Mr. Yuri Ulasovich is the Vice President of Product Marketing of the Group.

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

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

Laurent Journoud, born in 1970, holds an M.I.T. (Management – International Trade) and M.M.E. (Master's in European Management) from ICL Lyon, France (1993 and 1994 respectively). For more than 10 years, Laurent held senior international product management positions in the EMEA distribution industry with major multinationals, including Ingram Micro, Karma International and Actebis. Laurent joined the Company in January 2002 as Director of Product Lines. He is responsible for the Group's product portfolio and market development for each of the Group's technology offerings. Laurent is a Director and Executive Vice-President, responsible for Sales and Marketing.

Paul Swigart, born in 1969, holds a BA in History Magna Cum Laude with a certificate in Russia Studies from Princeton University (1991). Mr Swigart is currently the managing partner of Steep Rock Capital, an investment management company specializing in late stage private equity investments in Russian companies. Prior to founding Steep Rock, Mr. Swigart was a Senior Partner and the Head of International Equity Sales at United Financial Group, a leading Russian investment bank. From 1997 to 2000, Mr. Swigart worked in investment management at Omega Advisors and Scudder Kemper Investments focusing on Eastern European and Latin American markets. From 1993 to 1995, Mr Swigart worked in Latin American corporate finance for Credit Suisse First Boston in both New York and Mexico City. In addition to his role at ASBISc, Mr. Swigart serves as an independent director on the Board of EOS AB (First North, Sweden).

Henri Richard, born in 1958, holds a Bachelor degree (BMc) in Sciences and Physics at the University Paris Jussieu. He is currently a Senior Vice President, Chief Sales & Marketing Officer for Freescale Semiconductor, a world leader in the embedded semi-conductor industry. During the past two decades, Mr. Richard has held various senior management positions in Europe with leading companies in the IT industry, including Vice President-EMEA Strategic Accounts with Seagate Technology, and Vice President and Managing Director-Europe, Middle East and Africa for Conner Peripherals. Previously, he was Vice President of Marketing with Metrologie International (France), and Chief Executive Officer with Informatique Haute Performance (France), a company he founded. Since his move to the United States in the late nineties, Mr. Richard was Vice President Sales & Support WW Distribution & E-Business, IBM Technology Group, and was a member of IBM's top 300 executives group. He also was Executive Vice President, WW Field Operations for WebGain, a privately held software company delivering Enterprise development tools. Later he joined Advanced Micro Devices where he became Executive Vice President, Chief Sales & Marketing Officer. Henri is a Non-Executive Director.

Directors' remuneration

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

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

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

Executive Directors are also entitled to receive a bonus every quarter depending upon our quarterly results. The bonus consists of a certain amount or percentage which is agreed and described in each

Director's service agreements or contracts, as applicable, however, Directors only receive such a bonus to the extent that our profit meets certain pre-set budgetary figures. All such bonus amounts are included in the remuneration tables set forth below.

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

The following table presents the remuneration (including bonuses) of Directors for the years ended 31 December 2008 and 2007, respectively (U.S.\$):

Name	2008			2007		
	Salary	Other benefits	Total	Salary	Other benefits	Total
Siarhei Kostevitch	262	9	271	131	231	362
Marios Christou	98	34	132	91	57	148
Constantinos Tziamalis	75	14	89	75		75
Laurent Journoud	165	47	213	77	165	241
Paul Swigart	43	-	43	34	-	34
John Hirst	66	-	66	51	-	51
Richard Henri	43	-	43	-	-	-

Share ownership

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

Name	Number of Shares	% of the share capital
Siarhei Kostevitch	25,676,361	46.26%
John Hirst	84,631	0.15%
Marios Christou	400,000	0.72%
Laurent Journoud	400,000	0.72%
Constantinos Tziamalis	35,000	0.06%
Paul Swigart	15,171	0.03%

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

During 2008 two of the Directors have bought Company shares.

Non-executive Director Paul Swigart bought on August 28th 2008: 15 171 (fifteen thousand one hundred seventy one) shares at the price of PLN 7.00 per share (the total price for all the acquired shares was PLN

106197). The shares mentioned in the preceding sentence were acquired outside of the regulated market and are not listed at the Warsaw Stock Exchange. Before the transaction Paul Swigart had zero shares of the Company. As a result of transaction Paul Swigart owns 15 171 (fifteen thousand one hundred seventy one) shares, which is 0,03% of shares capital and gives right to 0,03% of votes on company General Shareholders Meeting.

Non-executive Director John Hirst bought on August 28th 2008: 9 031 (nine thousand thirty one) shares at the price of PLN 7.00 per share (the total price for all the acquired shares was PLN 63217). The shares mentioned in the preceding sentence were acquired outside of the regulated market and are not listed at the Warsaw Stock Exchange. Before the transaction John Hirst had 75600 shares of the Company which was 0,14% of shares capital and had given the right to 0,14% votes on General Shareholders Meeting. As a result of transaction John Hirst owns 84631 shares, which is 0,15% of shares capital and gives right to 0,15% of votes on company General Shareholders Meeting.

Committees

Our audit committee, comprising John Hirst, Paul Swigart (both non-executive Directors) and Siarhei Kostevitch, is chaired by John Hirst. The audit committee meets at least twice a year. The audit committee is responsible for ensuring that our financial performance is properly monitored, controlled and reported. It also meets with the auditors and reviews reports from the auditors relating to accounts and internal control systems. The audit committee meets with the auditors once a year.

Our remuneration committee, comprising John Hirst and Paul Swigart (both non-executive Directors), is chaired by Paul Swigart and sets and reviews the scale and structure of the executive Directors' remuneration packages, and the terms of their service contracts. The remuneration and the terms and conditions of the non-executive Directors is determined by the Directors with due regard to the interests of the Shareholders. The remuneration committee also makes recommendations to the Board concerning the allocation of share options to employees.

Our nominations committee comprising of John Hirst, Paul Swigart (both non-executive Directors) and Siarhei Kostevitch, is chaired by John Hirst. The main duties of the nominations committee includes leading the process for Board of Directors appointments, regularly evaluating the structure of the Board of Directors and recommend changes if needed and keeping under review the leadership needs of the organization.

Changes in main management rules

There were no changes to main management rules in 2008.

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

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

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

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

Employees

As at 31 December 2008, we employed 1260 employees, of whom 92 were employed at headquarters in Cyprus and the remainder in the rest of the Company's offices worldwide. The split of employees by area of activity as at 31 December 2008 and 2007 is as follows:

	As at 31 December	
	2008	2007
Sales and Marketing	550	391
Administration and IT	184	144
Finance	151	115
Logistics	375	308
Total	1260	958

ITEM 5. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Major Shareholders

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

Name	Number of shares	% of share capital	Number of Votes	% of votes
KS Holdings Ltd	25,676,361	46.26%	25,676,361	46.26%
Maizuri Enterprises Ltd	4,800,000	8.65%	4,800,000	8.65%
Alpha Ventures S.A.	3,200,000	5.76%	3,200,000	5.76%
Sangita Enterprises Ltd	2,800,000	5.05%	2,800,000	5.05%
Free float	19,023,639	34.28%	19,023,639	34.28%
Total	55,500,000	100.00%	55,500,000	100.00%

Related Party Transactions

During the year ended 31 December 2008 the Company did not have any material related party transactions exceeding the Polish Zloty equivalent of Euro 500 thousand other than typical or routine transactions. For ordinary course of business transaction, please refer to the notes on the audited financial statement attached on this annual report.

In the period from 1 January 2008 to 31 December 2008, a number of transactions occurred between us and our subsidiaries and between our subsidiaries. In our opinion all of these transactions were based on terms that did not vary from market terms and their nature and conditions resulted from the ongoing needs and operations of the Company and of the Group, such as contracts related to the purchases of goods for onward distribution to external clients. All of these transactions and related outstanding balances were eliminated in the Financial Statements included in this Annual Report and, as a result, did not have any impact on our consolidated financial results and on our financial position as a whole.

ITEM 6. FINANCIAL INFORMATION

Legal Proceedings

Currently there are no legal proceedings pending against us, with a value exceeding 10% of our equity

Information on loans given to any other party

During the year ended 31st December 2008 we did not give any loan to any other party other than our subsidiaries which are disclosed in the second part of this report (Audited financial statements).

Information on given guarantees

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

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 28 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 2008 and in 2009 intend to grow organically, therefore there is no risk connected with realization of current investment intentions.

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

Structure of assets and liabilities in balance sheet including characteristics from the point of view of the Company's liquidity has been discussed in details in our financial statements to this annual report:

- a) note 10 - Trade receivables - Ageing analysis of receivables
- b) note 28 – Financial risk management – point 1.3. Liquidity risk (ageing of payables)

Information about the structure of main deposits and capital investments in 2008

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

There were no other capital investments than the one disclosed in note 16 of our financial statements to this annual report (amounted to U.S.\$ 9.580).

Information about relevant off balance sheet positions as at December 31st, 2008

There were no relevant off balance sheet positions as at December 31st, 2008.

DIVIDEND POLICY

Our dividend policy is to pay dividends at levels consistent with our growth and development plans, while maintaining a reasonable level of liquidity. However, due to large influence of the world's financial crisis on our 2008 results, and due to the fact that at this certain point of time it is hard to evaluate how long this crisis will last, the Board of Directors intends to discuss it in depth prior to recommending to the general meeting of shareholders a possible payment of dividend for 2008.

The dividend policy will be reviewed from time to time and payment of any future dividends will be effectively at the discretion of the Board of Directors and the general meeting of shareholders after taking into account various factors, including our business prospects, future earnings, cash requirements, financial position, expansion plans and the requirements of the Cypriot law. The Cyprus law does not limit dividends that may be paid out except that the law states that dividends may only be paid out of profits and may not be higher than recommended by the Board of Directors.

ITEM 7. ADDITIONAL INFORMATION

Corporate Governance

The Company applies the rules of Corporate Governance according to Warsaw Stock Exchange Code of Best Practices as approved by the Company's Board of Directors on November 7th, 2007. Those rules, information on its application and any deviation can be found on the Company's internet site for investors, at <http://investor.asbis.com> and <http://inwestor.asbis.pl>

a) 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.

b) Information about shareholders with significant stake in the company's share (directly or indirectly)

This has been presented in Item 5, page 51 of this annual report.

c) Information about shareholders with preference shares

There are no shareholders with preference shares.

d) 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.

e) 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.

f) Information on rules of calling and removing of Directors and information about Directors powers (including decision of shares issue)

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

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

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

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

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

Alternate

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

Powers

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

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

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

Shares

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

However regulation 4.2 adopt re-iterates the Cyprus law provision which stipulates that all new shares in

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

g) 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>

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

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

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

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

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

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

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

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

At a poll every share has one vote.

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

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

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

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

i) Squad of the Board of Directors and its committees and description of its operations during the year ended December 31st, 2008

During the year ended December 31st, 2008, the Board of Directors had conducted a total number of six formal meetings. Main purpose and issues discussed during those meetings were:

- Discussion and approval of interim reports and financial statements (including 2007 annual report, 2008 six months report, 2008 Q1, Q2 and Q3 reports)
- Discussion on latest developments of the Company
- Discussion over share performance on WSE
- Decision of payment of dividend for 2007
- Decision of delisting from AIM
- Approval of budget for the year
- Application of corporate governance rules
- Reappointment of auditors
- Change of the Company secretary
- Action marketing plan
- Investor Relations Plan going forward
- Review of the Board role and effectiveness

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

During the year ended December 31st, 2008, the Audit Committee - comprising John Hirst, Paul Swigart (both non-executive Directors) and Siarhei Kostevitch, chaired by John Hirst - 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 reason to call formal meeting of remuneration committee - comprising John Hirst and Paul Swigart (both non-executive Directors), chaired by Paul Swigart – therefore any issues were discussed directly during the Board of Directors meetings.

During the year ended December 31st, 2008, the Nomination Committee - comprising of John Hirst, Paul Swigart (both non-executive Directors) and Siarhei Kostevitch, chaired by John Hirst - had conducted one meeting, discussing reelection of members of the Board of Directors in 2008. Issues discussed on the Nomination Committee meeting were then presented to 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. The prices that ISA Hardware 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 ISA Hardware discontinues its business or if there is a change of control. In addition, AMD has the right to terminate upon 24 hours' notice if ISA Hardware 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 ISA Hardware to AMD will become immediately due.

Contract with Seagate Technology International

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

Contract with Microsoft Ireland Operations Limited

Asbis Romania entered into an International Distribution Agreement with Microsoft Ireland Operations Limited ("Microsoft Ireland") dated 1 April 2006, for the distribution of Windows operating systems and applications within the territory of Romania. Asbis Romania is able to ship software packages, software licences and hardware under the terms of the agreement and is liable for royalty fees on a "per item" basis. These fees are calculated in accordance with a price schedule. Software royalties are payable within 75 days and hardware royalties within 60 days with late payment charges applicable. All products distributed by Asbis Romania are covered by the Microsoft warranty which accompanies the particular hardware or software. Unless terminated earlier, the agreement will continue until 30 June 2009, at which

date it will automatically end. Either party may negotiate a new fixed term by mutual consent, which will be governed by the same terms and conditions as the present agreement. In any event, either party may terminate the agreement upon 30 days' written notice or immediately if the other party becomes insolvent, is subject to bankruptcy proceedings, is subject to reorganisation or receivership, is unable to pay its debts, or makes or attempts to make an assignment for the benefit of creditors.

Agreements with DELL

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

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

The agreements continue in force for an initial period of one year. Thereafter Agreements continue in force for a further four years unless terminated by of either party giving the other 3 months' written notice.

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

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

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

Agreements with TOSHIBA

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

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

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

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

PART II

ITEM 8. PRINCIPAL ACCOUNTANT FEES AND SERVICES

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

Those agreements are signed annually. Last agreement – for the audit of 2008 - has been signed on January 12th, 2009.

The following table presents a summary of accountant fees and services for the twelve months ended December 31, 2008 and 2007:

(U.S. \$)	2008	2007
Auditors fees regarding annual report ⁽¹⁾	697	604
Auditors fees regarding other approval services	47	35
Auditors fees for tax advisory	0	0
Auditors fees for other services	0	0
Total fees	744	639

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

PART III

ITEM 9. FINANCIAL STATEMENTS

The consolidated financial statements of Asbis Enterprises Plc presented as a part of this annual report are included on pages 1 through 54 as follows:

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MANAGEMENT REPRESENTATIONS

In accordance with the requirements of the Regulation of the Minister of Finance of February 19th, 2009 on current and periodical reporting by issuers of securities and rules of recognition of information required by the law of 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 audit report, in accordance with the principles of compulsory law regulations and professional standards.

Limassol, March 26th, 2009

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

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

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

ASBISC ENTERPRISES PLC

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2008**

ASBISC ENTERPRISES PLC

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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ASBISC ENTERPRISES PLC

FOR THE YEAR ENDED 31 DECEMBER 2008

OFFICERS AND PROFESSIONAL ADVISERS

Directors	Siarhei Kostevitch (Belarusian) Chief Executive Officer
	Marios Christou (Cypriot)
	Laurent Journoud (French)
	Constantinos Tziamalis (Cypriot)
	John Raymond Hirst (British) Non-Executive Chairman
	Paul Marshall Swigart (American) Non-Executive Director
	Henri Richard (French) (appointed 31/01/2008) Non-Executive Director
Secretary	Alfo Secretarial Limited (appointed 23/01/2008) Limassol, Cyprus
	Confucius Services Limited (resigned 23/01/2008) Limassol, Cyprus
Auditors	Deloitte Limited Limassol, Cyprus
Legal adviser	Costas Tsirides & Co. Law Office Limassol, Cyprus
Bankers	BNP PARIBAS Cyprus Limited Limassol, Cyprus
	Bank of Cyprus Public Company Ltd Limassol, Cyprus
	The Cyprus Development Bank Public Company Ltd Nicosia, Cyprus

ASBISC ENTERPRISES PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

The directors present their annual report on the affairs of the group and the company together with the group's and the company's audited financial statements for the year ended 31 December 2008.

Principal activity

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

Results

The consolidated profit for the year attributable to the members decreased by 78,48% from US\$ 18.685.526 in 2007 to US \$4.020.700 in 2008. Details of the consolidated results of the group are presented on page 6 of the financial statements.

Group financial statements

The consolidated financial statements include the financial statements of the company and those of its subsidiary companies. The names and more details about the subsidiaries are shown in note 14 to the financial statements.

Significant events after the end of the financial year

All significant events that occurred after the end of the financial year are described in note 31 to the financial statements.

Existence of branches

The company does not maintain any branches.

Expected future developments of the group and the company

The directors do not expect any significant changes in the activities of the group and the company for the foreseeable future.

Review of the development, financial performance and current position of the group and the company and the description of its major risks and uncertainties

The group's and company's development to date, financial results and positions as presented in the financial statements are considered satisfactory, given the current turbulent economic conditions that have adversely affected the group, specifically due to significant foreign exchange losses.

The group has completed a successful year of trading with revenues for the year to 31 December 2008 having reached a record level of almost US\$1.5 billion.

The growth in revenues for the year 2008, which was accompanied also by improved gross profit margin, was underpinned by the continued strong relationships with the supplier base of the group, including industry leading manufacturers and the addition of new suppliers across its key geographic markets.

However, the results of the group have been adversely affected by the world's financial crisis, and especially by the high volatility of local currencies during the second half of 2008 in the major markets in which the group operates. Most of the local currencies of the group depreciated significantly against the US Dollar, the group's reporting currency, leading to the recognition of substantial foreign exchange losses.

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

- competition pressures in the market place it operates that may significantly affect gross and net margins;
- technological changes and other market trends;
- financial risks as described in note 28.

ASBISC ENTERPRISES PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

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

Dividends

Our dividend policy is to pay dividends at levels consistent with our growth and development plans, while maintaining a reasonable level of liquidity. However, due to the large influence of the world's financial crisis on our results in 2008, and due to the fact that at this certain point of time it is hard to evaluate how long this crisis will last, in this extraordinary situation the Board of Directors intends to discuss it in depth prior to recommending to the general meeting of shareholders a possible payment of dividend for 2008.

The final dividend proposed for the year ended 31 December 2007 was US\$ 3.330.000, which was approved on 7 May 2008 at the company's annual general meeting and paid on 11 June 2008.

Share Capital

On 31 December 2008 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.

In October 2007 the company issued 7.500.000 ordinary shares of nominal value US\$ 0,20 each at a total premium of US\$ 17.318.761.

Board of Directors

The members of the Board of Directors at 31 December 2008 and at the date of this report are set out on page 1. They were all members of the Board of Directors throughout the year. There were no significant changes in the assignment of the responsibilities and remuneration of the members of the Board of Directors. During the year one new non-executive Director was appointed in accordance with the Code of Corporate Governance adopted by the company.

Corporate Governance

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

The Board of Asbisc Enterprises Plc has three committees:

- the Audit Committee
- the Remuneration Committee and
- the Nominations Committee

The Remuneration Committee consists of two non-executive directors. The Audit and Nominations Committees consist of two non-executive directors together with the Chief Executive Officer.

Auditors

The auditors of the company, Messrs Deloitte Limited have expressed their willingness to continue in office. A resolution authorising the Board of Directors to fix their remuneration will be submitted at the forthcoming annual general meeting.

BY ORDER OF THE BOARD

Directors

.....

Secretary

Limassol, 26 March 2009

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

Report on the Consolidated and Company's Separate Financial Statements

We have audited the consolidated financial statements of Asbisc Enterprises Plc (the "Company") and its subsidiaries (the "Group") and the Company's separate financial statements on pages 6 to 54, which comprise the balance sheets of the Group and the Company as at 31 December 2008, and the income statements, statements of changes in equity and cash flow statements of the Group and the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

.../2

Opinion

In our opinion, the consolidated and the Company's separate financial statements give a true and fair view of the financial position of the Group and the Company as of 31 December 2008, and of the financial performance and the cash flows of the Group and the Company for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

Report on Other Legal Requirements

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

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

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 156 of the Companies Law, Cap.113 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report may be divulged.

DELOITTE LIMITED
Certified Public Accountants (Cyprus)

Limassol, 26 March 2009

ASBISC ENTERPRISES PLC

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

	Note	2008 US\$	2007 US\$
Revenue	3	1.495.323.942	1.397.348.678
Cost of sales		<u>(1.418.115.063)</u>	<u>(1.329.409.427)</u>
Gross profit		77.208.879	67.939.251
Selling expenses		(34.706.367)	(25.357.804)
Administrative expenses		<u>(27.175.249)</u>	<u>(16.844.488)</u>
Profit from operations		15.327.263	25.736.959
Financial income	4	199.625	750.371
Financial expenses	4	(8.745.077)	(5.192.225)
Other income	5	345.484	336.659
Goodwill written off	15	89.715	(222.963)
Impairment of investments	16	<u>(90.000)</u>	<u>-</u>
Profit before taxation	6	7.127.010	21.408.801
Taxation	7	(3.023.806)	(2.723.275)
Profit after taxation		<u>4.103.204</u>	<u>18.685.526</u>
Attributable to:			
Minority interest		82.504	-
Equity holders of the parent		<u>4.020.700</u>	<u>18.685.526</u>
		<u>4.103.204</u>	<u>18.685.526</u>
		US\$ Cents	US\$ Cents
Earnings per share			
Weighted average basic and diluted earnings per share from continuing operations	26	<u>7,24</u>	<u>37,94</u>

The notes on pages 14 to 54 form an integral part of these financial statements

ASBISC ENTERPRISES PLC

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008 (Expressed in United States Dollars)

	Note	2008 US\$	2007 US\$
ASSETS			
Current assets			
Inventories	2,9	80.974.446	88.279.393
Trade receivables	10	202.898.802	209.740.666
Other current assets	11	8.183.223	5.150.240
Current taxation	7	2.853.297	233.909
Cash and cash equivalents	22	41.207.621	45.197.152
Total current assets		<u>336.117.389</u>	<u>348.601.360</u>
Non-current assets			
Goodwill	15	550.517	-
Property, plant and equipment	12	24.470.498	16.190.268
Investments	16	9.580	99.580
Intangible assets	13	1.601.797	1.014.383
Deferred tax assets	8	140.992	-
Total non-current assets		<u>26.773.384</u>	<u>17.304.231</u>
Total assets		<u>362.890.773</u>	<u>365.905.591</u>
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Trade payables		175.925.349	181.850.153
Other current liabilities	17	32.533.655	44.635.126
Current taxation	7	189.678	548.373
Short-term obligations under finance lease	20	89.648	68.676
Bank overdrafts and short term loans	18	54.165.127	40.767.798
Total current liabilities		<u>262.903.457</u>	<u>267.870.126</u>
Non-current liabilities			
Long term liabilities	19	4.805.689	2.257.497
Long-term obligations under finance lease	20	168.346	54.878
Deferred tax liability	8	-	22.595
Total non-current liabilities		<u>4.974.035</u>	<u>2.334.970</u>
Total liabilities		<u>267.877.492</u>	<u>270.205.096</u>
Equity			
Share capital	21	11.100.000	11.100.000
Share premium		23.518.243	23.518.243
Reserves		60.263.989	61.082.252
Equity attributable to equity holders of the parent		94.882.232	95.700.495
Minority interest		131.049	-
Total equity		<u>95.013.281</u>	<u>95.700.495</u>
Total liabilities and equity		<u>362.890.773</u>	<u>365.905.591</u>

Signed on behalf of the Board on 26 March 2009

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- Directors
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The notes on pages 14 to 54 form an integral part of these financial statements

ASBISC ENTERPRISES PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

	Attributable to equity holders of the parent						
	Share capital US\$	Share premium US\$	Retained earnings US\$	Foreign exchange reserve US\$	Total US\$	Minority interest US\$	Total equity US\$
Balance at 1 January 2007	9.600.000	8.138.039	41.082.228	1.332.299	60.152.566	-	60.152.566
Profit for the year	-	-	18.685.526	-	18.685.526	-	18.685.526
Issue of shares (note 21)	1.500.000	17.318.761	-	-	18.818.761	-	18.818.761
Cost related to issue of shares (note 21)	-	(1.938.557)	-	-	(1.938.557)	-	(1.938.557)
Payment of dividend for 2006	-	-	(960.000)	-	(960.000)	-	(960.000)
Exchange difference arising on consolidation	-	-	-	942.199	942.199	-	942.199
Balance at 31 December 2007 and 1 January 2008	11.100.000	23.518.243	58.807.754	2.274.498	95.700.495	-	95.700.495
Minority interest from acquisition of subsidiaries	-	-	-	-	-	45.346	45.346
Profit for the year	-	-	4.020.700	-	4.020.700	82.504	4.103.204
Payment of dividend for 2007	-	-	(3.330.000)	-	(3.330.000)	-	(3.330.000)
Increase of minority shareholding due to additional share capital	-	-	-	-	-	8.602	8.602
Exchange difference arising on consolidation	-	-	-	(1.508.963)	(1.508.963)	(5.403)	(1.514.366)
Balance at 31 December 2008	<u>11.100.000</u>	<u>23.518.243</u>	<u>59.498.454</u>	<u>765.535</u>	<u>94.882.232</u>	<u>131.049</u>	<u>95.013.281</u>

The reserves shown above at 31 December 2008 were readily distributable up to the amount of US\$ 33.299.366 which represents the retained earnings of the Company. The remaining amount of US\$ 26.199.088 represents the earnings retained in the subsidiary companies of the group. The share premium account is available for distribution only in the form of issue of bonus shares.

The notes on pages 14 to 54 form an integral part of these financial statements

ASBISC ENTERPRISES PLC

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

	Note	2008 US\$	2007 US\$
Profit for the year before tax and minority interest		7.127.010	21.408.801
Adjustments for:			
Exchange difference arising on consolidation		(1.027.769)	437.215
Provision for bad debts and receivables written off		1.894.243	1.442.277
Bad debts recovered		(11.636)	(98.208)
Depreciation	12	1.871.292	1.127.390
Amortization of intangible assets	13	960.867	771.690
(Negative)/positive goodwill written off	15	(89.715)	222.963
Interest received	4	(199.625)	(415.417)
Interest paid	4	4.365.937	2.777.555
Impairment of investments	16	90.000	-
Profit from the sale of property, plant and equipment and intangible assets	5	(35.414)	(54.668)
Operating profit before working capital changes		<u>14.945.190</u>	<u>27.619.598</u>
Decrease/(increase) in inventories		10.990.000	(41.553.042)
Decrease/(increase) in trade receivables		7.863.302	(61.675.350)
Increase in other current assets		(1.566.377)	(406.009)
(Decrease)/increase in trade payables		(11.635.288)	63.083.694
(Decrease)/increase in other current liabilities		(10.634.254)	19.492.783
Cash inflows from operations		<u>9.962.573</u>	<u>6.561.674</u>
Taxation paid, net	7	(6.219.532)	(2.709.394)
Interest paid	4	(4.365.937)	(2.777.555)
Net cash (outflows)/inflows from operating activities		<u>(622.896)</u>	<u>1.074.725</u>
Cash flows from investing activities			
Interest received	4	199.625	415.417
Purchase of property, plant and equipment		(12.510.984)	(7.550.034)
Purchase of intangible assets	13	(1.525.722)	(567.214)
Payments to acquire investments in subsidiary	15	(660.040)	(49.447)
Net cash acquired from acquisition of subsidiary	15	600.925	(125.217)
Proceeds from sale of property, plant and equipment and intangible assets		242.184	264.734
Net cash outflows from investing activities		<u>(13.654.012)</u>	<u>(7.611.761)</u>
Cash flows from financing activities			
Dividends paid	27	(3.330.000)	(960.000)
Net proceeds from issue of share capital at a premium		-	16.880.204
Proceeds of long term loans and long term obligations under finance lease		1.480.422	1.571.602
(Repayments)/proceeds of short term loans and short term obligations under finance lease		(225.152)	5.080.515
Net cash (outflows)/inflows from financing activities		<u>(2.074.730)</u>	<u>22.572.321</u>
Net (decrease)/increase in cash and cash equivalents		<u>(16.351.638)</u>	<u>16.035.285</u>
Cash and cash equivalents at beginning of the year	22	29.285.726	13.250.441
Cash and cash equivalents at end of the year	22	<u>12.934.088</u>	<u>29.285.726</u>

The notes on pages 14 to 54 form an integral part of these financial statements

ASBISC ENTERPRISES PLC

PARENT COMPANY INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

	Note	2008 US\$	2007 US\$
Revenue	3	910.556.813	926.407.965
Cost of sales		(893.896.316)	(902.968.655)
Gross profit		16.660.497	23.439.310
Selling expenses		(9.007.958)	(10.192.301)
Administrative expenses		(6.519.918)	(5.532.895)
Profit from operations		1.132.621	7.714.114
Financial income	4	166.381	243.318
Financial expenses, net	4	(2.403.776)	(1.128.088)
Other income	5	1.959.825	1.322.530
Impairment of investments	16	(90.000)	-
Profit before taxation	6	765.051	8.151.874
Taxation	7	(317.434)	(949.585)
Profit after taxation attributable to members		447.617	7.202.289

The notes on pages 14 to 54 form an integral part of these financial statements

ASBISC ENTERPRISES PLC

PARENT COMPANY BALANCE SHEET AS AT 31 DECEMBER 2008 (Expressed in United States Dollars)

	Note	2008 US\$	2007 US\$
ASSETS			
Current assets			
Inventories	2,9	16.680.019	34.674.968
Trade receivables	10	61.208.549	90.708.709
Other current assets	11	73.309.200	51.128.229
Cash and cash equivalents	22	23.350.719	23.721.318
Total current assets		174.548.487	200.233.224
Non-current assets			
Property, plant and equipment	12	3.089.133	2.437.351
Intangible assets	13	1.022.457	918.410
Investment in subsidiary companies	14	3.571.296	2.779.308
Investment in related company	16	-	90.000
Total non-current assets		7.682.886	6.225.069
Total assets		182.231.373	206.458.293
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Trade payables		98.790.119	109.844.976
Other current liabilities	17	5.445.622	16.224.394
Current taxation	7	148.915	287.004
Bank overdrafts and short term loans	18	9.893.810	9.227.633
Total current liabilities		114.278.466	135.584.007
Non-current liabilities			
Deferred tax liability	8	35.298	74.294
Total non-current liabilities		35.298	74.294
Total liabilities		114.313.764	135.658.301
Equity			
Share capital	21	11.100.000	11.100.000
Share premium		23.518.243	23.518.243
Reserves		33.299.366	36.181.749
Total equity		67.917.609	70.799.992
Total liabilities and equity		182.231.373	206.458.293

Signed on behalf of the Board on 26 March 2009

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- Directors

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The notes on pages 14 to 54 form an integral part of these financial statements

ASBISC ENTERPRISES PLC

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

	Share capital US\$	Share premium US\$	Retained earnings US\$	Total US\$
Balance at 1 January 2007	9.600.000	8.138.039	29.939.460	47.677.499
Profit of the year	-	-	7.202.289	7.202.289
Issue of shares	1.500.000	17.318.761	-	18.818.761
Cost related to issue of shares	-	(1.938.557)	-	(1.938.557)
Payment of dividend	-	-	(960.000)	(960.000)
Balance at 31 December 2007 and 1 January 2008	11.100.000	23.518.243	36.181.749	70.799.992
Profit for the year	-	-	447.617	447.617
Payment of dividend	-	-	(3.330.000)	(3.330.000)
Balance at 31 December 2008	<u>11.100.000</u>	<u>23.518.243</u>	<u>33.299.366</u>	<u>67.917.609</u>

The retained earnings of US\$ 33.299.366 shown above at 31 December 2008 are all distributable. The share premium account is available for distribution in the form of issue of bonus shares.

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 15% will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable for the account of the shareholders.

The notes on pages 14 to 54 form an integral part of these financial statements

ASBISC ENTERPRISES PLC

PARENT COMPANY CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

	Note	2008 US\$	2007 US\$
Profit for the year before tax		765.051	8.151.875
Adjustments for:			
Depreciation	12	413.472	312.063
Amortisation of intangible assets	13	758.084	703.817
Provision for bad debts and receivables written off		1.660.519	202.971
Bad debts recovered		-	(4.000)
Interest received	4	(166.381)	(243.318)
Interest paid	4	621.744	595.280
Impairment of investments	16	90.000	-
Profit from the sale of property, plant and equipment and intangible assets	5	(30.584)	(17.921)
Operating profit before working capital changes		4.111.905	9.700.767
Decrease/(increase) in inventories		17.994.949	(17.494.064)
Decrease/(increase) in trade receivables		29.224.687	(22.590.025)
Increase in other current assets		(23.566.017)	(21.350.845)
(Decrease)/increase in trade payables		(11.054.857)	30.447.049
(Decrease)/increase in other current liabilities		(10.778.772)	10.481.494
Cash inflows/(outflows) from operations		5.931.895	(10.805.624)
Taxation paid, net	7	(494.519)	(858.677)
Interest paid	4	(621.744)	(595.280)
Net cash inflows/(outflows) from operating activities		4.815.632	(12.259.581)
Cash flows from investing activities			
Interest received	4	166.381	243.318
Purchase of property, plant and equipment	12	(1.068.669)	(747.431)
Purchase of intangible assets	13	(862.131)	(502.620)
Proceeds from sale of property, plant and equipment and intangible assets		34.000	17.919
Net increase in investment in subsidiary companies	14	(791.988)	(64.331)
Net cash outflows from investing activities		(2.522.407)	(1.053.145)
Cash flows from financing activities			
Dividends paid	27	(3.330.000)	(960.000)
Net proceeds from issue of share capital, at a premium		-	16.880.204
(Repayments)/proceeds from short term loans		(5.567.817)	4.072.574
Net cash (outflows)/inflows from financing activities		(8.897.817)	19.992.778
Net (decrease)/increase in cash and cash equivalents		(6.604.592)	6.680.052
Cash and cash equivalents at beginning of the year	22	23.102.792	16.422.740
Cash and cash equivalents at end of year	22	16.498.200	23.102.792

The notes on pages 14 to 54 form an integral part of these financial statements

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

1. Incorporation and principal activities

Asbisc Enterprises Plc (the "company") was incorporated in Cyprus on 9 November 1995 with limited liability. The group's and the company's principal activity is the trading and distribution of computer hardware and software. The main shareholder of the company is K.S. Holdings Limited, a company incorporated in Cyprus.

On the 30th October 2007 the company was listed at the Warsaw Stock Exchange.

2. Summary of significant accounting policies

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

Basis of preparation

The accompanying 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 have been prepared under the historical cost convention.

Adoption of new and revised International Financial Reporting Standards

Standards and Interpretations effective in the current year

During the current year, the group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2008. This adoption did not have a material effect on the accounting policies of the Group.

Standards and Interpretations in issue not yet adopted

At the date of approval of these financial statements, the following standards were issued by the International Accounting Standards Board but were not yet effective:

Standard / Interpretation	Effective for annual periods beginning on or after
(i) Adopted by the European Union	
• Improvements to IFRSs - 2008	1 January 2009
• Amendments to IFRS 1 and International Accounting Standards (IAS) 27 "Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"	1 July 2009
• Amendment to IFRS 2 "Share Based Payment: Vesting Conditions and Cancellations"	1 January 2009
• IFRS 8 "Operating Segments"	1 January 2009
• IAS 1 (Revised) "Presentation of Financial Statements"	1 January 2009
• IAS 23 (Revised) "Borrowing Costs"	1 January 2009
• Amendments to IAS 32 and IAS 1 "Puttable Financial Instruments and Obligations arising on Liquidation"	1 January 2009
• International Financial Reporting Interpretation Committee (IFRIC) 13 "Customer Loyalty Programmes"	1 July 2008

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

2. Accounting policies (continued) Adoption of new and revised International Financial Reporting Standards (continued)

<i>Standard / Interpretation</i>	<i>Effective for annual periods beginning on or after</i>
(ii) Not adopted by the European Union	
• IFRS 1 (Revised) "First Time Adoption of International Financial Reporting Standards"	1 January 2009
• IFRS 3 (Revised) "Business Combinations"	1 July 2009
• IAS 27 (Revised) "Consolidated and Separate Financial Statements"	1 July 2009
• Amendment to IAS 39 "Eligible Hedged Items"	1 July 2009
• Amendment to IAS 39 "Reclassification of Financial Assets: Effective date and Transition"	1 July 2008
• IFRIC 15 "Agreements for the Construction of Real Estate"	1 January 2009
• IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"	1 October 2008
• IFRIC 17 "Distributions of Non Cash Assets to Owners"	1 July 2009
• IFRIC 18 "Transfers of Assets from Customers"	1 July 2009

The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Group except from the application of IAS 1 (Revised) "Presentation of Financial Statements" which will have a material effect on the presentation of the financial statements.

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.

The results of the subsidiary companies that are acquired during the year are included in the consolidated Income Statement from the date of acquisition and cease to be consolidated from the date control ceases.

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

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

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the group's equity therein. Minority interest consists of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interest of the group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

2. Accounting policies (continued)

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination 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, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognized and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Business combinations involving entities under common control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. A group of individuals shall be regarded as controlling an entity when, as a result of contractual arrangements, they collectively have the power to govern its financial and operating policies so as to obtain benefits from its activities.

Therefore, a business combination is outside the scope of IFRS 3 when the same group of individuals has, as a result of contractual arrangements, ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory.

The excess between the carrying value of the net assets transferred and the consideration paid, is recognized directly to equity.

Subsidiary companies

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

Investments

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

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

2. Accounting policies (continued)

Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

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 the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Property, plant and equipment

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

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost less any recognized impairment loss. 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 on a straight-line basis over their estimated useful economic lives as follows:

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

Depreciation is not provided on land.

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.

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

2. Accounting policies (continued)

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 - 5 years
Patents and licences	3 years

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

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.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, 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.

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

2. Accounting policies (continued)

Taxation

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

Current tax

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

Deferred tax

Deferred tax is recognised on 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, and it is accounted for using the balance sheet liability method. 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 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.

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 balance sheet date. 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 reporting date, 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.

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

2. Accounting policies (continued)

Taxation (continued)

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 credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

Foreign currencies

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

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet 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 balance sheet date. 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 from the retranslation at the closing rate of the result of the year and the opening net assets of the group's foreign operations, are shown as a movement in the foreign exchange reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

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

Inventories

Inventories comprise finished IT components which are stated at the lower of cost and net realizable value. Cost is determined on the basis of standard cost method 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.

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

2. Accounting policies (continued)

Provisions

A provision is recognized in the balance sheet when the company and the group has a legal or constructive present obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, 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 warranty costs are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the company's and the group's obligations

Financial instruments

Financial assets and financial liabilities are recognized on the group's and company's balance sheet when the group and the company become a party to the contractual provisions of the instrument.

Financial assets

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 and 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

The Company and several of its subsidiaries 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 included within trade receivables, whereas the amount collected from the factoring company is presented in the balance sheet under current liabilities until the date of settlement by the debtors. Factoring expenses are charged to the income statement.

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

2. Accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Effective interest method

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

Loans granted

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

Cash and cash equivalents

The company considers all short-term highly liquid instruments with maturities of 3 months or less to be cash equivalents.

Financial liabilities and equity instruments issued by the group

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

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.

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

2. Accounting policies (continued)

Financial instruments (continued)

Accounting for financial guarantee contracts

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

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

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

Bank borrowings

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

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Derecognition of financial liabilities

The group and the company derecognises financial liabilities when, and only when, the group's and the company's obligations are discharged, cancelled or expired.

Revenue recognition

Revenue represents amounts invoiced to customers in respect of sales of goods during the year and is stated net of trade discounts, rebates, customer returns and other similar allowances.

Sale of goods

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

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

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

2. Accounting policies (continued)

Revenue recognition (continued)

Dividend and interest revenue

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

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance Leases

Assets held under finance leases are initially recognised as assets of the group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

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

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Borrowing costs

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

Dividend distribution

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

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

2. Accounting policies (continued)

Comparative figures

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

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

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the group's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The estimates and assumptions, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Revenue recognition

In making its judgment, management considered the detailed criteria for the recognition of revenue from the sale of goods as set out in *IAS18 Revenue* and, in particular, whether the group and the company had transferred to the buyer the significant risks and rewards of ownership of the goods. The management is satisfied that the significant risks and rewards have been transferred and the recognition of the revenue in the current year is appropriate.

Provision for bad and doubtful debts

The group reviews its trade and other receivables for evidence of their recoverability. Such evidence includes the customer's payment record, the customer's overall financial position and expected recovery from credit insurance. If indications of irrecoverability exist, the recoverable amount is estimated and a respective provision for bad and doubtful debts is made. The amount of the provision is charged through the income statement. The review of credit risk is continuous and the methodology and assumptions used for estimating the provision are reviewed regularly and adjusted accordingly.

Provision for obsolete and slow-moving inventory

The group reviews its inventory records for evidence regarding the salability of inventory and its net realizable value on disposal. The provision for obsolete and slow-moving inventory is based on management's past experience, taking into consideration arrangements with suppliers for price protection and for returning defective stock; the value of inventory as well as the movement and the level of stock of each category of inventory.

The amount of provision is recognized in the income statement. The review of the net realizable value of the inventory is continuous and the methodology and assumptions used for estimating the provision for obsolete and slow-moving inventory are reviewed regularly and adjusted accordingly.

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

2. Accounting policies (continued)

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

Warranty provisions

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

Impairment of goodwill

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

Income taxes

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

Fair value of financial assets

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The group/company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

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.

<i>Revenue analysis by geographical market</i>	2008 US\$	2007 US\$
Former Soviet Union	649.443.986	681.730.050
Eastern Europe	503.808.484	452.913.972
Western Europe	142.056.609	124.738.564
Middle East & Africa	169.465.077	111.642.542
Other	30.549.786	26.323.550
	<u>1.495.323.942</u>	<u>1.397.348.678</u>

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

3. Revenue (continued)

Revenue analysis by currency

	2008 US\$	2007 US\$
The Group		
US Dollars	735.552.223	782.264.947
Euro	107.829.102	87.087.332
Russian Rouble	240.527.374	93.375.928
Slovak Koruna	94.963.041	70.783.019
Czech Koruna	39.497.202	32.280.060
Polish Zloty	61.832.803	70.452.318
Other	215.122.197	261.105.074
	<u>1.495.323.942</u>	<u>1.397.348.678</u>

	2008 US\$	2007 US\$
The Company		
US Dollars	871.857.354	917.944.920
Euro	38.699.459	8.463.045
	<u>910.556.813</u>	<u>926.407.965</u>

4. Financial expense, net

	2008 US\$	2007 US\$
The Group		
Financial income		
Interest income	199.625	415.417
Other financial income	-	6.070
Net exchange gain	-	328.884
	<u>199.625</u>	<u>750.371</u>
Financial expense		
Bank interest	4.365.937	2.777.555
Bank charges	1.384.123	857.155
Factoring interest	763.718	692.965
Factoring charges	483.588	560.986
Other financial expenses	74.022	27.168
Other interest	110.439	276.396
Net exchange loss	1.563.250	-
	<u>(8.745.077)</u>	<u>(5.192.225)</u>
Net	<u>(8.545.452)</u>	<u>(4.441.854)</u>

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

4. Financial expense, net (continued)

	2008 US\$	2007 US\$
The Company		
Financial income		
Interest income	166.381	243.318
	<u>166.381</u>	<u>243.318</u>
 Financial expense		
Bank interest	621.744	558.441
Bank charges	412.000	302.995
Interest to suppliers	117.941	187.055
Factoring charges	2.198	6.784
Net exchange loss	1.248.526	35.974
Other interest	1.367	36.839
	<u>(2.403.776)</u>	<u>(1.128.088)</u>
 Net	<u>(2.237.395)</u>	<u>(884.770)</u>

5. Other income

	2008 US\$	2007 US\$
The Group		
Profit on disposal of property, plant and equipment	35.414	54.668
Bad debts recovered	11.636	98.208
Other income	298.434	183.783
	<u>345.484</u>	<u>336.659</u>
 The Company		
Dividends received	1.800.036	1.300.000
Other income	129.205	609
Bad debts recovered	-	4.000
Profit on disposal of property, plant and equipment	30.584	17.921
	<u>1.959.825</u>	<u>1.322.530</u>

6. Profit before taxation

	2008 US\$	2007 US\$
The Group		
Profit before taxation is stated after charging:		
(a) Depreciation	1.871.292	1.127.390
(b) Amortisation of intangible assets	960.867	771.690
(c) Auditors' remuneration	743.831	639.066
(d) Directors' remuneration – executive (Note 24)	704.326	622.707
(e) Directors' remuneration – non-executive (Note 24)	<u>152.854</u>	<u>136.178</u>

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

6. Profit before taxation (continued)

	2008 US\$	2007 US\$
The Company		
Profit before taxation is stated after charging:		
(a) Depreciation	413.472	312.063
(b) Amortisation of intangible assets	758.084	703.817
(c) Auditors' remuneration	373.257	304.572
(d) Directors' remuneration – executive (Note 24)	704.326	622.707
(e) Directors' remuneration – non-executive (Note 24)	152.854	136.178

7. Taxation

	2008 US\$	2007 US\$
The Group		
Credit balance 1 January	314.464	278.181
Tax liability from subsidiaries acquired	34.043	-
Provision for the year	3.196.296	2.751.791
Under/(over) provision of prior years	11.110	(6.114)
Amounts paid, net	(6.219.532)	(2.709.394)
Net (debit)/credit balance 31 December	(2.663.619)	314.464
	2008 US\$	2007 US\$
Tax receivable	(2.853.297)	(233.909)
Tax payable	189.678	548.373
Net	(2.663.619)	314.464

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

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

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

Dividends received by a Cyprus resident company from another Cyprus resident company are exempt from Special Defence Contribution. Dividends received by a Cyprus resident company from a non resident company are exempt from Special Defence Contribution if more than 1% of the shares of the non resident company are held by the Cyprus resident company. This exemption does not apply and the dividends are subject to 15% Defence Contribution if the foreign company paying the dividends

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

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

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

7. Taxation (continued) The Group (continued)

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

	2008 US\$	2007 US\$
Provision for the year	3,196,296	2,751,791
Under/(over) provision of prior years	11,110	(6,114)
Deferred tax (income)/charge	(183,600)	(22,402)
Charge for the year	<u>3,023,806</u>	<u>2,723,275</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:

	2008 US\$	2007 US\$
Income subject to Cyprus corporation tax of 10%	168,837	12,106,976
Income subject to other overseas taxes	6,958,173	9,301,825
Accounting profit	<u>7,127,010</u>	<u>21,408,801</u>
Corporation tax thereon at the applicable rates	2,825,598	2,637,170
Tax on income not taxable in determining taxable profit	(16,178)	(145,013)
Temporary differences	40,219	46,006
Tax on non-allowable expenses	74,323	147,241
Additional tax 10%	-	33,228
	<u>2,923,962</u>	<u>2,718,632</u>
Special contribution to defence fund	272,334	33,159
Under/(over) provision of prior years	11,110	(6,114)
Deferred tax (income)/charge	(183,600)	(22,402)
Taxation charge for the year	<u>3,023,806</u>	<u>2,723,275</u>

	Corporation tax 2008 US\$	Defence contribution 2008 US\$	Total 2008 US\$	Total 2007 US\$
The Company				
Credit balance 1 January	268,929	18,075	287,004	196,096
Under/(over) provision of prior years	12,878	(9,920)	2,958	(23,482)
Provision for the year	85,350	268,122	353,472	973,067
Amount paid, net	<u>(474,895)</u>	<u>(19,624)</u>	<u>(494,519)</u>	<u>(858,677)</u>
(Debit)/credit balance 31 December	<u>(107,738)</u>	<u>256,653</u>	<u>148,915</u>	<u>287,004</u>

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

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

7. Taxation (continued)

The Company (continued)

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

	2008 US\$	2007 US\$
Accounting profit before taxation	765.051	8.151.874
Corporation tax thereon at the applicable rate of 10%	76.505	815.188
Tax effects of:		
Tax on income not taxable in determining taxable profit	(194.076)	(145.599)
Temporary differences	44.113	43.298
Tax on non-allowable expenses	158.808	194.966
Additional tax (10%)	-	33.228
	85.350	941.081
Special contribution to defence fund	268.122	31.986
Under/(over) provision of prior years	2.958	(23.482)
Deferred tax credit	(38.996)	-
	317.434	949.585
The taxation charge for the year consists of the following:		
Provision for the current year	85.350	941.081
Special contribution to defence fund	268.122	31.986
Deferred tax credit	(38.996)	-
Under/(over) provision of prior years	2.958	(23.482)
	317.434	949.585

8. Deferred Tax

The Group

Deferred tax (asset) / liability:

The deferred tax asset relates to temporary differences arising from revaluation of assets and liabilities and due to temporary differences from tax losses

(140.992)	22.595
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The Company

Deferred tax liability:

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

35.298	74.294
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9. Inventories

The Group

Goods held for resale

77.699.396	72.389.734
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Goods in transit

4.128.856	16.490.842
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Provision for slow moving and obsolete stock

(853.806)	(601.183)
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80.974.446	88.279.393
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The cost of inventory, net of rebates, recognised as an expense and included in cost of sales amounted to US\$ 1.381.095.135 (2007: US\$ 1.307.853.239).

Inventories amounting to US\$ 596.678 (2007: US\$ 1.026.903) were written-off for during the year.

As at 31 December 2008, inventories pledged as security for financing purposes amounted to US\$ 16.773.116 (2007: US\$ 20.476.983).

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

9. Inventories (continued)

	2008 US\$	2007 US\$
The Company		
Goods held for resale	13,306,795	18,498,447
Goods in transit	3,623,224	16,426,521
Provision for slow moving and obsolete stock	(250,000)	(250,000)
	<u>16,680,019</u>	<u>34,674,968</u>

The cost of inventory, net of rebates, recognised as an expense and included in cost of sales amounted to US\$ 885,372,363 (2007: US\$ 893,372,798)

Inventories amounting to US\$ 83,037 (2007: US\$ 424,905) were written-off during the year.

As at 31 December 2008, inventories pledged as security for financing purposes amounted to nil (2007: US\$ 9,000,000).

10. Trade Receivables

	2008 US\$	2007 US\$
The Group		
Trade receivables	206,447,056	212,230,205
Allowance for doubtful debts	(3,548,254)	(2,489,539)
	<u>202,898,802</u>	<u>209,740,666</u>

As at 31 December 2008, receivables that had been assigned as security for financing purposes amounted to US\$ 24,120,187 (2007: US\$ 22,687,756). In 2008, the group had recognised a loss of US\$ 1,894,243 (2007: US\$ 1,442,277) for the impairment of its trade receivables. The loss had been included in selling expenses in the income statement.

Movement in provision for doubtful debts:

	2008 US\$	2007 US\$
On 1 January	2,489,539	2,158,575
Provisions during the year	1,894,243	1,186,131
Amount written-off as uncollectible	(731,391)	(936,200)
Bad debts recovered	(11,636)	(98,208)
Exchange difference	(92,501)	179,241
On 31 December	<u>3,548,254</u>	<u>2,489,539</u>

Ageing of the group's receivables:

Year	Total receivables US\$	Outstanding but not due yet US\$	Overdue 0-30 days US\$	Overdue between 30-60 days US\$	Overdue more than 60 days US\$
2008	206,447,056	114,949,431	41,352,604	25,592,561	24,552,460
2007	212,230,205	122,698,289	72,360,530	8,431,060	8,740,326

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

10. Trade Receivables (continued) The Group (continued)

Ageing of impaired receivables (provision for bad debts)

Year	Total US\$	Overdue 60-90 days US\$	Overdue 90-120 days US\$	Overdue more than 120 days US\$		
2008	3,548,254	574,238	234,122	2,739,894		
2007	2,489,539	232,011	22,061	2,235,467		
					2008 US\$	2007 US\$
The Company						
Trade receivables					61,908,866	91,133,553
Allowance for doubtful debts					(700,317)	(424,844)
					<u>61,208,549</u>	<u>90,708,709</u>

In 2008, the company had recognised a loss of US\$ 275,473 (2007: US\$ 202,971) for the impairment of its trade receivables.

Movement in provision for doubtful debts:

	2008 US\$	2007 US\$
On 1 January	424,844	225,873
Provisions during the year	275,473	202,971
Bad debts recovered	-	(4,000)
On 31 December	<u>700,317</u>	<u>424,844</u>

Ageing of the company's receivables:

Year	Total receivables US\$	Outstanding but not due yet US\$	Overdue 0-30 days US\$	Overdue between 30-60 days US\$	Overdue more than 60 days US\$
2008	61,908,866	23,100,618	11,569,949	17,208,147	10,030,152
2007	91,133,553	53,064,595	33,471,513	2,413,547	2,183,898

Ageing of impaired receivables (provision for bad debts)

Year	Total US\$	Overdue 60-90 days US\$	Overdue 90-120 days US\$	Overdue more than 120 days US\$
2008	700,317	-	-	700,317
2007	424,844	-	-	424,844

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

11. Other current assets

	2008 US\$	2007 US\$
The Group		
Other debtors and prepayments	3,533.074	2,201.394
VAT and other taxes refundable	3,224.715	1,883.234
Loan due from fellow subsidiary (Note 24)	110.000	117.844
Loans advanced	28.114	39.367
Advances to suppliers	594.497	58.504
Employee floats	280.703	272.046
Deposits	412.120	577.851
	<u>8,183.223</u>	<u>5,150.240</u>
The Company		
Other debtors and prepayments	876.185	707.094
Loan due from fellow subsidiary (Note 24)	110.000	117.844
Amount due from subsidiary companies (Note 24)	66,018.260	48,756.301
Loans due from subsidiary companies (Note 24)	5,572.289	834.175
VAT refundable	732.466	712.815
	<u>73,309.200</u>	<u>51,128.229</u>

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

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

12. Property, plant and equipment The Group

	Land and buildings US\$	Assets under construction US\$	Warehouse machinery US\$	Furniture and fittings US\$	Office equipment US\$	Motor vehicles US\$	Computer hardware US\$	Total US\$
Cost								
At 1 January 2007	5,148,022	-	143,590	962,773	1,230,324	1,764,373	3,224,811	12,473,893
Additions from acquisitions of subsidiary	-	-	-	8,511	9,604	59,602	21,328	99,045
Additions	944,549	6,474,166	6,083	184,293	602,649	772,047	748,270	9,732,057
Disposals	-	-	-	(13,123)	(106,842)	(424,116)	(640,088)	(1,184,169)
Foreign exchange difference on retranslation	356,148	-	15,114	114,481	90,978	155,895	238,963	971,579
At 1 January 2008	6,448,719	6,474,166	164,787	1,256,935	1,826,713	2,327,801	3,593,284	22,092,405
Additions from the acquisition of subsidiary	-	62,909	-	23,294	24,547	67,211	174,837	352,798
Additions	2,380,297	3,397,336	71,620	674,280	944,922	1,203,477	1,920,909	10,592,841
Disposals upon sale of subsidiaries	-	-	-	(57)	(55)	-	-	(112)
Disposals	-	-	-	(57,367)	(54,959)	(162,634)	(111,455)	(386,415)
Transfers	4,380,999	(4,380,999)	-	-	-	-	-	-
Foreign exchange difference on retranslation	(294,808)	(1,573)	(13,188)	(207,329)	(68,072)	(164,825)	(183,823)	(933,618)
At 31 December 2008	12,915,207	5,551,839	223,219	1,689,756	2,673,096	3,271,030	5,393,752	31,717,899
Accumulated depreciation								
At 1 January 2007	638,942	-	95,850	426,337	711,260	1,057,581	2,381,994	5,311,964
Charge for the year	147,561	-	25,404	127,806	145,944	285,066	395,609	1,127,390
Additions from acquisitions of subsidiary	-	-	-	1,043	1,642	10,960	6,447	20,092
Disposals	-	-	-	(5,069)	(103,739)	(327,936)	(599,513)	(1,036,257)
Foreign exchange difference on retranslation	52,708	-	11,899	30,671	80,542	107,169	195,959	478,948
At 1 January 2008	839,211	-	133,153	580,788	835,649	1,132,840	2,380,496	5,902,137
Additions from acquisitions of subsidiary	-	-	-	7,026	13,560	10,697	91,120	122,403
Charge for the year	262,276	-	25,008	175,561	282,063	475,384	651,000	1,871,292
Disposals upon sale of subsidiaries	-	-	-	(57)	(55)	-	-	(112)
Disposals	-	-	-	(14,775)	(15,931)	(116,636)	(29,960)	(177,302)
Foreign exchange difference on retranslation	(77,977)	-	(11,808)	(85,808)	(32,608)	(118,341)	(144,475)	(471,017)
At 31 December 2008	1,023,510	-	146,353	662,735	1,082,678	1,383,944	2,948,181	7,247,401
Net book value								
At 31 December 2008	11,891,697	5,551,839	76,866	1,027,021	1,590,418	1,887,086	2,445,571	24,470,498
At 31 December 2007	5,609,508	6,474,166	31,634	676,147	991,064	1,194,961	1,212,788	16,190,268

Assets under construction relate to the construction of warehouse and offices in Belarus and the Middle East and are expected to be operational in 2009. During 2008 buildings in Slovakia of US\$ 4,263,010 which were under construction in 2007 were completed and transferred to land and buildings. The contractual commitments for the completion of the buildings are disclosed in note 23. The fully depreciated assets of the group that are still in use amounted to US\$ 2,623,784 (2007: US\$ 2,326,558). Land and buildings (including buildings under construction) of a total cost value of US\$ 14,000,439 have been mortgaged for financing purposes.

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

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

	Land and buildings US\$	Furniture and fittings US\$	Office equipment US\$	Motor vehicles US\$	Computer hardware US\$	Total US\$
Cost						
At 1 January 2007	1.550.918	289.394	208.946	285.324	1.250.359	3.584.941
Additions	-	40.751	246.311	240.568	219.801	747.431
Disposals	-	-	-	(7.238)	-	(7.238)
At 1 January 2008	1.550.918	330.145	455.257	518.654	1.470.160	4.325.134
Additions	-	24.419	328.183	341.230	374.837	1.068.669
Disposals	-	-	-	(50.727)	(6.417)	(57.144)
At 31 December 2008	1.550.918	354.564	783.440	809.157	1.838.580	5.336.659
Accumulated depreciation						
At 1 January 2007	224.829	144.862	82.862	226.244	904.161	1.582.958
Charge for the year	46.997	29.387	29.924	37.669	168.086	312.063
Disposals	-	-	-	(7.238)	-	(7.238)
1 January 2008	271.826	174.249	112.786	256.675	1.072.247	1.887.783
Charge for the year	46.997	31.679	55.925	89.797	189.074	413.472
Disposals	-	-	-	(49.036)	(4.693)	(53.729)
At 31 December 2008	318.823	205.928	168.711	297.436	1.256.628	2.247.526
Net book value						
31 December 2008	1.232.095	148.636	614.729	511.721	581.952	3.089.133
31 December 2007	1.279.092	155.896	342.471	261.979	397.913	2.437.351

The fully depreciated assets of the company that are still in use amounted to US\$ 1.188.819 (2007: US\$ 1.065.527).

The land and buildings have been mortgaged as securities for financing purposes.

13. Intangible assets The Group

	Computer software US\$	Patents and licenses US\$	Total US\$
Cost			
At 1 January 2007	4.097.683	331.601	4.429.284
Foreign exchange difference on retranslation	110.709	5.506	116.215
Additions from the acquisition of subsidiary	1.164	-	1.164
Additions	340.113	227.101	567.214
Disposals	(318.683)	(8.745)	(327.428)
At 1 January 2008	4.230.986	555.463	4.786.449
Additions from acquisition of subsidiaries	26.244	-	26.244
Additions	1.407.054	118.668	1.525.722
Disposals upon sale of subsidiaries	-	(330)	(330)
Disposals	(9.337)	-	(9.337)
Foreign exchange difference on retranslation	(150.974)	(1.347)	(152.321)
At 31 December 2008	5.503.973	672.454	6.176.427
Accumulated amortisation			
At 1 January 2007	2.955.641	205.393	3.161.034
Foreign exchange difference on retranslation	103.057	808	103.865
Charge for the year	609.479	162.211	771.690
On acquisition of subsidiary	752	-	752
Disposals	(263.526)	(1.749)	(265.275)
At 1 January 2008	3.405.403	366.663	3.772.066
Additions from acquisitions of subsidiaries	10.647	-	10.647
Charge for the year	834.705	126.162	960.867
Disposals upon sale of subsidiaries	-	(330)	(330)
Disposals	(8.252)	-	(8.252)
Foreign exchange difference on retranslation	(157.202)	(3.166)	(160.368)
At 31 December 2008	4.085.301	489.329	4.574.630
Net book value			
At 31 December 2008	1.418.672	183.125	1.601.797
At 31 December 2007	825.583	188.800	1.014.383

The fully amortized intangibles of the group that are still in use amounted to US\$ 3.216.685 (2007: US\$ 1.726.489).

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

13. Intangible Assets (continued)

The Company	Computer software US\$	Patents & licences US\$	Total US\$
Cost			
At 1 January 2007	3,144,644	225,229	3,369,873
Additions	286,655	215,965	502,620
At 1 January 2008	3,431,299	441,194	3,872,493
Additions	862,131	-	862,131
At 31 December 2008	4,293,430	441,194	4,734,624
Accumulated amortisation			
At 1 January 2007	2,109,557	140,709	2,250,266
Charge for the year	561,839	141,978	703,817
At 1 January 2008	2,671,396	282,687	2,954,083
Charge for the year	644,622	113,462	758,084
At 31 December 2008	3,316,018	396,149	3,712,167
Net book value			
31 December 2008	977,412	45,045	1,022,457
31 December 2007	759,903	158,507	918,410

The fully amortized intangible assets of the company that are still in use amounted to US\$ 2,775,754 (2007: US\$ 1,428,080).

14. Investment in subsidiary companies

The Company	2008 US\$	2007 US\$
Shares at cost of acquisition or written down value	3,571,296	2,779,308
Balance at 1 January	2,779,308	2,714,977
Acquisitions during the year	791,988	64,331
Balance at 31 December	3,571,296	2,779,308

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

14. Investment in subsidiary companies (continued)

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

Subsidiary Company	Country of incorporation	Percentage of participation	
		2008	2007
		%	%
ASBIS UKRAINE LTD	Ukraine	100	100
ISA HARDWARE LTD (i)	Ukraine	-	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 Europe BV	Netherlands	100	100
ASBIS LIMITED	Ireland	100	100
ASBC F.P.U.E.	Belarus	100	100
ISA HARDWARE LTD-Group	Cyprus	100	100
ASBIS LTD	Russia	100	100
ASBIS NORDIC AB – dormant	Sweden	100	100
ASBIS MOROCCO SARL – dormant	Morocco	100	100
ASBIS LV SIA	Latvia	100	100
ASBIS KYPROS LIMITED	Cyprus	100	100
ASBIS NL BV (formerly Canyon Technology BV) (iii)	Netherlands	100	100
CANYON TECHNOLOGY LTD	Hong Kong	100	100
PRESTIGIO PLAZA LTD (formerly Prestigio Technologies (Cyprus) Ltd)	Cyprus	100	100
PRESTIGIO EUROPE SPOL S.R.O. (iv)	Czech Republic	100	100
PRESTIGIO LTD (iv)	Russia	100	100
PRESTIGIO LTD (iv)	Ukraine	100	100
WARRANTY.RU LTD (ii)	Russia	100	100
ISA HARDWARE SRO – dormant (ii)	Czech Republic	100	100
ISA HARDWARE DOO (ii)	Croatia	100	100
ISA HARDWARE HUNGARY COMMERCIAL LTD – dormant (ii)	Hungary	100	100
S.C. EUROMALL S.R.L. (formerly ISA Hardware International SRL) (ii)	Romania	100	100
ISA HARDWARE SRO – dormant (ii)	Slovakia	100	100
ISA HARDWARE D.O.O - dormant (ii)	Serbia	100	100
ISA HARDWARE SRO (ii)	Slovenia	100	100
PRESTIGIO PLAZA SP.ZO.O. (formerly ISA Hardware Sp.z.o.o.) (ii)	Poland	100	100
ASBIS TR BILGISAYAR LIMITED SIRKETI (v)	Turkey	100	-
MEGATREND D.O.O. SARAJEVO	Bosnia Herzegovina	80	-
PTUE IT-MAX (v)	Belarus	100	-
CJSC ASBIS	Belarus	66.6	-
ASBIS IT S.R.L.	Italy	100	-
ASBIS Kazakhstan LLP	Kazakhstan	100	-

(i) Held by Asbis Ukraine Limited – disposed in 2008

(ii) Held by ISA Hardware Limited – Cyprus

(iii) Held by Canyon Technology Ltd

(iv) Held by Prestigio Technologies (Cyprus) Ltd

(v) Held by Asbis Middle East FZE

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

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

15. Business combinations

Acquisitions 2008 – the group

During the year the group acquired 100% of the share capital of PTUE IT-MAX and 80% of the share capital of MEGATREND D.O.O. SARAJEVO. In addition the company acquired from a minority shareholder of the group 66.6% of the share capital of CJSC ASBIS. From the difference between the group's interest in the net assets acquired and the consideration paid, the following goodwill arose:

- Capitalized goodwill on the acquisition of MEGATREND D.O.O. SARAJEVO of US\$ 550.517
- Negative goodwill on the acquisition of PTUE IT-MAX and CJSC ASBIS of US\$ 89.715 which was credited to the income statement

<u>Name of acquired entity</u>	<u>Type of operations</u>	<u>Date acquired</u>	<u>% acquired</u>
PTUE IT-MAX	Information Technology	18 March 2008	100%
MEGATREND D.O.O. SARAJEVO	Information Technology	15 April 2008	80%
CJSC ASBIS	Information Technology	3 March 2008	66,6%

Acquisitions 2007 - the group

During the year the company acquired from a member of the Board of Directors 100% of the share capital of Asbis Kypros Limited (formerly Microval Commercial Limited), a company registered in Cyprus. The difference between the consideration paid and the fair value of the net liabilities transferred, which relates to the losses generated by the above subsidiary prior to the date of acquisition of US\$ 222.963, had been written off in the income statement.

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

	2008 US\$	2007 US\$
Tangible and intangible assets	245.992	79.365
Inventories	3.685.054	548.547
Receivables	2.904.045	619.014
Other receivables	1.466.606	17.874
Short and long term loans	(2.462.585)	-
Payables and accruals	(6.195.452)	(1.313.099)
Cash and cash equivalents	600.925	(125.217)
Net identifiable assets and liabilities	<u>244.585</u>	<u>(173.516)</u>
Group's interest in net assets acquired	199.238	(173.516)
Goodwill	550.517	222.963
Negative goodwill	(89.715)	-
Total purchase consideration	<u>660.040</u>	<u>49.447</u>

Net cash outflow arising on transfer:

Total purchase consideration	(660.040)	(49.447)
Cash and cash equivalents acquired	<u>600.925</u>	<u>(125.217)</u>
Net cash outflow	<u>(59.115)</u>	<u>(174.664)</u>

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

15. Business combinations (continued)

Financial information regarding acquired entities in the year	1/1/2008 to 31/12/2008 US\$	Acquisition date to 31/12/2008 US\$
Revenue for the year/period	52.895.780	43.521.966
Profit for the year/period	1.001.850	869.767
Goodwill	2008 US\$	2007 US\$
At 1 January	-	-
Goodwill arising from business combinations	550.517	222.963
Goodwill written off	-	(222.963)
At 31 December	550.517	-

Capitalised goodwill of \$550.517 relates to the acquisition of Megatrend D.O.O. Sarajevo, a company operating in Bosnia Herzegovina. The goodwill represents the economic value of the infrastructure acquired by the group plus gaining access to the acquired entity's own distribution network. These intangibles have not been recognised separately from goodwill because their fair value could not be measured reliably due to their nature.

16. Investments

	Country of incorporation	Participation %	Cost US\$	Impairment US\$	2008 US\$	2007 US\$
The Group						
<i>Investments held in related companies</i>						
E-Vision Ltd(i)	Cyprus	18%	90.000	(90.000)	-	90.000
<i>Other Investments</i>						
Asekol s.r.o.	Czech Republic	9,09%	9.580	-	9.580	9.580
			99.580	(90.000)	9.580	99.580
The Company						
<i>Investments held in related companies</i>						
E-Vision Ltd (i)	Cyprus	18%	90.000	(90.000)	-	90.000

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

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

17. Other current liabilities	2008 US\$	2007 US\$
The Group		
Factoring creditors (i)	12.776.071	13.707.714
Non-trade accounts payable	4.910.867	11.544.367
Salaries payable and related costs	1.499.340	1.903.354
VAT payable	8.678.807	8.886.163
Amount due to directors – executive	2.873	38.318
Amounts due to directors – non-executive	112.737	28.411
Creditors for construction of buildings	263.881	2.182.023
Accruals and deferred income	4.289.079	6.344.776
	<u>32.533.655</u>	<u>44.635.126</u>

(i) As at 31 December 2008 the group enjoyed factoring facilities of US\$ 32.254.260 (2007: US\$ 32.008.699). The factoring facilities are secured as mentioned in note 18.

	2008 US\$	2007 US\$
The Company		
Accruals and deferred income	2.475.175	4.088.627
Non-trade accounts payable	1.447.018	1.637.413
Salaries payable and related costs	81.999	556.065
Amount due to subsidiary companies (Note 24)	1.325.820	9.721.350
Amount due to directors – executive (Note 24)	2.873	38.318
Amounts due to directors – non-executive (Note 24)	112.737	28.411
VAT payable	-	154.210
	<u>5.445.622</u>	<u>16.224.394</u>

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

18. Bank overdrafts and short term loans	2008 US\$	2007 US\$
The Group		
Bank overdrafts (Note 22)	28.273.533	15.911.426
Bank short term loans	25.159.446	24.577.864
Current portion of long term loans	732.148	278.508
	<u>54.165.127</u>	<u>40.767.798</u>

Summary of borrowings and overdraft arrangements

The group as at 31 December 2008 had the following financing facilities with banks in the countries that the company and its subsidiaries are operating:

- overdraft lines of US\$47.376.351 (31 December 2007: US\$ 25.980.656)
- short term loans/revolving facilities of US\$23.992.062 (31 December 2007: US\$ 30.134.980)
- bank guarantees of US\$5.569.535 (31 December 2007: US\$ 6.581.440)

The group had for the year 2008 cash lines (overdrafts, loans and revolving facilities) and factoring lines.

The Weighted Average Cost of Debt (cash lines and factoring lines) for the year was 7.7% (2007: 8.6%)

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

18. Bank overdrafts and short term loans (continued)

The Group (continued)

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

- First, second and third floating charges over all assets of the company.
- Mortgage on land and buildings that the group owns in Cyprus, Czech Republic, Ukraine, Slovakia and Belarus of a total cost value of US\$ 14.000.439
- Charge over receivables of US\$ 24.120.187 (2007: US\$ 22.687.756) and inventories of US\$ 16.773.116 (2007: US\$ 20.476.983)
- Corporate guarantees and, in some cases, cross guarantees by all group companies to the extent of facilities granted
- Assignment of insurance policies
- Pledged deposits of US\$ 764.541 (31 December 2007: US\$ 2.901.663)

	2008 US\$	2007 US\$
The Company		
Bank overdrafts (Note 22)	6.852.519	618.526
Bank short term loans	3.041.291	8.609.107
	<u>9.893.810</u>	<u>9.227.633</u>

Summary of borrowings and overdraft arrangements

The company, as at 31 December 2008 enjoyed the following financing facilities from its bankers:

- overdraft facilities of US\$ 18.485.000 (2007: US\$ 5.150.919)
- revolving / short term loan facilities US\$ 3.041.000 (2007: US\$ 8.500.000)
- bank guarantee facilities US\$ 4.605.000 (2007: US\$ 5.920.000)

The company had for the year 2008 cash lines (overdrafts and revolving facilities) with average cost for the year 2008 of 4,1% (2007: 7,0%).

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

- First, second and third floating charges over all assets of the company
- Pledged deposits of US\$ 533.921 (2007: US\$ 2.793.162)

19. Long term liabilities

	2008 US\$	2007 US\$
The Group		
Bank loans (i)	4.667.223	2.136.096
Other long term liabilities	138.466	121.401
	<u>4.805.689</u>	<u>2.257.497</u>

- (i) The long-term bank loans mainly represent a loan received from the subsidiary company in Slovakia for the purchase of land and erection of buildings. The loan bears interest at 1M BRIBOR +1,5% per annum and is due for repayment on 3 June 2017. The loan is secured via mortgage on the land and buildings of the subsidiary in Slovakia.

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

20. Finance leases	2008 US\$	2007 US\$
The Group		
Obligation under finance lease	257.994	123.554
Less: Amount payable within one year	(89.648)	(68.676)
Amounts payable within 2-5 years inclusive	<u>168.346</u>	<u>54.878</u>

21. Share Capital	2008 US\$	2007 US\$
Authorised		
63.000.000 (2007: 63.000.000) shares of US\$ 0,20 each	<u>12.600.000</u>	<u>12.600.000</u>
Issued, called-up and fully paid		
55.500.000 (2007: 55.500.000) ordinary shares of US\$ 0,20 each	<u>11.100.000</u>	<u>11.100.000</u>

On 31 December 2008 the issued and fully paid share capital of the company consisted of 55.500.000 ordinary shares of US \$0,20 each.

In October 2007 the company issued 7.500.000 ordinary shares of US\$ 0,20 each at a gross premium of US\$ 17.318.761. Expenses related to the issue of shares amounting to US\$ 1.938.557 were deducted from share premium, since they were directly attributable to the equity transaction.

22. Cash and cash equivalents	2008 US\$	2007 US\$
The Group		
Cash at bank and in hand	41.207.621	45.197.152
Bank overdrafts (Note 18)	(28.273.533)	(15.911.426)
	<u>12.934.088</u>	<u>29.285.726</u>

The cash at bank and in hand balances include an amount of US\$ 764.541 (2007: US\$ 2.901.663) which represents pledged deposits.

	2008 US\$	2007 US\$
The Company		
Cash at bank and in hand	23.350.719	23.721.318
Bank overdrafts (Note 18)	(6.852.519)	(618.526)
	<u>16.498.200</u>	<u>23.102.792</u>

The cash at bank and in hand balances include an amount of US\$ 533.921 (2007: US\$ 2.793.162) which represents pledged deposits.

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

23. Commitments and contingencies

As at 31 December 2008 the group was committed in respect of purchases of inventories of a total cost value of US\$4,701,594 (2007: US\$4,832,250), which were in transit at 31 December 2008 and delivered in January 2009. 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 as at the year end.

As at 31 December 2008:

- the group was contingently liable in respect of bank guarantees of US\$5,569,535 (2007: US\$6,581,440) which the group had extended mainly to its suppliers
- the company had extended bank guarantees of US\$ 4,605,000 (2007: US\$ 5,920,000) mainly to its suppliers

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

As at 31 December 2008 the group had capital commitments of approximately US\$ 1,900,000 (2007: US\$1,570,000), representing the estimated cost of completion of the buildings under construction in Belarus and Middle East.

As at 31 December 2008 the company was contingently liable for the amount of US\$ 58,631,000 (2007: US\$ 52,880,000) in respect of corporate guarantees given to financial institutions as security for financing facilities granted to the subsidiary companies. The liabilities of the subsidiary companies covered by the said corporate guarantees are reflected in note 18 of the financial statements.

As at 31 December 2008 the group and the company had no other legal commitments and contingencies.

24. Related party transactions and balances

Main shareholders

The following table presents shareholders possessing more than 5% of the company's shares as at 31 December 2008:

Name	Number of votes/shares	% of votes/share capital
KS Holdings Ltd	25,676,361	46,26%
Maizuri Enterprises Ltd	4,800,000	8,65%
Alpha Ventures S.A.	3,200,000	5,76%
Sangita Enterprises Ltd	2,800,000	5,05%
Other	19,023,639	34,28%
Total	55,500,000	100,00%

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

The Group and the Company	2008 US\$	2007 US\$
Purchases of services and computer software from E-Vision Limited	811,148	575,000
Interest income	4,639	7,844

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

24. Related party transactions and balances (continued)

Related party balances	2008 US\$	2007 US\$
Loan due from related company (Note 11) E-Vision Limited	110.000	117.844

The loan receivable from E-Vision Limited is unsecured and bears interest at 3 months Libor + 2% per annum.

The Company

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

Intercompany transactions

	Sales of goods		Purchases of goods	
	2008 US\$	2007 US\$	2008 US\$	2007 US\$
Subsidiaries	462.272.412	348.642.329	38.374.113	21.651.278

	Sales of services		Purchases of services	
	2008 US\$	2007 US\$	2008 US\$	2007 US\$
Subsidiaries	3.252.122	2.189.953	5.333.294	3.248.264

Intercompany balances (Notes 11 & 17)

	Amounts owed by subsidiary companies		Amounts owed to subsidiary companies	
	2008 US\$	2007 US\$	2008 US\$	2007 US\$
Subsidiaries	66.018.260	48.756.301	1.325.820	9.721.350

During the year a balance of US\$ 285.046 owed by related parties has been written off. In 2007 a provision for doubtful debts of US\$ 1.593.616 had been made for amounts owed by related parties. Amounts owed from subsidiaries from the year 2007 of US\$ 4.808.354 which carried a provision for doubtful debts of US\$ 1.524.000 were converted into loans owed from subsidiary companies in 2008.

Loans owed from subsidiary companies

	2008 US\$	2007 US\$
Total loans owed from subsidiary companies	8.196.289	834.175
Provision for doubtful loans	(2.624.000)	-
Net loans owed from subsidiary companies (Note 11)	5.572.289	834.175

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

24. Related party transactions and balances (continued)

During the year loans owed from subsidiary companies amounting to US\$ 1.100.000 were provided as doubtful.

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

Subsidiary companies	Interest rate %	2008 US\$	2007 US\$
ASBIS CZ, SPOL S.R.O.	-	500.000	500.000
PRESTIGIO LTD (Russia)	7%	355.175	334.175
ASBIS KAZAKHSTAN LLP	6%	102.145	-
ASBIS LV SIA	7.5%	425.651	-
ASBIS EUROPE B.V.	5%	2.479.284	-
ASBIS NL BV	5%	4.334.034	-
		<u>8.196.289</u>	<u>834.175</u>

Transactions and balances of key management

	2008 US\$	2007 US\$
Directors' remuneration - executive	704.326	622.707
Directors' remuneration - non executive	152.854	136.178
	<u>857.180</u>	<u>758.885</u>
Amount due to directors - executive	2.873	38.318
Amount due to directors - non executive	112.737	28.411
	<u>115.610</u>	<u>66.729</u>

25. Personnel expenses and average number of employees

The Group	2008 US\$	2007 US\$
Salaries and other benefits	<u>36.870.021</u>	<u>23.417.372</u>
The average number of employees was	<u>1.267</u>	<u>958</u>

The Company	2008 US\$	2007 US\$
Salaries and other benefits	<u>7.277.568</u>	<u>4.978.585</u>
The average number of employees was	<u>179</u>	<u>122</u>

26. Earnings per share

	2008 US\$	2007 US\$
Profit for the year attributable to members	<u>4.020.700</u>	<u>18.685.526</u>
Weighted average number of shares for the purposes of basic and diluted earnings per share	<u>55.500.000</u>	<u>49.250.000</u>
	US\$ Cents	US\$ Cents
Basic and diluted earnings per share	<u>7,24</u>	<u>37,94</u>

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

27. Dividends	2008 US\$	2007 US\$
Dividend paid	3.330.000	960.000

The company's dividend policy is to pay dividends at levels consistent with our growth and development plans, while maintaining a reasonable level of liquidity. However, due to the large influence of the world's financial crisis on our results in 2008, and due to the fact that at this certain point of time it is hard to evaluate how long this crisis will last, in this extraordinary situation the Board of Directors intends to discuss it in depth prior to recommending to the general meeting of shareholders a possible payment of dividend for 2008.

The proposed dividend for the year 2007 was approved at the 2008 annual general meeting of the company and was paid during the year.

28. Financial risk management

1. Financial risk factors

The group's activities expose it to credit risk, interest rate risk, liquidity risk and currency risk arising from the financial instruments it holds. The risk management policies employed by the group to manage these risks are discussed below:

1.1. Credit risk

Credit risk is defined as the risk of failure of debtors to discharge their obligations towards the group. The group sets up and maintains specific controls to mitigate its credit risk, as it realizes its importance for the group's viability.

The group had established and systematically follows a thorough procedure prior to registering new customers into its system. Every new customer is checked both internally and via various reputable credit sources prior to such registration and, more importantly, prior to granting of any credit. The group runs an internal credit department consisting of local, regional and corporate credit managers. Corporate managers decide for all significant credit line requests and review the work of regional and local managers. The group uses all available credit tools – i.e. credit insurance, credit information bureaus – to safeguard itself from the credit risk. During 2008 (same for 2007) none of the group's customers accounted for more than 3% of total sales; it is of strategic importance for the group not to rely on any single customer.

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.

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

28. Financial risk management (continued) 1.2. Interest rate risk (continued)

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

	2008 US\$	2007 US\$
The Group		
Variable rate instruments		
Overdrafts	28.273.533	15.911.426
Short-term loans	25.891.594	24.856.372
Long-term loans	4.667.223	2.136.096
Factoring advances	12.776.071	13.707.714
	<u>71.608.421</u>	<u>56.611.608</u>
	2008 US\$	2007 US\$
The Company		
Variable rate instruments		
Overdrafts	6.852.519	618.526
Short-term loans	3.041.291	8.609.107
	<u>9.893.810</u>	<u>9.227.633</u>

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2008 would have decreased equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant, as well as it assumes that financial facilities outstanding at the balance sheet date were also outstanding for the whole year. For a decrease of 100 basis points there would be an equal and opposite impact on the profit and loss and equity.

	Equity and Profit & loss	
	2008 US\$	2007 US\$
The Group		
Variable rate instruments		
Overdrafts	282.735	159.114
Short-term loans	258.916	248.564
Long-term loans	46.672	21.361
Factoring advances	127.761	137.077
	<u>716.084</u>	<u>566.116</u>
	2008 US\$	2007 US\$
The Company		
Variable rate instruments		
Overdrafts	68.525	6.185
Short-term loans	30.413	86.091
	<u>98.938</u>	<u>92.276</u>

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

28. Financial risk management (continued)

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.

The Group

	Carrying amounts US\$	3 months or less US\$	3-12 months US\$	1-2 years US\$	2-5 years US\$	More than 5 years US\$
31 December 2008						
Bank loans	30,558.817	-	25,891.594	659.788	1,394.204	2,613.231
Bank overdrafts	28,273.533	28,273.533	-	-	-	-
Factoring advances	12,776.071	12,776.071	-	-	-	-
Trade and other payables	195,682.933	195,682.933	-	-	-	-
Other short and long term liabilities	396.460	-	89.648	306.812	-	-
Total	267,687.814	236,732.537	25,981.242	966.600	1,394.204	2,613.231

	Carrying amounts US\$	3 months or less US\$	3-12 months US\$	1-2 years US\$	2-5 years US\$	More than 5 years US\$
31 December 2007						
Bank loans	26,992.468	-	24,856.372	849.570	584.784	701.742
Bank overdrafts	15,911.426	15,911.426	-	-	-	-
Factoring advances	13,707.714	13,707.714	-	-	-	-
Trade and other payables	212,777.565	212,777.565	-	-	-	-
Other short and long term liabilities	244.955	-	68.676	176.279	-	-
Total	269,634.128	242,396.705	24,925.048	1,025.849	584.784	701.742

The Company

	Carrying amounts US\$	3 months or less US\$	3-12 months US\$	1-2 years US\$	2-5 years US\$	More than 5 years US\$
31 December 2008						
Bank loans	3,041.290	-	3,041.290	-	-	-
Bank overdrafts	6,852.519	6,852.519	-	-	-	-
Trade and other payables	104,485.740	104,485.740	-	-	-	-
Total	114,379.549	111,338.259	3,041.290	-	-	-

	Carrying amounts US\$	3 months or less US\$	3-12 months US\$	1-2 years US\$	2-5 years US\$	More than 5 years US\$
31 December 2007						
Bank loans	8,609.107	-	8,609.107	-	-	-
Bank overdrafts	618.526	618.526	-	-	-	-
Trade and other payables	126,069.370	126,069.370	-	-	-	-
Total	135,297.003	126,687.896	8,609.107	-	-	-

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

28. Financial risk management (continued)

1.4.Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the group's measurement currency.

The group has a policy to hedge external foreign exchange risks on balances and material transactions denominated in currencies other than US Dollars, the group's reporting currency. As a significant portion of the group's cash flow is denominated in Russian Rouble, Euro and other local currencies (i.e. the Czech Crown, the Polish Zloty, the Hungarian Forint, etc), the group raises debt in such currencies in order to hedge against foreign exchange risk.

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

The Group

2008	Cash at bank and in hand US\$	Receivables US\$	Trade and other liabilities US\$	Borrowings US\$
US Dollars	27.427.325	96.585.353	(131.857.344)	(524.854)
Euro	1.622.944	22.750.163	(33.865.939)	(12.715.534)
Russian Rouble	5.198.261	33.304.462	(10.708.444)	(1.701.815)
Polish Zloty	40.015	6.797.655	(5.731.062)	(2.288.862)
Czech Koruna	1.781.265	4.399.308	(3.489.263)	(5.077.308)
Slovak Koruna	37.313	20.702.454	(11.103.691)	(15.681.304)
Croatian Kuna	774.135	2.862.148	(255.272)	(3.879.349)
Romanian New Lei	243.558	6.384.136	(961.497)	(3.713.639)
Bulgarian Lev	119.901	5.971	(1.346.206)	(2.162.441)
Hungarian Forint	589.832	4.325.316	(514.790)	(1.653.890)
Ukraine Hryvna	405.688	1.828.184	(2.957.956)	-
UAE Dirham	1.178.359	647.755	(843.898)	(3.666.394)
Other	1.789.025	10.489.120	(4.823.642)	(6.163.420)
	41.207.621	211.082.025	(208.459.004)	(59.228.810)
2007	Cash at bank and in hand US\$	Receivables US\$	Trade and other liabilities US\$	Borrowings US\$
US Dollars	29.263.703	123.366.248	(141.030.963)	(8.794.206)
Euro	4.283.172	8.459.028	(17.296.719)	(433.275)
Russian Rouble	5.486.707	21.839.188	(30.118.113)	-
Polish Zloty	753.076	10.033.491	(7.826.194)	(1.970.426)
Czech Koruna	690.759	3.375.970	(2.227.208)	(2.640.507)
Slovak Koruna	37.946	16.754.924	(8.679.165)	(11.819.271)
Croatian Kuna	1.112.213	4.342.600	(61.994)	(4.011.669)
Romanian New Lei	426.558	7.555.862	(1.519.307)	(2.901.315)
Bulgarian Lev	769.309	2.113.364	(871.471)	(2.253.556)
Hungarian Forint	300.538	1.793.847	(609.741)	(1.169.912)
Ukraine Hryvna	279.391	5.762.609	(4.892.697)	(1.662.832)
UAE Dirham	1.418.692	518.525	(2.528.595)	(1.653.251)
Other	375.088	8.975.250	(8.823.112)	(3.838.629)
	45.197.152	214.890.906	(226.485.279)	(43.148.849)

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

28. Financial risk management (continued)

1.4.Currency risk (continued)

A strengthening/weakening of the group's major currencies in which it transacts against the US Dollar positively/negatively affects the group's net profit and equity's foreign exchange reserve respectively. In 2008, and mainly in the second half of 2008, the Russian Rouble and the other local currencies the group transacts in (i.e. the Czech Crown, the Polish Zloty, the Hungarian Forint, etc) significantly depreciated against the US Dollar, the group's reporting currency. In 2007, the Russian Rouble and the other local currencies the group transacts in (i.e. the Czech Crown, the Polish Zloty, the Hungarian Forint, etc) significantly appreciated to the US Dollar. In 2008 and 2007 the group's profit and loss had been affected as follows:

- Negative effect on gross profit of US\$ 13.839.900 (2007: positive effect of US\$ 2.303.317)
- Negative effect on financial expenses of US\$ 1.563.250 (2007: positive effect of US\$ 328.884)
- Positive effect on administration and selling expenses of US\$ 3.456.298 (2007: negative effect of US\$ 2.436.567)

Overall, there was a negative effect from exchange rate fluctuations on net profit before tax of US\$ 11.946.852 (2007: positive effect of US\$ 195.634). Additionally, the group's investment in subsidiaries in other currencies had a negative impact on equity amounting to US\$ 1.508.963 (2007: positive impact of US\$ 942.199).

The impact on the group's Profit and Loss and Equity from a steep depreciation of the Russian Rouble and the other local currencies the group transacts in (i.e. the Czech Crown, the Polish Zloty, the Hungarian Forint, etc), is expected to be similar to 2008 results, if all other variables (such as operating volume and currency structure) remain stable. An impact in the opposite direction is expected from a weakening of US Dollar against the currencies in which the group transacts.

The Company

2008	Cash at bank and in hand US\$	Receivables US\$	Trade and other liabilities US\$	Borrowings US\$
US Dollars	22.338.096	116.632.586	(92.353.576)	(404.397)
Euro	851.519	17.793.156	(11.849.100)	(9.488.690)
Czech Koruna	160.224	92.007	(33.064)	-
Other	880	-	-	(723)
	<u>23.350.719</u>	<u>134.517.749</u>	<u>(104.235.740)</u>	<u>(9.893.810)</u>
2007	Cash at bank and in hand US\$	Receivables US\$	Trade and other liabilities US\$	Borrowings US\$
US Dollars	21.337.962	138.868.307	(120.069.066)	(8.794.206)
Euro	2.339.972	2.929.264	(4.224.461)	(433.275)
Czech Koruna	37.688	-	(160.193)	-
Other	5.696	39.367	(1.615.650)	(152)
	<u>23.721.318</u>	<u>141.836.938</u>	<u>(126.069.370)</u>	<u>(9.227.633)</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.

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

28. 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 group's financial instruments approximate their fair value.

3. Capital risk management

The group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximizing the return to stakeholders through optimization of debt and equity. The group's overall strategy remains unchanged from 2007.

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 has a target gearing ratio of 30% determined as the proportion of net debt to equity. Based on the committee's recommendations, the group expects to maintain its gearing ratio at approximately the same level.

The gearing ratio at the year end was as follows:

	2008 US\$	2007 US\$
Debt (i)	71.608.421	56.611.608
Cash at bank and in hand	(41.207.621)	(45.197.152)
Net debt	<u>30.400.800</u>	<u>11.414.456</u>
Equity (ii)	<u>95.013.281</u>	<u>95.700.495</u>
Net debt to equity ratio	32%	12%

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

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

29. Other risks

Operational risk

Operational risk is the risk that derives from the deficiencies relating to the group's/company's information technology and control systems as well as the risk of human error and natural disasters. The group's/company's systems are evaluated, maintained and upgraded continuously.

Compliance risk

Compliance risk is the risk of financial loss, including fines and other penalties, which arises from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by the Compliance Officer, as well as by the monitoring controls applied by the group/company.

Litigation risk

Litigation risk is the risk of financial loss, interruption of the group's operations or any other undesirable situation that arises from the possibility of non-execution or violation of legal contracts and consequentially of lawsuits. The risk is restricted through the contracts used by the group/company to execute its operations.

Reputation risk

The risk of loss of reputation arising from the negative publicity relating to the group's/company's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against the group. The group/company applies procedures to minimize this risk.

Other risks

The general economic environment prevailing in Cyprus and internationally may affect the group's/company's operations to a great extent. Concepts such as inflation, unemployment, and development of the gross domestic product are directly linked to the economic course of every country and any variation in these and the economic environment in general may create chain reactions in all areas hence affecting the group/company.

30. Operating lease arrangements

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

Non-cancellable operating lease arrangements

	2008		2007	
	Cars	Offices and warehouses	Cars	Offices and warehouses
	US\$	US\$	US\$	US\$
Within 1 year	616.651	2.740.386	535.340	833.821
Between 2 to 5 years	645.870	2.615.814	153.038	428.336
More than 5 years	-	215.312	-	325.125
	1.262.521	5.571.512	688.378	1.587.282

The payment recognised as an expense during the year amounted to US\$ 4.221.858 (2007: US\$ 2.501.216).

ASBISC ENTERPRISES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in United States Dollars)

31. Events after the balance sheet date

On the 3rd of February 2009 the group signed a purchase agreement with E-Vision Ltd under which it obtained full ownership, all rights, title and interest in and to certain computer programs known as the IT4PROFIT platform. The total sum of the transaction is US\$ 1.240.000. IT4PROFIT platform is a computer software platform used by the group to organize electronic data interchange with its partners and customers and for online sales.