ASBISc Enterprises Plc

ANNUAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

Limassol, March 27th, 2013

Siarhei Kostevitch
Chairman & CEO

Dear Shareholders,

The year we left behind us was full of hard work towards improving our market position and restructuring our business. We rebuilt fundamentals and strategy to better fit to the dynamically changing market situation and to focus more on profitability than on revenues. In order to reach that, we have upgraded our product portfolio by decreasing involvement in low margin business lines, and by increasing fast growing high margin lines such as tablets and smartphones, also under our own brands. Since we completed these tasks successfully, we have significantly improved our financial results both on revenue and net profit levels compared to prior year.

2012 confirmed that broad geographical presence is one of the main Company's advantages, since we were able to benefit from growth of different product lines in different geographies. While our biggest market – Former Soviet Union - performed quite well, we grew even faster in Central and Eastern Europe countries and in Western Europe – due to strong development of our own brands.
This allowed us to increase profitability, and we were satisfied for this performance. This market strategy worked well, therefore we gained a significant market share, we believe that this shall continue in 2013.

Another factor positively affecting results in 2012 was our FX hedging strategy. Investment in our dedicated teams and tools paid off and we were glad to see that the Company has protected itself despite steep volatilities in the currency markets.

We expect that in 2013 we will continue to benefit from our strong market position and our upgraded product portfolio but more importantly from further development of our own brands. Increasing profitability will remain our main focus. Therefore, if there will be no dramatic changes in the economic surrounding, we expect to have another successful year.

The management and myself are confident and committed to making 2013 a very successful year for our shareholders, employees other stakeholders.

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Siarhei Kostevitch

Chairman & CEO

Directors’ report on the Group operations

For the fiscal year ended 31 December 2012

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

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

ASBISc commenced business in 1990 in Belarus and in 1995 we incorporated our holding company in Cyprus and moved our headquarters to Limassol. Our Cypriot headquarters support, through three master distribution centres (located in the Czech Republic, the United Arab Emirates and China), our network of 33 warehouses located in 26 countries. This network supplies products to the Group's in-country operations and directly to its customers in approximately 75 countries.

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

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

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

Forward-Looking Statements

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

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

Industry and Market Data

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

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

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

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

Financial and Operating Data

This annual report contains financial statements and financial information relating to the Group. In particular, this annual report contains our audited consolidated financial statements for the twelve months ended 31 December 2012. 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 złoty, 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.

	Year ended December 31,				
Year (Polish Zloty to U.S. dollar)	**2008**	**2009**	**2010**	**2011**	**2012**
Exchange rate at end of period	2.96	2.85	2.96	3.42	3.10
Average exchange rate during period[(1)]	2.41	3.12	3.04	2.97	3.23
Highest exchange rate during period	3.13	3.90	3.49	3.51	3.58
Lowest exchange rate during period	2.02	2.71	2.75	2.65	3.07

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 2012	3.52	3.20
February 2012	3.25	3.07
March 2012	3.17	3.09
April 2012	3.23	3.10
May 2012	3.54	3.16
June 2012	3.58	3.35
July 2012	3.47	3.34
August 2012	3.35	3.25
September 2012	3.37	3.11
October 2012	3.21	3.13
November 2012	3.29	3.16
December 2012	3.20	3.07
January 2013	3.17	3.07
February 2013	3.18	3.06

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)	2008	2009	2010	2011	2012
Exchange rate at end of period	0.7099	0.6938	0.7485	0.7737	0.7582
Average exchange rate during period(1)	0.6809	0.7182	0.7589	0.7158	0.7740
Highest exchange rate during period	0.6259	0.7992	0.8188	0.7745	0.8261
Lowest exchange rate during period	0.8053	0.6616	0.7161	0.6714	0.7718

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 2012	0.7899	0.7578
February 2012	0.7688	0.7429
March 2012	0.7660	0.7491
April 2012	0.7683	0.7487
May 2012	0.8059	0.7594
June 2012	0.8108	0.7875
July 2012	0.8261	0.7908
August 2012	0.8189	0.7964
September 2012	0.7992	0.7632
October 2012	0.7771	0.7631
November 2012	0.7885	0.7692
December 2012	0.7752	0.7535
January 2013	0.7685	0.7374
February 2013	0.7643	0.7315

Selected Financial Data

The following table set forth our selected historical financial data for the years ended December 31, 2012 and 2011 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 2012, 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 2012, that is: 1 US$ = 3.0996 PLN and 1 EUR = 4.0882 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 2012, that is 1 US$ = 3.2312 PLN and 1 EUR = 4.1736 PLN.

	Period from 1 January to 31 December			
		2012		2011
	USD	PLN	EUR	USD
Revenue	**1,744,878**	**5,638,049**	**1,350,884**	**1,482,075**
Cost of sales	(1,658,551)	(5,359,109)	(1,284,050)	(1,400,949)
Gross profit before currency movements	**86,327**	**278,940**	**66,834**	**81,126**
Currency movements on gross profit	(860)	(2,777)	(665)	124
Gross profit after currency movements	**85,468**	**276,163**	**66,169**	**81,250**
Selling expenses	(41,332)	(133,550)	(31,999)	(40,421)
Administrative expenses	(23,916)	(77,279)	(18,516)	(25,168)
Profit from operations	**20,220**	**65,334**	**15,654**	**15,660**
Financial expenses	(10,231)	(33,059)	(7,921)	(9,331)
Financial income	708	2,286	548	275
Other gains and losses	588	1,899	455	499
Negative goodwill on acquisition of subsidiary	41	134	32	-
Goodwill written off	-	-	-	(50)
Share of loss from joint ventures	(74)	(238)	(57)	(186)
Profit before taxation	**11,252**	**36,356**	**8,711**	**6,867**
Taxation	(2,205)	(7,123)	(1,707)	(1,206)
Profit after taxation	**9,047**	**29,233**	**7,004**	**5,660**
Attributable to:				
Non-controlling interest	37	119	29	243
Owners of the parent company	**9,010**	**29,114**	**6,976**	**5,418**
	9,047	**29,233**	**7,004**	**5,660**
	USD (cents)	**PLN (grosz)**	**EUR (cents)**	**USD (cents)**
Earnings per share Weighted average basic and diluted earnings per share from continuing operations	16.29	52.64	12.61	9.76
	USD	**PLN**	**EUR**	**USD**
Net cash (outflows)/inflows from operating activities	(38,228)	(123,523)	(29,596)	11,063
Net cash outflows from investing activities	(2,071)	(6,693)	(1,604)	(3,470)
Net cash inflows/(outflows) from financing activities	16,656	53,819	12,895	(9,711)
Net decrease in cash and cash equivalents	**(23,644)**	**(76,397)**	**(18,305)**	**(2,118)**
Cash at the beginning of the year	**19,251**	**62,205**	**14,904**	**21,370**
Cash at the end of the year	**(4,392)**	**(14,192)**	**(3,401)**	**19,251**

	As of 31 December 2012			As of 31 December 2011
	USD	PLN	EUR	USD
Current assets	477,582	1,480,314	362,094	408,801
Non-current assets	29,131	90,295	22,087	29,950
Total assets	506,713	1,570,609	384,181	438,751
Liabilities	403,628	1,251,086	306,024	342,980
Equity	103,085	319,523	78,157	95,771

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.

The Company's reporting currency is the U.S. dollar. In 2012 approximately 50% of our revenues were denominated in U.S. dollars, while the balance is denominated in Euro and other currencies, certain of which are linked to the Euro. Our trade payable balances are principally (about 80%) denominated in U.S. dollars. In addition, approximately half of our operating expenses are denominated in U.S. dollars and the other half in Euro or other currencies, certain of which are linked to the Euro. As a result, reported results are affected by movements in exchange rates, particularly in the exchange rate of the U.S. dollar against the Euro and other currencies of the countries in which we operate, including the Russian Rouble, the 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.

The Group has adopted hedging strategies to tackle this problem and become successful. This was visible also in 2012, when despite fluctations in the currency environment (see below chart), the Company was again able to limit the FX influence on its results. However, despite all efforts of the Company there can be no 100% 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. Therefore careful observation of currency environment remains crucial factor for our success.

EUR/USD fluctuations in 2012

Worldwide financial environment

The world's financial crisis has eased throughout 2011 and 2012. This included recovery signals from some of our markets (especially in the Former Soviet Union countries), and stabilization in some of others. Following some recovery the Company undertook efforts to benefit from these signals both in revenues and profitablity. The revised strategy and adaptation to the new environment, i.e. by rebuilding product portfolio, paid off in terms of increased market share and sales.

However, there are many uncertainties about the world economy and especially the Euro-zone - followed by volatility of currencies and fragility of demand in many markets. Although the Company was able to secure itself from these factors in 2012 (i.e. there were no major currency losses), it is of extreme importance to follow this strategy in future periods and focus more on growing profitability rather than just on growing revenues. It is undoudebtly one of our major risk factors since the financial and economic envirnonment dictates the business envirnonment in which the company operates. Demand might be negatively affected and the results of the company could be severely alter if the instability within the financial context continues.

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

The Company buys components and finished products from its suppliers on its own account and resells them to its customers. The Company extends credit to some of its customers at terms ranging from 14 to 60 days or, in a few cases, to 90 days. The Company's payment obligations towards its suppliers under such agreements are separate and distinct from its customers' obligations to pay for their purchases, except in limited cases in which the Company's arrangements with its suppliers require the Company to resell to certain resellers or distributors. Thus, the Company is liable to pay its suppliers regardless of whether its customers pay for their respective purchases. As the Company's profit margin is relatively low compared to the total price of the products sold, in the event the Company is unable to recover payments from its customers, it is exposed to a financial liquidity risk. The Company has in place credit insurance which covers such an eventuality for approximately 50 percent of its revenue.

Due to the recent market developments following the credit crisis that affected all countries the Group operates in, credit risk has become one of the most important factors that might affect the Group's results in the future. Despite the fact that the Group has managed to credit insure a large portion of its receivables, credit insurance companies are nowadays more risk averse and they are not easily granting credit limits to customers. As a result the Group is exposed to more credit risk and the ability of the Group to analyse and assess its credit risk is of extremely high importance.

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

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

a) international distributors such as Avnet Inc., Tech Data Corp., Ingram Micro Inc. and Arrow Electronics Inc., which are much larger than the Company, but do not always cover the same geographic regions with local presence as the Company does,

b) regional or local distributors, such as Elko, mainly in the Baltic States, Russia, Ukraine, Kvazar Micro and Merlion in the Former Soviet Union, AB, ABC Data and Action in Poland and ATC and ED System-BGS Levi in the Czech Republic and Slovakia.

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

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

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

In 2012 the Company's gross profit margin was lower than in 2011. This was a result of both the exceptional gains in the HDD segment in 2011 and stronger customer push for lower prices as a result of economic turbulences in many markets.

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

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

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

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

Our business is dependent on the decisions and actions of a limited number of suppliers. In the year ended 31 December 2012, the company held contracts with namely Intel, Advanced Micro Devices (AMD), Seagate, Microsoft, DELL, Toshiba, Acer and Lenovo and other international suppliers. Contracts with these suppliers are typically on a non-exclusive basis, allow for termination with or without cause and are open-ended with respect to requirements and output rather than imposing any commitment to a specific volume of business or scope of work.

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

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

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

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

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

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

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

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

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

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

Our pursue to support strong growth of our own brands business may negatively affect our cash flows, while our inability to support strong growth of our own brands business may negatively affect our profitability.

Since our own brands business share in our total revenues is growing with a double digit pace and its influence on our profitability is even higher, we have to invest in the development of new products, production and distribution. This adversely affects our cash flows, as the tablets and smartphones business is much more cash consuming than our traditional product lines. On the other hand, in case that we could not support growth of our own brands business with certain amounts of money, we may lose our market position; this would negatively affect our profitability.

ITEM 2. INFORMATION ON THE COMPANY

History and Development of Asbisc Enterprises Plc and Business Overview

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

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

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

ASBISc commenced business in 1990 in Belarus and in 1995 we incorporated our holding company in Cyprus and moved our headquarters to Limassol. Our Cypriot headquarters support, through three master distribution centres (located in the Czech Republic, the United Arab Emirates and China), our network of 33 warehouses located in 26 countries. This network supplies products to the Group's in-country operations and directly to its customers in approximately 75 countries.

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

Our revenues amounted to U.S. $ 1,744,878 in 2012, compared to U.S. $ 1,482,075 in 2011, following our stronger market position. Over the same period, we have reported a net profit after taxation amounting to U.S. $ 9,047 in 2012, compared to U.S. $ 5,660 in 2011, mainly due to the successful strategy to focus more on profitability than on revenues itself and due to development of our own brands business.

Our headquarters are home to our centralized purchasing department and global control function, which centrally monitors and controls our global activities, including purchasing, warehousing and transportation operations. In line with our strategy of focusing on automation and innovation in order to increase our cost-efficiency, in 2002, we began developing the IT4Profit platform, our online purchasing platform for electronic trading with our customers (B2B) and electronic data interchange for the Company and its subsidiaries. Within this platform, we have also implemented our end-to-end online supply chain management system, in order to effectively manage our multinational marketplace and to increase automation and reporting transparency both internally and vis-à-vis our suppliers. Dealings through the IT4Profit online platform have grown to represent approximately 55% of our revenues in 2012.

We combine the international experience of our central management team with the local expertise of our offices in each of the 26 countries in which we operate. With our broad local presence, we have developed in-depth knowledge and understanding of fast-growing IT markets in regions such as Central and Eastern Europe and our diverse cultural, linguistic and legal landscape, which may form significant barriers to entry for most of our international competitors. The Directors believe that this advantage has helped us to quickly and cost-effectively penetrate emerging markets and strengthen our competitive position not only in Eastern Europe and the Former Soviet Union, but also in the Middle East and Africa (“EMEA”).

History of the Group

We were established in Minsk, Belarus in 1990 by Mr. Siarhei Kostevitch and our main activity was the distribution of Seagate Technology products in the territory of the Former Soviet Union. Then, in 1995, we were incorporated in Cyprus and moved our headquarters to Limassol. In 2002, in order to fund further growth, we privately placed U.S. $ 6,000 worth of shares with MAIZURI Enterprises Ltd (formerly named Black Sea Fund Limited), and U.S. $ 4,000 with Alpha Ventures SA. In 2006, we listed our common stock on Alternative Investment Market of London Stock Exchange (AIM), however after the successful listing on the Warsaw Stock Exchange (October 2007) the Board of Directors took a decision and cancelled the AIM listing as at 18 of March 2008. The changes in shareholders structure occurred in 2012 were:

(1) On November 13th, 2012 the Company received from Aviva Investors Poland S.A. acting on Aviva Investors Poland S.A.‘s own name, as a entity which performs the actions consisting in management of investment portfolios of fund which governing body is Aviva Investors Poland Towarzystwo Funduszy Inwestycyjnych S.A. and on behalf of Aviva Investors Funduszu Inwestycyjnego Otwartego and Aviva Investors Specjalistycznego Funduszu Inwestycyjnego Otwartego (further „the Funds“) notification that the Funds descended below the threshold of 5% of total number of votes at the Company’s General Meeting of Shareholders. Descending below the threshold occurred as a result of transaction of sale of the Company’s shares conducted on November 8th, 2012, settled on November 13th, 2012.
Before the abovementioned event:
1. the Funds held altogether 3,506,149 Company’s shares consisting of 6,32% of the Company’s share capital and entitling to 3,506,149 votes which correspond to 6,32% of the total votes in the Company,
2. Aviva Investors Poland S.A. managed portfolios, that are composed of one or more financial instruments, and entitle Aviva Investors Poland S.A., acting as the manager, to exercise voting rights at the Company’s General Meeting of Shareholders on behalf of principals, held 3 506 149 shares of the Company, that correspond to 6,32% of the Company’s share capital and entitle to 3 506 149 votes that corresponds to 6,32% of total votes at the Company’s General Meeting of Shareholders.
According to the notification after the abovementioned event:
1. the Funds hold altogether 2,762,251 Company’s shares consisting of 4,98% of the Company’s share capital and entitling to 2,762,251 votes which correspond to 4,98% of the total votes in the Company,
2. Aviva Investors Poland S.A. managed portfolios, that are composed of one or more financial instruments, and entitle Aviva Investors Poland S.A., acting as the manager, to exercise voting rights at the Company’s General Meeting of Shareholders on behalf of principals, hold 2 762 251 shares of the Company, that correspond to 4,98% of the Company’s share capital and entitle to 2 762 251 votes that correspond to 4,98% of total votes at the Company’s General Meeting of Shareholders.

(2) On June 6th, 2012 the Company received from ING Powszechne Towarzystwo Emerytalne S.A. notification that ING Otwarty Fundusz Emerytalny („the Fund“) exceeded the threshold of 5% of total number of votes at the Company’s General Meeting of Shareholders. This exceeding occurred as a result of purchase of the Company’s shares settled on June 1st, 2012.

Before acquiring the shares the Fund had 2 473 465 Company’s shares that were equal to 4,46% in the Company’s share capital and thus had right to 2 473 465 votes at the Company’s General Meeting of Shareholders, that was equal to 4,46% of total number of votes.

According to the notification, at June 6th, 2012 the Fund’s brokerage account contains 2 872 954 Company’s shares that are equal to 5,18% in the Company’s share capital. These shares give right to 2

872 954 votes at the Company’s General Meeting of Shareholders, that is equal to 5,18% of total number of votes.

(3) On January 19th, 2012 the Company received from Aviva Investors Poland SA acting on behalf of Aviva Investors Fundusz Inwestycyjny Otwarty ("the Fund"), as an entity, which Aviva Investors Poland Towarzystwo Funduszy Inwestycyjnych S. A. has commissioned to manage the investment portfolios of its investment funds, which body it is, an indication that as a result of sales of shares made on the 13th January 2012 (settled on the 13th January 2012), the level of commitment of the Fund in the total number of votes at the general meeting of the Company decreased.

Consequent to the above event, the Fund disclosed that it held 2 543 976 shares of the Company, representing 4.58% of share capital of the Company, entitling to 2 543 976 votes, which represent 4.58% of total votes at the general meeting of the Company.

Prior to the above change the Fund had 2 843 976 shares of the Company, representing 5.12% of the share capital of the Company and entitling it to 2 843 976 votes, which represented 5.12% of total votes at the general meeting of the Company.

Strengths of the Group

The Directors consider that our key strengths are:

- Broad geographic coverage combined with strong local presence.

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

- Experienced management team, combined with local expertise.

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

- Critical mass of operations.

Having repeating revenues exceeding one and a half billion U.S. Dollars and with sales in approximately 75 countries and facilities in 26 countries, we believe that we have become a strong partner for, and has improved our position with, leading international suppliers of IT components and finished products, including Intel, AMD, Seagate, Samsung, Microsoft, Hitachi, Dell and Toshiba, Acer and Lenovo in most of our regions of operation. Thanks to our size and the scope of our regional reach, we have achieved authorized distributor status with leading international suppliers, either on a pan-European, regional, or on a country-by-country basis, thus enjoying a number of beneficial commercial terms and achieving agreements with respect to the distribution of products offering higher profit margins.

- Price protection and stock rotation policy for inventory.

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

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

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

- Strong portfolio of own brands

In the past years we have invested in development of our own brands and built its market position. This paid off in terms of both revenues and profitability. This was possible due to well developed product portfolio and good timing of switch in the direction of own tablets and smartphones. This allows us to benefit from good double digit margins, that positively affect our profitability, especially since the volume of own brands sales grows in all regions of our operations (it was close to 10% in 2012). The Directors consider our own brands to be a significant advantage over competitors, since our company is taking part in the technology change (from laptops to tablets and smartphones) with its own brands. The Company is now not only a distribution company but is also becoming a technology company, with longer relationships with customers.

Group Structure and Operations

The following table presents our corporate structure as at December 31st, 2012:

Company	**Consolidation Method**
ASBISC Enterprises PLC	**Mother company**
Asbis Ukraine Limited (Kiev, Ukraine)	Full (100% subsidiary)
Asbis PL Sp.z.o.o (Warsaw, Poland)	Full (100% subsidiary)
AS Asbis Baltic (Tallinn, Estonia)	Full (100% subsidiary)
Asbis Romania S.R.L (Bucharest, Romania)	Full (100% subsidiary)
Asbis Cr d.o.o (Zagreb, Croatia)	Full (100% subsidiary)
Asbis d.o.o Beograd (Belgrade, Serbia)	Full (100% subsidiary)
Asbis Hungary Commercial Limited (Budapest, Hungary)	Full (100% subsidiary)
Asbis Bulgaria Limited (Sofia, Bulgaria)	Full (100% subsidiary)
Asbis CZ,spol.s.r.o (Prague, Czech Republic)	Full (100% subsidiary)
UAB Asbis Vilnius (Vilnius, Lithuania)	Full (100% subsidiary)
Asbis Slovenia d.o.o (Trzin, Slovenia)	Full (100% subsidiary)
Asbis Middle East FZE (Dubai, U.A.E)	Full (100% subsidiary)
Asbis SK sp.l sr.o (Bratislava, Slovakia)	Full (100% subsidiary)
Asbis Europe B.V (Schiphol, Netherlands)	Full (100% subsidiary)
Asbis Limited (Charlestown, Ireland)	Full (100% subsidiary)
FPUE Automatic Systems of Business Control (Minsk, Belarus)	Full (100% subsidiary)
E.M. Euro-Mall Ltd (former ISA Hardware Limited–Group) (Limassol, Cyprus)	Full (100% subsidiary)

OOO ‘ Asbis’-Moscow (Moscow, Russia)	Full (100% subsidiary)
Asbis Morocco Limited (Casablanca, Morocco)	Full (100% subsidiary)
EUROMALL CZ s.r.o. (formerly ISA Hardware s.r.o.) (Prague, Czech Republic)	Full (100% subsidiary)
EUROMALL d.o.o. (formerly ISA Hardware d.o.o.) (Zagreb, Croatia)	Full (100% subsidiary)
ISA Hardware Hungary Commercial Limited Liability Co (Budapest, Hungary)	Full (100% subsidiary)
S.C. EUROMALL 2008 S.R.L (formerly ISA Hardware International S.R.L) (Bucharest, Romania)	Full (100% subsidiary)
ISA Hardware s.r.o Slovakia (Bratislava, Slovakia)	Full (100% subsidiary)
Euro-Mall SRB d.o.o. (former ISA Hardware d.o.o Beograd) (Belgrade, Serbia)	Full (100% subsidiary)
E.M.Euro-Mall D.o.o. (former ISA Hardware s.r.o Slovenia) (Ljubljana, Slovenia)	Full (100% subsidiary)
Prestigio Plaza Sp. z o.o (Warsaw, Poland)	Full (100% subsidiary)
Prestigio Plaza Ltd (formerly Prestigio Technologies) (Limassol, Cyprus)	Full (100% subsidiary)
Prestigio Europe s.r.o (Prague, Czech Republic)	Full (100% subsidiary)
ASBIS NL.B.V. (Amsterdam, Netherlands)	Full (100% subsidiary)
Asbis Kypros Ltd (Limassol, Cyprus)	Full (100% subsidiary)
Asbis TR Bilgisayar Limited Sirketi (Istanbul, Turkey)	Full (100% subsidiary)
SIA “ASBIS LV” (Riga, Latvia)	Full (100% subsidiary)
Megatrend d.o.o. (Sarajevo, Bosnia Herzegovina)	Full (90% ownership)
PTUE IT-MAX (Minsk, Belarus)	Full (100% subsidiary)
ASBIS Close Joint-Stock Company (former CZAO ASBIS) (Minsk, Belarus)	Full (100% subsidiary)
ASBIS IT S.R.L.” (Rome, Italy)	Full (100% subsidiary)
ASBIS Kazakhstan LLP (Almaty, Kazakhstan)	Full (100% subsidiary)
Euro-Mall SRO (Bratislava, Slovakia)	Full (100% subsidiary)
ASBIS Taiwan (Taipei City, Taiwan)	Full (100% subsidiary)
AOSBIS TECHNOLOGY (SHENZHEN) CORP. (Shenzhen, China)	Full (100% subsidiary)
ASBIS DE GMBH, (Munchen, Germany)	Full (100% subsidiary)
EUROMALL BULGARIA EOOD (Sofia, Bulgaria)	Full (100% subsidiary)
Advanced Systems Company LLC (Riyadh, Kingdom of Saudi Arabia)	Full (100% subsidiary)
SHARK ONLINE a.s. (Bratislava, Slovakia)	Full (51% subsidiary)

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

Changes in the Group’s structure

During the year ended December 31st, 2012:

- The Company purchased the remaining 9 shares at ASBIS Close Joint-Stock Company (formerly CZAO ASBIS) both directly and through FPUE Automatic Systems of Business Control (Minsk, Belarus). As a result the Company has:

a. directly: 29 shares of a nominal value of USD 1000 each, that are equal to 96.67% in share capital of ASBIS Close Joint-Stock Company (formerly CZAO ASBIS) and is entitled to 29 votes (96.67% of all votes) at AGM of this company,

b. indirectly (through FPUE Automatic Systems of Business Control (Minsk, Belarus)): 1 share of a nominal value of USD 1000, that is equal to 3.33% of the share capital of ASBIS Close Joint-Stock Company (formerly CZAO ASBIS) and is entitled to 1 vote (3.33% of all votes) at AGM of this company.

Consequently, the Company has full control over ASBIS Close Joint-Stock Company (formerly CZAO ASBIS).

- The Company completed the process of selling of ASBIS KOREA (Seoul, Korea), which was originally started in Q4 2011, as this company has not been delivering profit to the Group.

- The Company finalized the process of purchasing the controlling interest in AOSBIS TECHNOLOGY (SHENZHEN) CORP. (Shenzen, China), in order to concentrate and optimize its trading activities in the Asian markets.

Regional operations

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

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

We are represented in the following locations:

Key Markets

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

The following table presents a breakdown of our revenue by regions for the years ended 31 December 2012, 2011 and 2010:

	Year ended 31 December		
	2012	**2011**	**2010**
		%	
Former Soviet Union	40.41	41.49	41.00
Central and Eastern Europe	34.82	34.33	33.58
Middle East & Africa	13.20	13.89	14.18
Western Europe	8.31	7.14	7.66
Other	3.25	3.16	3.58
Total revenue	**100**	**100**	**100**

Products

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

We engage in three primary lines of business:

- sales and distribution of the IT components and blocks described below that we purchase from a variety of suppliers such as Intel, AMD, Seagate and Western Digital,

- sales of a range of finished products from worldwide manufacturers (Dell, Toshiba, Lenovo, Acer) as well as software (Microsoft and antivirus software producers),

- sales of a range of private label products (such as tablet PCs, smartphones, e-book readers, data storage devices, GPS devices, peripherals, accessories) with larger volumes and with profit potential selected by us and manufactured by ODM/OEM producers in the Far East under our own private label brands, Canyon and Prestigio.

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

The following table presents revenues from each category of product in 2012, 2011 and 2010:

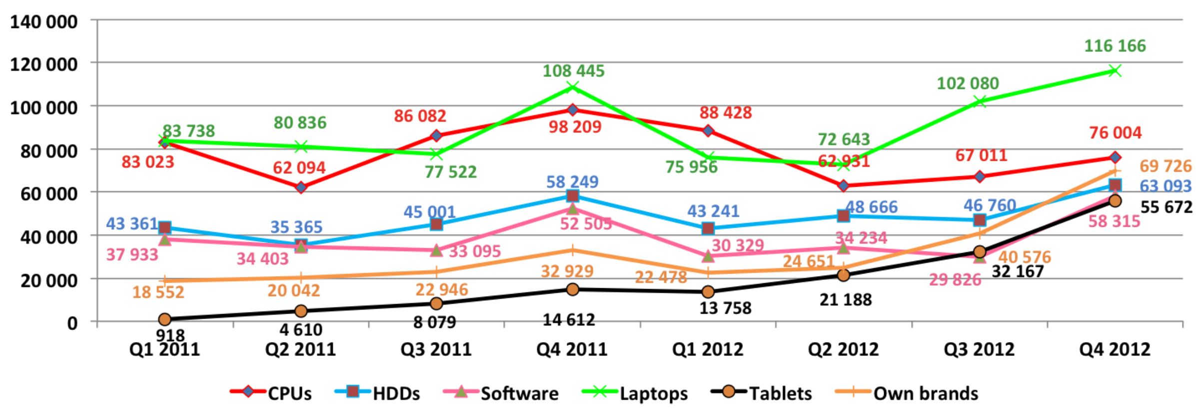
	Year ended 31 December		
	2012	**2011**	**2010**
		(U.S. $)	
Central Processing Units	294,374	329,408	279,253
Hard disk drives (HDD)	201,760	181,976	173,378
Software	152,704	157,936	118,104
PC mobile (laptops)	360,589	350,476	326,795
Mainboards & VGA cards	23,010	39,229	31,906
PC desktop	32,739	46,055	57,265
Peripherals	43,119	53,919	72,784
Display products	36,949	23,918	12,384
Memory modules (RAM)	12,271	27,707	47,031
Accessories & multimedia	94,661	75,228	55,817
Servers & server blocks	67,969	29,577	20,267
Tablets	129,041	28,284	941

Smartphones	115,510	245	37
Optical & floppy drives	7,771	9,515	7,190
Flash memory	37,501	15,809	1,767
Networking products	33,264	20,055	8,997
Other	101,646	92,737	221,147
Total revenue	**1,744,878**	**1,482,075**	**1,435,063**

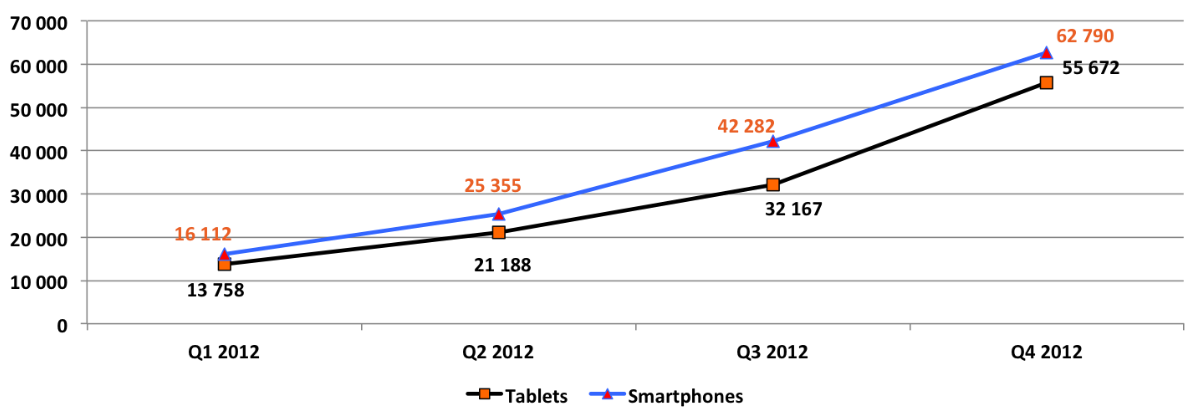
It is worth mentioning that due to changes in the IT market observed in early 2012 the Company made changes in its product portfolio by increasing share of new booming product lines like smartphones, tablets and e-book readers, while in the same time it decided to decrease reliance from large segments that offer low gross profit margins (i.e. in Q4 2012 the Company decided to stop distribution of laptops in Russia).

In Q4 2012 the four main product lines' share in total revenue was 55.36%, compared to 67.51% in the corresponding period of 2011. This was a result of strong growth in sales of tablets and smartphones including our own branded products. The Company strategically develops this business, since it traditionally allows the Company to reach double-digit gross margins.

Changes in revenues breakdown by main product lines between Q1 2011 and Q4 2012 (in U.S.$ thousand)



Revenues from sale of tablets and smartphones in 2012 (in U.S.$ thousand)



Private labels: Prestigio and Canyon

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

Canyon. Canyon was launched in 2001 as a supplier of motherboards and video graphics adaptors (VGA) cards to Eastern European markets. The brand has evolved and currently primarily targets retail chains with IT and consumer electronic peripherals and accessories, supplying products such as RAM and flash memory modules, web cams, mice, networking products, external HDD, MP3 players, handbags, phone accessories and speakers. Canyon is perceived to be a brand aimed at younger customers who want good quality products at affordable prices. Canyon uses attractive colors and packaging to promote this image. During 2012 Canyon launched several limited editions of new products which proved very successful and it plans to continue these projects going forward.

Prestigio. Prestigio was launched at the end of 2002 with the aim of becoming a supplier of premium quality IT products and now supplies data storage devices, peripherals and accessories.. Prestigio's brand slogan "The Art of High Tech" reflects the positioning of these products in this premium, high-specification design segment. In 2011 Prestigio was recognized as the leading GPS Navigator device in whole F.S.U. and CEE countries regions with about 500 thousand unit sales. Additionally we have sold almost 150 thousand units of E-book readers and tablet PCs. In 2012 we have further developed sales of tablets and e-book readers under Prestigio brand in most of countries of our operations with great success (in most of the countries we managed to gather position in top 5). In 2012 we have also decided to enter the smartphones segment with our own brand and started successfully selling Prestigio MultiPhones from Q4 2012. These moves were connected with anticipated and observed changes in the markets, and proved the Company's ability to benefit from its experience and know-how in order to improve its market share. Further development of Prestigio product mix will be conducted in 2013, to benefit from the already built market position and recognition from customers.

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

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

Revenues from own brands grew to a historical record of U.S.$ 69,726 in Q4 2012, compared to U.S.$ 32,929 in Q4 2011. As a result, own brands' contribution in total revenue was 12.31% in Q4 2012, compared to 7% in Q4 2011; for the twelve months of 2012 its contribution to total revenues was 9.03% compared to 6.4% in 2011. It is expected that revenues from own brands sales will further increase in 2013 and will further support our profitability.

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 establish strong relationships based on mutual trust with our key suppliers. In that direction, we strive to provide full visibility to our suppliers by reporting to them crucial information on a daily/weekly basis, including stock levels, sales-out reports by country, thus assisting them in monitoring customers' demand and allowing them time to comprehend and react to specific market peculiarities, trends and dynamics.

The following table presents the percentage of sales generated by product categories from our key suppliers for the years 2012 and 2011.

Product Category	Suppliers	Y 2012	Y 2011
CPU & Mainboards	INTEL, AMD	17.3%	20.9%
Hard Disk Drives (HDD)	Seagate, Hitachi, Western Digital, Samsung	10.3%	11.7%
Mobile Computers	DELL, Toshiba, ACER, Lenovo, HP	18.3%	23.1%

In 2012, a significant portion of our revenues was generated from our ten biggest suppliers. However, the management believes that we place no reliance on any of our suppliers since we carry for every category a wide potfolio of brands. Additionally, a growing part of our revenues is derived from sales of our own brands.

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

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

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

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

Procurement Policies

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

Sales and Marketing

We focus on developing efficient online sales infrastructure and a rewarding profit commission scheme, as well as on investing in training our 575 sales managers in order to instil a thorough understanding of our product offerings with the goal of enhancing customer satisfaction. We also have the possibility to use some of our main suppliers marketing funds, to increase our sales and our clients satisfaction.

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

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

Distribution

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

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

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

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

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

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

Facility Location	Office Square Meters	Warehouse Square Meters	Total Square Meters	Owned or Leased
Prague	575	4,473	5,048	Leased
Dubai	550	6,475	7,025	Owned
China-Shenzen	20	1,319	1,339	Leased

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

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

Distribution Operations Management - "Asbis on IT4Profit"

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

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

IT4Profit provides the following functions:

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

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

Disaster Recovery

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

Customers

We served over 32,000 customers in approximately 86 countries in the year ended 31 December 2012. We have no reliance on any single customer, as our biggest customer is responsible only for about 1% of our total revenues. Approximately 50% of our total sales was conducted on-line, based on our IT4Profit platform described above.

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

Industry Overview and competition

European market characteristics

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

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

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

Business ("SMBs") segment of the IT clientele since the SMB sector has been too small for OEMs to dedicate their selling efforts on.

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

Market trends

The world's financial crisis eased down in 2011 and 2012 and therefore demand grew in many markets of our operations. However, due to a lot of uncertainties over the economic situation in the Euro-zone and a number of other economic uncertainties in different countries have shrinked overall gross margins. Thus, the Company decided to conduct more selective sales and focus more on profitability than just on revenues itself. Additionally we have decided to decrease our reliance from some big in volume but low margin product lines (i.e. laptops) in 2012, and in the same time to increase our involvement in new fast growing segments that allow to reach higher margins – like tablets and smartphones.

Independent market analysis says that smartphones business is already three times higher than all PC segment and its still growing. Thus the Company entered into a number of distribution agreements with various vendors and also started selling smartphones under its own brand (beginning from Q4 2012).

Tablets segment is growing even faster. In Q4 2012 demand for laptops decreased significantly leaving many vendors and distributors in various countries with unsold stocks, while most of customers rushed for tablets. The Company anticipated this situation by investing in the tablets segment early enough and benefited from this decision in 2012. This is expected to continue, especially since tablets segment is forecasted to grow much faster than the laptop segment. While in 2012 the laptop segment was evaluated for 200 million units around the world and tablets segment for 120 million units, independent analysts say that in 2013 both segments will be around 200 million units – which means the laptop segment will remain big but stable, and the tablets segment will grow by two thirds.

The policy described above and the fact that the biggest of the Company's markets – Russia and Ukraine – started growing again, enable the Company to be optimistic about 2013 and the years to follow.

Having in mind the Company's geographical presence in markets that are less penetrated than those of Western European, and having seen trends in 2012 sales compared to 2011, the Company's management has grounds to believe that its market share in 2013 has very good changes for further growth.

Despite the fact that there are many factors affecting this business nowadays, it is hard to estimate the pace of growth at the general level of the IT industry. However, due to upgraded product portfolio, strong development of own brands and broad geographical presence, the management believes that in 2013 the Company will be able to increase its revenues faster than the market itself and deliver a significant increase in its profitability. This clearly underlines the Group's market strategy – focus on increasing gross profit margins and profitability rather than just increasing low margin revenues.

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.

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

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

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

Directions of further development

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

a) increasing sales and market share in particular countries of the Former Soviet Union, Central and Eastern Europe, Middle East and Africa ("EMEA") taking advantage of the weakenesses of competition;

b) decreasing dependance on traditional IT component business and other low margin product lines by adding more finished-goods (i.e. smartphones and tablets) to our product portfolio and improving the gross profit margin;

c) further developing our private label business;

d) controlling our cost structure, enhancing operating efficiency and automated processes, including our online sales channels;

e) continuing successful foreign exchange hedging.

- **Increasing sales and market share in the EMEA region taking advantage of the weaknesses of competition.**

The last world's financial crisis has led some of our competitors to bankrupcy or to decision of moving out from particular markets. Additionally we have signed a significant number of agreements with suppliers for many countries, including Slovakia, Ukraine or the Middle East countries. We have also developed sales of our own brands in almost all regions of our operations. This resulted in increased market share in several countries of operations and is expected to continue in 2013.

As confirmed by independent market reports produced by Gartner, IT penetration in the markets in which we operate, is still significantly lower than in more developed Western European markets. As the current environment is getting better, demand for IT products in our markets will continue to grow. It is also expected that investment we made in tablets and smartphones business, including development of our own brands, will positively affect our sales in many countries, including even Western Europe. All this will boost the group's revenues and profitability.

- **Decreasing dependance from traditional IT component business and other low margin product lines by adding more finished-goods (i.e. smartphones and tablets) to our product portfolio and improving gross profit margin;**

Traditional IT components segment is characterized by high volumes and low gross profit margins. The same happened to laptops business during 2012. Therefore the Company continues its efforts to rebuild its product portfolio by adding more finished-goods, namely smartphones and tablets, in order to benefit from growing sales and better margins. This paid off in many countries in 2012. The Company expects to continue this policy, in order to increase its total gross profit margins in the future.

- **Further developing our private label business;**

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

We believe that increasing sales of private label products – as was the case of 2012 - 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. This is especially expected because we have invested early enough in fast growing segments of tablets and smartphones, that are expected to grow fast in next couple of years. We aim to continue expanding the range of our private label products and strengthening their promotion in our markets and we expect that this will have positive impact on our revenues and profitability.

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

We continue to focus on improving operating efficiency and enhancing our automated processes, with a view to reducing operating expenses and increasing our profit margins, mainly through enhancing our own online, end-to-end supply chain management system, which operates over our IT4Profit platform. This automated system covers a wide range of our activities, from purchasing processes with key suppliers, to intercompany transactions, order processing and business data exchange with customers, as well as automated B2C (business-to-customer) connection with e-shops of resellers. More than 50% of our revenues were derived from online transactions with customers in 2012, and we aim to increase this percentage going forward.

- **Continuing successful foreign exchange hedging;**

The hedging strategy that we implemented back in 2011 and continued to enhance in 2012 shielded our 2012 results from any major currency losses even despite the large volatility observed in the markets. However, since there is no such thing as perfect hedging, the currency environment needs to be closely monitored and FX hedging strategies are to be updated as soon as new developments will be visible in the markets.

Real property and other tangible assets

The table below presents our main real properties:

Name of Subsidiary	Country	Square meters			
		Plot	Office	Warehouse	Total
ASBISc Enterprises Plc	Cyprus	--	1,624	--	1,624
Asbis CZ, spol.s.r.o.	Czech Republic	5,000	232	1,300	1,532
Asbis Ukraine Limited	Ukraine	--	532	2,368	2,990
ZAO Automatic Systems of Business Control-Minsk	Belarus	--	1,047	--	1,047
Asbis SK sp.l. sr.o.	Slovakia	9,128	1,206	2,875	4,081
Asbis Middle East FZE	United Arab Emirates	6,500	930	4,307	5,237
IT-MAX	Belarus	-	621	919	1,540
CJSC ASBIS (Asbis BY)	Belarus	-	662	-	662
ASBIS BULGARIA LTD	Bulgaria	3,855	-	-	3,855

Our remaining premises are under lease.

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

Intellectual Property

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

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

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

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

The company further owns a number of industrial design patents covering Europe and certain countries of FSU for such products as LCDs displays and monitors, portable HD starages, USB flash drives, external backup starage devices and GPS and few utility models patents for LCDs and Multimedia device, covering the territory of Russia and Czech Republic.

Insurance

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

Products insurance. We have a products insurance policy with M.N. Leons B.V. We assume the risks of products we receive from our suppliers only upon transfer of legal title, which is when the goods reach us and thereafter. Under our product insurance policy, covering the twenty four months ending 31 December 2011 with tacit renewal thereafter our products are insured for a maximum of U.S. $ 4,000 from any single shipment of computers, monitors and supplies of accessories transported from country to country or warehouse to warehouse. Typical shipment values for each warehouse are as follows: Czech Republic: U.S. $ 120 and the Middle East: U.S. $ 140.

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

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

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

Credit Insurance: We have two major credit insurance policies in place with Atradius Credit Insurance N.V. and Euler Hermes Kreditversicherungs AG ("Euler Hermes") reducing our exposure in respect to possible non-recoverability of our receivables. Both insurers have agreed to indemnify us for losses due to bad debts in respect of goods delivered and services performed during the policy period, which covers a term of twelve months, subject to annual renewal. We insured more than 50% of our 2012 revenues.

The first major insurance policy is held with Atradius Credit Insurance N.V. which was signed in April 2008 and is renewed every year. It covers Asbisc Enterprises PLC, the Company, Asbis Middle East FZE, Asbis Limited (Ireland), Asbis D.o.o. (Slovenia), Asbis NL B.V. (Netherlands), Asbis Europe B.V. (Netherlands), Asbis Turkey, Asbis IT Srl (Italy), Asbis CR d.o.o. (Croatia), Asbis Doo (Serbia) and Asbis OOO (Russian Federation), ASBIS Polska Sp. z o.o. and ASBIS Hungary. Each buyer, primarily our large customers, who has an approved credit limit is insured for a coverage amounting to 85%. Atradius also offers us a discretionary credit limit up to a maximum of U.S. $ 65.

The second insurance policy is with Euler Hermes Kreditversicherungs AG ("Euler Hermes"), which commenced in May 2003, is considered by the management as a milestone in credit insurance for us. One of our core vendors in co-operation with Euler-Hermes offered us the Credit Insurance Program ("CIP"). At that time, we were the only Central and Eastern European distributor to participate in such a vendor-driven program. This flexible and tailor-made program has given us a competitive advantage over other distributors on insurance of small customers. This insurance policy is held by the Company and extends to cover ASBIS CZ, spol s.r.o., ASBIS CR d.o.o., ASBIS Hungary Limited, ASBIS Vilnius UAB, ASBIS PL Sp z.o.o., ASBIS SK spol s.r.o. (Slovakia); and ASBIS d.o.o. (Slovenia), ASBIS Bulgaria Limited, ASBIS Romania S.R.L., AS ASBIS Baltic, ASBIS LV SIA (Latvia), as well as to specific customers in Algeria, Tunisia and Morocco. Under this policy we have the flexibility of providing eligible customers a discretionary credit limit up to a maximum of U.S.$ 75. This policy after a decision of both the insurer and the vendor was finished at December 31st and it will not be re-newed. The company however has managed to pass most of the insured customers under the policy through its major policy or local policies created in Czech Republic, Slovakia and Turkey.

ITEM 3. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following Management's discussion and analysis of our financial position and results of operations reviews our historical financial results as at, and for the years ended, 31 December 2012 and 2011. The reader shall read the following discussion in conjunction with our audited financial statements as at and for the years ended 31 December 2012 and 2011, including the accompanying notes thereto, which are included elsewhere in this Annual Report, and have been prepared in accordance with IFRS and audited by KPMG Limited, our independent auditors and in conjunction with the information set forth under "*Risk Factors"* and *"Information on the Company*".

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

Summary

The principal events of 2012 were as follows:

- Revenues increased by 17.73% to U.S.$ 1,744,878 from U.S.$ 1,482,075 in 2011.

- Gross profit before currency movements increased by 6.41% to U.S.$ 86,327 from U.S.$ 81,126 in 2011.

- Gross profit after currency movements increased by 5.19% to U.S.$ 85,468 from U.S.$ 81,250 in 2011.

- Gross profit margin was 4.90% compared to 5.48% in 2011.

- EBITDA grew by 23.11% and amounted to U.S.$ 23,082 compared to U.S.$ 18,748 in 2011.

- Net profit grew by 59.84% to U.S.$ 9,047 compared to U.S.$ 5,660 in 2011.

Principal Factors Affecting Financial Condition and Results of Operations

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

Worldwide financial environment

The world's financial crisis has eased throughout 2011 and 2012. This included recovery signals from some of our markets (especially in the Former Soviet Union countries), and stabilization in some of others. Following some recovery the Company undertook efforts to benefit from these signals both in revenues and profitablity. The revised strategy and adaptation to the new environment, i.e. by rebuilding product portfolio, paid off in terms of increased market share and sales.

However, there are many uncertainties about the world economy and especially the Euro-zone - followed by volatility of currencies and fragility of demand in many markets. Although the Company was able to secure itself from these factors in 2012, it is of extreme importance to follow this strategy in future periods and focus more on growing profitability rather than just on growing revenues.

Currency fluctuations

The Company's reporting currency is the U.S. dollar. Traditionally around 40% of the Company's revenues were denominated in U.S. dollars. Following the Company's efforts to decrease currency risk, this number grew to more than 50% back in 2009 and remained unchanged since then, while the balance was denominated in Euro and other currencies, some of which are linked to the Euro. Since most of the Company's trade payable balances are denominated in U.S. dollars (about 80%), the Company was exposed to foreign exchange risk. Foreign exchange risk remains a very crucial factor that might affect the Group's results in the future. On the other hand, the Group has adopted hedging strategies to tackle this problem and become successful, by having no major currency losses in 2012. However the problem persists and will persist as the Euro and other Eastern European currencies fluctuate in a steep manner against the U.S. Dollar, the Group's reporting currency. Therefore it is of extreme importance to further monitor this area and react fast and accurate to any changes that may arise.

Competition and price pressure

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

a) international distributors such as Avnet Inc., Tech Data Corp., Ingram Micro Inc. and Arrow Electronics Inc., which are much larger than the Company, but do not always cover the same geographic regions with local presence as the Company does,

b) regional or local distributors, such as Elko, mainly in the Baltic States, Russia, Ukraine, Kvazar Micro and Merlion in the Former Soviet Union, AB, ABC Data and Action in Poland and ATC and ED System-BGS Levi in the Czech Republic and Slovakia.

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

Low gross profit margins

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

In 2012 the Company's gross profit margin was lower than in 2011. This was a result of both the exceptional gains in the HDD segment in 2011 and stronger customer push for lower prices as a result of economic turbulences in many markets.

Inventory obsolescence and price erosion

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

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

Credit risk

The Company buys components and finished products from its suppliers on its own account and resells them to its customers. The Company extends credit to some of its customers at terms ranging from 14 to 60 days or, in a few cases, to 90 days. The Company's payment obligations towards its suppliers under such agreements are separate and distinct from its customers' obligations to pay for their purchases, except in limited cases in which the Company's arrangements with its suppliers require the Company to resell to certain resellers or distributors. Thus, the Company is liable to pay its suppliers regardless of whether its customers pay for their respective purchases. As the Company's profit margin is relatively low compared to the total price of the products sold, in the event the Company is unable to recover payments from its customers, it is exposed to a financial liquidity risk. The Company has in place credit insurance which covers such an eventuality for approximately 50 percent of its revenue.

Due to the recent market developments following the credit crisis that affected all countries the Group operates in, credit risk has become one of the most important factors that might affect the Group's results in the future. Despite the fact that the Group has managed to credit insure a large portion of its receivables, credit insurance companies are nowadays more risk averse and they are not easily granting credit limits to customers. As a result the Group is exposed to more credit risk and the ability of the Group to analyse and assess its credit risk is of extremely high importance.

Seasonality

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

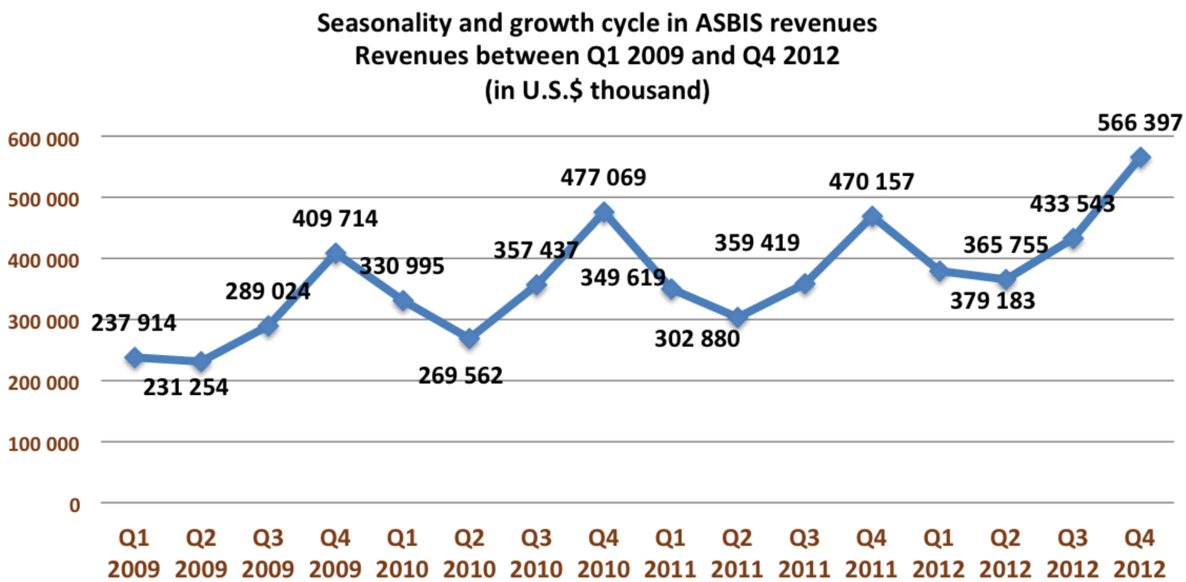
Financial position and results of operations

On March 21st, 2012 we published the official forecast for the year 2012. According to this forecast, revenues were expected to reach between U.S. $ 1.55 billion and U.S.$ 1.65 billion, and net profit after tax between U.S. $ 7.5 million and U.S. $ 9.5 million for the whole year. Actually, the Company:

- generated revenue of U.S.$ 1,744,878, which is 12.57% higher than the lower range of the Company's financial forecast and 5.75% higher than the upper range of the Company's financial forecast for 2012.
- delivered net profit after tax amounting to U.S.$ 9,047, which is close to the upper range of the forecasted NPAT and exceeds the lower range by +20.63%.

Year ended December 31, 2012 compared to year ended December 31, 2011

Revenues: Revenues grew by 17.73% to U.S. $ 1,744,878 from U.S. $ 1,482,075 in 2011. Revenues in Y2012 were 12.57% higher than the lower range of the Company's financial forecast and 5.75% higher than the upper range. The management considers this as a good achievement, having in mind its focus on profitability.



The table below sets forth a breakdown of our revenues, by product, for the years ended 31 December 2012 and 2011:

	For the years ended 31 December			
	2012		2011	
	U.S. $	**percent of total revenues**	**U.S. $**	**percent of total revenues**
Central processing units (CPUs)	294,374	16.87%	329,408	22.23%
Hard disk drives (HDDs)	201,760	11.56%	181,976	12.28%
Software	152,704	8.75%	157,936	10.66%
PC-mobile (laptops)	366,845	21.02%	350,541	23.65%
Tablets	122,785	7.04%	28,219	1.90%
Other	606,409	34.75%	433,994	29.28%
Total revenue	**1,744,878**	**100%**	**1,482,075**	**100%**

- Revenue from sale of central processing units ("CPUs") decreased by 10.64% to U.S. $ 294,374 (16.87% of total revenues) for the year 2012 from U.S. $ 329,408 (22.23% of total revenues) for 2011. This was mostly due to lower unit sales (that followed changes in technology of major vendors), partially offset by slightly higher average sales prices ("ASP").

- Revenue from sale of hard disk drives ("HDDs") increased by 10.87% to U.S. $ 201,760 (11.56% of total revenues) for the year 2012 from U.S. $ 181,976 (12.28% of total revenues) for 2011.

- Revenue from sale of software decreased by 3.31% to U.S. $ 152,704 (8.75% of total revenues) for the year 2012 from U.S. $ 157,936 (10.66% of total revenues) for 2011. This decrease of revenue from sale of software was connected with lower average sales prices.

- Revenue from sale of PC-mobile ("laptops") increased by 4.65% to U.S. $ 366,845 (21.02% of total revenues) for the year 2012 from U.S. $ 350,541 (23.65% of total revenues) in 2011. This was mostly due to higher unit sales while the average sales price remained relatively stable.

- Revenue from sale of tablets increased by 335.11% to U.S.$ 122,785 (7.04% of total revenues) for the year 2012 from U.S.$ 28,219 (1.90% of total revenues) in 2011. This was mostly due to significantly higher unit sales.

The Company is also developing its own brands, Canyon and Prestigio, as it allows us to reach double digit gross margins.

- Revenues from own brands amounted to a historical record of U.S.$ 157,590 for the year 2012 compared to U.S.$ 94,469 in 2011. As a result, own brands' contribution in total revenue was 9.03% in 2012 compared to 6.4% in 2011.

The Company's intention is to further develop its own brand sales so in the midterm its contribution to total sales will be higher than 10%. This should be possible because of undertaken efforts that include more products of lighter technology, as well as growing sales of tablets and smartphones under the Prestigio brand in many regions of our operations.

The Company also develops its smartphone segment by signing agreements with other vendors for different countries (i.e. in Q4 2012 the Company has signed an exclusive agreement with Research in Motion for distribution of selected BlackBerry smartphones in Russia). This is due to market expectations that the smartphones segment will grow significantly in the next couple of years.

The table below presents a geographical breakdown of sales for the years ended 31 December 2012 and 2011:

	For the years ended 31 December			
	2012		**2011**	
	U.S. $	**percent of total revenues**	**U.S. $**	**percent of total revenues**
Former Soviet Union	705,191	40.41	614,905	41.49%
Central and Eastern Europe	607,563	34.82	508,773	34.33%
Western Europe	145,033	8.31	105,789	7.14%
Middle East & Africa	230,302	13.20	205,790	13.89%
Other	56,789	3.25	46,818	3.16%
Total revenues	**1,744,878**	**100**	**1,482,075**	**100%**

The table below presents a country-by-country breakdown of sales for our most important markets for the years ended 31 December 2012 and 2011:

	2012			*2011*		
	Country	*Sales in U.S. $ thousands*	*% of total revenues*	*Country*	*Sales in U.S. $ thousands*	*% of total revenues*
1.	*Russia*	*403,488*	*23.12%*	*Russia*	*355,712*	*24.00%*
2.	*Slovakia*	*174,827*	*10.02%*	*Slovakia*	*165,376*	*11.16%*
3.	*Ukraine*	*167,249*	*9.59%*	*Ukraine*	*150,897*	*10.18%*
4.	*United Arab Emirates*	*125,588*	*7.20%*	*United Arab Emirates*	*90,339*	*6.10%*
5.	*Bulgaria*	*82,813*	*4.75%*	*Czech Republic*	*84,911*	*5.73%*
6.	*Czech Republic*	*81,991*	*4.70%*	*Kazakhstan*	*65,226*	*4.40%*

7.	*Kazakhstan*	*65,063*	*3.73%*	*Saudi Arabia*	*48,233*	*3.25%*
8.	*Belarus*	*55,442*	*3.18%*	*Romania*	*38,514*	*2.60%*
9.	*United Kingdom*	*47,911*	*2.75%*	*Bulgaria*	*37,402*	*2.52%*
10.	*Lithuania*	*47,085*	*2.70%*	*Belarus*	*33,432*	*2.26%*
11.	*Other*	*493,421*	*28.28%*	*Other*	*412,033*	*27.80%*
	TOTAL	***1,744,878***	***100%***	***TOTAL***	***1,482,075***	***100%***

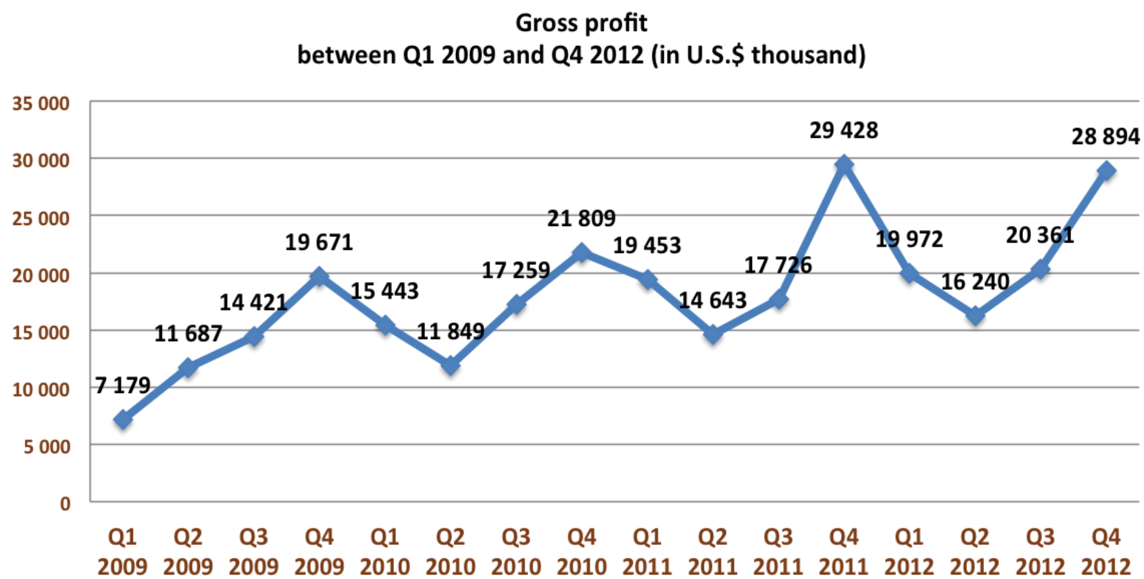
Gross Profit: Gross profit grew in 2012 as a result of stronger market position, upgraded product portfolio as well as more effective currency hedging.

Gross profit before currency movements:

Gross profit before currency movements in 2012 increased by 6.41% to U.S. $ 86,327 from U.S. $ 81,126 in 2011.

Gross profit after currency movements:

Gross profit after currency movements in 2012 increased by 5.19% to U.S. $ 85,468 from U.S. $ 81,250 in 2011.



Gross profit margin (gross profit as a percentage of revenues) decreased by 10.65% to 4.90% for the year ended 31 December 2012 compared to 5.48% in 2011. This decrease was a result of a high base for 2011 (owed to HDDs shortage) and a strong push for lower margins observed in different markets during the year.

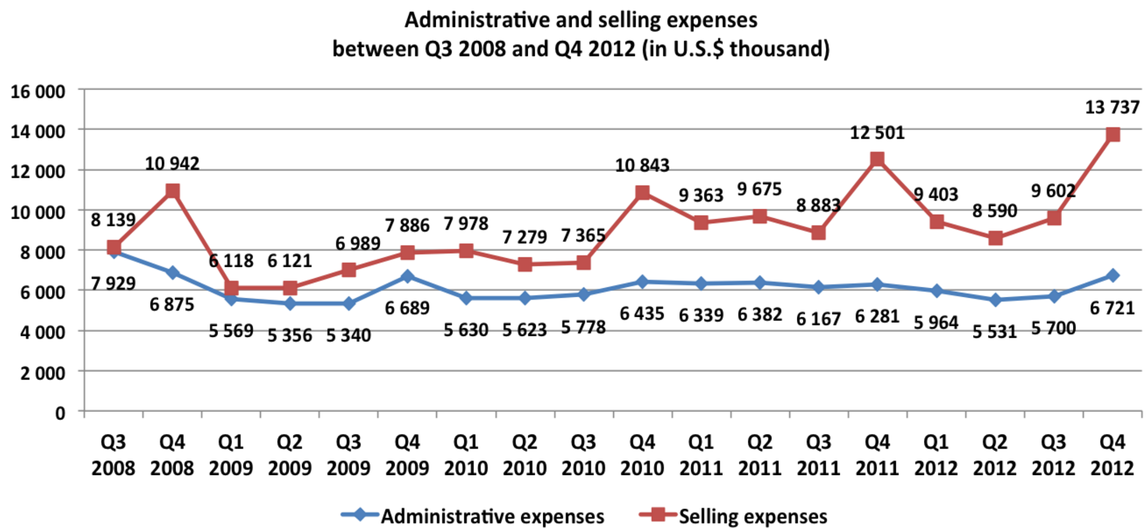
Selling Expenses: Selling expenses largely comprise of salaries and benefits paid to sales employees (sales, marketing and logistics departments), marketing and advertising fees, commissions, and traveling expenses. Selling expenses usually grow together (but not in-line) with sales and gross profit which was also the case of 2012 when they grew significantly slower than revenues.

Selling expenses in 2012 increased only slightly by 2.25% to U.S.$ 41,332 from U.S.$ 40,421 in 2011.

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

Administrative expenses in 2012 decreased by 4.97% to U.S. $ 23,916 from U.S. $ 25,168 in 2011. This was a result of cost restructuring actions continued in 2012. It is expected that administrative expenses will remain under strict control in 2013.

Administrative expenses represented 1.37% and 1.70% of our revenues for the years 2012 and 2011, respectively.



Operating Profit: Operating profit for the year ended 31 December 2012 grew significantly by 29.11% to U.S. $ 20,220 compared to U.S. $ 15,660 in 2011. This was mostly due to stronger market position and upgraded product portfolio.

This clearly shows a constant upgrade in the Company's operations and efficiencies that allows the Company's management to be optimistic about future results. It is expected that operating profit will grow in 2013.

Operating margin (operating profit as a percentage of revenues) amounted 1.16% for the year 2012 compared to 1.06% for 2011.

Profit Before Taxation: In 2012 the Company generated profit before taxation amounting to U.S. $ 11,252 compared to profit before taxation of U.S. $ 6,867 in 2011.

Profit After Taxation: In 2012 the Company's profit after taxation grew by 59.84% to U.S. $ 9,047 compared to profit after taxation of U.S. $ 5,660 in 2011. Net profit in 2012 was in the higher range of the Company's financial forecast that assumed between U.S.$ 7,500 and U.S.$ 9,500 and confirms the Company's ability to deliver according to its forecast.

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 following table presents a summary of cash flows for the twelve months ended December 31st, 2012 and 2011:

	Twelve months ended December 31st	
	2012	**2011**
	U.S. $	
Net cash (outflows)/inflows from operating activities	(38,228)	11,063
Net cash outflows from investing activities	(2,071)	(3,470)
Net cash inflows/(outflows) from financing activities	16,656	(9,711)
Net decrease in cash and cash equivalents	(23,644)	(2,118)

Net cash (outflows)/inflows from operating activities

Net cash outflows from operations amounted to U.S. $ 38,228 for the twelve months ended December 31st, 2012, compared to inflows of U.S. $ 11,063 in the corresponding period of 2011. This is primarily due to worsening of working capital during the year, as the Prestigio business is developing at fast pace and the Group continues to address the retail customer (both for Prestigio and Canyon as well as other third party brands) and requires an increased working capital.

Net cash outflows from investing activities

Net cash outflows from investing activities was U.S. $ 2,071 for the twelve months ended December 31st, 2012, compared to U.S. $ 3,470 in the corresponding period of 2011. This was mostly due to lower expenditure for real-estate purchases.

Net cash inflows/(outflows) from financing activities

Net cash inflows from financing activities was U.S. $ 16,656 for the twelve months ended December 31st, 2012, compared to outflows of U.S. $ 9,711 for the corresponding period of 2011. This is reflecting the ability of the Company to borrow more in certain countries and finance its growing working capital needs.

Net decrease in cash and cash equivalents

As a result of the Company's efforts to serve growing demand and increased sales, the cash and cash equivalents position decreased by U.S. $ 23,644 for the twelve months ended December 31st, 2012, compared to a decrease of U.S. $ 2,118 in the corresponding period of 2011.

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 2012, we had total short-term and long-term debt (excluding amounts due to factoring creditors) of U.S. $ 75,211, including U.S. $ 71,736 of current maturities (due within one year), compared to U.S. $ 50,421, including U.S. $ 46,358 of current maturities, as at 31 December 2011.

The table below presents our principal outstanding debt facilities as at 31 December 2012:

ENTITY	Financial institution	Type of facilities	Credit limit	Currency	US$ Equivalent	Valid from	Valid till
Asbisc Enterprises Plc	Ukrisbank	Guarantee	700 000	Usd	$700 000	10.Sep.11	10.Sep.13
Asbisc Enterprises Plc	Cyprus Development Bank	Overdraft	2 500 000	Euro	$3 304 256	23.Sep.10	31.May.13
Asbisc Enterprises Plc	Cyprus Development Bank	L/C-Bank Guarantees	2 433 000	usd	$2 433 000	23.Sep.10	31.May.13
Asbisc Enterprises Plc	Cyprus Development Bank	Overdraft	3 100 000	Usd	$3 100 000	23.Sep.10	31.May.13
Asbisc Enterprises Plc	Cyprus Development Bank	Loan	1 295 426	Euro	$1 712 167	23.Sep.10	30.Jun.23
Asbisc Enterprises Plc	Bank of Cyprus	Overdraft-Multicurrency	8 497 608	Usd	$8 497 608	14.Apr.10	non term
Asbisc Enterprises Plc	Bank of Cyprus	Guarantees	1 502 392	Usd	$1 502 392	14.Apr.10	non term
Asbisc Enterprises Plc	Marfin Laiki Bank	Overdraft	1 500 000	Euro	$1 982 554	6.Jun.11	non term
Asbisc Enterprises Plc	Marfin Laiki Bank	Overdraft	1 000 000	Usd	$1 000 000	1.Nov.09	non term
ASBIS Kypros Ltd	Bank of Cyprus	Overdraft	300 000	Euro	$396 511	3-Mar-11	non term
ASBIS Kypros Ltd	Marfin Laiki	Overdraft	600 000	Euro	$793 021	20-Aug-10	non term
ASBIS Kypros Ltd	Bank of Cyprus	Bank Guarantee Line	400 000	Euro	$528 681	18-Nov-09	non term
Prestigio Plaza	Cyprus Development Bank	Overdraft	50 000	Euro	$66 085	15-Dec-11	15.May.13
Prestigio Plaza	Bank of Cyprus	Overdraft	50 000	Euro	$66 085	10-Jun-08	non term
Asbis CZ, spol s.r.o	Csob Bank	Overdraft	60 000 000	Koruna	$3 148 780	8.Jun.11	non term
Asbis PL, SP z.o.o	Bos Bank	Overdraft	12 000 000	Polish Zloty	$3 871 467	11.Oct.12	27.Sep.13
Asbis PL, SP z.o.o	Bank Zachodni WBK S.A.	Revolving credit	25 000 000	Polish Zloty	$8 065 557	16.Apr.12	15.Jul.13
Asbis PL, SP z.o.o	Bank Zachodni WBK S.A.	Overdraft	5 000 000	Polish Zloty	$1 613 111	31.Oct.12	31.Jul.13
AS Asbis Baltic	Swedbank AS	Overdraft	50 000	Euro	$66 085	27.Apr.12	26.Apr.13
Asbis Romania SRL	BRD Groupe Societe Generale	Overdraft	13 430 000	Ron	$4 000 000	22-Aug-11	29-Apr-13
Asbis SK spol s.r.o	Tatrabanka a.s.	Overdraft	13 310 000	Euro	$17 591 858	1.Nov.12	31.Oct.13
Asbis SK spol s.r.o	Tatrabanka a.s.	Guarantee	1 690 000	Euro	$2 233 677	1.Nov.12	31.Oct.13
Asbis SK spol s.r.o	Tatrabanka a.s.	Loan	1 846 143	Euro	$2 440 052	22.Nov.07	30.Jun.17
ASBIS Cr d.o.o	Erste&Steiermarkische bank d.d.	bank loan	19 500 000	Hrk	$3 405 047	22-Jan-12	22-Jan-13
ASBIS Cr d.o.o	Societe Generale Splitska Banka D.D	bank guarantee	2 300 000	Hrk	$401 621	15-Nov-11	15.11.2012+ 3 months respiro
Asbis D.o.o Beograd	Societe Generale	Short Term Loan	45 100 000	Csd	$507 131	30-Apr-12	30-Apr-13
Asbis D.o.o Beograd	Societe Generale	Overdraft	100 000 000	Csd	$1 124 458	30-Apr-12	15-May-13
Asbis D.o.o Beograd	Societe Generale	Customs Guarantee	8 000 000	Csd	$89 957	27-Feb-12	27-Feb-13
Asbis D.o.o Beograd	Societe Generale	Guarantee	50 000	USD	$50 000	25-Apr-12	25-Apr-13
Asbis D.o.o Beograd	Societe Generale	Guarantee	50 000	USD	$50 000	25-Apr-12	25-Apr-13
Asbis D.o.o Beograd	Societe Generale	Short Term Loan	10 000 000	Csd	$112 446	23-Nov-12	23-Nov-13
Asbis D.o.o Beograd	Societe Generale	Short Term Loan	33 360 000	Csd	$375 119	23-Nov-12	31-Mar-13
Asbis Hungary Ltd	ING Bank	Overdraft	400 000 000	Forint	$1 810 528	20-Jun-12	20-Mar-13
Asbis Siovenia d.o.o	Nova ljubljanska banka d.d (Domzale)	Overdraft	200 000	Euro	$264 340	9-Mar-12	8-Mar-13
Asbis Siovenia d.o.o	Raiffeisen Krekova banka	Overdraft	1 500 000	Euro	$1 982 554	26.Aug.11	23.Aug.13
Asbis Bulgaria Ltd	Unicredit Bulbank Plc	Revolving loan	8 000 000	Bng	5 392 289	25.Aug.09	2.Feb.14
Asbis Bulgaria Ltd	Unicredit Bulbank Plc	Bank guarantees	300 000	USD	300 000	1.Nov.12	16.Nov.14

Asbis Middle East FZE	National Bank of Fujairah	Loan	15 500 000	Dirham	$4 217 687	26.Dec.06	TILL DATE
Asbis Middle East FZE	HSBC Bank Middle East Limited	Import Line Facility	14 690 000	Dirham	$3 997 279	12.cze.12	31.Mar.13
ASBIS Lithuania	UniCredit bank	Overdraft	2 000 000	Litas	$767 460	15.Apr.12	15.Apr.13
OOO Asbis-Moscow	Mosocw Credit bank	Overdraft	100 000 000	Rur	$3 292 398	17-Apr-12	16-Apr-13
OOO Asbis-Moscow	Mosocw Credit bank	Short Term Loan	300 000 000	Rur	$9 877 194	18-Apr-12	17-Apr-13
Megatrend	Volksbank BH d.d.	Overdraft	350 000,00	KM	$235 913	13-May-12	13-May-13
Megatrend	Volksbank BH d.d.	Revolving	250 000,00	KM	$168 509	31-Jan-12	31-Jan-14
Megatrend	Volksbank BH d.d.	Revolving	250 000,00	KM	$168 509	31-Aug-12	31-Aug-13
Megatrend	UniCredit Bank d.d.	Revolving	250 000,00	KM	$168 509	23-Mar-12	23-Mar-13
Megatrend	Raiffeisen Bank d.d.	Bank guarantee (HP)	156 466,40	KM	$105 464	8-Jun-12	23-Jul-13
Megatrend	Volksbank BH d.d.	Bank guarantee (IBM)	30 000,00	USD	$30 000	24-Mar-12	31-Mar-13
Megatrend	Raiffeisen Bank d.d.	Bank guarantee (IBM)	45 000,00	USD	$45 000	24-Oct-12	30-Nov-13
Megatrend	Raiffeisen Bank d.d.	Short term Loan	200 000,00	KM	$134 807	4-Dec-12	4-Jun-13
Megatrend	Raiffeisen Bank d.d.	Short term Loan	100 000,00	KM	$67 404	28-Nov-12	28-May-13
Megatrend	Raiffeisen Bank d.d.	Revolving-short term project	230 000,00	KM	$155 028	25-Jul-12	25-Jan-13
Megatrend	Raiffeisen Bank d.d.	Bank guarantee (Lenovo)	100 000,00	USD	$100 000	21-Feb-12	21-Feb-13
IT Max	Bank Moskva-Minsk	Short Term Loan	32 000 000 000	BLR	$3 733 956	8.Sep.11	8.Sep.13
Asbis Latvia	DNB Bank	Loan	289 458	Lvl	$564 245	3.Nov.12	5.Nov.13
Zao Asbis (Asbis Belarus)	Bank Moscow-Minsk	Short Term Loan	26 000 000 000	Byr	$3 033 839	25-Oct-11	24-Oct-13
Zao Asbis (Asbis Belarus)	Bank Moscow-Minsk	Overdraft	1 000 000 000	Byr	$116 686	4-Apr-12	24-Mar-13
ASBC	MT Bank	Short Term Loan	2 000 000 000	Byr	$233 372	19-Oct-12	15-Oct-13
ASBIS Kazakhstan	Kazkommertsbank	Short Term Loan	100 000 000	KZT	$663 394	11-Jun-12	10-Jan-13

Capital Expenditure

Our total capital expenditure for fixed and intangible assets amounted to U.S. $ 2,402 for the year ended 31 December 2012, compared to U.S. $ 3,919 for the year ended 31 December 2011.

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.

Financial forecast for the year 2013

On March 21st, 2013 the Company published official financial forecast for the year 2013, that follows its strategy and market position and reflects the Management expectations on results of application of this strategy.

The Company forecasts that in 2013 it will reach:

- Sales revenue at the level between USD 1,85 billion and USD 1,95 billion (as compared to USD 1,745 in 2012), and
- Net profit after tax at the level between USD 11,0 million and USD 12,5 million (as compared to USD 9,047 in 2012).

The forecasted values follow the Company's strategy to focus more on growth in profits (both gross and net) than in revenues, by improving the Company's product portfolio, increasing own brands sales and conducting more selective sales, in order to generate higher gross profit margins.

Significant assumptions of the forecasted results are the following:

- positive trend in demand on the Company's biggest markets will continue. The Former Soviet Union, Central and Eastern Europe and the Middle East regions will reach a growth rate of at least +5% compared to Y2012
- growth rate in the biggest single markets (Russia and Ukraine) will reach at least +7% compared to Y2012
- the Company will generate net profit after tax for H1 2013, which is traditionally weaker in terms of revenue and profitability
- the private label business (Canyon and Prestigio) will continue to grow according to the company's and external analysts' expectations and there should not be any significant technology changes
- competition on all major segments will remain at the same levels of Y2012
- there would be no significant disturbance in the general economic environment in the markets where the company operates
- there will be no major changes in currency exchange rates, especially in the EUR/USD pair, and no significant devaluations of UAH and BYR against the USD and the Company will be able to hedge against them at least to the same extent as in 2012

Realization of the forecasted results will be monitored by the Company on a monthly and quarterly basis. The monitoring and evaluation criterion will be the achievement of budgeted revenues and net profit for each month of 2013. In case of any significant variation between the actual and budgeted results, the Company will amend this forecast through a current 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 a Board of Directors meetings at least four times each financial year and at other times as and when required.

The following table sets out our current Directors:

Name	Year of Birth	Position	Appointed to the Board	Expiry of term	Nationality
Siarhei Kostevitch	1965	Chairman, Chief Executive Officer	30 August 1999	18 May 2013	Belarussian/Cypriot
Marios Christou	1968	Chief Financial Officer	28 December 2001	18 May 2013	Cypriot
Constantinos Tziamalis	1975	Director of Credit & Investor Relations	23 April 2007	30 May 2014	Cypriot
Laurent Journoud	1970	Director, Executive Vice-President Sales and Marketing	26 June 2003	30 May 2014	French
Efstathios Papadakis	1936	Non Executive Director	5 May 2009	24 May 2014	Cypriot
Chris Pavlou	1945	Non Executive Director	18 June 2012	Next AGM	Cypriot

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

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

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

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

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

Efstathios Papadakis, born in 1936 joined the Group in 2009. His career includes a number of positions related to business and public administration. Since 1962 he was involved in the petroleum business.

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

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

Directors' remuneration

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

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

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

Executive Directors are also entitled to receive a bonus every quarter depending upon our quarterly results. The bonus consists of a certain amount or percentage which is agreed and described in each Director's service agreements or contracts, as applicable, however, Directors only receive such a bonus to the extent that our profit meets certain pre-set budetary 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 2012 and 2011, respectively (U.S.$):

Name			2012			2011
	Salary	Other benefits	**Total**	Salary	Other benefits	**Total**
Siarhei Kostevitch	258	-	**258**	253	-	**253**
Marios Christou	86	23	**109**	97	13	**110**
Constantinos Tziamalis	85	8	**93**	81	11	**92**
Laurent Journoud	188	44	**232**	239	8	**247**
Efstathios Papadakis	19	-	**19**	21	-	**21**
Kyriacos Christofi	10	-	**10**	21	-	**21**
Chris Pavlou	15	-	**15**	-	-	**-**

Share ownership

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

Name	Number of Shares	% of the share capital
Siarhei Kostevitch (directly and indirectly)	25,718,127	46.34%
Laurent Journoud	400,000	0.72%
Marios Christou	350,000	0.63%
Constantinos Tziamalis	35,000	0.06%
Efstathios Papadakis	0	0%
Chris Pavlou	0	0%

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

During 2012 there were no changes in the number of shares possesed by the Directors.

Committees

The Audit Committee of the Company, comprising Efstathios Papadakis and Chris Pavlou (both non-executive Directors) and Marios Christou (as attending member) is chaired by Efstathios Papadakis. The audit committee meets at least twice a year. The audit committee is responsible for ensuring that the Group’s financial performance is properly monitored, controlled and reported. It also meets the auditors and reviews reports from the auditors relating to accounts and internal control systems. The audit committee meets once a year with the auditors.

The remuneration committee of the Company, comprising Chris Pavlou and Efstathios Papadakis (both non-executive Directors) and Siarhei Kostevitch (as attending member) is chaired by Chris Pavlou. It sets and reviews the scale and structure of the executive Directors’ remuneration packages, including share options and the terms of their service contracts. The remuneration and the terms and conditions of the non-executive Directors are determined by the Directors with due regard to the interests of the

Shareholders and the performance of the Group. The remuneration committee also makes recommendations to the Board concerning the allocation of share options to employees.

Changes in main management rules

There were no changes to main management rules in 2012.

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

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

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

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

Employees

As at 31 December 2012, we employed 1,407 employees, of whom 136 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 2012 and 2011 is as follows:

	As at 31 December	
	2012	**2011**
Sales and Marketing	693	585
Administration and IT	215	170
Finance	156	150
Logistics	343	335
Total	**1,407**	**1,240**

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%
Quercus Towarzystwo Funduszy Inwestycyjnych S.A. Quercus Parasolowy SFIO and Quercus Absolutnego Zwrotu FIZ)*	3,274,931	5.90%	3,274,931	5.90%
Alpha Ventures S.A.	3,200,000	5.77%	3,200,000	5.77%
ING OFE	2,872,954	5.18%	2,872,954	5.18%
ASBISc Enterprises PLC (buy-back program)	138,389	0.249%	138,389	0.249%
Free float	20,337,365	36.64%	20,337,365	36.64%
Total	**55,500,000**	**100.00%**	**55,500,000**	**100.00%**

* Including 2,775,045 shares corresponding to 5.00% votes at the AGM held by Quercus Parasolowy SFIO - according to notification from December 9th, 2011.

Related Party Transactions

During the year ended 31 December 2012 the Company did not have any material related party transactions exceeding the Polish Zloty equivalent of Euro 500 thousand other than typical or routine transactions. For ordinary course of business transactions, please refer to the notes on the audited financial statement attached on this annual report.

In the period from 1 January 2012 to 31 December 2012, 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 or any of the members of our Group, whose single or aggregate value exceeds 10% of our equity.

Information on loans given to any other party

During the year ended 31st December 2012 we have not granted any loan to any other party other than our subsidiaries which are disclosed in the third part of this report (Audited financial statements).

Information on given guarantees

We give certain guarantees to some of our vendors and to certain customs authorities. All our guarantees are reported in the financial statements section of this annual report. The total bank guarantees raised by the Group (mainly to Group suppliers) as at December 31st, 2012 was U.S. $ 8,570 – as per note number 21 to the financial statements – which is less than 10% of the Company's equity.

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

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

Evaluation of possibility of realisation of investment intentions

The Company has completed all its current investments in prior years and in 2013 intends to grow organically, therefore there is no risk connected with the realization of current investment intentions.

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

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

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

Information about the structure of main deposits and capital investments in 2012

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

There were no other capital investments than the one disclosed in note 16 of our financial statements to this annual report.

Information about relevant off balance sheet positions as at December 31st, 2012

There were no relevant off balance sheet positions as at December 31st, 2012 other than Bank Guarantees disclosed in note 26 of the audited financial statements.

DIVIDEND POLICY

Our dividend policy is to pay dividends at levels consistent with our growth and development plans, while maintaining a reasonable level of liquidity. After a temporary pause in dividend payout in 2008-2010 (caused by the fact that results were not satisfactory enough due to world's financial crisis effects), in 2012 the Company started to pay dividend again.

Following the strong results of 2012, the Board of Directors will recommend to the forthcomming Annual General Meeting of Shareholders to pay a dividend of US$ 0.05 per share, amounting to US$ 2,775,000, based on strong profitability growth.

Also, having changed the Company strategy, that is oriented more on profits than on revenues itself, the dividend policy may be changed in the future to pay higher dividend to shareholders. Any future dividends will be solely at the discretion of the Board of Directors and the general meeting of shareholders after taking into account various factors, including our business prospects, future earnings, cash requirements, financial position, expansion plans and the requirements of the Cypriot law. The Cyprus law does not limit dividends that may be paid out except that the law states that dividends may only be paid out of profits and may not be higher than recommended by the Board of Directors.

Material Contracts

Contract with Intel International B.V.

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

Contract with AMD

ISA Hardware Limited ("ISA Hardware") entered into a commercial distribution agreement dated 31 December 2003 with AMD pursuant to which ISA Hardware was appointed as a non-exclusive commercial distributor to promote and distribute AMD integrated circuits, electronic devices and other products listed in the agreement within the territories allocated to ISA Hardware under the agreement. This agreement has been transferred to ASBISc Enterprises Plc ("ASBIS") as of 1 January 2009. The prices that ASBIS is charged are described as the "distributor's best buy" price for each product, as published in AMD's pricing supplement, unless otherwise agreed in writing between the parties. The agreement continues in force unless terminated by 30 days' written notice of either party. AMD also has the right to terminate upon 24 hours' notice for cause, including insolvency or such similar event whereby ASBIS discontinues its business or if there is a change of control. In addition, AMD has the right to terminate upon 24 hours' notice if ASBIS fails to pay invoices after a warning or if it misrepresents or falsifies information or if it is in breach of any of its representations, warranties covenants, obligations or duties under the agreement. If the agreement is so terminated, all outstanding amounts payable by ASBIS to AMD will become immediately due.

Contract with Seagate Technology International

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

Contract with Microsoft Ireland Operations Limited

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

Agreements with DELL

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

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

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

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

In addition, agreements may be terminated by either party forthwith on giving notice in writing if continuance of agreements becomes unduly difficult by the reason of diplomatic relations between the respective countries of the parties or if any material or persistent breach of any terms of agreements is committed and shall have been failed after warning in writing or if party shall have a receiver or

administrative receiver or the equivalent appointed of it or a court of competent jurisdiction shall make an order to that effect or if party shall enter into any voluntary arrangement with its creditors.
If the agreements are so terminated, all outstanding unpaid invoices shall become immediately payable by ASBIS in place of the payment terms previously agreed between parties.

Agreements with TOSHIBA

ASBISC Enterprises PLC (ASBIS) has entered into a several TOSHIBA Authorised Distributor Agreements in 2006 with TOSHIBA (TEG) pursuant to which ASBIS was appointed as authorised non-exclusive distributor to sale and distribution of a range of computer hardware/software products, particularly portable personal computers and a range of mobile storage products listed in the agreements in the Territories allocated to ASBIS under the agreements.
The prices payable by ASBIS for the products shall be TEG's Distributor Price List current at the date upon which each order is accepted, less any discounts offered by TEG, if any.
The agreements continued to be effective until 31 of March 2007 and are automatically renewed for succeeding 1 year periods unless a termination notice is given by either party at least 3 months prior to expiration of the term then in effect.
Agreements may be terminated by TEG at any time if ASBIS is in material breach hereof and has not remedied that breach within 30 days of receipt of TEG's written notice or if ASBIS being a body corporate goes into liquidation including insolvency or such similar event whereby ASBIS discontinues its business or if there is a change of control.

ITEM 7. ADDITIONAL INFORMATION

Corporate Governance

Report on Application of Corporate Governance Rules in 2012

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

The Company applies the rules of Corporate Governance according to Warsaw Stock Exchange Code of Best Practices as approved by the Company's Board of Directors. These rules are changed by the Warsaw Stock Exchange from time to time. Current rules (obligatory from 2013) and rules that were obligatory in 2012 can be found at the WSE dedicated website: http://corp-gov.gpw.pl. The Company's Statement on Corporate Governance, information on application of its rules and any deviations can be found on the Company's internet site for investors, at http://investor.asbis.com and http://inwestor.asbis.pl.

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

The following table summarizes information about application of corporate governance rules applied, not applied, partially applied or non-applicable for the Company in 2012:

No.	RULE	YES/NO Partially N/A	COMMENTS
	INTRODUCTION Note: Companies formed under Cyprus laws do not have a supervisory board or a management board. Cyprus companies have a board of directors, members of which are appointed to fill certain executive (the "Executive Directors") and non-executive positions (the "Non-executive Directors") (the "Board of Directors"). The Non-executive Directors (called independent directors), generally, are neither officers nor employees of Cyprus companies as opposed to the Executive Directors, who generally, are officers and employees of Cyprus companies. Generally, officers of a Cyprus law corporation may be treated as the management authority of a corporation, which however		

should not be equated with a management board within the meaning of Polish law. The management of the business and the conduct of the affairs of Asbisc Enterprises PLC (the "Company") are vested in the Board of Directors. The Board of Directors takes its decisions in a group by majority voting. In case of an equality of votes, the chairman has a casting vote. Due to a fact that Cyprus companies do not have either a supervisory board or a management board these terms used in this Best Practices refer to the Board of Directors of the Company.			
I RECOMMENDATIONS FOR BEST PRACTICE FOR LISTED COMPANIES			
1.	A company should pursue a transparent and effective information policy using both traditional methods and modern technologies and latest communication tools ensuring fast, secure and effective access to information. Using such methods to the broadest extent possible, a company should in particular: - maintain a company website whose scope and method of presentation should be based on the model investor relations service available at http://naszmodel.gpw.pl/; - ensure adequate communication with investors and analysts, and use to this purpose also modern methods of Internet communication. - enable on-line broadcasts of General Meetings over the Internet, record General Meetings, and publish the recordings on the company website.	**YES**	The company uses different channels to make communication with investors as effective as it can be. Some of the channels are: - ESPI reports - Company website - Press releases - Press conferences - Cyclic meetings and contact with analysts and portfolio managers - Meetings with individual investors - Dedicated team taking care about contact with investors, as well as answering investors questions The Company provides dedicated websites for investors both in English and Polish available at http://investor.asbis.com and http://inwestor.asbis.pl, that contain all information required by WSE. Additionally the Company introduced a system for fast answering investors questions through internet communication. The company still develops new channels of communication to ensure best possible access to information for investors.
2.	[deleted]	-	-
3.	A company should make every effort to ensure that any		

	cancellation of a General Meeting or change of its date should not prevent or restrict the exercise of the shareholders' right to participate in a General Meeting.	**YES**	
4.	Where securities issued by a company are traded in different countries (or in different markets) and in different legal systems, the company should strive to ensure that corporate events related to the acquisition of rights by shareholders take place on the same dates in all the countries where such securities are traded.	**N/A**	Company is listed only at Warsaw Stock Exchange.
5.	A company should have a remuneration policy and rules of defining the policy. The remuneration policy should in particular determine the form, structure, and level of remuneration of members of supervisory and management bodies. Commission Recommendation of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC) and Commission Recommendation of 30 April 2009 complementing that Recommendation (2009/385/EC) should apply in defining the remuneration policy for members of supervisory and management bodies of the company.	**YES**	Remuneration committee chaired by non-executive members reviews and approves remuneration of members of the company governing bodies.
6.	A member of the Supervisory Board should have appropriate expertise and experience and be able to devote the time necessary to perform his or her duties. A member of the Supervisory Board should take relevant action to ensure that the Supervisory Board is informed about issues significant to the company.	**YES**	Due to a fact that Cyprus companies do not have either a supervisory board or a management board these terms used in this Best Practices refer to the Board of Directors of the Company and its non-executive Directors. (see the Introduction Note).
7.	Each member of the Supervisory Board should act in the interests of the company and form independent decisions and judgments, and in particular: - refuse to accept unreasonable benefits which could have a negative impact on the independence of his or her opinions and judgments; - raise explicit objections and separate opinions in any case when he or she deems that the decision of the Supervisory Board is contrary to the interest the company.	**YES**	Due to a fact that Cyprus companies do not have either a supervisory board or a management board these terms used in this Best Practices refer to the Board of Directors of the Company. (see the Introduction Note).
8.	No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related entities.	**YES**	
9.	The WSE recommends to public companies and their shareholders that they ensure a balanced proportion of women and men in management and supervisory functions in companies, thus reinforcing the creativity and innovation of the companies' economic business.	**YES**	Members of the Company's Board of Directors are appointed by the General Meeting of Shareholders.
10.	If a company supports different forms or artistic and cultural expression, sport activities, educational or scientific activities, and considers its activity in this area to be a part of its business mission and development strategy, impacting the innovativeness and competitiveness of the enterprise, it is good practice to publish, in a mode adopted by the company, the rules of its	**YES**	

	activity in this area.		
11.	As part of a listed company's due care for the adequate quality of reporting practice, the company should take a position, expressed in a communication published on its website, unless the company considers other measures to be more adequate, wherever with regard to the company: - published information is untrue or partly untrue from the beginning or at a later time; - publicly expressed opinions are not based on material objective grounds from the beginning or as a result of later circumstances. This rule concerns opinions and information expressed publicly by company representatives in the broad sense or by other persons whose statements may have an opinion-making effect, whether such information or opinions contain suggestions advantageous or disadvantageous to the company.	**YES**	
12.	A company should enable its shareholders to participate in a General Meeting using electronic communication means through: 1) real-life broadcast of General Meetings; 2) real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting; 3) exercise their right to vote during a General Meeting either in person or through a plenipotentiary.	**YES**	
	II BEST PRACTICE FOR MANAGEMENT BOARDS OF LISTED COMPANIES		
1.	A company should operate a corporate website and publish on it, in addition to information required by legal regulations: 1) basic corporate regulations, in particular the statutes and internal regulations of its governing bodies; 2) professional CVs of the members of its governing bodies; 2a) on an annual basis, in the fourth quarter – information about the participation of women and men respectively in the Management Board and in the Supervisory Board of the company in the last two years; 3) current and periodic reports; 4) [deleted] 5) where members of the company's governing body are elected by the General Meeting – the basis for proposed candidates for the company's Management Board and Supervisory Board available to the company, together with the professional CVs of the candidates within a timeframe enabling a review of the documents and an	**YES**	Due to a fact that Cyprus companies do not have either a supervisory board nor a management board annual reports on the activity of the Supervisory Board taking account of the work of its committees together with the evaluation of the work of the Supervisory Board and of the internal control system and the significant risk management system are not published on the company website.

	informed decision on a resolution; 6) annual reports on the activity of the Supervisory Board taking account of the work of its committees together with the evaluation of the internal control system and the significant risk management system submitted by the Supervisory Board; 7) shareholders' questions on issues on the agenda submitted before and during a General Meeting together with answers to those questions; 8) information about the reasons for cancellation of a General Meeting, change of its date or agenda together with grounds; 9) information about breaks in a General Meetings and the grounds of those breaks; 10) information on corporate events such as payment of the dividend, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles of such operations. Such information should be published within a timeframe enabling investors to make investment decisions; 11) information known to the Management Board based on a statement by a member of the Supervisory Board on any relationship of a member of the Supervisory Board with a shareholder who holds shares representing not less than 5% of all votes at the company's General Meeting; 12) where the company has introduced an employee incentive scheme based on shares or similar instruments – information about the projected cost to be incurred by the company from to its introduction; 13) a statement on compliance with the corporate governance rules contained in the last published annual report, as well as the report referred to in § 29.5 of the Exchange Rules, if published; 14) information about the content of the company's internal rule of changing the company authorised to audit financial statements or information about the absence of such rule.		
2.	A company should ensure that its website is also available in English, at least to the extent described in section II.1.	**YES**	
3.	Before a company executes a significant agreement with a related entity, its Management Board shall request the approval of the transaction/agreement by the Supervisory Board. This condition does not apply to typical transactions made on market terms within the operating business by the company with a subsidiary where the company holds a majority stake. For the purpose of this document, related entity shall be understood within the meaning of the Regulation of the Minister of Finance issued pursuant to Article 60.2 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies (Dz.U. No. 184, item 1539, as amended).	**N/A**	This rule is non-applicable as the company has only one Board of Directors.

4.	A member of the Management Board should provide notification of any conflicts of interest which have arisen or may arise, to the Management Board and should refrain from taking part in the discussion and from voting on the adoption of a resolution on the issue which gives rise to such a conflict of interest.	**YES**	Cyprus Companies have only one Board. Individual Board members are obliged to disclose to the board any conflict of interest in connection with the performed function or of the risk of such conflict.
5.	[deleted]	-	-
6.	A General Meeting should be attended by members of the Management Board who can answer questions submitted at the General Meeting.	**YES**	There is no Management Board. But the Company's Board of Directors members attend the General Shareholders Meeting in the number that makes it possible to answer all questions submitted by the shareholders. Company treats presence of Board of Directors members in the General Meeting as a substitute of Management Board members presence called in this rule.
7.	A company shall set the place and date of a General Meeting so as to enable the participation of the highest possible number of shareholders.	**YES**	The Company believes that the system of voting at its shareholders' meeting allows the participation of as many shareholders as possible. It is the practice of the Company to hold its shareholders meeting at its registered office. What is more, the Company intends to start internet transmition of the General Shareholders meetings if it is considered necessary to improve the shareholders attendance.
8.	If a company's Management Board is informed that a General Meeting has been summoned pursuant to Article 399 § 2–4 of the Code of Commercial Partnerships and Companies, the company's Management Board shall immediately perform the actions it is required to take in connection with organising and conducting a General Meeting. This rule shall also apply if a General Meeting is summoned on the basis of authorisation given by the registration court pursuant to Article 400 § 3 of the Code of Commercial Partnerships and Companies.	**N/A**	The Company is registered in Cyprus and complies with Cyprus law. Additionally the Company has the Board of Directors, and does not have the Management Board and Supervisory Board.
III BEST PRACTICE FOR SUPERVISORY BOARD MEMBERS			
1.	In addition to its responsibilities laid down in legal provisions the Supervisory Board should: 1) once a year prepare and present to the Ordinary General Meeting a brief assessment of the company's standing including an evaluation of the internal control system and		There is no supervisory board. The Directors and Auditors report together with the accounts are available to shareholders before the holding of the Annual General Meeting. A copy of every set of financial

	the significant risk management system; 2) [deleted] 3) review and present opinions on issues subject to resolutions of the General Meeting.	**N/A**	statements which is to be laid before the Company in an Annual general meeting, together with a copy of the Directors' and Auditors' report, shall be available to every shareholder of the Company not less than twenty-one days before the date of the meeting. The Company meets these criteria by publishing proper reports and by publishing documents at its websites dedicated for investors.
2.	A member of the Supervisory Board should submit to the company's Management Board information on any relationship with a shareholder who holds shares representing not less than 5% of all votes at the General Meeting. This obligation concerns financial, family, and other relationships which may affect the position of the member of the Supervisory Board on issues decided by the Supervisory Board.	**YES**	
3.	A General Meeting should be attended by members of the Supervisory Board who can answer questions submitted at the General Meeting.	**YES**	There is no Supervisory Board. But the Company's Board of Directors members attend the General Shareholders Meeting in the number that makes it possible to answer all questions submitted by the shareholders. The Company treats presence of Board of Directors members in the General Meeting as a substitute of Management Board members presence called in this rule.
4.	A member of the Supervisory Board should notify any conflicts of interest which have arisen or may arise to the Supervisory Board and should refrain from taking part in the discussion and from voting on the adoption of a resolution on the issue which gives rise to such a conflict of interest.	**YES**	There is no Supervisory Board. But members of the Board of Directors are to notify any conflicts of interest and are to act according to this rule.
5.	A member of the Supervisory Board should not resign from this function if this action could have a negative impact on the Supervisory Board's capacity to act, including the adoption of resolutions by the Supervisory Board.	**YES**	
6.	At least two members of the Supervisory Board should meet the criteria of being independent from the company and entities with significant connections with the company. The independence criteria should be applied under Annex II to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. Irrespective of the provisions of point (b) of the said Annex, a person who is an employee of the company or an associated company cannot be deemed to meet the independence criteria described in the Annex. In addition, a relationship with a shareholder precluding	**YES**	The Company treats non-executive directors in its Board as independent from the Company. Thus the Company always aims to have a number of non-executive directors in its Board who are called independent directors (see

	the independence of a member of the Supervisory Board as understood in this rule is an actual and significant relationship with any shareholder who has the right to exercise at least 5% of all votes at the General Meeting.		Introduction Note). However, because under Cyprus law there is only one Board and the management of the business and the conduct of the affairs of the Company are vested in the Directors it is not possible to have at least half of the Directors to be non-executive since it may hinder the operations of the Company.
7.	[deleted]	-	-
8.	Annex I to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors... should apply to the tasks and the operation of the committees of the Supervisory Board.	**YES**	Companies formed under Cyprus laws do not have a supervisory board or management board. Instead of that Board of Directors exists that include non-executive Directors.
9.	Execution by the company of an agreement/transaction with a related entity which meets the conditions of section II.3 requires the approval of the Supervisory Board.	**NO**	Companies formed under Cyprus laws do not have a supervisory board or management board Instead of that Board of Directors exists. However agreements or transactions with a related entity which meets the conditions of section II.3 is a matter of approval of all members of the Board of Directors – including independent non-executive members.
	IV BEST PRACTICES FOR SHAREHOLDERS		
1.	Presence of representatives of the media should be allowed at General Meetings.	**YES**	
2.	The rules of General Meetings should not restrict the participation of shareholders in General Meetings and the exercising of their rights. Amendments of the rules should take effect at the earliest as of the next General Meeting.	**YES**	
3.	[deleted]	-	-
4.	A resolution of the General Meeting concerning an issue of shares with subscription rights should specify the issue price or the mechanism of setting it or obligate the competent body to set it before the date of subscription rights within a timeframe enabling an investment decision.	**N/A**	Board of Directors makes the decision regarding issue of shares.
5.	Resolutions of the General Meeting should allow for a sufficient period of time between decisions causing specific corporate events and the date of setting the rights of shareholders pursuant to such events.	**YES**	
6.	The date of setting the right to dividend and the date of dividend payment should be set so to ensure the shortest possible period		

	between them, in each case not longer than 15 business days. A longer period between these dates requires detailed grounds.	**YES**	
7.	A resolution of the General Meeting concerning a conditional dividend payment may only contain such conditions whose potential fulfillment must take place before the date of setting the right to dividend.	**YES**	
8.	[deleted]	**-**	**-**
9.	A resolution of the General Meeting to split the nominal value of shares should not set the new nominal value of the shares at a level which could result in a very low unit market value of the shares, which could consequently pose a threat to the correct and reliable valuation of the company listed on the Exchange.	**YES**	
10.	A company should enable its shareholders to participate in a General Meeting using electronic communication means through: 1) real-life broadcast of General Meetings; 2) real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting. 3) exercise their right to vote during a General Meeting either in person or through a plenipotentiary. This rule should be applied not later than 1 January 2013.	**YES**	

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

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

The Company's Board of Directors is responsible for its internal control system and its effectiveness in course of the process applied in the preparation of our financial statements and interim reports which are to be prepared and published in accordance with the provisions of the Decree of the Minister of Finance dated February 19, 2009 on current and periodic information to be published by issuers of securities.
The effectiveness of the Company's internal control system applied in the process of preparing financial statements is based on the general assumption of ensuring adequacy and correctness of financial information included in the financial statements and interim reports. An effective internal control and risk management system for the process of financial reporting has been built according to the following principles:

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

Defined scope of financial reporting applied by the Company

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

During the course of the year, the Board of Directors analyzes the current financial results, product portfolio development, market position and compares them with the budget, using the management reporting system, built based on the accounting policies accepted by the Company (IFRS), and takes into consideration the format and detailed content of financial data presented in interim financial statements of the Company and the Group.
Accounting policies adopted by the Company in respect to statutory reporting are used both during this process and in the course of preparing the interim management reports. The Company applies coherent accounting principles for the recognition and disclosure of financial data in financial statements, interim financial reports and other reports made available to investors.

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

The ASBISc Group Financial Department, headed by the Board of Directors Member, Mr. Marios Christou is responsible for preparing the financial statements, interim financial reports and interim management reports of the Company.
The financial statements of the Company are prepared by medium level managers based on the financial data from the Company's IT system and from monthly management reports, after their acceptance by the Group's CFO and taking into consideration other, supplementary operating data supplied by dedicated employees from other departments. The prepared financial statements are verified by the head of the Financial Department prior to their issue to the independent auditor (in case of half-year and annual reports).
Interim reports of the Company are prepared by the Group reporting team within the Credit and Investor Relations Department based on the financial data from monthly management reports, after their acceptance by the Group's CFO, taking into consideration other, supplementary operating data supplied by dedicated employees from other departments. The prepared interim reports are verified by the Board of Directors prior to their issue to the independent auditor (in case of half-year and annual reports).

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

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

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

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

Principles of authorizing financial reports prior to their publication

Financial statements and interim reports are submitted to the Board of Directors' members prior and after the review or audit are complete.
The Audit Committee holds a meeting prior to acceptance of interim financial statements for publication by the Board of Directors, during which the Company's CFO presents key aspects of the quarterly/semiannual/annual financial statements – underlining changes to accounting policies, if any, important estimates and accounting judgments, major disclosures and business transactions.
The Audit Committee reviews interim financial statements taking into consideration information presented by the CFO and the independent auditor, and thereafter recommends to the Board of Directors approval of such documents.

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

This has been presented in Item 5, page 50 of this annual report.

V. Information about shareholders with preference shares

There are no shareholders with preference shares.

VI. Information about any limitations of shareholders rights

Voting rights

Each share confers the right to cast one vote.

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

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

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

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

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

All shares have equal rights.

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

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

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

(a) by the chairman of the general meeting (the "Chairman"); or

(b) by at least three shareholders present in person or by proxy; or

(c) by a shareholder or shareholders present in person or through a telephone or other telecommunication connection or by proxy and representing not less than 10% of the total voting rights of all the shareholders having the right to vote at the meeting; or

(d) by a shareholder or shareholders present in person or through a telephone or other telecommunication connection, holding shares in the Company conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than 10% of the total sum paid on all the shares conferring that right.

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

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

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

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

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

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

Other Rights attaching to Shares and limitations of those rights

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

- A right to participate share in the Company's profits through a dividend distribution if such dividend is decided to be paid by the general meeting following a proposal by the Board of Directors. The dividends are subject to a lien by the Company if any amount is owed by the shareholder to the Company.

- A right to transfer his or her shares to any person by signing an instrument of transfer in a form approved by the Directors.

- A right to pledge any share as security for any loan, debt or obligation of such shareholder, without the approval of the Board of Directors.

- A right to sell or otherwise dispose of a forfeited share on such terms and in such manner as the Directors think fit. At any time before a sale or disposition such forfeiture may be cancelled on such terms as the Directors think fit. A share may be forfeited by resolution of the Directors if a shareholder fails to pay any amount owed to the Company after a written notice was given to that effect.

- Pursuant to Cyprus legislation, a right to receive the annual accounts of the Company together with the Directors' Report and the Auditors' Report.

- A right to share in any surplus in the event of liquidation of the Company in proportion to shareholding.

- For existing shareholders, pre-emption rights when new shares are issued in the same class. The new shares have to be offered first to the existing shareholders in proportion to their current shareholding.

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

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

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

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

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

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

VII. Transfer of shares and limitation of transfer of shares

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

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

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

(a) is lodged, duly stamped, at the office or at such other place as the Board of Directors may appoint, accompanied by the certificate for the shares to which it relates and such other evidence as the Board of Directors may reasonably require to show the right of the transferor to make the transfer;

(b) is in respect of only one class of shares; and

(c) is in favor of not more than four transferees.

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

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

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

a) the Company shall not be obliged to issue a certificate evidencing title to shares, and all references to a certificate in respect of any shares held in uncertificated form shall be deemed inapplicable to such shares or securities which are in uncertificated form; and

b) the registration of title in a securities account to and transfer of any shares in uncertificated form shall be sufficient for our purposes and shall not require a written instrument of transfer.

Description of Lock up

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

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

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

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

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

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

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

Alternate

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

Powers

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

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

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

Shares

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

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

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

Pursuant to section 12 of the Cyprus Companies Law Cap.113 the Company may change its articles by a special resolution. Special resolution requires at least ¾ majority of the votes cast.

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

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

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

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

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

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

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

(a) by the Chairman; or

(b) by at least three Members present in person or by proxy; or

(c) by a Member or Members present in person or through a telephone or other telecommunication connection or by proxy and representing not less than 10% of the total voting rights of all the Members having the right to vote at the meeting; or

(d) by a Member or Members present in person or through a telephone or other telecommunication connection, holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than 10% of the total sum paid on all the shares conferring that right.

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

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

Any other issue can be decided upon at an extraordinary general meeting.
The General Meeting of shareholders has the power to decide on any matter put forward for decision and it has the power to refrain the Directors from taking actions that the General Meeting disagrees with.

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

XI. Members of the Board of Directors and its committees and description of its operations during the year ended December 31st, 2012

The following table sets out our current Directors:

Name	Year of Birth	Position	Appointed to the Board	Expiry of term	Nationality
Siarhei Kostevitch	1965	Chairman, Chief Executive Officer	30 August 1999	18 May 2013	Belarussian/Cypriot
Marios Christou	1968	Chief Financial Officer	28 December 2001	18 May 2013	Cypriot
Constantinos Tziamalis	1975	Director of Credit & Investor Relations	23 April 2007	30 May 2014	Cypriot
Laurent Journoud	1970	Director, Executive Vice-President Sales and Marketing	26 June 2003	30 May 2014	French
Efstathios Papadakis	1936	Non Executive Director	5 May 2009	24 May 2014	Cypriot
Chris Pavlou	1945	Non Executive Director	18 June 2012	Next AGM	Cypriot

During the year ended December 31st, 2012 there were the following changes in the Board of Directors members:

- On June 18 2012 Mr. Kyriacos Christofi, non-executive Director of the Company has resigned from his position. His resignation was approved by the Company's Board of Directors. The reason of Mr. Kyriacos Christofis's resignation was for personal reasons and for other business contingencies that made it tough to continue to serve the Company.
- On June 18th, 2012 with immediate effect Mr. Chris Pavlou has been appointed as a Non-Executive Director on the Company's Board of Directors.

During the year ended December 31st, 2012, the Board of Directors had conducted a total number of five formal meetings. Main purpose and issues discussed during those meetings were:

- Discussion and approval of interim reports and financial statements (including 2011 annual report, 2012 six months report, 2012 Q1 and Q3 reports)
- Approval of budget for the year
- Discussion and approval of the Company's financial forecasts
- Discussion of the results compared to forecasts
- Discussion on latest developments of the Company
- Discussion over share performance on WSE
- Decision on dividend payment
- Application of corporate governance rules
- Appointment of new auditors
- Action marketing plan
- Investor Relations Plan going forward
- Review of the Board role and effectiveness

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

During the year ended December 31st, 2012, the Audit Committee - comprising Efstathios Papadakis and Kyriacos Christofi later substituted by Chris Pavlou (all non-executive Directors) and Marios Christou (as attending member) and chaired by Efstathios Papadakis - had conducted a total number of two meetings. Issues discussed on the Audit Committee meetings were then presented to the Board of Directors.

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

PART II

ITEM 8. PRINCIPAL ACCOUNTANT FEES AND SERVICES

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

Those agreements are signed annually. The last agreement – for the audit of 2012 - has been signed on 6th July, 2012.

The following table presents a summary of accountant fees and services for the twelve months ended December 31, 2012 and 2011 (the 2011 numbers are related to Deloitte & Touche Limited who was our previous auditors):

(U.S. $)	**2012**	**2011**
Auditors fees regarding annual report [1]	396	692
Auditors fees regarding other approval services	25	42
Auditors fees for tax advisory	0	0
Auditors fees for other services	0	0
Total fees	**421**	**734**

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

PART III

ITEM 9. FINANCIAL STATEMENTS

The consolidated financial statements of ASBISc Enterprises Plc presented as a part of this annual report are included on pages 1 through 70 as follows:

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MANAGEMENT REPRESENTATIONS

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

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

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

Limassol, March 22nd, 2013

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

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

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

ASBISC ENTERPRISES PLC

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2012

ASBISC ENTERPRISES PLC

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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ASBISC ENTERPRISES PLC

FOR THE YEAR ENDED 31 DECEMBER 2012

OFFICERS AND PROFESSIONAL ADVISERS

Board of Directors	Siarhei Kostevitch (Belarusian/Cypriot) Chairman and Chief Executive Officer
	Marios Christou (Cypriot)
	Laurent Journoud (French)
	Constantinos Tziamalis (Cypriot)
	Efstathios Papadakis (Cypriot) Non-Executive Director
	Christakis Pavlou (Cypriot) Non-Executive Director *(appointed on 18 June 2012)*
	Kyriakos Christofi (Cypriot) Non-Executive Director *(resigned on 18 June 2012)*
Secretary	Alfo Secretarial Limited Limassol, Cyprus
Registered office	Kolonakiou 43, Diamond Court Ayios Athanasios, 4103, Limassol, Cyprus
Auditors	KPMG Limited Limassol, Cyprus
Legal adviser	Costas Tsirides & Co. Law Office Limassol, Cyprus
Bankers	Credit Bank of Moscow Bank Moscow-Minsk Tatra banka, a.s. Bank of Cyprus Public Company Ltd The Cyprus Development Bank Public Company Ltd Ceskoslovenska obchodni banka, a. s. (CSOB bank) BRD Groupe Societe Generale Raiffeisen Bank International AG Erste & Steiermarkische Bank d.d. Unicredit Bulbank Plc National Bank of Fujairah HSBC Bank Middle East Limited BZ WBK Faktor Sp. z o.o. Bank Ochrony Srodowiska S.A Transfinance a.s

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

In accordance with Article 9 sections (3c) and (7) of the Transparency Requirements (Traded Securities in a Regulated Market) Law 190 (1) / 2007 (the "Law") we, the members of the Board of Directors and the Financial Controller responsible for the drafting of the consolidated financial statements of Asbisc Enterprises Plc (the "Company") and its subsidiaries (the "Group") and the Company's separate financial statements for the year ended 31 December 2012, confirm to the best of our knowledge that:

a) the consolidated financial statements of the Group and the Company's separate financial statements for the year ended 31 December 2012 which are presented on pages 7 to 70:
   (i) have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union and Article 9(4) of the Law, and
   (ii) give a true and fair view of the assets and liabilities, the financial position and the profit or loss of the Group and the Company, and

b) the Board of Directors' report provides a fair review of the developments and the performance of the business and the financial position of the Group and the Company, together with a description of the principal risks and uncertainties that they face.

Members of the Board of Directors:

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

Marios Christou (Cypriot)
Executive Director ………………………………………………………

Laurent Journoud (French)
Executive Director ………………………………………………………

Constantinos Tziamalis (Cypriot)
Executive Director ………………………………………………………

Efstathios Papadakis (Cypriot)
Non-Executive Director ………………………………………………………

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

Financial Controller responsible for the drafting of the financial statements

Loizos Papavassiliou (Cypriot)
Financial Controller ………………………………………………………

Limassol, 22 March 2013

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012

The Directors present their annual report on the affairs of Asbisc Enterprises Plc (the "Company" or the "parent company") and its subsidiaries (the "Group") together with the Group's and the Company's audited financial statements for the year ended 31 December 2012.

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

Group financial statements
The consolidated financial statements include the financial statements of the Company and those of its subsidiary companies. The names and more details about the subsidiaries are shown in note 16 to the financial statements.

Results
The consolidated profit for the year attributable to the members was US$ 9.010.216 compared to US$ 5.417.542 in 2011. Details of the consolidated results of the group are presented on page 7 of the financial statements.

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

Existence of branches
The Company does not maintain any branches.

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

Review of the development, financial performance and current position of the Group and the Company and the description of its major risks and uncertainties
The Group's and Company's development to date, financial results and position as presented in the financial statements are considered satisfactory, given the overall economic climate that the Group operates in.
The Group has reached revenues for the year of US$ 1.744.877.804 as compared to US$ 1.482.074.819 in 2011, representing a growth of 17,7%. This represents an overall improvement of the Group's market share and a significant growth in own brand sales in an effort to grow gross and net profit.

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

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

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

Dividends
Our dividend policy is to pay dividends at levels consistent with our growth and development plans, while maintaining a reasonable level of liquidity. The Board of Directors proposes the payment of a final dividend of US$ 0,05 per share, amounting to US$ 2.775.000, based on improved profitability in 2012.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2012

Share Capital
On 31 December 2012 the issued and fully paid up share capital of the Company consisted of 55.500.000 ordinary shares of US$ 0,20 each. There were no changes in the share capital of the Company during the year and up to the date of the financial statements.

Following an extraordinary general meeting of the shareholders on 21 December 2011, a share buyback program with the following conditions was approved:

- the maximum amount of money that can be used to realize the program is U.S.$ 500.000
- the maximum number of shares that can be bought within the program is 1.000.000 shares
- the program's time frame is 12 months from the resolution's date
- the shares purchased within the program could be held for a maximum of two years from acquisition
- the minimum price for transaction of purchase of shares within the program is PLN 1,2 per share with the maximum price of PLN 3,0 per share

From the date of the approval of the buyback program until the end of the year 2011 the Company had bought back 8.989 ordinary shares for a total consideration of US$ 3.857.

In the year 2012 the Company bought an additional 179.400 ordinary shares for a total consideration of US$ 126.977.

Board of Directors
The members of the Board of Directors at 31 December 2012 and at the date of this report are set out on page 1. They were all members of the Board of Directors throughout the year, except Mr. Kyriacos Christofi, non-executive Director of the Company, who resigned on 18 June 2012 and Mr. Christakis Pavlou who was appointed non-executive Director on the same day. There were no significant changes in the assignment of the responsibilities and remuneration of the members of the Board of Directors.

In accordance with the Company's Articles of Association Mr. Christakis Pavlou who was appointed Director during the year by the Board of Directors and Mr Marios Christou who is subject to retirement by rotation, retire at the next annual general meeting of the Company and, being eligible, offer themselves for re-election.

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

The Board of the Company has two committees:

- the Audit Committee and
- the Remuneration Committee

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

Auditors
The auditors of the Company, Messrs KPMG Limited were appointed during the year and have expressed their willingness to continue in office. A resolution for their reappointment authorising the Board of Directors to fix their remuneration will be submitted at the forthcoming annual general meeting.

BY ORDER OF THE BOARD OF DIRECTORS
Director

……………………..
Limassol, 22 March 2013

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ASBISC ENTERPRISES PLC

Report on the consolidated and the separate financial statements of Asbisc Enterprises Plc

We have audited the accompanying consolidated financial statements of Asbisc Enterprises Plc ("the Company") and its subsidiaries (together with the Company, the "Group") and the separate financial statements of the Company on pages 7 to 70, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company respectively as at 31 December 2012, and the consolidated statements of income, comprehensive income, changes in equity and cash flows of the group, and the statements of comprehensive income, changes in equity and cash flows of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation of consolidated and separate financial statements of the Group and the Company that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the separate financial statements of the Company give a true and fair view of the financial position of the Group and the Company as at 31 December 2012, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, 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 consolidated and the separate financial statements are in agreement with the books of account.
- In our opinion and to the best of the information available to us and according to the explanations given to us, the consolidated financial statements of the Group and the separate financial statements 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 3-4 is consistent with the consolidated and the separate financial statements.

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

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may be divulged.

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

KPMG Limited
Chartered Accountants and Registered Auditors

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

Limassol, 22 March 2013

ASBISC ENTERPRISES PLC

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 US$	2011 US$
Revenue	3	1.744.877.804	1.482.074.819
Cost of sales		(1.658.550.700)	(1.400.948.708)
Gross profit before currency movements		86.327.104	81.126.111
Currency movements on gross profit	4	(859.490)	123.532
Gross profit after currency movements		85.467.614	81.249.643
Selling expenses		(41.331.477)	(40.421.076)
Administrative expenses		(23.916.354)	(25.168.223)
Profit from operations		20.219.783	15.660.344
Financial income	5	707.555	275.034
Financial expenses	5	(10.231.264)	(9.330.941)
Other gains and losses	6	587.627	498.821
Negative goodwill on acquisition of subsidiary	17	41.363	-
Goodwill written off	17	-	(50.213)
Share of loss from joint ventures	16	(73.508)	(186.410)
Profit before tax	7	11.251.556	6.866.635
Taxation	8	(2.204.519)	(1.206.415)
Profit for the year		9.047.037	5.660.220
Attributable to:			
Non-controlling interests		36.821	242.678
Owners of the parent company		9.010.216	5.417.542
		9.047.037	5.660.220
		US$ cents	US$ cents
Earnings per share			
Basic and diluted from continuing operations		16,29	9,76

The notes on pages 16 to 70 form an integral part of these financial statements

ASBISC ENTERPRISES PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 US$	2011 US$
Profit for the year	9.047.037	5.660.220
Other comprehensive income/(loss):		
Exchange difference on translating foreign operations	924.019	(1.375.525)
Reclassification adjustments relating to foreign operations liquidated and disposed of in the year	(15.423)	(71)
Other comprehensive income/(loss) for the year	908.596	(1.375.596)
Total comprehensive income for the year	9.955.633	4.284.624
Total comprehensive income attributable to:		
Non-controlling interests	39.460	239.845
Owners of the parent company	9.916.173	4.044.779
	9.955.633	4.284.624

The notes on pages 16 to 70 form an integral part of these financial statements

ASBISC ENTERPRISES PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	2012 US$	2011 US$
ASSETS			
Non-current assets			
Goodwill	17	550.517	550.517
Property, plant and equipment	14	26.719.271	26.624.374
Investment in joint ventures	16	57.029	387.625
Available-for-sale financial assets	18	11.794	9.580
Intangible assets	15	1.189.736	1.507.203
Deferred tax assets	9	602.849	870.510
Total non-current assets		29.131.196	29.949.809
Current assets			
Inventories	10	110.266.827	111.640.208
Trade receivables	11	315.390.086	237.990.821
Other current assets	12	20.335.161	9.315.104
Derivative financial asset	13	47.379	559.106
Current taxation	8	545.153	427.765
Cash at bank and in hand	25	30.997.616	48.868.023
Total current assets		477.582.222	408.801.027
Total assets		506.713.418	438.750.836
EQUITY AND LIABILITIES			
Equity			
Share capital	24	11.100.000	11.100.000
Share premium		23.518.243	23.518.243
Retained earnings and other components of equity		68.326.230	60.758.056
Equity attributable to owners of the parent		102.944.473	95.376.299
Non-controlling interests		140.674	394.835
Total equity		103.085.147	95.771.134
Liabilities			
Non-current liabilities			
Long term liabilities	22	3.813.410	4.354.620
Long term obligations under finance leases	23	68.222	93.056
Total non-current liabilities		3.881.632	4.447.676
Current liabilities			
Trade payables		258.798.436	244.663.923
Other current liabilities	19	67.981.262	47.248.478
Derivative financial liability	20	527.086	1.215
Current taxation	8	671.275	89.476
Short term obligations under finance leases	23	32.966	171.339
Bank overdrafts and short term loans	21	71.735.614	46.357.595
Total current liabilities		399.746.639	338.532.026
Total liabilities		403.628.271	342.979.702
Total equity and liabilities		506.713.418	438.750.836

Signed on behalf of the Board of Directors on 22 March 2013

....
- Directors
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The notes on pages 16 to 70 form an integral part of these financial statements

ASBISC ENTERPRISES PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

	Attributable to equity holders of the parent							
	Share capital US$	Share premium US$	Treasury stock US$	Retained earnings US$	Translation of foreign operations US$	Total US$	Non-controlling interests US$	Total equity US$
Balance at 1 January 2011	11.100.000	23.518.243	-	57.224.454	(507.320)	91.335.377	431.509	91.766.886
Profit for the year	-	-	-	5.417.542	-	5.417.542	242.678	5.660.220
Other comprehensive loss for the year	-	-	-	-	(1.372.763)	(1.372.763)	(2.833)	(1.375.596)
Dividend payment to non-controlling interests	-	-	-	-	-	-	(276.519)	(276.519)
Buyback of shares	-	-	(3.857)	-	-	(3.857)	-	(3.857)
Balance at 31 December 2011	11.100.000	23.518.243	(3.857)	62.641.996	(1.880.083)	95.376.299	394.835	95.771.134
Profit for the year	-	-	-	9.010.216	-	9.010.216	36.821	9.047.037
Other comprehensive income for the year	-	-	-	-	905.957	905.957	2.639	908.596
Payment of final dividend	-	-	-	(2.214.643)	-	(2.214.643)	-	(2.214.643)
Acquisition of shares from non-controlling interests (note 31)	-	-	-	(6.379)	-	(6.379)	(293.621)	(300.000)
Buyback of shares	-	-	(126.977)	-	-	(126.977)	-	(126.977)
Balance at 31 December 2012	11.100.000	23.518.243	(130.834)	69.431.190	(974.126)	102.944.473	140.674	103.085.147

The retained earnings shown above at 31 December 2012 were readily distributable up to the amount of US$ 30.934.713 which represents the retained earnings of the Company. The remaining amount in retained earnings of US$ 38.496.477 represents the earnings retained in the subsidiary companies of the Group.

The notes on pages 16 to 70 form an integral part of these financial statements

ASBISC ENTERPRISES PLC

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 US$	2011 US$
Profit for the year before tax and minority interest		11.251.556	6.866.635
Adjustments for:			
Exchange difference arising on consolidation		586.155	(1.020.901)
Provision for bad debts and receivables written off	11	3.466.163	2.694.732
Bad debts recovered	11	(64.830)	(27.147)
Depreciation	14	2.327.506	2.501.801
Amortization of intangible assets	15	534.220	586.150
Gains arising on business combinations		(40.888)	(14.589)
Goodwill written off	17	-	50.213
Share of loss from joint ventures	16	73.508	186.410
Interest received	5	(219.207)	(160.190)
Interest paid	5	5.887.184	4.950.972
Loss/(gain) from the sale of property, plant and equipment and intangible assets	6	18.157	(28.978)
Operating profit before working capital changes		23.819.524	16.585.108
Decrease/(increase) in inventories		1.237.972	(8.021.122)
(Increase)/decrease in trade receivables		(78.710.068)	34.941.445
Increase in other current assets		(10.495.761)	(2.438.669)
Increase/(decrease) in trade payables		12.249.873	(19.301.861)
Increase/(decrease) in other current liabilities		21.011.210	(3.905.522)
Increase in other long-term liabilities		47.093	24.954
Cash (outflows)/inflows from operations		(30.840.157)	17.884.333
Taxation paid, net	8	(1.500.975)	(1.870.742)
Interest paid	5	(5.887.184)	(4.950.972)
Net cash (outflows)/inflows from operating activities		(38.228.316)	11.062.619
Cash flows from investing activities			
Interest received	5	219.207	160.190
Purchase of property, plant and equipment	14	(2.138.174)	(3.400.304)
Purchase of intangible assets	15	(263.801)	(518.506)
Net (payments)/proceeds on business combinations		(285.524)	6.571
Net cash acquired/(disposed) on business combinations		231.574	(109)
Buyback of ordinary shares		(126.977)	(3.857)
Proceeds from sale of property, plant and equipment and intangible assets		292.356	285.981
Net cash outflows from investing activities		(2.071.339)	(3.470.034)
Cash flows from financing activities			
Dividends paid to non-controlling interests		-	(276.519)
Payment of final dividend		(2.214.643)	
Repayments of long term loans and long term obligations under finance lease		(613.137)	(1.018.503)
Proceeds/(repayments) of short term loans and short term obligations under finance lease		19.483.818	(8.415.774)
Net cash inflows/(outflows) from financing activities		16.656.038	(9.710.796)
Net decrease in cash and cash equivalents		(23.643.617)	(2.118.211)
Cash and cash equivalents at beginning of the year	25	19.251.306	21.369.517
Cash and cash equivalents at end of the year	25	(4.392.311)	19.251.306

The notes on pages 16 to 70 form an integral part of these financial statements

ASBISC ENTERPRISES PLC

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 US$	2011 US$
Revenue	3	930.446.611	896.839.168
Cost of sales		(910.167.732)	(879.234.813)
Gross profit before currency movements		20.278.879	17.604.355
Currency movements on gross profit	4	(337.200)	661.390
Gross profit after currency movements		19.941.679	18.265.745
Selling expenses		(9.385.885)	(10.303.602)
Administrative expenses		(6.419.138)	(7.141.477)
Profit from operations		4.136.656	820.666
Financial income	5	740.962	229.748
Financial expenses, net	5	(1.979.571)	(2.102.226)
Other (losses)/gains	6	(70.407)	708.189
Profit/(loss) before tax	7	2.827.640	(343.623)
Taxation	8	(579.441)	(15.349)
Profit/(loss) for the year		2.248.199	(358.972)
Other comprehensive income for the year		-	-
Total comprehensive income/(loss) for the year		2.248.199	(358.972)

The notes on pages 16 to 70 form an integral part of these financial statements

ASBISC ENTERPRISES PLC

PARENT COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	2012 US$	2011 US$
ASSETS			
Non-current assets			
Property, plant and equipment	14	6.193.447	6.500.956
Intangible assets	15	782.074	1.001.986
Deferred tax asset	9	-	183.855
Other non-current assets	12	-	1.493.769
Investment in subsidiary companies	16	8.887.819	6.701.137
Investment in joint ventures	16	-	240.000
Total non-current assets		15.863.340	16.121.703
Current assets			
Inventories	10	28.718.871	32.618.812
Trade receivables	11	97.575.905	84.995.032
Other current assets	12	80.229.780	74.529.861
Derivative financial asset	13	-	446.391
Current taxation receivable	8	-	105.967
Cash at bank and in hand	25	13.891.351	34.345.016
Total current assets		220.415.907	227.041.079
Total assets		236.279.247	243.162.782
LIABILITIES AND EQUITY			
Equity			
Share capital	24	11.100.000	11.100.000
Share premium		23.518.243	23.518.243
Retained earnings and other components of equity		30.803.879	30.897.300
Total equity		65.422.122	65.515.543
Liabilities			
Non-current liabilities			
Long term loans	22	1.579.036	1.663.625
Deferred tax liability	9	67.389	-
Total non-current liabilities		1.646.425	1.663.625
Current liabilities			
Trade payables		151.339.569	161.839.152
Other current liabilities	19	11.215.233	8.940.014
Derivative financial liability	20	313.648	-
Current taxation liability	8	189.285	-
Bank overdrafts and short term loans	21	6.152.965	5.204.448
Total current liabilities		169.210.700	175.983.614
Total liabilities		170.857.125	177.647.239
Total liabilities and equity		236.279.247	243.162.782

Signed on behalf of the Board of Directors on 22 March 2013

....
- Directors
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The notes on pages 16 to 70 form an integral part of these financial statements

ASBISC ENTERPRISES PLC

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

	Share capital US$	Share premium US$	Treasury stock US$	Retained earnings US$	Total US$
Balance at 01 January 2011	11.100.000	23.518.243	-	31.260.129	65.878.372
Total comprehensive loss for the year	-	-	-	(358.972)	(358.972)
Buyback of ordinary shares	-	-	(3.857)	-	(3.857)
Balance at 31 December 2011	11.100.000	23.518.243	(3.857)	30.901.157	65.515.543
Total comprehensive profit for the year	-	-	-	2.248.199	2.248.199
Payment of final dividend	-	-	-	(2.214.643)	(2.214.643)
Buyback of ordinary shares	-	-	(126.977)	-	(126.977)
Balance at 31 December 2012	11.100.00	23.518.243	(130.834)	30.934.713	65.422.122

The retained earnings of US$ 30.934.713 shown above at 31 December 2012 are all distributable. Treasury stock represents buyback of own shares during 2011 and 2012 (note 24).

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 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (in 2011 the rate was 15% up to 30 August 2011 and 17% thereafter) 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 by the Company for the account of the shareholders.

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

ASBISC ENTERPRISES PLC

PARENT COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 US$	2011 US$
Profit/(loss) for the year before tax		2.827.640	(343.623)
Adjustments for:			
Depreciation	14	508.579	517.434
Amortisation of intangible assets	15	233.371	275.007
Provision for bad debts and receivables written off		253.433	331.248
Dividend income	6	(40.000)	(553.038)
Interest received		(245.489)	(183.187)
Interest paid	5	1.025.831	989.932
Bad debts recovered	6	(25.048)	-
Loss from the sale of property, plant and equipment and intangible assets	6	26.275	12.191
Loss from the disposal of investment		237.040	
Operating profit before working capital changes		4.801.632	1.045.964
Decrease/(increase) in inventories		3.899.941	(12.760.291)
(Increase)/decrease in trade receivables		(12.572.399)	12.160.010
(Increase)/decrease in other current assets		(7.104.008)	10.107.351
Decrease in trade payables		(10.499.583)	(7.705.032)
Increase in other current liabilities		2.588.867	2.971.846
Cash (outflows)/inflows from operations		(18.885.550)	5.819.848
Taxation paid, net	8	(32.945)	(86.587)
Interest paid	5	(1.025.831)	(989.932)
Net cash (outflows)/inflows from operating activities		(19.944.326)	4.743.329
Cash flows from investing activities			
Interest received		245.489	183.187
Dividends received		593.038	-
Purchase of property, plant and equipment	14	(308.289)	(1.078.763)
Purchase of intangible assets	15	(15.657)	(43)
Proceeds from sale of property, plant and equipment and intangible assets		83.142	43.474
Buyback of ordinary shares		(126.977)	(3.857)
Proceeds from disposal of investment		14.476	
Net increase in investment in subsidiary companies		(2.438.198)	(1.782.052)
Net decrease in investment in joint ventures		240.000	111.597
Net proceeds/(advances) for loans to related parties		2.554.352	(212.162)
Net cash inflows/(outflows) from investing activities		841.376	(2.738.619)
Cash flows from financing activities			
Dividends paid		(2.214.643)	-
Repayments of long term loans, net		(84.589)	(201.857)
Proceeds of short term loans, net		8.412	37.450
Net cash outflows from financing activities		(2.290.820)	(164.407)
Net (decrease)/increase in cash and cash equivalents		(21.393.770)	1.840.303
Cash and cash equivalents at beginning of the year	25	29.265.289	27.424.986
Cash and cash equivalents at end of year	25	7.871.519	29.265.289

The notes on pages 16 to 70 form an integral part of these financial statements

1. Incorporation and principal activities

Asbisc Enterprises Plc (the “Company or “the parent company”) was incorporated in Cyprus on 9 November 1995 with limited liability. The Group’s and the Company’s principal activity is the trading and distribution of computer hardware and software in a number of geographical regions as disclosed in note 34. The main shareholder of the Company is K.S. Holdings Limited, a company incorporated in Cyprus. The details of the Company’s registered office are disclosed on page 1.

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

2. Summary of significant accounting policies

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

Statement of compliance

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

Basis of preparation

The financial statements which are expressed in United States Dollars, the Group’s presentation and the Company’s presentation and functional currency, have been prepared under the historical cost convention except for certain financial instruments that are measured at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Use of estimates and judgements

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

Adoption of new and revised International Financial Reporting Standards

In the current year, the Group and the Company have adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for annual periods beginning on 1 January 2012.

2. Accounting policies (continued)

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

The following Standards, Amendments to Standards and Interpretations had been issued but were not yet effective for the year ended 31 December 2012:

- IFRS 7 (Amendments) "Financial Instruments: Disclosures" - "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2014).
- IFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2014).
- IFRS 12 "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2014).
- IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013).
- IAS 1 (Amendments) "Presentation of items of other Comprehensive Income" (effective for annual periods beginning on or after 1 July 2012).
- IAS 19 (Amendments) "Employee Benefits" (effective for annual periods beginning on or after 1 January 2013).
- IAS 27 (Revised) "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2014).
- IAS 28 (Revised) "Investments in Associates and Joint ventures" (effective for annual periods beginning on or after 1 January 2014).
- IAS 32 (Amendments) "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014).
- Improvements to IFRSs 2009-2011 (effective for annual periods beginning on or after 1 January 2013).
- IFRS 7 (Amendments) "Financial Instruments: Disclosures" – "Disclosures on transition to IFRS 9" (effective for annual periods beginning on or after 1 January 2015).
- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2015).
- Transition Guidance - Amendments to IFRS 10, 11 and 12 (effective for annual periods beginning on or after 1 January 2013).
- Investment Entities - Amendments to IFRS 10, 12 and IAS 27 (effective for annual periods beginning on or after 1 January 2014).

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

2. Accounting policies (continued)

Basis of consolidation

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

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

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

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

Changes in the group’s ownership interests in existing subsidiaries

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

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

Business combinations

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

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

2. Accounting policies (continued)

Business combinations (continued)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively*;*
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

Interests in joint ventures

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

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

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

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

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising in a business combination.

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

2. Accounting policies (continued)

Investments in subsidiary, associate and jointly controlled companies

In the individual accounts of the Company, investments in subsidiary, associate and jointly controlled companies are presented at cost less provision for permanent diminution in value.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination.

Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

Property, plant and equipment

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

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

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

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.

2. Accounting policies (continued)

Property, plant and equipment (continued)

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

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that the ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives

Intangible assets

Intangible assets consist of computer software, patents and licences which are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided at rates calculated to write off the cost less the estimated residual value of the assets using the straight line method as follows:

Computer software	3 - 10 years
Patents and licences	3 years

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

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Repairs and maintenance

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

Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Group and the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent basis of allocation is identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-

2. Accounting policies (continued)

Impairment of tangible and intangible assets excluding goodwill (continued)

tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimated of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Taxation

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

Current tax

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

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognized if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2. Accounting policies (continued)

Taxation (continued)

Deferred tax (continued)

Deferred tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised in other comprehensive income, in which case the tax is also recognised in equity.

Foreign currencies

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

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

Exchange differences are recognised in the profit and loss in the period in which they arise.

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

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

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

2. Accounting policies (continued)

Inventories

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

Provisions

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

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

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

Warranties

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

Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

<u>Financial assets</u>

Financial assets are classified into the following specified categories: 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

2. Accounting policies (continued)

Financial instruments (continued)

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

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

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

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Derivative financial instruments

The Company/Group enters into derivative contracts to manage its exposure to foreign exchange rate risks. Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Trade receivables

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

Factored trade receivables

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

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.

2. Accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Loans granted

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

Cash and cash equivalents

The Company/Group considers all short-term highly liquid instruments with maturities of 3 months or less which are subject to insignificant risk of changes in value to be cash equivalents.

Derecognition of financial assets

The Company/Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company/Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company/Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company/Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company/Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities and equity instruments issued by the Company/Group

Classification as debt or equity

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

Equity instruments

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

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

2. Accounting policies (continued)

Financial instruments (continued)

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

Accounting for financial guarantee contracts

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

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

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

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

Bank borrowings

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

Trade payables

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

Derecognition of financial liabilities

The Group and the Company derecognises financial liabilities when, and only when, the Group's and the Company's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Segmental reporting

The Group is organised by geographical segments and this is the primary format for segmental reporting. Each geographical segment is subject to risks and returns that are different from those of other segments.

2. Accounting policies (continued)

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

Dividend and interest income

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

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the company and the amount of revenue can be measured reliably.

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

Leasing

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

Finance leases

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

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

2. Accounting policies (continued)

Leasing (continued)

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 shareholders is recognized in the financial statements in the year in which dividends are approved.

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

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

Revenue recognition

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

2. Accounting policies (continued)

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

Provision for bad and doubtful debts

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

Provision for obsolete and slow-moving inventory

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

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

Useful lives of property, plant and equipment and intangible assets

The estimation of the useful life of an item of property, plant and equipment and intangible assets is a matter of management judgement based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions of estimates may result in adjustments for future depreciation and amortisation rates.

Impairment of investments in subsidiaries, associated and jointly controlled enterprises/jointly controlled enterprises

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

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

Impairment of goodwill

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

Income taxes

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

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.

3. Revenue (continued)

Revenue analysis by geographical market (continued)	2012 US$	2011 US$
The Group (continued)		
Former Soviet Union	705.191.019	614.904.827
Central Eastern Europe	607.562.459	508.773.173
Western Europe	145.032.777	105.788.935
Middle East & Africa	230.302.370	205.789.517
Other	56.789.179	46.818.367
	1.744.877.804	1.482.074.819

Revenue analysis by currency	2012 US$	2011 US$
The Group		
US Dollar	645.083.269	637.802.838
Euro	504.815.536	320.568.525
Russian Rouble	189.143.951	183.745.507
Kazakhstan Tenge	58.101.730	56.197.328
Belarusian Ruble	56.314.586	35.491.517
Bulgarian Lev	44.609.226	35.460.952
Saudi Riyal	38.197.759	7.148.513
Czech Koruna	37.534.914	54.958.349
Romanian New Lei	35.917.717	32.103.593
Croatian Kuna	26.106.698	27.611.752
Hungarian Forint	17.945.697	18.757.249
Serbian Dinar	16.934.068	15.903.926
Bosnian Mark	13.451.155	12.366.197
Other	60.721.498	43.958.573
	1.744.877.804	1.482.074.819

	2012 US$	2011 US$
The Company		
US Dollar	809.539.122	776.962.395
Euro	80.383.404	102.340.528
Russian Rouble	40.524.085	17.536.245
	930.446.611	896.839.168

4. Currency movements on gross profit

	2012 US$	2011 US$
The Group		
Realised currency movements on trading activities	(98.119)	180.344
Unrealised currency movements on trading activities	1.579.873	(1.469.813)
Realised (loss)/gain on executed derivative contracts	(1.242.096)	579.573
Unrealised (loss)/gain on unexecuted derivative contracts	(1.099.148)	833.428
(Loss)/gain/loss on currency movements	(859.490)	123.532

	2012 US$	2011 US$
The Company		
Realised currency movements on trading activities	259.234	601.523
Unrealised currency movements on trading activities	1.001.555	(422.994)
Realised loss on executed derivative contracts	(777.041)	(64.891)
Unrealised (loss)/gain on unexecuted derivative contracts	(820.948)	547.752
(Loss)/gain on currency movements	(337.200)	661.390

5. Financial expense, net

The Group

	2012 US$	2011 US$
Financial income		
Interest income	219.207	160.190
Net exchange gain	9.339	-
Other financial income	479.009	114.844
	707.555	275.034
Financial expense		
Bank interest	5.887.184	4.950.972
Bank charges	1.864.989	1.782.376
Factoring interest	1.867.838	1.302.479
Factoring charges	390.447	335.522
Other financial expenses	110.902	191.411
Other interest	109.904	134.266
Net exchange loss	-	633.915
	10.231.264	9.330.941
Net	(9.523.709)	(9.055.907)

The Company

	2012 US$	2011 US$
Financial income		
Interest income	2.254	1.049
Interest income from loans to subsidiary companies (note 27)	243.235	182.138
Other financial income	495.473	46.561
	740.962	229.748
Financial expense		
Bank interest	1.025.831	989.932
Bank charges	506.644	560.544
Factoring interest	121.836	82.698
Factoring charges	18.045	29.898
Net exchange loss	186.406	380.244
Other interest	120.809	58.910
	1.979.571	2.102.226
Net	(1.238.609)	(1.872.478)

6. Other gains and losses

	2012 US$	2011 US$
The Group		
Rental income	416.081	269.436
(Loss)/profit on disposal of property, plant and equipment	(18.157)	28.978
Bad debts recovered	64.830	27.147
Other income	124.873	173.260
	587.627	498.821

	2012 US$	2011 US$
The Company		
Dividends received	40.000	553.038
Management fees received	-	88.000
Bad debts recovered	25.048	-
Other income	7.927	5.612
Rental income	119.933	73.730
Loss on disposal of investment	(237.040)	
Loss on disposal of property, plant and equipment	(26.275)	(12.191)
	(70.407)	708.189

7. Profit/(loss) before tax

	2012 US$	2011 US$
The Group		
Profit before tax is stated after charging:		
(a) Depreciation	2.327.506	2.501.801
(b) Amortisation of intangible assets	534.220	586.150
(c) Auditors' remuneration	421.223	733.945
(d) Directors' remuneration – executive (Note 27)	683.819	702.066
(e) Directors' remuneration – non-executive (Note 27)	43.829	41.706

	2012 US$	2011 US$
The Company		
Profit/(loss) before tax is stated after charging:		
(a) Depreciation	508.579	517.434
(b) Amortisation of intangible assets	233.371	275.007
(c) Auditors' remuneration	239.461	423.455
(d) Directors' remuneration – executive (Note 27)	311.397	454.692
(e) Directors' remuneration – non-executive (Note 27)	43.829	41.706

8. Taxation

	2012 US$	2011 US$
The Group		
(Debit)/credit balance 1 January	(338.289)	490.649
Tax asset on disposal of subsidiary	-	41
Provision for the year	1.765.960	1.147.023
Under/(over) provision of prior year	159.123	(38.608)
Exchange difference on retranslation	40.303	(66.652)
Amounts paid, net	(1.500.975)	(1.870.742)
Net credit/(debit) balance 31 December	126.122	(338.289)

	2012 US$	2011 US$
Tax receivable	(545.153)	(427.765)
Tax payable	671.275	89.476
Net	126.122	(338.289)

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.

All Cyprus resident companies of the Group are subject to corporation tax at the rate of 10%. The tax rates of subsidiaries range between 0% to 27,5%.

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

With effect as from 1/1/2012, dividends received by a Cyprus resident company from another Cyprus resident company are exempt from Special Defence Contribution, provided such dividends are indirectly distributed within four years from the end of the year in which the profits distributed as dividends were earned. Otherwise, such dividends are subject to Special Defence Contribution at the rate of 20%.

8. Taxation (continued)
The Group (continued)

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

	2012 US$	2011 US$
Provisions and withholding tax for the year	1.765.960	1.147.023
Under/(over) provision of prior years	159.123	(38.608)
Deferred tax charge	279.436	98.000
Charge for the year	2.204.519	1.206.415

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:

	2012 US$	2011 US$
Accounting profit before taxation	11.251.556	6.866.635
Corporation tax thereon at the applicable rates	1.315.737	1.067.094
Tax on income not taxable in determining taxable profit	(59.479)	(50.035)
Effect of using tax losses brought forward	(320.368)	(242.959)
Effect of unused current year tax losses	88.204	62.378
Temporary differences	520.253	128.589
Tax on non-allowable expenses	218.329	125.056
	1.762.676	1.090.123
Withholding tax on dividend income	-	55.304
Special contribution to defence fund	3.284	1.596
Under/(over) provision of prior years	159.123	(38.608)
Deferred tax charge	279.436	98.000
Taxation charge for the year	2.204.519	1.206.415

	Corporation tax 2012 US$	Defence contribution 2012 US$	Total 2012 US$	Total 2011 US$
The Company				
Debit balance 1 January	(105.967)	-	(105.967)	(34.847)
Under/(over) provision of prior year	154.847	(19.657)	135.190	(41.887)
Withholding tax	-	-	-	55.304
Provision for the year	189.723	3.284	193.007	2.050
Amount (paid)/received, net	(49.318)	16.373	(32.945)	(86.587)
Credit/(debit) balance 31 December	189.285	-	189.285	(105.967)

The charge for corporation taxation is based on the Company's profits for the year as adjusted for tax purposes taxed at the rate of 10%. Bank interest received is subject to defence tax at the rate of 15%. Dividends received by the Company from its subsidiaries are exempt from Special Defence Contribution.

8. Taxation (continued)
The Company (continued)

The taxation charge for the year consists of the following:

	2012 US$	2011 US$
Provision for the year	189.723	454
Withholding tax on dividend income	-	55.304
Special contribution to defence fund	3.284	1.596
Deferred tax charge/(credit)	251.244	(118)
Under/(over) provision of prior years	135.190	(41.887)
	579.441	15.349

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

	2012 US$	2011 US$
Accounting profit/(loss) before taxation	2.827.640	(343.623)
Corporation tax thereon at the applicable rate of 10%	282.764	(34.362)
Tax effects of:		
Tax on income not taxable in determining taxable profit	(4.221)	(109.730)
Effect of using tax losses brought forward	(281.660)	
Temporary differences	115.820	(4.507)
Effect of unused current year tax losses	-	62.378
Tax on non-allowable expenses	77.020	86.675
	189.723	454
Withholding tax on dividend income	-	55.304
Special contribution to defence fund	3.284	1.596
Under/(over) provision of prior years	135.190	(41.887)
Deferred tax charge/(credit)	251.244	(118)
	579.441	15.349

9. Deferred tax

	Temporary differences between accounting and tax NBV of PPE and intangibles (note i)	Tax losses (note ii)	Other temporary differences (note iii)	Total
	US$	US$	US$	US$
The Group				
Credit/(debit) balance on 1 January 2011	110.228	(910.992)	(191.057)	(991.821)
Deferred tax charge/(credit) for the year	7.943	122.317	(32.260)	98.000
Exchange difference on retranslation	-	5.161	18.150	23.311
Credit/(debit) balance on 31 December 2011	118.171	(783.514)	(205.167)	(870.510)
Deferred tax charge/(credit) for the year	37.396	252.063	(10.023)	279.436
Exchange difference on retranslation	-	(3.827)	(7.948)	(11.775)
Credit/(debit) balance on 31 December 2012	155.567	(535.278)	(223.138)	(602.849)

	Temporary differences between accounting and tax NBV of PPE and intangibles (note i)	Tax losses (note ii)	Other temporary differences (note iii)	Total (note iv)
	US$	US$	US$	US$
The Company			-	
Credit/(debit) balance on 1 January 2011	110.228	(293.965)	-	(183.737)
Deferred tax charge/(credit) for the year	7.943	(8.061)	-	(118)
Credit/(debit) balance on 31 December 2011	118.171	(302.026)	-	(183.855)
Deferred tax (credit)/charge for the year	(28.074)	302.026	(22.708)	251.244
Credit/(debit) balance on 31 December 2012	90.097	-	(22.708)	67.389

Note (i)
The Group and the Company
The deferred tax liability relates to excess of capital allowances over depreciation.

9. Deferred tax (continued)

Note (ii)

The Group

The deferred tax asset arises from the tax losses that can be carried forward and set-off against the first available taxable profits of the Group. The total taxable losses available for use by the Group are US$ 3.747.435.

The Company

The deferred tax asset arises from the tax losses that can be carried forward and set-off against the first available taxable profits of the Company.

In accordance with the Cyprus tax legislation, tax losses can be carried forward indefinitely.

Note (iii)

The Group and the Company

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

Note (iv)

The Company

Deferred tax assets and liabilities are offset when there is a legally unforeseeable right to set-off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

	2012 US$	**2011 US$**
Deferred tax receivable	(22.708)	(302.026)
Deferred tax payable	90.097	118.171
Net	67.389	(183.855)

10. Inventories

	2012 US$	**2011 US$**
The Group		
Goods held for resale	98.190.659	97.085.963
Goods in transit	14.464.674	16.433.482
Provision for slow moving and obsolete stock	(2.388.506)	(1.879.237)
	110.266.827	111.640.208

As at 31 December 2012, inventories pledged as security for financing purposes amounted to US$ 36.210.049 (2011: US$ 24.146.165).

Movement in provision for slow moving and obsolete stock	**2012 US$**	**2011 US$**
On 1 January	1.879.237	911.912
Net movement for the year	452.073	1.075.508
Exchange difference	57.196	(108.183)
On 31 December	2.388.506	1.879.237

10. Inventories (continued)

	2012 US$	2011 US$
The Company		
Goods held for resale	20.349.258	19.829.114
Goods in transit	9.331.075	13.589.173
Provision for slow moving and obsolete stock	(961.462)	(799.475)
	28.718.871	32.618.812

As at 31 December 2012, inventories pledged as security for financing purposes amounted to nil (2011: nil).

Movement in provision for slow moving and obsolete stock	2012 US$	2011 US$
On 1 January	799.475	195.226
Net movement for the year	161.987	604.249
On 31 December	961.462	799.475

11. Trade receivables

	2012 US$	2011 US$
The Group		
Trade receivables	322.024.321	244.645.546
Allowance for doubtful debts	(6.634.235)	(6.654.725)
	315.390.086	237.990.821

As at 31 December 2012, receivables of the Group that have been assigned as security for financing purposes amounted to US$ 85.926.473 (2011: US$ 70.966.427). In 2012, the Group has recognised a loss of US$ 3.466.163 (2011: US$ 2.694.732) for the impairment of its trade receivables. The loss has been included in selling expenses in the income statement.

Movement in provision for doubtful debts:

	2012 US$	2011 US$
On 1 January	6.654.725	5.352.303
Provisions during the year	3.466.163	2.694.732
Amount written-off as uncollectible	(3.710.498)	(964.595)
Bad debts recovered	(64.830)	(27.147)
Exchange difference	288.675	(400.568)
On 31 December	6.634.235	6.654.725

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

Ageing of the group's non-impaired receivables:

Year	Total receivables US$	Outstanding but not due yet US$	Overdue 1-30 days US$	Overdue between 30-60 days US$	Overdue more than 60 days US$
2012	315.390.086	248.364.719	36.786.666	11.377.574	18.861.127
2011	237.990.821	180.306.749	36.721.691	8.556.658	12.405.723

Ageing of impaired receivables (provision for bad debts)

Year	Total US$	Overdue 1-90 days US$	Overdue 90-120 days US$	Overdue more than 120 days US$
2012	6.634.235	384.848	115.899	6.133.488
2011	6.654.725	72.002	2.465	6.580.258

	2012 US$	2011 US$
The Company		
Trade receivables	98.954.551	86.373.678
Allowance for doubtful debts	(1.378.646)	(1.378.646)
	97.575.905	84.995.032

As at 31 December 2012, receivables of the Company that have been assigned as security for financing purposes amounted to US$2.070.070 (2011: US$1.860.254). In 2012, the Company has recognised a loss of US$16.574 (2011: US$10.509) for the impairment of its trade receivables.

Movement in provision for doubtful debts:	2012 US$	2011 US$
On 1 January	1.378.646	1.389.544
Provisions during the year	16.574	10.509
Amount written-off as uncollectible	(16.574)	(21.407)
On 31 December	1.378.646	1.378.646

Ageing of the Company's non-impaired receivables:

Year	Total receivables US$	Outstanding but not due yet US$	Overdue 1-30 days US$	Overdue between 30-60 days US$	Overdue more than 60 days US$
2012	97.575.905	73.316.330	15.571.742	6.164.060	2.523.773
2011	84.995.032	63.118.846	17.786.885	3.438.886	650.415

Ageing of impaired receivables (provision for bad debts)

Year	Total US$	Overdue 1-90 days US$	Overdue 90-120 days US$	Overdue more than 120 days US$
2012	1.378.646	-	-	1.378.646
2011	1.378.646	-	-	1.378.646

12. Other current and non-current assets

1.1 Other current assets

The Group	2012 US$	2011 US$
Other debtors and prepayments	4.048.314	3.428.339
VAT and other taxes refundable	15.259.198	4.828.442
Employee floats	141.187	223.356
Deposits and advances to service providers	886.462	834.967
	20.335.161	9.315.104

The Company	2012 US$	2011 US$
Other debtors and prepayments	1.313.470	1.514.149
Amount due from subsidiary companies (Note 27)	78.491.190	71.543.598
Loans due from subsidiary companies (Note 27)	373.620	1.434.203
VAT refundable	51.500	37.911
	80.229.780	74.529.861

The Directors consider that the carrying amount of other current assets of the Group and the Company approximate their fair value.

1.2 Other non-current assets

The Company	2012 US$	2011 US$
Long-term loans due from subsidiary companies (Note 27)	-	1.493.769
	-	1.493.769

13. Derivative financial assets

The Group	2012 US$	2011 US$
Derivative financial assets carried at fair value through profit or loss		
Foreign currency derivative contracts	47.379	559.106
	47.379	559.106

Fair value measurement of derivative financial assets

	2012 Nominal amount US$	2011 Nominal amount US$	2012 Fair Value US$	2011 Fair Value US$
Buying US$/Selling PLN	-	1.053.000	-	12.223
Buying US$/Selling HRK	-	993.046	-	39.529
Buying US$/Selling GBP	1.396.990	-	15.297	-
Buying US$/Selling BGN	-	1.503.000	-	39.860
Buying US$/Selling RSD	150.000	244.000	(1.253)	9.077
Buying US$/Selling EUR	2.127.816	9.172.000	(12.032)	430.865
Buying US$/Selling RUB	-	3.435.000	-	120.967
Buying US$/Selling TRL	-	1.162.000	-	27.610

13. Derivative financial asset (continued)
The Group (continued)
Fair value measurement of derivative financial assets (continued)

	2012 Nominal amount US$	2011 Nominal amount US$	2012 Fair Value US$	2011 Fair Value US$
Buying US$/Selling RON	-	2.076.810	-	41.057
Buying EUR/Selling USD	-	60.907	-	(1.052)
Buying EUR/Selling HRK	-	816.417	-	431
Buying EUR/Selling RSD	860.000	660.909	8.326	39.356
Buying EUR/Selling PLN	2.645.737	-	37.041	-
Buying PLN/Selling EUR	-	772.356	-	(11.409)
Charges on open contracts	-	-	-	(189.408)
	7.180.543	21.949.445	47.379	559.106

The Company

	2012 US$	2011 US$
Derivative financial assets carried at fair value through profit or loss		
Foreign currency derivative contracts	-	446.391
	-	446.391

Fair value measurement of derivative financial assets

	2012 Notional amount US$	2011 Notional amount US$	2012 Fair Value US$	2011 Fair Value US$
Buying US$/Selling EUR	-	9.172.000	-	430.865
Buying US$/Selling RUB	-	3.435.000	-	120.967
Buying US$/Selling TRL	-	1.162.000	-	27.610
Charges on open contracts	-	-	-	(133.051)
	-	13.769.000	-	446.391

(i) The Group and the Company enter into currency derivative contracts, namely forward and future currency derivatives, as part of their overall hedging strategy in order to minimise the exposure to foreign currency fluctuations.

(ii) A foreign currency forward derivative contract is a contractual agreement between two parties to exchange two currencies at a given exchange rate at some point in the future. The fair value of the derivative can be either positive (asset) or negative (liability) as a result of fluctuations in the forward exchange rates.

(iii) A foreign currency future derivative contract is a contractual agreement between two parties to buy or sell currency at a predetermined price in the future. The fair value of the derivative can be either positive (asset) or negative (liability) as a result of fluctuations in the period end exchange rate.

13. Derivative financial asset (continued)
Fair value measurement of derivative financial assets (continued)

(iv) During the year the Group realised losses from execution of foreign currency derivative contracts of US$ 1.242.096 (2011: gain of US$ 579.573) and the Company realized losses of US$ 777.041 (2011: US$ 64.891) - see note 4.

14. Property, plant and equipment

The Group

	Land and buildings US$	Assets under construction US$	Warehouse machinery US$	Furniture and fittings US$	Office equipment US$	Motor vehicles US$	Computer hardware US$	Total US$
Cost								
At 1 January 2011	18.784.078	3.402.910	169.199	2.067.071	2.684.502	3.511.657	5.554.015	36.173.432
Additions	1.386.612	709.493	3.792	252.758	203.921	231.227	612.501	3.400.304
Disposals	-	-	-	(65.558)	(197.050)	(428.094)	(394.254)	(1.084.956)
Transfers	4.112.403	(4.112.403)	-	-	-	-	-	-
Foreign exchange difference on retranslation	(466.212)	-	1.333	(42.047)	(64.033)	(94.373)	(146.967)	(812.299)
At 31 December 2011	23.816.881	-	174.324	2.212.224	2.627.340	3.220.417	5.625.295	37.676.481
Additions from acquisitions of subsidiaries	-	-	-	138.363	110.804	49.054	41.461	339.682
Additions	219.055	-	3.717	253.655	541.783	308.701	811.263	2.138.174
Disposals upon disposal of subsidiaries	-	-	-	(8.150)	-	(575)	(3.551)	(12.276)
Disposals	(218.595)	-	(17.792)	(97.638)	(34.739)	(350.312)	(173.320)	(892.396)
Foreign exchange difference on retranslation	261.772	-	1.290	53.912	101.845	99.898	147.198	665.915
At 31 December 2012	24.079.113	-	161.539	2.552.366	3.347.033	3.327.183	6.448.346	39.915.580
Accumulated depreciation								
At 1 January 2011	1.762.694	-	24.794	1.004.049	1.352.034	1.935.678	3.810.578	9.889.827
Charge for the year	565.426	-	19.285	224.636	261.882	556.936	873.636	2.501.801
Disposals	-	-	-	(39.884)	(138.447)	(351.120)	(393.748)	(923.199)
Foreign exchange difference on retranslation	(83.641)	-	4.377	(41.569)	(60.430)	(92.182)	(142.877)	(416.322)
At 31 December 2011	2.244.479	-	48.456	1.147.232	1.415.039	2.049.312	4.147.589	11.052.107
Charge for the year	581.145	-	19.084	237.367	278.205	447.316	764.389	2.327.506
Additions from acquisitions of subsidiaries	-	-	-	66.318	30.334	17.835	16.893	131.380
Disposals upon disposal of subsidiaries	-	-	-	(1.087)	-	(96)	(853)	(2.036)
Disposals	(105.786)	-	(12.121)	(62.490)	(6.612)	(273.827)	(169.944)	(630.780)
Foreign exchange difference on retranslation	47.473	-	506	20.167	90.501	21.960	137.525	318.132
At 31 December 2012	2.767.311	-	55.925	1.407.507	1.807.467	2.262.500	4.895.599	13.196.309
Net book value								
At 31 December 2012	21.311.802	-	105.614	1.144.859	1.539.566	1.064.683	1.552.747	26.719.271
At 31 December 2011	21.572.402	-	125.868	1.064.992	1.212.301	1.171.105	1.477.706	26.624.374

During 2011 the assets under construction which related to the reconstruction and renovation of the newly acquired building in Cyprus were completed and transferred to land and buildings in June 2011 at the total cost of US$ 4.112.403. During 2011 the Group also acquired a property in Belarus of a total cost of US$ 1.173.025. Land and buildings of a total cost value of US$ 24.079.113 (2011 US$ 22.537.872) have been mortgaged for financing purposes. The cost of fully depreciated assets of the Group that are still in use amounted to US$ 4.193.087 (2011: US$ 3.238.844).

14. Property, plant and equipment (continued)

The Company

	Land and buildings US$	Assets under construction US$	Furniture and fittings US$	Office equipment US$	Motor vehicles US$	Computer hardware US$	Total US$
Cost							
At 1 January 2011	1.550.918	3.400.604	401.474	674.857	924.896	2.073.557	9.026.306
Additions	16.877	711.799	20.059	61.406	174.554	94.068	1.078.763
Transfers	4.112.403	(4.112.403)	-	-	-	-	-
Disposals	-	-	-	(9.792)	(136.773)	(4.076)	(150.641)
At 31 December 2011	5.680.198	-	421.533	726.471	962.677	2.163.549	9.954.428
Additions	30.615	-	11.335	16.262	96.879	153.198	308.289
Disposals	-		(28.203)	(12.081)	(147.111)	(43.933)	(231.328)
At 31 December 2012	5.710.813	-	404.665	730.652	912.445	2.272.814	10.031.389
Accumulated depreciation							
At 1 January 2011	412.817	-	269.361	279.263	483.334	1.586.240	3.031.015
Charge for the year	88.670	-	26.754	63.053	151.182	187.775	517.434
Disposals	-	-	-	(3.018)	(91.183)	(776)	(94.977)
At 31 December 2011	501.487	-	296.115	339.298	543.333	1.773.239	3.453.472
Charge for the year	119.480	-	21.343	64.042	129.055	174.659	508.579
Disposals	-	-	(12.739)	(6.528)	(79.775)	(25.067)	(124.109)
At 31 December 2012	620.967		304.719	396.812	592.613	1.922.831	3.837.942
Net book value							
31 December 2012	5.089.846	-	99.946	333.840	319.832	349.983	6.193.447
31 December 2011	5.178.711	-	125.418	387.173	419.344	390.310	6.500.956

During 2011 the assets under construction which related to the reconstruction and renovation of the newly acquired building in Cyprus were completed and transferred to land and buildings in June 2011 at the total cost of US$ 4.112.403. The land and buildings have been mortgaged as securities for financing purposes. The cost of fully depreciated assets of the Company that are still in use amounted to US$ 1.718.077 (2011: US$ 1.268.265).

15. Intangible assets

The Group

	Computer software US$	Patents and licenses US$	Total US$
Cost			
At 1 January 2011	6.511.605	773.258	7.284.863
Acquisitions	154.760	363.746	518.506
Disposals/ write-offs	(307.169)	(84.796)	(391.965)
Foreign exchange difference on retranslation	(52.259)	(18.374)	(70.633)
At 31 December 2011	6.306.937	1.033.834	7.340.771
Acquisitions	127.447	136.354	263.801
Disposals upon disposal of subsidiaries	(1.878)	-	(1.878)
Disposals/ write-offs	(51.993)	(47.423)	(99.416)
Foreign exchange difference on retranslation	98.771	5.831	104.602
At 31 December 2012	6.479.284	1.128.596	7.607.880
Accumulated amortization			
At 1 January 2011	4.983.018	629.693	5.612.711
Charge for the year	456.938	129.212	586.150
Disposals/ write-offs	(245.220)	(51.499)	(296.719)
Foreign exchange difference on retranslation	(53.072)	(15.502)	(68.574)
At 31 December 2011	5.141.664	691.904	5.833.568
Charge for the year	361.339	172.881	534.220
Disposals upon disposal of subsidiaries	(544)	-	(544)
Disposals/ write-offs	(49.862)	(655)	(50.517)
Foreign exchange difference on retranslation	97.923	3.494	101.417
At 31 December 2012	5.550.520	867.624	6.418.144
Net book value			
At 31 December 2012	928.764	260.972	1.189.736
At 31 December 2011	1.165.273	341.930	1.507.203

The cost of fully amortized intangibles of the Group that are still in use amounted to US$ 3.984.945 (2011: US$ 3.836.325).

The Company

	Computer software US$	Patents & licences US$	Total US$
Cost			
At 1 January 2011	5.571.208	441.194	6.012.402
Acquisitions	43	-	43
At 31 December 2011	5.571.251	441.194	6.012.445
Acquisitions	10.741	4.916	15.657
Disposals/write-offs	(3.063)	-	(3.063)
At 31 December 2012	5.578.929	446.110	6.025.039
Accumulated amortisation			
At 1 January 2011	4.294.258	441.194	4.735.452
Charge for the year	275.007	-	275.007
At 31 December 2011	4.569.265	441.194	5.010.459
Charge for the year	232.752	619	233.371
Disposals/write-offs	(865)	-	(865)
At 31 December 2012	4.801.152	441.813	5.242.965
Net book value			
31 December 2012	777.777	4.297	782.074
31 December 2011	1.001.986	-	1.001.986

The cost of fully amortized intangible assets of the Company that are still in use amounted to US$ 3.541.960 (2011: US$ 3.452.449).

16. Investments

a. Investment in subsidiary companies

The Company	**2012 US$**	**2011 US$**
Shares at cost of acquisition or written down value	8.887.819	6.701.137
Balance at 1 January	6.701.137	4.919.085
Increase in investments	1.920.366	1.782.052
Transfer from investment in joint ventures	240.000	
Establishments during the year	277.832	-
Disposals during the year	(251.516)	-
Balance at 31 December	8.887.819	6.701.137

During the year 2012 the Company increased its investment in its wholly owned subsidiaries ASBC F.P.U.E. by US$ 260.000 and ASBIS PL SP.Z O.O. by US$ 1.390.366. In addition, the Company acquired the remaining 33,33% of the share capital of CJSC "ASBIS" in Belarus and the remaining 52% of the share capital of AOSBIS Technology (Shenzhen) Corp. in China for US$ 270.000 and US$ 277.832 respectively, and sold 100% of the share capital of ASBIS KOREA CO. LTD of US$251.516, realising a loss of US$237.040.

During the year 2011 the Company increased its investment in its wholly owned subsidiaries ASBIS CZ, SPOL S.R.O. by US$ 1.000.000, ASBIS PL SP.Z O.O. by US$ 663.347 and ASBIS LTD in Russia by US$ 118.705.

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

Subsidiary Company	**Country of incorporation**	**Percentage of participation 2012 %**	**2011 %**
ASBIS UKRAINE LTD - Group	Ukraine	100	100
ASBIS PL SP.Z O.O.	Poland	100	100
ASBIS-BALTIC AS	Estonia	100	100
ASBIS ROMANIA SRL	Romania	100	100
ASBISC-CR D.O.O.	Croatia	100	100
ASBIS D.O.O.	Serbia	100	100
ASBIS HUNGARY COMMERCIAL LTD	Hungary	100	100
ASBIS BULGARIA LTD	Bulgaria	100	100
ASBIS CZ, SPOL S.R.O.	Czech Republic	100	100
ASBIS VILNIUS UAB	Lithuania	100	100
ASBIS D.O.O.	Slovenia	100	100
ASBIS ME FZE - Group	United Arab Emirates	100	100
ASBIS SK SPOL S.R.O.	Slovakia	100	100
ASBIS Europe BV	Netherlands	100	100
ASBIS LIMITED	Ireland	100	100
ASBC F.P.U.E.	Belarus	100	100
E.M. EURO-MALL LTD (formerly ISA HARDWARE LTD) - Group	Cyprus	100	100
ASBIS LTD	Russia	100	100
ASBIS MOROCCO SARL – dormant	Morocco	100	100
ASBIS LV SIA	Latvia	100	100
ASBIS KYPROS LIMITED	Cyprus	100	100
ASBIS NL BV (formerly Canyon Technology BV)	Netherlands	100	100
PRESTIGIO PLAZA LTD (formerly Prestigio Technologies (Cyprus) Ltd)	Cyprus	100	100
PRESTIGIO EUROPE SPOL S.R.O. (iv)	Czech Republic	100	100
ISA HARDWARE SRO – dormant (ii)	Czech Republic	100	100
ISA HARDWARE DOO (ii)	Croatia	100	100
ISA HARDWARE HUNGARY COMMERCIAL LTD – dormant (ii)	Hungary	100	100
S.C. EUROMALL S.R.L. (formerly ISA Hardware International SRL) (ii)	Romania	100	100
EURO-MALL SRO (formerly ISA HARDWARE SRO) – Group (ii)	Slovakia	100	100
ISA HARDWARE D.O.O - dormant (ii)	Serbia	100	100

16. Investments (continued)

a. Investment in subsidiary companies (continued)

Subsidiary Company	Country of incorporation	Percentage of participation 2012 %	2011 %
MEGATREND D.O.O. SARAJEVO	Bosnia Herzegovina	90	90
ISA HARDWARE SRO (ii)	Slovenia	100	100
PRESTIGIO PLAZA SP.ZO.O. (formerly ISA Hardware Sp.z.o.o.) (ii)	Poland	100	100
ASBIS TR BILGISAYAR LIMITED SIRKETI (v)	Turkey	100	100
PTUE IT-MAX (v)	Belarus	100	100
CJSC ASBIS	Belarus	100	66.6
ASBIS IT S.R.L.	Italy	100	100
ASBIS Kazakhstan LLP	Kazakhstan	100	100
ASBIS TAIWAN CO., LTD	Taiwan	100	100
ASBIS DE GMBH	Germany	100	100
ASBIS KOREA (i)	Korea	-	100
EUROMALL BULGARIA EOOD (ii)	Bulgaria	100	100
AOSBIS Technology (Shenzhen) Corp (iii)	China	100	48
SHARK ONLINE a.s. (vi)	Slovakia	51	51

(i) Sold during 2012
(ii) Held by E.M. Euro-Mall Ltd - Cyprus
(iii) Established/acquired during 2012
(iv) Held by Prestigio Plaza Ltd
(v) Held by Asbis Middle East FZE
(vi) Held by Euro-mall s.r.o

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

b. Investment in joint ventures The Group	**2012 US$**	**2011 US$**
Cost		
At 1 January	626.400	737.997
Full acquisition of joint venture (note 17(1.2))	(240.000)	-
Decrease in share capital	-	(111.597)
At 31 December	386.400	626.400
Accumulated share of losses from joint ventures		
At 1 January	(238.775)	(52.365)
Share of losses from joint ventures during the year	(73.508)	(186.410)
Full acquisition of joint venture (note 17(1.3))	(17.088)	-
At 31 December	(329.371)	(238.775)
Investment in joint ventures recorded under the equity method of consolidation	57.029	387.625

16. Investments (continued)

b. Investment in joint ventures (continued)

The Company	**2012 US$**	**2011 US$**
Cost		
At 1 January	240.000	351.597
Full acquisition of joint venture	(240.000)	-
Decrease in share capital	-	(111.597)
At 31 December	-	240.000

The Group and the Company

During 2011 the Group jointly reduced their investment in AOSBIS Technology (Shenzhen) Corp. The Group's share of the reduction in the share capital of AOSBIS Technology (Shenzhen) Corp. was US$ 111.597. During 2012 the Group acquired the remaining 52% of the share capital of AOSBIS Technology (Shenzhen) Corp. in China and obtained the total 100% of its share capital.

17. Business combinations

The Group

1. Acquisitions

1.1 Acquisition of shares from non-controlling interests to 31 December 2012

During the year the Group acquired the remaining 33,33% of the share capital of CJSC "ASBIS" in Belarus from the non-controlling interests and now owns the full 100% of its share capital. From the difference between the Group's interest in the net assets acquired and the consideration paid, the following loss arose:

- Loss on the acquisition of shares from non-controlling interest of CJSC "ASBIS" of US$ 6.379 which was debited directly to equity.

Name of entity	Type of operations	Date acquired	% acquired	% owned
CJSC "ASBIS"	Information Technology	1 June 2012	33,33%	100%

1.2. Acquisition of remaining shares of joint venture to 31 December 2012

During the year the Group acquired the remaining 52% of the share capital of AOSBIS Technology (Shenzhen) Corp. in China and obtained the total 100% of its share capital. The finalization of acquisition formalities and the effect of changes in the ownership interest, took place during the three months ended 31 December 2012. From the difference between the Group's interest in the net assets acquired and the consideration paid, the following gain arose:

- Negative goodwill on the acquisition of shares of AOSBIS Technology (Shenzhen) Corp. in China of $41.363 which was credited directly to income statement.

Name of entity	Type of operations	Date acquired	% acquired	% owned
AOSBIS Technology (Shenzhen) Corp.	Information Technology	18 May 2012	52%	100%

17. Business combinations (continued)
1. Acquisitions (continued)

1.3. Acquired assets and liabilities

The fair value of underlying separately identifiable assets and liabilities transferred to the Group at the date of acquisitions were as follows:

	2012 US$	2011 US$
Tangible and intangible assets	1.444.219	-
Inventories	1.978.505	-
Receivables	3.168.983	-
Other receivables	525.566	-
Short term loans	(485.313)	-
Payables	(5.133.469)	
Other payables and accruals	(238.843)	-
Cash and cash equivalents	197.498	-
Net identifiable assets and liabilities	1.457.146	-
Group's interest in net assets acquired	869.904	-
Share of profits previously recognized as joint venture	(17.088)	-
Total purchase consideration	(817.832)	
Net gain	34.984	-
Loss on the acquisition through equity	(6.379)	-
Negative goodwill credited in income statement	41.363	-
	34.984	-

1.4. Financial information regarding acquired entities

	1 January to 31 December	Acquisition date to 31 December
	2012 US$	2012 US$
Revenue for the year/period	33.428.166	23.236.640
Loss for the year/period	(385.611)	(445.536)
	2011 US$	2011 US$
Revenue for the year/period	-	-
Profit for the year/period	-	-

1.5. Goodwill arising on acquisitions	2012 US$	2011 US$
At 1 January	550.517	600.730
Goodwill written off (note ii)	-	(50.213)
At 31 December (note i)	550.517	550.517

17. Business combinations (continued)
1. Acquisitions (continued)
1.5. Goodwill arising on acquisitions (continued)

i. Capitalised goodwill of US$ 550.517 (2011: US$ 550.517) represents the economic value of the infrastructure acquired by the Group plus gaining access to the acquired entities' own distribution networks. These intangibles have not been recognised separately from goodwill because their fair value could not be measured reliably due to their nature. The capitalised goodwill relates to the business combination of the following subsidiary. The recoverable amount of goodwill was determined on the basis of fair value less cost to sell which approximated the book value of the subsidiary:

	2012 US$	2011 US$
Megatrend D.O.O. Sarajevo	550.517	550.517

ii. The write-off of goodwill relates to the business combinations of the following subsidiaries:

	2012 US$	2011 US$
Euro-mall Bulgaria EOOD	-	41.416
ION Ukraine	-	8.797
	-	50.213

2. Disposals of subsidiaries

2.1. Disposals 2012

During the year the Group sold 100% of the share capital of ASBIS KOREA CO. LTD. From the difference between the Group's interest in the net assets sold and the consideration received, the following loss arose:

- Loss on sale of ASBIS KOREA CO. LTD of US$ 475 which was debited to the income statement.

Name of disposed entity	Type of operations	Date sold/ liquidated	% sold
ASBIS KOREA CO. LTD	Information Technology	22 June 2012	100%

2.2. Disposals 2011

During 2011 the Group sold 100% of the share capital of one of its dormant subsidiaries ION Ukraine. From the difference between the Group's interest in the net assets sold and the consideration received, the following gains arose:

- Gain on sale of ION Ukraine of US$ 10.224 which was credited to the income statement.

Name of disposed entity	Type of operations	Date sold/ liquidated	% sold
ION UKRAINE	Information Technology	12 December 2011	100%

17. Business combinations (continued)
2. Disposals of subsidiaries (continued)
2.3. Disposed assets and liabilities

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

	2012 US$	2011 US$
Tangible and intangible assets	11.574	-
Inventories	135.411	-
Receivables	30.526	-
Tax receivable	-	41
Other receivables	60.430	-
Payables and accruals	(92.800)	(3.803)
Short term loans	(17.387)	-
Cash and cash equivalents	(112.803)	109
Net identifiable assets and (liabilities)	14.951	(3.653)
Group's interest in net assets/(liabilities) sold	14.951	(3.653)
(Loss)/gain on sale of subsidiaries	(475)	10.224
Total sale consideration received	14.476	6.571

Net cash flow arising on transfer:

	2012 US$	2011 US$
Total sale consideration received	14.476	6.571
Cash and cash equivalents disposed	112.803	(109)
Net cash inflow	127.279	6.462

2.4. Financial information regarding disposed subsidiaries

	1 January to disposal date 2012 US$	1 January to disposal date 2011 US$
Revenue for the period	-	-
Loss for the period	-	(1.355)

18. Available-for-sale financial assets

	Country of incorporation	Participation %	Cost US$	Impairment US$	2012 US$	2011 US$
The Group						
Investments held in companies						
E-Vision Ltd (i)	Cyprus	18%	90.000	(90.000)	-	-
Other Investments (ii)						
Asekol s.r.o.	Czech Republic	9,09%	9.580	-	9.580	9.580
Regnon S.A.	Poland	0,01%	2.214	-	2.214	-
			101.794	(90.000)	11.794	9.580

18. Available-for-sale financial assets (continued)

	Country of incorporation	Participation %	Cost US$	Impairment US$	2012 US$	2011 US$
The Company						
Investments held in companies						
E-Vision Ltd (i)	Cyprus	18%	90.000	(90.000)	-	-

(i) The remaining 82% is held by the main shareholder of the company, KS Holdings Limited.
(ii) The above available for sale investments are private equity investments with no quoted market price. Due to the fact that the fair value cannot be measured reliably they are measured at cost less any identified impairment losses.

19. Other current liabilities

	2012 US$	2011 US$
The Group		
Factoring creditors (i)	45.271.892	29.765.116
Non-trade accounts payable	3.258.306	3.233.257
Salaries payable and related costs	1.602.385	1.371.575
VAT payable	7.203.435	4.880.799
Amount due to Directors – executive	5.272	6.449
Amounts due to Directors – non-executive	-	10.043
Unpaid consideration for investment in joint venture	277.832	-
Provisions, accruals and deferred income	10.362.140	7.981.239
	67.981.262	47.248.478

(i) As at 31 December 2012 the Group enjoyed factoring facilities of US$ 61.552.577 (2011: US$ 45.740.348). The factoring facilities are secured as mentioned in note 21.

	2012 US$	2011 US$
The Company		
Factoring creditors (ii)	2.094.121	2.188.556
Provisions, accruals and deferred income	5.895.212	4.788.847
Non-trade accounts payable	695.985	672.812
Salaries payable and related costs	239.402	183.766
Amount due to subsidiary companies (Note 27)	530.271	317.584
Amount due to Directors – executive (Note 27)	5.272	6.449
Amounts due to Directors – non-executive (Note 27)	-	10.043
Unpaid consideration for investment in joint ventures	277.832	-
VAT payable	1.477.138	771.957
	11.215.233	8.940.014

(ii) As at 31 December 2012 the Company enjoyed factoring facilities of US$ 2.475.813 (2011: US$ 2.466.503). The factoring facilities are secured as mentioned in note 21.

The Directors consider that the carrying amount of other current liabilities of the Group and the Company approximate their fair value.

20. Derivative financial liability

The Group	2012 US$	2011 US$
Derivative financial liabilities carried at fair value through profit or loss		
Foreign currency derivative contracts	527.086	1.215
	527.086	1.215

Fair value measurement of derivative financial liabilities

	2012 Nominal amount US$	2011 Nominal amount US$	2012 Fair Value US$	2011 Fair Value US$
Buying US$/Selling EUR	3.649.328	-	84.325	-
Buying US$/Selling BGN	1.889.500	-	47.288	-
Buying US$/Selling CZK	420.000	630.000	1.900	(7.077)
Buying US$/Selling RUB	3.941.000	-	142.846	-
Buying US$/Selling HRK	2.975.885	-	3.997	-
Buying US$/Selling RON	2.582.000	-	120.440	-
Buying EUR/Selling CZK	2.080.000	1.395.684	22.986	(7.975)
Charges on open contracts	-	-	103.304	16.267
	17.537.713	2.025.684	527.086	1.215

The Company	2012 US$	2011 US$
Derivative financial liabilities carried at fair value through profit or loss		
Foreign currency derivative contracts	313.648	-
	313.648	-

Fair value measurement of derivative financial liabilities

	2012 Nominal amount US$	2011 Nominal amount US$	2012 Fair Value US$	2011 Fair Value US$
Buying US$/Selling EUR	3.649.328	-	84.235	-
Buying US$/Selling RUB	3.941.000		142.846	
Charges on open contracts			86.567	
	7.590.328	-	313.648	-

(i) The Group and the Company enter into currency derivative contracts, namely forward and future currency derivatives, as part of their overall hedging strategy in order to minimise the exposure to foreign currency fluctuations.

(ii) A foreign currency forward derivative contract is a contractual agreement between two parties to exchange two currencies at a given exchange rate at some point in the future. The fair value of the derivative can be either positive (asset) or negative (liability) as a result of fluctuations in the forward exchange rates.

20. Derivative financial liability (continued)
Fair value measurement of derivative financial liabilities (continued)

(iii) A foreign currency future derivative contract is a contractual agreement between two parties to buy or sell currency at a predetermined price in the future. The fair value of the derivative can be either positive (asset) or negative (liability) as a result of fluctuations in the period end exchange rate.

(iv) During the year the Group realised losses from execution of foreign currency derivative contracts of US$ 1.242.096 (2011: gain of US$ 579.573) and the Company realized losses of US$ 777.041 (2011: US$ 64.891) - see note 4.

21. Bank overdrafts and short term loans	**2012 US$**	**2011 US$**
The Group		
Bank overdrafts (Note 25)	35.389.927	29.616.717
Bank short term loans	35.665.386	16.071.488
Current portion of long term loans	680.301	669.390
	71.735.614	46.357.595

Summary of borrowings and overdraft arrangements

The Group as at 31 December 2012 had the following financing facilities with banks in the countries that the Company and its subsidiaries are operating:

- overdraft lines of US$ 59.091.759 (31 December 2011: US$ 52.644.277)
- short term loans/revolving facilities of US$ 45.041.320 (31 December 2011: US$ 24.189.249)
- bank guarantees of US$ 8.569.791 (31 December 2011: US$ 8.704.773)

The Group had for the year 2012 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 7,8% (2011: 6,9%)

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

- Floating charges over all assets of the Company
- Mortgage on land and buildings that the Group owns in Cyprus, Czech Republic, Belarus, Middle East, Bulgaria, Ukraine and Slovakia
- Charge over receivables and inventories
- Corporate guarantees to the extent of facilities granted
- Assignment of insurance policies
- Pledged deposits of US$ 2.344.577 (31 December 2011: US$ 1.859.022)

21. Bank overdrafts and short term loans (continued)
Summary of borrowings and overdraft arrangements (continued)

The Company	2012 US$	2011 US$
Bank overdrafts (Note 25)	6.019.832	5.079.727
Current portion of long term loans	133.133	124.721
	6.152.965	5.204.448

The Company, as at 31 December 2012 enjoyed the following financing facilities from its bankers:

- overdraft facilities of US$ 17.884.417 (2011: US$ 14.419.558)
- long term loan facilities US$ 1.712.167 (2011: US$ 1.788.260)
- bank guarantee facilities US$ 4.635.392 (2011: US$ 7.513.803)

The Company had for the year 2012 cash lines (overdrafts and revolving facilities) with average cost for the year of 6,7% (2011: 6,4%).

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

- Floating charges over all assets of the Company
- Pledged deposits of US$ 658.166 (2011: US$ 657.667)
- First mortgage on immovable property in the amount of €2.400.000 (equivalent to US$3.172.086)

22. Long term liabilities

	2012 US$	2011 US$
The Group		
Bank loans (i)	3.474.945	4.063.249
Other long term liabilities	338.465	291.371
	3.813.410	4.354.620

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

The subsidiary company Asbis SK Spol s.r.o. obtained a loan for the purchase of land and erection of buildings in Slovakia. 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.

The parent company obtained a loan for the acquisition of land and buildings in Cyprus. The loan bears interest at 6M EURIBOR + 5% per annum and is due for repayment on 30 June 2023. The loan is secured via mortgage on the acquired land and buildings.

22. Long term liabilities (continued)

	2012 US$	2011 US$
The Company		
Bank loans (ii)	1.579.036	1.663.625
	1.579.036	1.663.625

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

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

- First mortgage on immovable property in the amount of €2.400.000 (equivalent to US$3.172.086).
- Pledged deposits of US$508.166 (2011: US$507.667)
- Floating charge on the Company's assets

23. Finance leases

	2012 US$	2011 US$
The Group		
Obligation under finance lease	101.188	264.395
Less: Amount payable within one year	(32.966)	(171.339)
Amounts payable within 2-5 years inclusive	68.222	93.056

24. Share capital

	2012 US$	2011 US$
Authorised		
63.000.000 (2011: 63.000.000) shares of US$ 0,20 each	12.600.000	12.600.000
Issued, called-up and fully paid		
55.500.000 (2011: 55.500.000) ordinary shares of US$ 0,20 each	11.100.000	11.100.000

On 31 December 2012 the issued and fully paid share capital of the Company consisted of 55.500.000 ordinary shares of US $0,20 each.

Following an extraordinary general meeting of the shareholders on 21 December 2011, a share buyback program with the following conditions was approved:

- the maximum amount of money that can be used to realize the program is U.S.$ 500.000
- the maximum number of shares that can be bought within the program is 1.000.000 shares
- the program's time frame is 12 months since the resolution's date
- the shares purchased within the program could be held for a maximum of two years from acquisition
- the minimum price for transaction of purchase of shares within the program is PLN 1,2 per share with the maximum price of PLN 3,0 per share

From the date of the approval of the buyback program until the end of the year 2011 the Company has bought back 8.989 ordinary shares in 8 transactions for a total consideration of US$ 3.857.

In the year 2012 the Company bought an additional 179.400 ordinary shares for a total consideration of US$ 126.977. At the end of 2012 the Company held a total of 188.389 shares purchased for a total consideration of US$ 130.834.

25. Cash and cash equivalents

	2012 US$	2011 US$
The Group		
Cash at bank and in hand	30.997.616	48.868.023
Bank overdrafts (Note 21)	(35.389.927)	(29.616.717)
	(4.392.311)	19.251.306

The cash at bank and in hand balances include an amount of US$ 2.344.577 (2011: US$ 1.859.022) which represents pledged deposits.

	2012 US$	2011 US$
The Company		
Cash at bank and in hand	13.891.351	34.345.016
Bank overdrafts (Note 21)	(6.019.832)	(5.079.727)
	7.871.519	29.265.289

The cash at bank and in hand balances include an amount of US$ 658.166 (2011: US$ 657.667) which represents pledged deposits.

26. Commitments and contingencies

As at 31 December 2012 the Group was committed in respect of purchases of inventories of a total cost value of US$ 3.369.260 (2011: US$ 3.217.332) which were in transit as at 31 December 2012 and delivered in January 2013. Such inventories and the corresponding liability towards the suppliers have not been included in these financial statements since, according to the terms of purchase title of the goods has not passed to the Group as at the year end.

As at 31 December 2012:

- the Group was contingently liable in respect of bank guarantees of US$ 6.136.791 (2011: US$ 8.704.773) which the Group has extended mainly to its suppliers
- the Company has extended bank guarantees of US$ 2.202.392 (2011: US$ 7.513.803) 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 2012 the Company was contingently liable for the amount of US$ 109.781.833 (2011: US$ 71.879.031) in respect of corporate guarantees issued to financial institutions as security for financing facilities granted to the subsidiary companies. The liabilities of the subsidiary companies covered by the said corporate guarantees are reflected in note 21 of the financial statements.

27. Related party transactions and balances

Main shareholders

The following table presents shareholders possessing directly or indirectly more than 5% of the Company's shares and shares held by the Company under the share buyback program as at 31 December 2012:

Name	Number of votes/shares	% of votes/share capital
KS Holdings Ltd	25.676.361	46,26%
Quercus Towarzystwo Funduszy Inwestycyjnych S.A. Quercus Parasolowy SFIO and Quercus Absolutnego Zwrotu FIZ)	3.274.931	5,90%
Alpha Ventures S.A.	3.200.000	5,77%
ING OFE	2.872.954	5,18%
Asbisc Enterprises Plc (Share buyback program)	188.389	0,25%
Other	20.287.365	36,64%
Total	**55.500.000**	**100,00%**

Transactions between the Company and its subsidiaries have been eliminated on consolidation.

The Company

In the normal course of business, the Company undertook during the year transactions with its subsidiary companies as follows:

Intercompany transactions

	Sales of goods		Purchases of goods	
	2012	**2011**	**2012**	**2011**
	US$	**US$**	**US$**	**US$**
Subsidiaries	435.822.079	433.594.366	28.480.973	17.600.571

	Sales of services		Purchases of services	
	2012	**2011**	**2012**	**2011**
	US$	**US$**	**US$**	**US$**
Subsidiaries	376.759	340.533	1.436.517	1.904.949

Intercompany balances
(Notes 12 & 19)

	Amounts owed by subsidiary companies		Amounts owed to subsidiary companies	
	2012	**2011**	**2012**	**2011**
	US$	**US$**	**US$**	**US$**
Subsidiaries	78.491.190	71.543.598	530.271	317.584

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

Loans to subsidiary companies

	2012 US$	2011 US$
Total loans to subsidiary companies	4.626.314	7.097.653
Provision for doubtful loans	(4.252.694)	(4.169.681)
Net loans to subsidiary companies (Note 12)	373.620	2.927.972
Net loans included in other current assets	373.620	1.434.203
Net loans included in other non-current assets	-	1.493.769
	373.620	2.927.972

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

Subsidiary companies	Interest rate %	2012 US$	2011 US$
ASBIS ME FZE (note i)	9%	80.290	1.493.769
PRESTIGIO PLAZA LTD (note ii)	5%	-	90.436
ASBIS PL SP.Z O.O. (note iii)	7%	-	1.310.090
ASBIS EUROPE B.V. (note iv)	5%	-	33.620
ASBIS NL BV (note v)	-	4.252.694	4.169.681
ASBC F.P.U.E. (vi)	3%	293.330	57
		4.626.314	7.097.653

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

Subsidiary companies	2012 US$	2011 US$
ASBIS ME FZE (note i)	120.246	157.965
PRESTIGIO PLAZA LTD (note ii)	566	4.727
ASBIS PL SP.Z O.O. (note iii)	116.012	11.630
ASBIS EUROPE B.V. (note iv)	1.308	7.086
ASBC F.P.U.E. (vi)	5.103	730
Total interest received (note 5)	243.235	182.138

Notes on the loans provided to subsidiary companies

(i) The subsidiary company ASBIS ME FZE entered into a loan agreement with the Company on 13 January 2009. The loan is unsecured and it was fully repaid in the beginning of 2013.

(ii) The subsidiary company PRESTIGIO PLAZA LTD entered into a loan agreement with the Company on 6 April 2009. The loan was repaid during 2012.

(iii) The subsidiary company ASBIS PL SP.Z O.O. entered into a loan agreement with the Company on 14 October 2011. The loan was repaid during 2012.

(iv) The subsidiary company ASBIS EUROPE B.V. entered into a loan agreement with the Company on 17 December 2008. The loan was repaid during 2012.

(v) The subsidiary company ASBIS NL BV entered into a loan agreement with the Company on 18 December 2008. The loan is fully provided for at the year end. Since 2010 the Company has stopped charging interest to the subsidiary.

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

(vi) The subsidiary company ASBC F.P.U.E. entered into a loan agreement with the Company on 30 July 2010. The loan is unsecured and it was fully repaid in the beginning of 2012. The outstanding amount at the year-end represents a new loan granted to the subsidiary on 5 April 2012 and is repayable on 1 May 2016. The loan is unsecured.

Transactions and balances of key management

The Group	**2012 US$**	**2011 US$**
Directors' remuneration and benefits - executive	683.819	702.066
Directors' remuneration - non executive	43.829	41.706
Employer's contributions	33.993	49.855
	761.641	793.627
Amount due to Directors - executive	5.272	6.449
Amount due to Directors - non executive	-	10.043
	5.272	16.492

The Company	**2012 US$**	**2011 US$**
Directors' remuneration and benefits - executive	311.397	454.692
Directors' remuneration - non executive	43.829	41.706
Employer's contributions	24.189	27.604
	379.415	524.002
Amount due to Directors - executive	5.272	6.449
Amount due to Directors - non executive	-	10.043
	5.272	16.492

28. Personnel expenses and average number of employees

The Group	**2012 US$**	**2011 US$**
Salaries and other benefits	37.483.737	39.068.909
The average number of employees was	1.347	1.240

The Company	**2012 US$**	**2011 US$**
Salaries and other benefits	6.162.992	6.818.876
The average number of employees was	138	140

29. Earnings per share

	2012 US$	**2011 US$**
Profit for the year attributable to members	9.010.216	5.417.542
Weighted average number of shares for the purposes of basic and diluted earnings per share	55.500.000	55.500.000
	US$ Cents	**US$ Cents**
Basic and diluted earnings per share	16,29	9,76

30. Dividends

Our dividend policy is to pay dividends at levels consistent with our growth and development plans, while maintaining a reasonable level of liquidity. The Board of Directors proposes the payment of a final dividend of US$ 0,05 per share, amounting to US$ 2.775.000, based on improved profitability in 2012.

31. Financial risk management

1.Financial risk factors

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

1.1.Credit risk

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

The Group had established and systematically follows a thorough procedure prior to registering new customers into its system. Every new customer is checked both internally and via various reputable credit sources prior to such registration and, more importantly, prior to granting of any credit. The Group runs an internal credit department consisting of local, regional and corporate credit managers. Corporate managers decide for all significant credit line requests and review the work of regional and local managers. The Group uses all available credit tools – i.e. credit insurance, credit information bureaus, letter of guarantee – to safeguard itself from the credit risk. During 2012 (same for 2011) none of the Group's customers accounted for more than 3% of total sales; it is of strategic importance for the Group not to rely on any single customer.

On-going credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit insurance is purchased. The credit risk on liquid funds and derivative financial instruments is determined by the credit ratings assigned to the financial institutions with which these funds are held. As at 31 December 2012 the Group and the Company held liquid funds and financial instruments in financial institutions with credit ratings of A2, A3, B1, B3, BAA2, BAA3, CAA2, CAA3 for long-term and P-1, P-2, P-3 for short-term, based on Moody's international credit rating agency. At the date of signing this report liquid funds held with lower rated financial institutions were not material and any exposure to credit risk was limited.

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.

31. Financial risk management (continued)
1.Financial risk factors (continued)
1.2.Interest rate risk (continued)

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

	2012	2011
The Group	**US$**	**US$**
Variable rate instruments		
Overdrafts	35.389.927	29.616.717
Short-term loans	36.345.687	16.740.878
Long-term loans	3.474.945	4.063.249
Factoring advances	45.271.892	29.765.116
	120.482.451	80.185.960

	2012	2011
	US$	**US$**
The Company		
Variable rate instruments		
Overdrafts	6.019.832	5.079.727
Short-term loans	133.133	124.721
Long-term loans	1.579.036	1.663.625
Factoring advances	2.094.121	2.188.556
	9.826.122	9.056.629

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2012 would have decreased equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant, as well as it assumes that financial facilities outstanding at the end of the reporting period were also outstanding for the whole year. For a decrease of 100 basis points there would be an equal and opposite impact on the profit and loss and equity.

	Equity and Profit & loss	
	2012	**2011**
	US$	**US$**
The Group		
Variable rate instruments		
Overdrafts	353.899	296.167
Short-term loans	363.457	167.409
Long-term loans	34.750	40.632
Factoring advances	452.719	297.652
	1.204.825	801.860

	Equity and Profit & loss	
	2012	**2011**
	US$	**US$**
The Company		
Variable rate instruments		
Overdrafts	60.198	50.797
Short-term loans	1.331	1.247
Long-term loans	15.791	16.636
Factoring advances	20.941	21.886
	98.261	90.566

31. Financial risk management (continued)

1.Financial risk factors (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

31 December 2012	**Carrying amounts US$**	**3 months or less US$**	**3-12 months US$**	**1-2 years US$**	**2-5 years US$**	**More than 5 years US$**
Bank loans	39.820.632	17.495.268	18.850.419	687.516	1.839.172	948.257
Bank overdrafts	35.389.927	10.293.614	25.096.313	-	-	-
Factoring advances	45.271.892	44.435.509	836.383	-	-	-
Trade and other payables	282.179.081	279.979.977	2.199.104	-	-	-
Other short and long term liabilities	966.739	480	559.572	377.262	29.425	-
Total	403.628.271	352.204.848	47.541.791	1.064.778	1.868.597	948.257

31 December 2011	**Carrying amounts US$**	**3 months or less US$**	**3-12 months US$**	**1-2 years US$**	**2-5 years US$**	**More than 5 years US$**
Bank loans	20.804.127	11.460.628	5.280.253	674.290	1.511.216	1.877.740
Bank overdrafts	29.616.717	8.656.276	20.960.441	-	-	-
Factoring advances	29.765.116	27.772.522	1.992.594	-	-	-
Trade and other payables	262.237.976	260.502.494	1.735.482	-	-	-
Other short and long term liabilities	555.766	19.920	151.416	41.185	343.245	-
Total	342.979.702	308.411.840	30.120.186	715.475	1.854.461	1.877.740

The Company

31 December 2012	**Carrying amounts US$**	**3 months or less US$**	**3-12 months US$**	**1-2 years US$**	**2-5 years US$**	**More than 5 years US$**
Bank loans	1.712.169	33.283	99.850	143.633	487.146	948.257
Bank overdrafts	6.019.832	6.019.832	-	-	-	-
Factoring advances	2.094.121	2.094.121	-	-	-	-
Trade and other payables	160.717.355	160.717.355	-	-	-	-
Other liabilities	313.648	-	313.648	-	-	-
Total	170.857.125	168.864.591	413.498	143.633	487.146	948.257

31 December 2011	**Carrying amounts US$**	**3 months or less US$**	**3-12 months US$**	**1-2 years US$**	**2-5 years US$**	**More than 5 years US$**
Bank loans	1.788.346	30.474	94.247	132.530	449.493	1.081.602
Bank overdrafts	5.079.727	5.079.727	-	-	-	-
Factoring advances	2.188.556	2.188.556	-	-	-	-
Trade and other payables	168.590.610	168.590.610	-	-	-	-
Total	177.647.239	175.889.367	94.247	132.530	449.493	1.081.602

31. Financial risk management (continued)

1.4.Currency risk

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

The Group uses short-term derivative financial instruments to minimise the risk on balances and material transactions denominated in currencies other than US Dollars, the Group's reporting currency. As a significant portion of the Group's cash flow is denominated in Russian Rouble, Euro and other local currencies (i.e. the Czech Crown, the Polish Zloty, the Hungarian Forint, etc), the Group raises debt in such currencies in order to hedge against foreign exchange risk.

The carrying amounts of the Group's/Company's monetary assets and monetary liabilities at the reporting date are denominated in the following currencies:

The Group

2012	Cash at bank and in hand US$	Receivables US$	Trade and other liabilities US$	Borrowings US$
US Dollar	15.897.847	120.370.881	(172.793.539)	(10.565.186)
Euro	2.273.127	78.483.958	(84.392.113)	(23.065.465)
Russian Rouble	3.171.120	47.950.771	(49.158.463)	(4.260.039)
Polish Zloty	23.293	17.471.175	(6.592.564)	(12.676.106)
Czech Koruna	1.544.643	7.231.024	(4.775.216)	(3.198.358)
Belarusian Rouble	227.123	6.686.953	(486.535)	(3.868.130)
Croatian Kuna	474.791	5.141.097	(216.040)	(3.405.047)
Romanian New Lei	1.272.490	8.702.260	(1.890.417)	(3.229.436)
Bulgarian Lev	2.690.336	8.246.634	(3.744.794)	(5.377.713)
Hungarian Forint	27.756	2.320.022	(471.866)	(1.277.028)
Kazakhstan Tenge	528.732	7.419.502	(406.203)	(667.175)
UAE Dirham	475.705	-	-	-
Saudi Riyal	317.836	10.983.050	(134.886)	(4.802)
Other	2.072.817	14.765.299	(2.915.423)	(4.055.727)
	30.997.616	335.772.626	327.978.059	75.650.212

31. Financial risk management (continued)
1.4.Currency risk (continued)
The Group (continued)

2011	Cash at bank and in hand US$	Receivables US$	Trade and other liabilities US$	Borrowings US$
US Dollar	34.131.410	106.433.967	(169.410.054)	(5.020.952)
Euro	6.160.328	56.225.912	(69.281.120)	(21.669.277)
Russian Rouble	27.203	35.607.066	(35.618.790)	(4.009.628)
Polish Zloty	1.122.739	5.254.865	(5.204.237)	(1.237.078)
Czech Koruna	1.343.139	4.838.755	(4.157.489)	(3.009.027)
Belarusian Rouble	140.133	937.507	(268.024)	(864.072)
Croatian Kuna	362.696	3.720.310	(195.713)	(3.350.550)
Romanian New Lei	49.052	6.316.543	(1.731.799)	(3.228.358)
Bulgarian Lev	1.898.699	6.681.515	(546.600)	(2.583.615)
Hungarian Forint	165.299	2.057.516	(200.319)	(1.409.213)
Kazakhstan Tenge	2.305.123	9.693.943	(542.998)	(1.200.356)
UAE Dirham	197.456	-	(2.728.860)	(4.505)
Saudi Riyal	135.791	43.302	(52.990)	(6.393)
Other	828.955	10.053.830	(2.064.099)	(3.383.586)
	48.868.023	247.865.031	(292.003.092)	(50.976.610)

The Company

2012	Cash at bank and in hand US$	Receivables US$	Trade and other liabilities US$	Borrowings US$
US Dollar	12.359.588	151.112.944	(149.934.363)	(1.234.495)
Euro	695.685	23.034.264	(11.351.816)	(6.495.833)
Czech Koruna	835.949	183.866	(1.602.367)	-
Russian Rouble	-	3.441.373	(201.928)	-
Other	129	33.238	(34.650)	(1.673)
	13.891.351	177.805.685	(163.125.124)	(7.732.001)

2011	Cash at bank and in hand US$	Receivables US$	Trade and other liabilities US$	Borrowings US$
US Dollar	31.219.213	131.905.229	(157.917.827)	-
Euro	3.108.192	26.138.087	(12.118.764)	(6.868.073)
Czech Koruna	17.540	-	(742.575)	-
Russian Rouble	-	3.186.949	-	-
Other	71	234.788	-	-
	34.345.016	161.465.053	(170.779.166)	(6.868.073)

The Company is not exposed to any material foreign exchange risk, as most of its operations are conducted in US Dollars, the Company's reporting currency. Its exposure to foreign exchange risk is restricted to monetary assets denominated in foreign currencies, mainly Euro and Russian Ruble and this risk is mitigated by the appropriate use of currency derivative contracts.

2.Fair values

The Group and The Company

Financial instruments comprise financial assets and financial liabilities. Financial assets mainly consist of bank balances, receivables and investments. Financial liabilities mainly consist of trade payables, factoring balances, bank overdrafts and loans. The Directors consider that the carrying amount of the Company's/Group's financial instruments approximate their fair value. Financial assets and financial liabilities carried at fair value through profit or loss represent foreign currency derivative contracts categorized as a Level 1 (quoted prices (unadjusted) in active markets for identical assets or liabilities) fair value hierarchy.

3.Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through optimization of debt and equity. The Group's overall strategy remains unchanged from 2009.

The capital structure of the Group consists of debt, which includes borrowings, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

Gearing ratio

The Group's risk management committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risk associated with it.

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

	2012 US$	2011 US$
Debt (i)	120.482.451	80.185.960
Cash at bank and in hand	(30.997.616)	(48.868.023)
Net debt	89.484.835	31.317.937
Equity (ii)	103.085.147	95.771.134
Net debt to equity ratio	87%	33%

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

32. Other risks

Operational risk

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

Compliance risk

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

32. Other risks (continued)

Litigation risk

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

Reputation risk

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

Other risks

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

Following a recent agreement reached between the Cyprus Government and the Eurogroup regarding the country's financial rescue plan the Board of Directors of the Company assessed the situation and the impact the recent developments would have on the Company and the Group and have concluded that the Company's/Group's operations and/or financial results will not be affected by these developments. On the date of the financial statements, the Company held no bank deposits in any Cyprus bank and it did not have any risk exposure from local debtors. The Group has an extensive banking network outside Cyprus and all money transfers are being re-routed outside Cyprus. Consequently the Board of Directors does not expect that the recent economic developments in Cyprus will have any significant impact on the Company's/Group operations.

33. Operating lease arrangements

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

The Group

Non-cancellable operating lease arrangements

	2012		2011	
	Cars	**Offices and warehouses**	**Cars**	**Offices and warehouses**
	US$	**US$**	**US$**	**US$**
Within 1 year	590.356	1.426.037	468.211	2.042.474
Between 2 to 5 years	970.816	3.177.987	655.836	2.413.275
More than 5 years	34.536	138.843	-	136.809
	1.595.708	4.742.867	1.124.047	4.592.558

The payment recognised as an expense during the year amounted to US$ 2.510.004 (2011: US$ 3.028.123).

The Company

During 2011 and 2012, the Company had no operating leases.

34. Operating segments

1.1 Segment information

The Group mainly operates in a single industry segment as a distributor of IT products. Information reported to the chief operating decision maker for the purposes of allocating resources to the segments and to assess their performance is based on geographical locations. The Group operates in four principal geographical areas – Former Soviet Union, Eastern Europe, Western Europe and Middle East & Africa.

1.2 Segment revenues and results

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

	Segment revenue		Segment operating profit	
	2012 US$	2011 US$	2012 US$	2011 US$
Former Soviet Union	705.191.019	614.904.827	7.699.232	6.918.061
Central Eastern Europe	607.562.459	508.773.173	7.274.777	6.262.774
Western Europe	145.032.777	105.788.935	1.821.565	443.005
Middle East & Africa	230.302.370	205.789.517	2.858.761	2.083.576
Other	56.789.179	46.818.367	565.448	(47.072)
Total	1.744.877.804	1.482.074.819	20.219.783	15.660.344
Net financial expenses			(9.523.709)	(9.055.907)
Other gains			587.627	498.821
Goodwill written off			-	(50.213)
Loss from joint ventures			(73.508)	(186.410)
Negative goodwill on acquisition of subsidiary			41.363	-
Profit before tax			11.251.556	6.866.635

1.3 Inter-segment revenues

Selling segment	Purchasing segment	2012 US$	2011 US$
Central Eastern Europe	Former Soviet Union	-	902.049
Western Europe	Middle East & Africa	1.548.327	1.628.682

Revenue reported above represents revenue generated from external customers (note 1.2), as well as revenues from transactions with other operating segments of the same entity (note 1.3).

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

1.4 Segment capital expenditure (CAPEX) and depreciation & amortisation

The following is an analysis of the Group's capital expenditure in both tangible and intangible assets as well as their corresponding charges in the income statement:

34. Operating segments (continued)
1.4 Segment capital expenditure (CAPEX) and depreciation & amortization (continued)

	Segment CAPEX		Segment depreciation and amortisation	
	2012 US$	2011 US$	2012 US$	2011 US$
Former Soviet Union	5.824.790	5.178.003	464.459	478.947
Central Eastern Europe	11.432.230	11.453.320	1.000.816	1.162.334
Western Europe	223.187	381.430	196.745	231.954
Middle East & Africa	3.715.677	4.025.647	400.893	403.592
Unallocated	7.263.640	7.643.694	798.813	811.124
Total	28.459.524	28.682.094	2.861.726	3.087.951

1.5 Segment assets and liabilities

Segment assets	2012 US$	2011 US$
Former Soviet Union	210.096.826	180.309.160
Central Eastern Europe	149.716.271	123.512.702
Western Europe	43.191.478	33.416.766
Middle East & Africa	59.456.572	57.489.213
Total	462.461.147	394.727.841
Assets allocated in capital expenditure (1.4)	28.459.524	28.682.094
Other unallocated assets	15.792.747	15.340.901
Consolidated assets	506.713.418	438.750.836

For the purposes of monitoring segment performance and allocating resources between segments only assets were allocated to the reportable segments. As the Group liabilities are mainly used jointly by the reportable segments, these were not allocated to each segment.

1.6 Geographical information

Since the Group's operating segments are based on geographical location and this information has been provided above (1.2 – 1.5) no further analysis will be included.

1.7. Information about major customers

During 2012 (same for 2011) 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.