ASBISc Enterprises Plc

ANNUAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

Limassol, March 29th, 2012

Siarhei Kostevitch
Chairman & CEO

Dear Shareholders,

The year we left behind us was very tough and a challenging one. It was the time of rebuilding fundamentals and strategy to better fit to the dynamically changing market situation. This included a strategic decision of focusing more on profitability than on revenues itself; rebuilding product portfolio and adding more own brands to achieve better gross profit margins. It was a year for rebuilding employment structure and upgrading foreign exchange strategies to shield the hard earned Company's profits from changes in the financial markets. Although there were some unexpected events that affected financial results, in the end all the abovementioned tasks were completed successfully and as a result the Company has increased both revenues and profitability compared to prior year.

Although the Company's biggest markets – Russia and Ukraine, performed quite well, after the world's financial crisis eased down, the Company did not rush for low margin sales. Having in mind the focus on profitability, we have developed better margin sales of different products by rebuilding the product portfolio, and increasing efforts to further develop our own brands. The results were clearly visible, as Prestitio became the best selling GPS device brand in the F.S.U. and CEE regions, as well as we have managed to sell more than 150 thousand of our E-book readers and tablet PCs. This achievemet increased our own brands position in the market, and we expect that this will allow us to further benefit from it in 2012.

The fact that our market strategy worked well, was not the only factor positively affecting results in 2011. Our efforts to invest on our hedging strategy has paid off and we were glad to see that the company has protected itself despite steep volatilities in certain foregin exchange rates. On the other side, the effects of floods in Thailand in Q3 increased margins in HDD business. We have benefited from that as a major HDD distributor in EMEA. All in all last year was a succesfull one since it ended with net profit exceeding the forecasted values and positive cash flows.

More importantly, we do expect that in 2012 we will continue to benefit from strong market position, while our exposure on FX risk will be significantly reduced due to much upgraded hedging strategies. Therefore, if there will be no dramatic changes in the economic surrounding, we expect to start growing again.
The management and myself are confident and committed to making 2012 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 2011

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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, Lenovo and Hitachi. In addition, a significant part of our revenue is comprised of sales of IT products under our private labels, Prestigio and Canyon.

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

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

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

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

Forward-Looking Statements

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

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

Industry and Market Data

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

- Gartner - a leading research company on IT,
- IDC – a dedicated organization on publishing data for IT industry, and
- Other independent research conducted on our sector, 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 2011. 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)	**2007**	**2008**	**2009**	**2010**	**2011**
Exchange rate at end of period	2.44	2.96	2.85	2.96	3.42
Average exchange rate during period[(1)]	2.77	2.41	3.12	3.04	2.97
Highest exchange rate during period............................	3.04	3.13	3.90	3.49	3.51
Lowest exchange rate during period	2.43	2.02	2.71	2.75	2.65

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 2011	3.03	2.83
February 2011	2.92	2.82
March 2011	2.93	2.82
April 2011	2.85	2.65
May 2011	2.82	2.65
June 2011	2.82	2.69
July 2011	2.90	2.72
August 2011	2.93	2.77
September 2011	3.32	2.90
October 2011	3.33	3.05
November 2011	3.42	3.14
December 2011	3.51	3.32
January 2012	3.51	3.20
February 2012	3.25	3.07

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)	2007	2008	2009	2010	2011
Exchange rate at end of period	0.6798	0.7099	0.6938	0.7485	0.7737
Average exchange rate during period(1)	0.7269	0.6809	0.7182	0.7589	0.7158
Highest exchange rate during period	0.7747	0.6259	0.7992	0.8188	0.7745
Lowest exchange rate during period	0.6727	0.8053	0.6616	0.7161	0.6714

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 2011	0.7745	0.7287
February 2011	0.7428	0.7234
March 2011	0.7251	0.7029
April 2011	0.7059	0.6730
May 2011	0.7149	0.6714
June 2011	0.7074	0.6812
July 2011	0.7191	0.6881
August 2011	0.7068	0.6888
September 2011	0.7428	0.6995
October 2011	0.7584	0.7053
November 2011	0.7534	0.7221
December 2011	0.7742	0.7409
January 2012	0.7899	0.7578
February 2012	0.7688	0.7429

Selected Financial Data

The following table set forth our selected historical financial data for the years ended December 31, 2011 and 2010 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 2011, 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 2011, that is: 1 US$ = 3.4174 PLN and 1 EUR = 4.4168 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 2011, that is 1 US$ = 2.9679 PLN and 1 EUR = 4.1401 PLN.

	Period from 1 January to 31 December			
		2011		2010
	USD	PLN	EUR	USD
Revenue	**1,482,075**	**4,398,650**	**1,062,450**	**1,435,063**
Cost of sales	(1,400,949)	(4,157,876)	(1,004,294)	(1,364,960)
Gross profit before currency movements	**81,126**	**240,774**	**58,157**	**70,103**
Currency movements on gross profit	124	367	89	(3,744)
Gross profit after currency movements	**81,250**	**241,141**	**58,245**	**66,360**
Selling expenses	(40,421)	(119,966)	(28,977)	(33,464)
Administrative expenses	(25,168)	(74,697)	(18,042)	(23,466)
Profit from operations	**15,660**	**46,478**	**11,226**	**9,429**
Financial expenses	(9,331)	(27,693)	(6,689)	(8,308)
Financial income	275	816	197	894
Other gains and losses	499	1,481	358	289
Goodwill written off	(50)	(149)	(36)	-
Share of loss from joint ventures	(186)	(553)	(134)	(52)
Profit before taxation	**6,867**	**20,380**	**4,923**	**2,252**
Taxation	(1,206)	(3,581)	(865)	(950)
Profit after taxation	**5,660**	**16,799**	**4,058**	**1,302**
Attributable to:				
Non-controlling interest	243	720	174	353
Owners of the parent company	**5,418**	**16,079**	**3,884**	949
	5,660	**16,799**	**4,058**	**1,302**
	USD (cents)	**PLN (grosz)**	**EUR (cents)**	**USD (cents)**
Earnings per share Weighted average basic and diluted earnings per share from continuing operations	9.76	28.97	7.00	1.71
	USD	**PLN**	**EUR**	**USD**
Net cash inflows/(outflows) from operating activities	11,063	32,833	7,930	(16,179)
Net cash inflows/(outflows) from investing activities	(3,470)	(10,299)	(2,488)	(5,597)
Net cash inflows/(outflows) from financing activities	(9,711)	(28,821)	(6,961)	6,574
Net increase/(decrease) in cash and cash equivalents	**(2,118)**	**(6,287)**	**(1,519)**	**(15,202)**
Cash at the beginning of the year	**21,370**	**63,423**	**15,319**	**36,572**
Cash at the end of the year	**19,251**	**57,136**	**13,801**	**21,370**

	As of 31 December 2011			As of 31 December 2010
	USD	**PLN**	**EUR**	**USD**
Current assets	408,801	1,397,037	316,301	435,383
Non-current assets	29,950	102,351	23,173	30,244
Total assets	438,751	1,499,387	339,474	465,627
Liabilities	342,980	1,172,099	265,373	373,860
Equity	95,771	327,288	74,101	91,767

Risk Factors

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

Risk factors relating to our business and industry

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

Our reporting currency is the U.S. dollar. In 2011 approximately 50% of our revenues were denominated in U.S. dollars, while the balance of our revenues is denominated in Euro and other currencies, certain of which are linked to the Euro. Our trade payable balances are principally denominated in U.S. dollars. In addition, approximately half of our operating expenses are denominated in U.S. dollars and the other half in Euro or other currencies, certain of which are linked to the Euro. As a result, reported results are affected by movements in exchange rates, particularly in the exchange rate of the U.S. dollar against the Euro and other currencies of the countries in which we operate, including the Russian Rouble, the Czech Crown and the Polish Zloty. In particular, a strengthening of the U.S. dollar against the Euro and other currencies of the countries in which we operate may result in a decrease in our revenues, as reported in U.S. dollars, and foreign exchange loss relating to trade receivables and payables, which would have a negative impact on our operating and net profit despite a positive impact on our operating expenses. On the other hand, a devaluation of the U.S. dollar against the Euro and other currencies of the countries in which we operate may have a positive impact on our revenues, as reported in U.S. dollars, which would have a positive impact on operating and net profit despite a negative impact on our operating expenses. In addition, foreign exchange fluctuation between the U.S. dollar and the Euro or other currencies of the countries in which we operate may result in translation gains or losses affecting foreign exchange reserve. Furthermore, a major devaluation or depreciation of any such currencies may result in disruption in the international currency markets and may limit the ability to transfer or to convert such currencies into U.S. dollars and other currencies. Despite all efforts of the Company, including upgrading its FX hedging strategies in 2011, there can be no assurance that fluctuations in the exchange rates of the Euro and other currencies of the countries in which we operate against the U.S. dollar will not have a material adverse effect on our business, financial condition and results of operations.

EUR/USD fluctuations in 2011

Worldwide financial environment

The world's financial crisis has eased throughout 2010 and 2011. 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. It is followed by volatility of currencies and fragility of demand in many markets. 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 withing 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 condition.

The Company buys components and finished products from its suppliers on its own account and resells them to its customers. The Company extends credit to some of its customers at terms ranging from 21 to 60 days or, in a few cases, to 90 days. The Company's payment obligations towards its suppliers under such agreements are separate and distinct from its customers' obligations to pay for their purchases, except in limited cases in which the Company's arrangements with its suppliers require the Company to resell to certain resellers or distributors. Thus, the Company is liable to pay its suppliers regardless of whether its customers pay for their respective purchases. As the Company's profit margin is relatively low compared to the total price of the products sold, in the event the Company is unable to recover payments from its customers, it is exposed to a financial liquidity risk. The Company has in place credit insurance which covers such an eventuality for approximately 50 percent of its revenue.

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

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

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

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

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

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

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

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

In order to tackle this problem, the Company continues its strategy of product portfolio diversification by adding more A-branded goods, laptops, software and more own brands sales to traditional IT components business, in order to reach better margins in the future.

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

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

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

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

Our business is dependent on the decisions and actions of a limited number of suppliers. In the year ended 31 December 2011, the company held contracts with namely Intel, Advanced Micro Devices (AMD), Seagate, Microsoft, DELL, Toshiba, Acer and Lenovo. Contracts with these suppliers are typically on a non-exclusive basis, allow for termination with or without cause and are open-ended with respect to requirements and output rather than imposing any commitment to a specific volume of business or scope of work.

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

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

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

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

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

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

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

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

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

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

ITEM 2. INFORMATION ON THE COMPANY

History and Development of Asbisc Enterprises Plc and Business Overview

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

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

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

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

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

Our revenues amounted to U.S. $ 1,482,075 in 2011, compared to U.S. $ 1,435,063 in 2010, following stronger market position. Over the same period, we have reported a net profit after taxation amounting to U.S. $ 5,660 in 2011, compared to U.S. $ 1,302 in 2010, mainly due to strategy to focus more on profitability than on revenues itself.

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 2011.

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 2011, were:

(1) On December 9th, 2011 the Company has received from Quercus Towarzystwo Funduszy Inwestycyjnych S.A. acting on behalf of governed investment fund Quercus Parasolowy SFIO („the Fund") the notification about increase by Fund itself the share in total number of votes in the Company and about exceeding of the threshold of 5% in total number of votes at the Company's General Meeting of Shareholders. This occurred as a result of the transaction on the regulated market conducted on December 5th, 2011. Before the change the Fund held 2,765,045 shares of the Company, that corresponds to 4.98% of the Company's share capital. These shares entitled to 2,765,045 votes at the Company's General Meeting of Shareholders, that corresponded to 4.98% of the total number of shares at the General Meeting of Shareholders. As of December 8th, 2011 the Fund held 2,775,045 shares of the Company, that corresponds to 5% of the Company's share capital. These shares entitled to 2,775,045 votes at the Company's General Meeting of Shareholders, that corresponded to 5% of the total number of shares at the General Meeting of Shareholders. In the same time Quercus Towarzystwo Funduszy Inwestycyjnych S.A. informed that the Fund together with Quercus Absolutnego Zwrotu FIZ ("the Funds") increased their share and exceeded the threshold of 5% in total number of votes at the Company's General Meeting of Shareholders. The exceeding of the threshold of 5% of the total number of votes together by the Funds occurred due to the transaction on the regulated market on April 20th 2011. Before change in share the Funds together held 2,613,725 shares, corresponding to 4.71% of the Company's share. These shares entitled to 2,613,725 votes at the Company's General Meeting of Shareholders, which corresponded to 4.71% of the total number of votes at the Company's General Meeting of Shareholders. As of December 8th, 2011 the Funds together held 3,274,931 shares of the Company, corresponding to 5.90% of the Company's share capital. These shares entitled to 3,274,931 votes at the Company's General Meeting of Shareholders, which corresponded to 5.90% of the total number of votes at the Company's General Meeting of Shareholders.

(2) On December 9th, 2011 the Company has received from Aviva Investors Poland S.A. acting on behalf of Aviva Investors Fundusz Inwestycyjny Otwarty, as entity which performs the actions consisting management of investment portfolios of mutual funds for which the governing body is Aviva Investors Poland Towarzystwo Funduszy Inwestycyjnych SA, the notification about exceeding of the threshold of 5% in total number of votes at the Company's General Meeting of Shareholders. This occured due to the purchase transaction performed on December 1st, 2011 (settlement day of transaction on December 6th, 2011). As a result of the abovementioned transaction the Aviva Investors Fundusz Inwestycyjny Otwarty hold 2,841,345 shares of the Company, that corresponds to 5.12% of the Company's share capital and 5.12% of total votes. Before the abovementioned transaction Aviva Investors Fundusz Inwestycyjny Otwarty held 2,641,345 Company's shares consisting of 4.76% of the Company's share capital and entitling to 2,641,345 votes which correspond to 4.76% of the total votes in the Company. After the end of reported period, on January 19th, 2012 the Company received information from Aviva Investors Poland S.A. that Aviva Investors Fundusz Inwestycyjny Otwarty went below 5% threshold again due to sale of shares on January 13th, 2012. According to this notification after this transaction this fund had 2,543,976 of the Company's shares that corresponds to 4.58% of the Company's share capital and 4.58% of total votes.

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

Strengths

The Directors consider that our key strengths are:

- Broad geographic coverage combined with 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 nine years. In addition, our subsidiary operations are managed by teams of mainly local experienced managers, which provides us with strong expertise and understanding of the diverse markets in which we operate. The Directors believe that local presence represents a significant competitive advantage for us over our multinational competitors.

- Critical mass of operations.

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

- Price protection and stock rotation policy for inventory.

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

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

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

Group Structure and Operations

The following table presents our corporate structure as at December 31st, 2011:

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 (66.6% ownership)
ASBIS IT S.R.L.” (Rome, Italy)	Full (100% subsidiary)
ASBIS Kazakhstan LLP (Almaty, Kazakhstan)	Full (100% subsidiary)

Euro-Mall SRO (Bratislava, Slovakia)	Full (100% subsidiary)
ASBIS Taiwan (Taipei City, Taiwan)	Full (100% subsidiary)
AOSBIS TECHNOLOGY (SHENZHE) CORP. (Shenzhen, China)	48% ownership
ASBIS DE GMBH, (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)
ASBIS KOREA (Seoul, Korea)	Full (100% subsidiary)

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

Changes in the Group's structure

- Asbis Ukraine sold its subsidiary company ION-Ukraine in Kiev, Ukraine since it was dormant. The Company was sold at nominal share capital value.
- the liquidation process of Asbis Nordic AB, Jaelfaella, Sweden, was completed and remaining assets have been distributed to Asbisc Enterprises PLC. Asbis Nordic AB was inactive and not trading since 2005 and placed under voluntary liquidation in 2009.

Additionally in Q4 2011 the Company started the process of selling of ASBIS KOREA (Seoul, Korea) as this company was not bringing profit to the Group and purchasing of controlling interest in AOSBIS TECHNOLOGY (SHENZHEN) CORP. (Shenzen, China), in order to concentrate and optimize trading activities on the Asian markets. These processes were however not fully completed in Q4 2011, and are expected to be closed in Q1 2012.

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 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 2011, 2010 and 2009:

	Year ended 31 December		
	2011	**2010**	**2009**
		%	
Former Soviet Union	41.49	41.00	32.05
Central and Eastern Europe	34.33	33.58	39.39
Middle East & Africa	13.89	14.18	15.73
Western Europe	7.14	7.66	9.55
Other	3.16	3.58	3.28
Total revenue	**100**	**100**	**100**

Products

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

We engage in three primary lines of business:

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

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

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

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

The following table presents revenues from each category of product in 2011, 2010 and 2009:

	Year ended 31 December		
	2011	**2010**	**2009**
		(U.S. $)	
Central Processing Units	329,408	279,253	281,583
Hard disk drives (HDD)	181,976	173,378	173,614
Software	157,936	118,104	82,453
PC mobile (laptops)	378,760	326,795	223,734
Mainboards & VGA cards	39,229	31,906	31,348
PC desktop	46,055	57,265	45,930
Peripherals	53,919	72,784	54,361
Display products	23,918	12,384	8,896
Memory modules (RAM)	27,707	47,031	39,542
Accessories & multimedia	75,228	55,817	24,994
Servers & server blocks	29,577	20,267	13,399
Optical & floppy drives	9,515	7,190	9,377

Flash memory	15,809	1,767	1,863
Networking products	20,055	8,997	9,157
Other	92,982	222,125	162,207
Total revenue	**1,482,075**	**1,435,063**	**1,162,458**

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 2011 Canyon launched several limited editions of new products which proved very successful and it plans to continue these projects in 2012 as well.

Prestigio. Prestigio was launched at the end of 2002 with the aim of becoming a supplier of premium quality IT products and now supplies data storage devices, peripherals and accessories.. Prestigio's brand slogan "The Art of High Tech" reflects the positioning of these products in this premium, high-specification design segment. In 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. Further development of Prestigio product mix will be conducted in 2012, 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 high double digit gross profit margins. Therefore their contribution in our profitability is much higher than its contribution in our total revenues.

Suppliers and Procurement

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

Our Main Suppliers

We believe that establishing strong supplier relationships is a critical success factor for our business and have devoted considerable resources over the years to 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 2011 and 2010.

Product Category	Suppliers	Y 2011	Y 2010
CPU & Mainboards	INTEL, AMD	20.9%	20.3%
Hard Disk Drives (HDD)	Seagate, Hitachi, Western Digital, Samsung	11.7%	11.6%
Mobile Computers	DELL, Toshiba, ACER, Lenovo,	23.1%	22.0%

In 2011, 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.

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

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

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

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

Procurement Policies

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

Sales and Marketing

We focus on developing efficient online sales infrastructure and a rewarding profit commission scheme, as well as on investing in training our 489 sales managers in order to 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 seventeen 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 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 26,000 customers in approximately 86 countries in the year ended 31 December 2011. We have no reliance on any single customer, as our biggest customer is responsible only for about 1.3% of our total revenues. Approximately 55% of our total sales was conducted on-line, based on our IT4Profit platform described above.

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

Industry Overview and competition

European market characteristics

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

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

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

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

Market trends

The world's financial crisis eased down in 2011 and therefore demand grew in many markets of our operations. However, due to a lot of uncertainties over the economic situation in the Euro-zone 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. Such policy and the fact that the biggest Company's markets – Russia and Ukraine – started growing again, enables the Company to be optimistic about the 2012 and the years to follow, also as the IT distribution sector growth prospects depend on the overall IT spending, which is highly correlated to GDP growth, and the level of saturation of a particular market, i.e. PC ownership and internet/broadband technology usage.

Having in mind the Company's geographical presence in markets that are less penetrated than the Western European, and having seen stabilization in 2011 sales compared to 2010, the Company's management has grounds to believe that its market share in 2012 will grow again.

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 and large geographical presence, the management believes that in 2012 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 – focusing on increasing effectiveness and gross and net profit margins.

Competitive Landscape

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

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

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

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

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

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

Directions of further development

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

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

b) decreasing dependance on traditional IT component business by adding more finished-goods (i.e. laptops) 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) decreasing foreign exchange exposure by further improvement of hedging efforts.

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

The last world's financial crisis 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. This resulted in increased market share in several countries of operations.

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

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

Traditional IT components segment is characterized by high volumes and low gross profit margins. Therefore the Company continues its efforts to rebuild its product portfolio by adding more finished-goods, namely laptops, in order to benefit from growing sales and better margins. This paid off in many counties in 2011, while the crisis eased down. 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 2011 - as part of our total revenues will have a positive impact on our overall profitability, as these products return a higher profit margin, compared to international suppliers' products distributed by us. As a result, we aim to continue expanding the range of our private label products and strengthening their promotion in our markets.

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

We continue to focus on improving operating efficiency and enhancing our automated processes, with a view to reducing operating expenses and increasing our profit margins, mainly through enhancing our own online, end-to-end supply chain management system, which operates over our IT4Profit platform. This automated system covers a wide range of our activities, from purchasing processes with key suppliers, to intercompany transactions, order processing and business data exchange with customers, as well as automated B2C (business-to-customer) connection with e-shops of resellers. More than 55% of our revenues were derived from online transactions with customers in 2011, and we aim to increase this percentage going forward.

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

The biggest negative impact on the Company's results in 2011 came in Q2 2011 when unexpected strong devaluation in Belarus occurred, just a week before the Company completed setting up its upgraded FX hedging strategies. However results of further quarters proved these mechanisms to be successful and the Company has not suffered anymore material currency losses. At this point in time the management believes that this will continue in 2012 and further. However, 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:

a) ASBIS", in blue and white and color formats and also "ASBIS ISP";
b) "CANYON";
c) "PRESTIGIO";
d) “Euromall”; and
e) “PrestigioPlaza.com”

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

Insurance

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

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

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

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

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

Credit Insurance: We have two major credit insurance policies in place with Atradius Credit Insurance N.V. and Euler Hermes Kreditversicherungs AG ("Euler Hermes") reducing our exposure in respect to possible non-recoverability of our receivables. Both insurers have agreed to indemnify us for losses due to bad debts in respect of goods delivered and services performed during the policy period, which covers a term of twelve months, subject to annual renewal. We insured more than 55% of our 2011 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 has been renewed till January 2013.

ITEM 3. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following Management's discussion and analysis of our financial condition and results of operations reviews our historical financial results as at, and for the years ended, 31 December 2011 and 2010. The reader shall read the following discussion in conjunction with our audited financial statements as at and for the years ended 31 December 2011 and 2010, including the accompanying notes thereto, which are included elsewhere in this Annual Report, and have been prepared in accordance with IFRS and audited by Deloitte & Touche Limited, our independent auditors and in conjunction with the information set forth under "*Risk Factors"* and *"Information on the Company*".

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

Summary

The principal events of 2011 were as follows:

- Revenues increased by 3.28% to U.S.$ 1,482,075 from U.S.$ 1,435,063 in 2010.
- Gross profit before currency movements increased by 15.72% to U.S.$ 81,126 from U.S.$ 70,103 in 2010.
- Gross profit after currency movements increased by 22.44% to U.S.$ 81,250 from U.S.$ 66,360 in 2010.
- Gross profit margin was 5.48% compared to 4.62% in 2010.
- EBITDA grew by 50.73% and amounted to U.S.$ 18,748 compared to U.S.$ 12,439 in 2010.
- Net profit amounted to U.S.$ 5,660 compared to U.S.$ 1,302 in 2010.

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 2010 and 2011. 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. It is followed by volatility of currencies and fragility of demand in many markets. Although the Company was able to secure from these factors in Q4 (i.e. there were no major currency losses) similarly to Q3 2011, it is of extreme importance to follow this strategy in future periods and focus more on growing profitability rather than on growing revenues.

The period ended December 31st, 2011 was positively affected from the shortage in HDD products due to the floods in Thailand, who led the leading HDD supliers cut supply and therefore we have experienced higher margins on HDD product segment. This is not expected to continue after Q1 2012.

Currency fluctuations

As mentioned in previous reports, the Company's reporting currency is the U.S. dollar. Traditionally around 40% of the Company's revenues were denominated in U.S. dollars. Following the Company's efforts to decrease currency risk, this number grew to more than 50% 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. 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. Despite fluctations in the currency environment, in 2011 the Company was again able to limit FX influence on its results due to improved hedging policy.

Competition and price pressure

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

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

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

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

Low gross profit margins

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

In order to tackle this problem, the Company continues its strategy of product portfolio diversification by adding more A-branded goods, laptops, software and more own brands sales to traditional IT components business, in order to reach better margins in the future.

Inventory obsolescence and price erosion

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

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

Credit risk

The Company buys components and finished products from its suppliers on its own account and resells them to its customers. The Company extends credit to some of its customers at terms ranging from 21 to 60 days or, in a few cases, to 90 days. The Company's payment obligations towards its suppliers under such agreements are separate and distinct from its customers' obligations to pay for their purchases, except in limited cases in which the Company's arrangements with its suppliers require the Company to resell to certain resellers or distributors. Thus, the Company is liable to pay its suppliers regardless of whether its customers pay for their respective purchases. As the Company's profit margin is relatively low compared to the total price of the products sold, in the event the Company is unable to recover payments from its customers, it is exposed to a financial liquidity risk. The Company has in place credit insurance which covers such an eventuality for approximately 50 percent of its revenue.

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

Seasonality

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

After temporary changes in the traditional seasonality, observed in 2008 and 2009, the trend returned in 2010 and was also clearly visible in 2011. However, a number of uncertainties about the situation in Europe led the Company to focus rather on profitability than on sales. Therefore the Company decided not to drive upwards 2011 sales but focus on good margin sales. If there will be no dramatical changes in the overall economic surrounding, traditional seasonality effect is expected to be seen also in 2012.

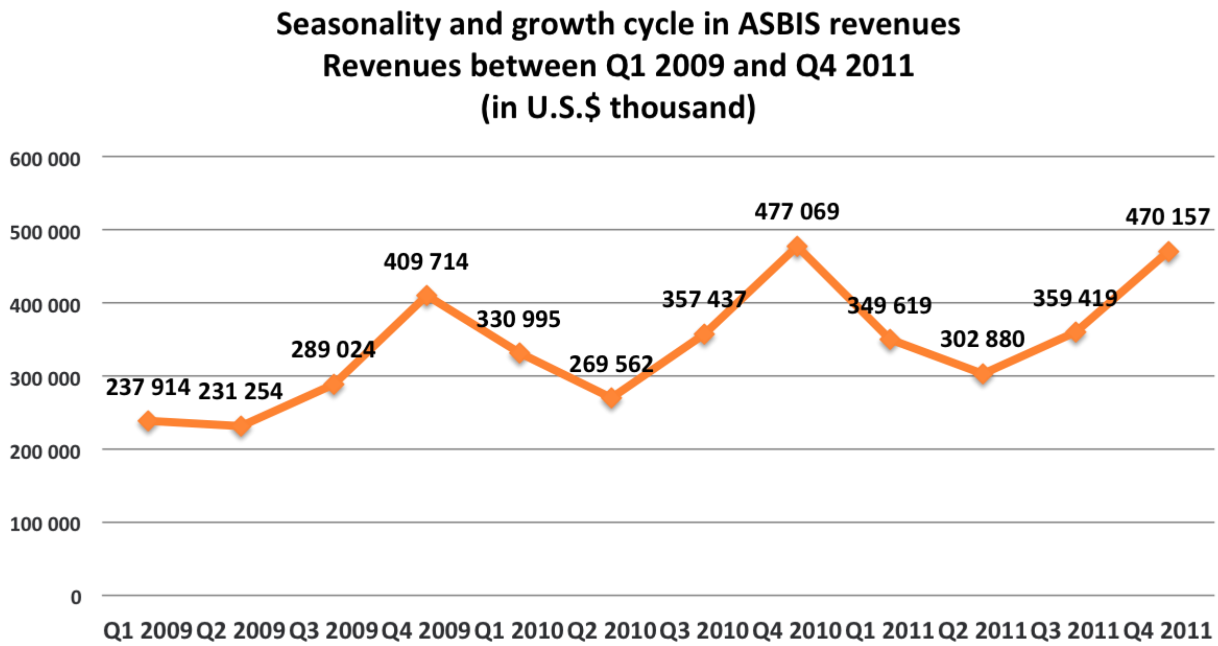
Financial condition and results of operations

On February 23rd, 2011 we published the official forecasts for year 2011. These forecasts were corrected on July 28th, 2011 because of the extraordinary situation in Belarus. According to this forecast, the revenues were expected to reach between U.S. $ 1.6 billion and U.S.$ 1.65 billion, and net profit after tax was expected to reach between U.S. $ 3 million and U.S. $ 4.5 million for the whole year.

The Company generated revenue of U.S.$ 1,482,075, which is equal to 92.62% of forecasted value. However in the same time the Company delivered net profit after tax amounting to U.S.$ 5,660, exceeding the lower range of the forecasted value by +88.67% and the upper range of the forecasted value by +25.78%. This was a result of the Company's strategy to focus more on profitability than increasing sales with low margin.

Year ended December 31, 2011 compared to year ended December 31, 2010

Revenues: Revenues grew by 3.28% to U.S.$ 1,482,075 from U.S.$ 1,435,063 in 2010.



The table below sets forth a breakdown of our revenues, by product, for the years ended 31 December 2011 and 2010:

	For the years ended 31 December			
	2011		2010	
	U.S. $	**percent of total revenues**	**U.S. $**	**percent of total revenues**
Central processing units (CPUs)	329,408	22.23%	279,253	19.46%
Hard disk drives (HDDs)	181,976	12.28%	173,378	12.08%
Software	157,936	10.66%	118,104	8.23%
PC-mobile (laptops)	378,760	25.56%	326,795	22.77%
Other	433,994	29.28%	537,533	37.46%
Total revenue	**1,482,075**	**100%**	**1,435,063**	**100%**

Revenues from central processing units ("CPUs") increased by 17.96% to U.S.$ 329,408 (22.23% of our revenues) for the year 2011 from U.S.$ 279,253 (19.46% of our revenues) for 2010.

Revenues from the sale of hard disk drives ("HDDs") increased by 4.96% to U.S. $ 181,976 (12.28% of our revenues) for the year 2011, from U.S. $ 173,378 (12.08% of our revenues) for 2010.

Revenues from the sale of software increased by 33.73% to U.S. $ 157,936 (10.66% of our revenues) for the year 2011 from U.S. $ 118,104 (8.23% of our revenues) in 2010.

Revenues from the sale of PC-mobile (laptops) increased by 15.90% to U.S. $ 378,760 (25.56% of our revenues) for the year 2011 from U.S. $ 326,795 (22.77% of our revenues) in 2010.

The Company is also developing its own brands, Canyon and Prestigio, as it allows us to reach double digit gross margins. In 2011 own brands contribution in total sales revenue was about to 6.4% (with the peak at 7% in Q4 2011), but their contribution to profitability reached about 15%. It is the Company's intention to further develop own brands sales so that in the medium term their contribution in total sales revenue will reach 10-12%.

The table below presents a geographical breakdown of sales for the years ended 31 December 2011 and 2010:

	For the years ended 31 December			
	2011		**2010**	
	U.S. $	**percent of total revenues**	**U.S. $**	**percent of total revenues**
Former Soviet Union	614,905	41.49%	588,379	41.00%
Central and Eastern Europe	508,773	34.33%	481,963	33.58%
Western Europe	105,789	7.14%	109,926	7.66%
Middle East & Africa	205,790	13.89%	203,452	14.18%
Other	46,818	3.16%	51,343	3.58%
Total revenues	**1,482,075**	**100%**	**1,435,063**	**100%**

The table below presents a country-by-country breakdown of sales for our most important markets for the years ended 31 December 2011 and 2010:

	2011			*2010*		
	Country	*Sales in U.S. $ thousands*	*% of total revenues*	*Country*	*Sales in U.S. $ thousands*	*% of total revenues*
1.	*Russia*	*355,712*	*24.00%*	*Russia*	*335,124*	*23.35%*
2.	*Slovakia*	*165,376*	*11.16%*	*Slovakia*	*161,387*	*11.25%*
3.	*Ukraine*	*150,897*	*10.18%*	*Ukraine*	*152,023*	*10.59%*
4.	*United Arab Emirates*	*90,339*	*6.10%*	*Czech Republic*	*75,539*	*5.26%*
5.	*Czech Republic*	*84,911*	*5.73%*	*United Arab Emirates*	*74,198*	*5.17%*
6.	*Kazakhstan*	*65,226*	*4.40%*	*Belarus*	*61,910*	*4.31%*
7.	*Saudi Arabia*	*48,233*	*3.25%*	*Saudi Arabia*	*49,032*	*3.42%*
8.	*Romania*	*38,514*	*2.60%*	*The Netherlands*	*35,455*	*2.47%*
9.	*Bulgaria*	*37,402*	*2.52%*	*Kazakhstan*	*33,809*	*2.36%*
10.	*Belarus*	*33,432*	*2.26%*	*Bulgaria*	*31,546*	*2.20%*
11.	*Other*	*412,033*	*27.80%*	*Other*	*425,041*	*29.62%*
	TOTAL	***1,482,075***	***100%***	***TOTAL***	***1,435,063***	***100%***

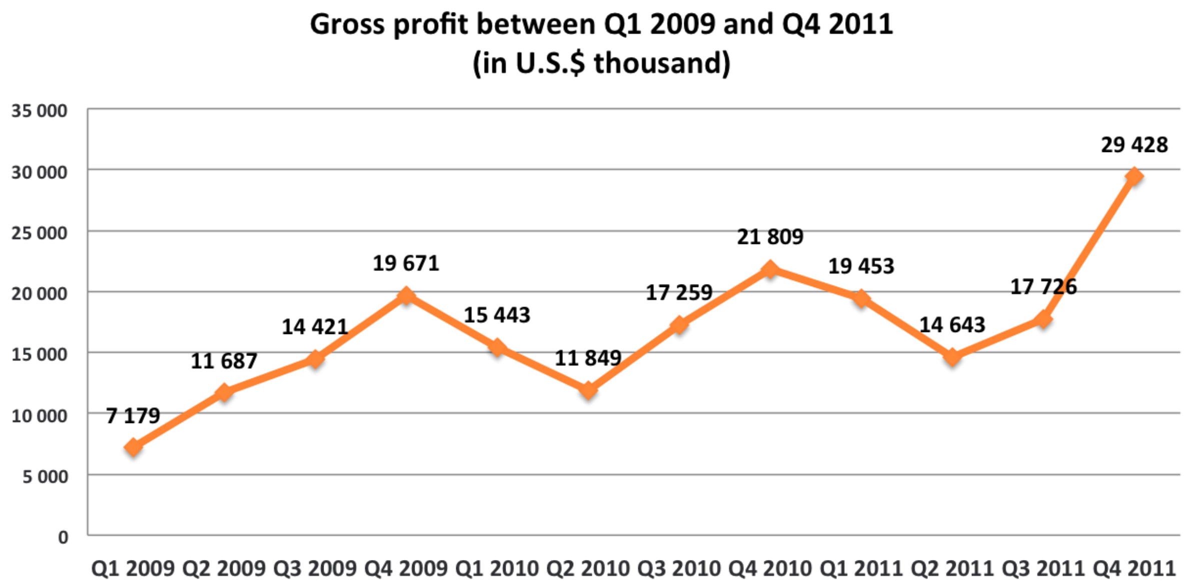
Gross Profit: Gross profit grew in 2011. This was possible due to more effective hedging (excluding the unavoidable influence of Belarus in Q2 2011), upgrade of product portfolio and shortage in the HDD segment.

Gross profit before currency movements:

Gross profit before currency movements in 2011 increased by 15.72% to U.S. $ 81,126 from U.S. $ 70,103 in 2010.

Gross profit after currency movements:

Gross profit after currency movements in 2011 increased by 22.44% to U.S. $ 81,250 from U.S. $ 66,360 in 2010.



Gross profit margin (gross profit as a percentage of revenues) amounted to 5.48% for the year ended 31 December 2011, compared to 4.62% in 2010. This increase was possible due to upgraded product portfolio and better hedging strategy.

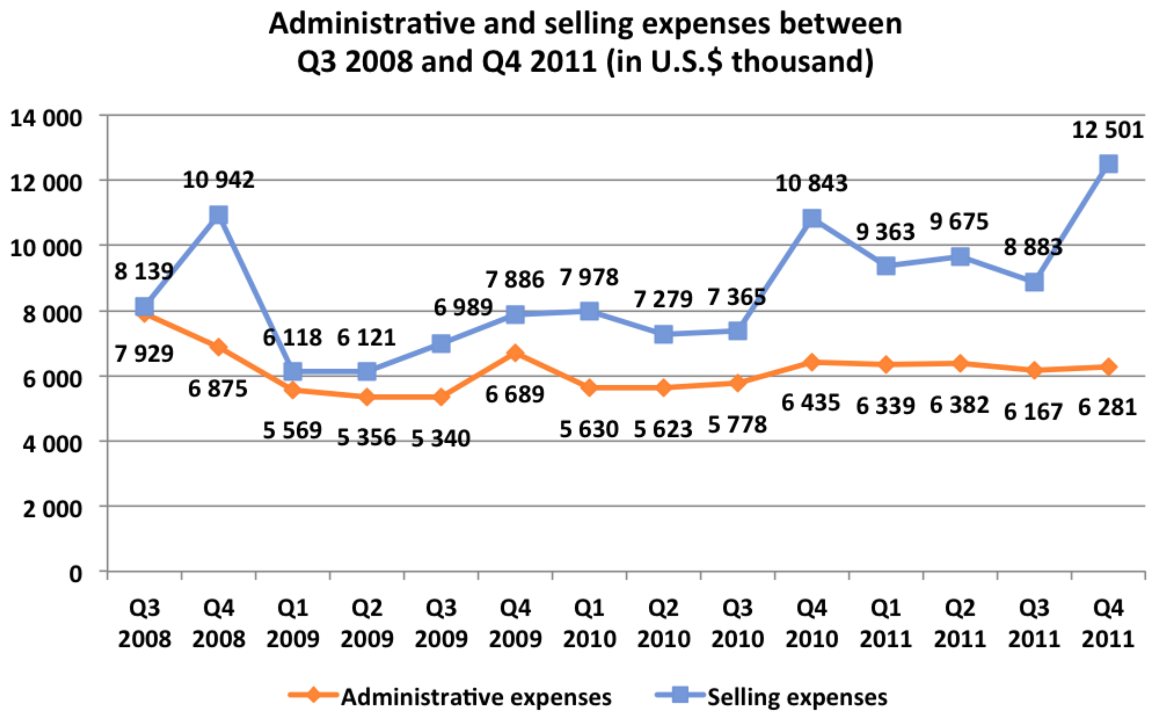
Selling Expenses: Selling expenses largely comprise of salaries and benefits paid to sales employees (sales, marketing and logistics departments), marketing and advertising fees, commissions, and traveling expenses. Selling expenses usually grow together (but not in-line) with sales and gross profit which was also the case of 2011.

Selling expenses in 2011 increased by 20.79% to U.S.$ 40,421 from U.S.$ 33,464 in 2010.

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

Administrative expenses in 2011 increased by 7.25% to U.S.$ 25,168 from U.S.$ 23,466 in 2010. In the same time its growth was significantly lower than the growth in gross profit.

Administrative expenses represented 1,70% and 1.64% of our revenues for the years 2011 and 2010, respectively.



Operating Profit: Operating profit for the year ended 31 December 2011 amounted U.S. $ 15,660 compared to U.S. $ 9,429 in 2010. The trend in operating profit is much more favorable for the Company, and it is expected that operating profit may grow again in 2012.

Operating margin (operating profit as a percentage of revenues) amounted 1.06% for the year 2011 compared to 0.66% for 2010.

Profit Before Taxation: In 2011 the Company generated profit before taxation amounting to U.S. $ 6,867 compared to profit before taxation of U.S. $ 2,252 in 2010.

Profit After Taxation: In 2011 the Company generated profit after taxation amounting to U.S. $ 5,660 compared to profit after taxation of U.S. $ 1,302 in 2010.

Liquidity and Capital Resources

The Company has in the past funded its liquidity requirements, including ongoing operating expenses and capital expenditures and investments, for the most part, through operating cash flows, debt financing and equity financing. Financing in Russia and certain other markets has become more available and at a lower cost; this decreased the Group's weighted average cost of debt.
The following table presents a summary of cash flows for the twelve months ended December 31st, 2011 and 2010:

	Twelve months ended December 31st	
	2011	**2010**
	U.S. $	
Net cash inflows/(outflows) from operating activities	11,063	(16,179)
Net cash outflows from investing activities	(3,470)	(5,597)
Net cash (outflows)/inflows from financing activities	(9,711)	6,574
Net decrease in cash and cash equivalents	(2,118)	(15,202)

Net cash inflows/(outflows) from operating activities

Net cash inflows from operations amounted to U.S. $ 11,063 for the twelve months ended December 31st, 2011, compared to outflows of U.S. $ 16,179 in the corresponding period of 2010. This was primarily due to better management of working capital and improved profitability.

Net cash outflows from investing activities

Net cash outflows from investing activities was U.S. $ 3,470 for the twelve months ended December 31st, 2011, compared to U.S. $ 5,597 in the corresponding period of 2010. This was mostly due to lower investments in land and buildings.

Net cash (outflows)/inflows from financing activities

Net cash outflows from financing activities was U.S. $ 9,711 for the twelve months ended December 31st, 2011, compared to inflows of U.S. $ 6,574 for the corresponding period of 2010. This was primarily due to repayment of some expensive bank lines, that were not necessary for the Company's operations.

Net decrease in cash and cash equivalents

As a result of the Company's improved cash from operating activities and repayment of certain financing lines, cash and cash equivalents decreased by U.S. $ 2,118 compared to a decrease of U.S. $ 15,202 in the corresponding period of 2010.

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 2011, we had total short-term and long-term debt (excluding amounts due to factoring creditors) of U.S. $ 50,421, including U.S. $ 46,358 of current maturities (due within one year), compared to U.S. $ 56,973, including U.S. $ 52,071 of current maturities, as at 31 December 2010.

The table below presents our principal outstanding debt facilities as at 31 December 2011:

ENTITY	Financial institution	Type of facilities	Credit limit	Currency	US$ Equivalent	Valid from	Valid till
Asbisc Enterprises Plc					$23 721 621		
Asbisc Enterprises Plc	Bnp Paribas Cyprus Liquidator	Guarantee	150 000	Usd	$150 000	5.Sep.09	5.Sep.12
Asbisc Enterprises Plc	Ukrisbank	Guarantee	2 500 000	Usd	$2 500 000	10.Sep.11	10.Sep.12
Asbisc Enterprises Plc	Cyprus Development Bank	Overdraft	2 500 000	Euro	$3 239 601	23.Sep.10	31.May.12
Asbisc Enterprises Plc	Cyprus Development Bank	Overdraft	3 100 000	Usd	$3 100 000	23.Sep.10	31.May.12
Asbisc Enterprises Plc	Cyprus Development Bank	Loan	1 380 000	Euro	$1 788 260	23.Sep.10	30.Jun.23
Asbisc Enterprises Plc	Bank of Cyprus	Overdraft-Multicurrency	5 136 197	Usd	$5 136 197	14.Apr.10	non term
Asbisc Enterprises Plc	Bank of Cyprus	Guarantees	4 863 803	Usd	$4 863 803	14.Apr.10	non term
Asbisc Enterprises Plc	Marfin Laiki Bank	Overdraft	1 500 000	Euro	$1 943 761	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	$388 752	0-Jan-00	30-Mar-12
ASBIS Kypros Ltd	Marfin Laiki	Overdraft	600 000	Euro	$777 504	20-Aug-10	non term
ASBIS Kypros Ltd	Bank of Cyprus	Bank Guarantee Line	400 000	Euro	$518 336	18-Nov-09	non term

Prestigio Plaza	Cyprus Development Bank	Overdraft	50 000	Euro	$64 792	15-Dec-11	15.Dec.12
Prestigio Plaza	Bank of Cyprus	Overdraft	50 000	Euro	$64 792	10-Jun-08	non term
Asbis CZ, spol s.r.o	Csob Bank	Overdraft	60 000 000	Koruna	$3 009 027	8.Jun.11	non term
Asbis PL, SP z.o.o	Bre Bank	Overdraft	4 000 000	Polish Zloty	$1 170 480	29.Nov.11	30.May.12
AS Asbis Baltic	Swedbank AS	Overdraft	50 000	Euro	$64 792	26.Sep.11	26.Mar.12
Asbis Romania SRL	BRD Groupe Societe Generale	Overdraft	13 357 200	Ron	$4 000 000	22-Aug-11	21-Aug-12
Asbis SK spol s.r.o	Tatrabanka a.s.	Overdraft	15 000 000	Euro	$19 437 605	1.Nov.11	31.Oct.12
Asbis SK spol s.r.o	Tatrabanka a.s.	Loan	2 256 424	Euro	$2 923 965	22.Nov.07	30.Jun.17
ASBIS Cr d.o.o	Erste&Steiermarkische bank d.d.	bank loan	19 500 000	Hrk	$3 350 550	22-Jan-11	22-Jan-12
ASBIS Cr d.o.o	Societe Generale-Splitska Banka D.D	bank guarantee	2 300 000	Hrk	$395 193	15-Nov-11	15.11.2012+ 3 months respiro
Asbis D.o.o Beograd	Societe Generale	Short Term Loan	45 100 000	Csd	$557 711	26-Apr-11	30-Apr-12
Asbis D.o.o Beograd	Societe Generale	Overdraft	80 400 000	Csd	$994 235	26-Apr-11	30-Apr-12
Asbis D.o.o Beograd	Societe Generale	Customs Guarantee	8 000 000	Csd	$98 929	27-Feb-11	27-Feb-12
Asbis Hungary Ltd	ING Bank	Overdraft	400 000 000	Forint	$1 660 000	20-Jun-11	19-Jun-12
Asbis Siovenia d.o.o	Nova ljubljanska banka d.d (Domzale)	Overdraft	100 000	Euro	$135 951	11-Mar-11	10-Mar-12
Asbis Siovenia d.o.o	Raiffeisen Krekova banka	Overdraft	1 500 000	Euro	$2 039 263	26-Aug-11	25-Aug-12
Asbis Bulgaria Ltd	Unicredit Bulbank Plc	Revolving loan	4 000 000	Bng	2 646 238	25.Aug.09	22.Feb.12
Asbis Middle East FZE	National Bank of Fujairah	Loan	15 500 000	Dirham	$4 217 687	26.Dec.06	TILL DATE
ASBIS Lithuania	UniCredit bank	Overdraft	2 000 000	Litas	$749 232	1.Apr.11	15.Apr.12
OOO Asbis-Moscow	Mosocw Credit bank	Overdraft	100 000 000	Rur	$3 105 966	27-Apr-11	26-Apr-12
OOO Asbis-Moscow	Mosocw Credit bank	Short Term Loan	300 000 000	Rur	$9 317 899	20-Apr-11	19-Apr-12
Megatrend	Volksbank BH d.d.	Overdraft	850 000	Bam	$562 327	13-May-11	13-May-12
Megatrend	UniCredit Zagrebačka banka d.d.	Revolving Facility	250 000	Bam	$165 390	2-Sep-11	3-Mar-12
Megatrend	Raiffeisen Bank d.d.	Bank Guarantee	156 466	Bam	$103 512	6-Jun-11	8-Jun-12
Megatrend	Volksbank BH d.d.	Bank Guarantee	45 347	Bam	$30 000	25-Feb-11	31-Mar-12
Megatrend	Raiffeisen Bank d.d.	Bank Guarantee	68 021	Bam	$45 000	25-Feb-11	23-Nov-12
Megatrend	Raiffeisen Bank d.d.	Short Term Loan	300 000	Bam	$198 468	13-Jun-11	13-Jun-12
Megatrend	Raiffeisen Bank d.d.	Short Term Loan	200 000	Bam	$132 312	24-Oct-11	24-Jan-12
IT Max	Bank Moskva-Minsk	Short Term Loan	7 700 000 000	BLR	$918 854	8.Sep.11	8.Sep.13
Asbis Latvia	DNB Bank	Loan	300 000	Lvl	$556 586	3.Nov.11	5.Nov.12
Zao Asbis (Asbis Belarus)	Bank Moscow-Minsk	Short Term Loan	7 000 000 000	Byr	$835 322	24-Oct-11	3-Feb-12
ASBC	MT Bank	Short Term Loan	800 000 000	Byr	$95 465	10-Nov-11	24-Oct-13
ASBIS Kazakhstan	Kazkommertsbank	Short Term Loan	177 600 000	KZT	$1 196 765	21-Dec-11	15-Jun-12

Capital Expenditure

Our total capital expenditure for fixed and intangible assets amounted to U.S. $ 3,919 for the year ended 31 December 2011, compared to U.S. $ 5,453 for the year ended 31 December 2010. This is mainly due to the reconstruction and renovation of buildings acquired in Belarus and in Cyprus.

Commitments and Contingencies

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

Critical Accounting Policies

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

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

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

ITEM 4. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Board of Directors

The Board of Directors is responsible for formulating, reviewing and approving our strategy, budgets and corporate actions. We intend to hold 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	5 May 2012	Cypriot
Kyriacos Christofi	1939	Non Executive Director	5 May 2009	5 May 2012	Cypriot

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

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

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

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

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

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

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

Directors' remuneration

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

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

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

Executive Directors are also entitled to receive a bonus every quarter depending upon our quarterly results. The bonus consists of a certain amount or percentage which is agreed and described in each Director's service agreements or contracts, as applicable, however, Directors only receive such a bonus to the extent that our profit meets certain pre-set 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 2011 and 2010, respectively (U.S.$):

Name			**2011**			**2009**
	Salary	Other benefits	**Total**	Salary	Other benefits	**Total**
Siarhei Kostevitch	253	-	**253**	212	-	**212**
Marios Christou	97	13	**110**	87	13	**100**
Constantinos Tziamalis	81	11	**92**	79	11	**90**
Laurent Journoud	239	8	**247**	160	8	**168**
Efstathios Papadakis	21	-	**21**	20	-	**20**
Kyriacos Christofi	21	-	**21**	20	-	**20**

Share ownership

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

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

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

During 2011 there were no changes in the number of shares possesed by the Directors.

Committees

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

The remuneration committee of the Company, comprising Kyriacos Christofi and Efstathios Papadakis (both non-executive Directors) and Siarhei Kostevitch (as attending member) is chaired by

Kyriacos Christofi. It sets and reviews the scale and structure of the executive Directors' remuneration packages, including share options and the terms of their service contracts. The remuneration and the terms and conditions of the non-executive Directors are determined by the Directors with due regard to the interests of the Shareholders and the performance of the Group. The remuneration committee also makes recommendations to the Board concerning the allocation of share options to employees.

Changes in main management rules

There were no changes to main management rules in 2011.

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 2011, we employed 1,240 employees, of whom 105 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 2011 and 2010 is as follows:

	As at 31 December	
	2011	**2010**
Sales and Marketing	585	591
Administration and IT	170	168
Finance	150	137
Logistics	335	318
Total	**1,240**	**1,214**

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%
Aviva Investors Poland S.A. funds (Aviva Investors Fundusz Inwestycyjny Otwarty and Aviva Investors Specjalistyczny Fundusz Inwestycyjny Otwarty)	2,919,414	5.26%	2,919,414	5.26%
ASBISc Enterprises PLC (buy-back program)	61,318	0.1105%	61,318	0.1105%
Free float	20,367,976	36.70%	20,367,976	36.70%
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.
** According to notification from August 18th, 2010.

Related Party Transactions

During the year ended 31 December 2011 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 2011 to 31 December 2011, a number of transactions occurred between us and our subsidiaries and between our subsidiaries. In our opinion all of these transactions were based on terms that did not vary from market terms and their nature and conditions resulted from the ongoing needs and operations of the Company and of the Group, such as contracts related to the purchases of goods for onward distribution to external clients. All of these transactions and related outstanding balances were eliminated in the Financial Statements included in this Annual Report and, as a result, did not have any impact on our consolidated financial results and on our financial position as a whole.

ITEM 6. FINANCIAL INFORMATION

Legal Proceedings

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

Information on loans given to any other party

During the year ended 31st December 2011 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, 2011 was U.S. $ 8,705 – 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 2012 intends to grow organically, therefore there is no risk connected with the realization of current investment intentions.

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

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

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

Information about the structure of main deposits and capital investments in 2011

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, 2011

There were no relevant off balance sheet positions as at December 31st, 2011 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. The last three years (2008-10) the company decided not to pay any dividend since the results were not satisfactory enough. Following the strong results of 2011 the Board of Directors will recommend to the forthcomming Annual General Meeting of Shareholders to pay a dividend of US$ 0.04 per share, amounting to US$ 2,220,000, based on slow revenue growth and improved profitability and cash flow in 2011. Also, having changed the Company strategy, that was 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

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

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

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

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

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

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

Defined scope of financial reporting applied by the Company
The Company carries out annual reviews of its strategy, development, results and plans. Based on conclusions drawn from that review, a detailed budgeting process is performed including all functional areas of the Company, with the participation of the medium and top level management. The budget prepared for the following year is adopted and approved by the Board of Directors.
During the course of the year, the Board of Directors analyzes the current financial results, product portfolio development, market position and compares them with the budget, using the management reporting system, built based on the accounting policies accepted by the Company (IFRS), and takes into consideration the format and detailed content of financial data presented in interim financial statements of the Company and the Group.
Accounting policies adopted by the Company in respect to statutory reporting are used both during this process and in the course of preparing the interim management reports. The Company applies coherent accounting principles for the recognition and disclosure of financial data in financial statements, interim financial reports and other reports made available to investors.

Defined division of duties and organization of work in the financial reporting process
The ASBISc Group Financial Department, headed by the Board of Directors Member, Mr. Marios Christou is responsible for preparing the financial statements, interim financial reports and interim management reports of the Company.
The financial statements of the Company are prepared by the medium level managers based on the financial data from the Company's IT system and from the monthly management reports, after their acceptance by the Group's CFO and taking into consideration other, supplementary operating data supplied by dedicated employees from other departments. The prepared financial statements are verified

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

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

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

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

III. Information about shareholders a with significant stake in the Company's share (directly or indirectly)
This has been presented in Item 5, page 47 of this annual report.

IV. Information about shareholders with preference shares
There are no shareholders with preference shares.

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

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

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

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

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

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

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

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

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

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

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

Description of Lock up

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

VI. Information about any limitations of shareholders rights

Voting rights

Each share confers the right to cast one vote.

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

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

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

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

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

All shares have equal rights.

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Rights attaching to Shares and limitations of those rights

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Alternate</u>

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

<u>Powers</u>

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.

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

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

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

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

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

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

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

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

(a) by the Chairman; or

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

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

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

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

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

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

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

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

X. Members of the Board of Directors and its committees and description of its operations during the year ended December 31st, 2011

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	6 May 2009	5 May 2012	Cypriot
Kyriacos Christofi	1939	Non Executive Director	6 May 2009	5 May 2012	Cypriot

During the year ended December 31st, 2011 there were no changes in the Board of Directors members.

During the year ended December 31st, 2011, 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 2010 annual report, 2011 six months report, 2011 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 situation in Belarus, its influence on results and on correction of financial forecasts
- Discussion on latest developments of the Company
- Discussion over share performance on WSE
- Decision on dividend for 2010
- Application of corporate governance rules
- Reappointment of auditors
- Action marketing plan
- Investor Relations Plan going forward
- Review of the Board role and effectiveness

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

During the year ended December 31st, 2011, the Audit Committee - comprising Efstathios Papadakis and Kyriacos Christofi (both non-executive Directors) and Marios Christou (as attending member) and chaired by Efstathios Papadakis - had conducted a total number of three meetings. Issues discussed on the Audit Committee meetings were then presented to the Board of Directors.

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

PART II

ITEM 8. PRINCIPAL ACCOUNTANT FEES AND SERVICES

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

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

The following table presents a summary of accountant fees and services for the twelve months ended December 31, 2011 and 2010:

(U.S. $)	**2011**	**2010**
Auditors fees regarding annual report [(1)]	692	570
Auditors fees regarding other approval services	42	38
Auditors fees for tax advisory	0	0
Auditors fees for other services	0	0
Total fees	**734**	**608**

[(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:

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 29th, 2011

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

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

....
Constantinos Tziamalis
Director of Credit and Investor Relations

Member of the Board of Directors

ASBISC ENTERPRISES PLC

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2011

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

C o n t e n t s

FOR THE YEAR ENDED 31 DECEMBER 2011

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
	Kyriacos Christofi (Cypriot) Non-Executive Director
Secretary	Alfo Secretarial Limited Limassol, Cyprus
Registered office	Kolonakiou 43, Diamond Court Ayios Athanasios, 4103, Limassol, Cyprus
Auditors	Deloitte Limited Limassol, Cyprus
Legal adviser	Costas Tsirides & Co. Law Office Limassol, Cyprus
Bankers	Bank of Cyprus Public Company Ltd Marfin Popular Bank Public Company Ltd The Cyprus Development Bank Public Company Ltd BNP Paribas Group Ceskoslovenska obchodni banka, a. s. (CSOB bank) ING Commercial Finance Polska SA BRD Groupe Societe Generale Tatra banka, a.s. Erste & Steiermarkische Bank d.d. Unicredit Bulbank Plc National Bank of Fujairah HSBC Bank Middle East Limited OJSC Promsvyazbank Royal Bank of Scotland Plc JSC Kazkommertsbank

STATEMENT 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 Regulated Markets) Law 190 (1) / 2007 we, the members of the Board of Directors and the Company officials responsible for the drafting of the consolidated financial statements of Asbisc Enterprises Plc (the "company") and the company's separate financial statements for the year ended 31 December 2011, confirm to the best of our knowledge that:

a) the consolidated financial statements of the company for the year ended 31 December 2011 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 Law 190(I)/2007 and in general with the requirements of the Cyprus Legislation, and
   (ii) give a true and fair view of the assets and liabilities, the financial position and the profit or loss of the consolidated and Company's separate financial statements as a whole.

b) the Board of Directors' report provides a fair review of the developments and the performance of the business and the position of the company and the undertakings included in the consolidation taken, as a whole, 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 ………………………………………………………

Kyriacos Christofi (Cypriot)
Non-Executive Director ………………………………………………………

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011

The directors present their annual report on the affairs of Asbisc Enterprises Plc (the "company") and its subsidiaries (the "group") together with the group's and the company's audited financial statements for the year ended 31 December 2011.

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

Results
The consolidated profit for the year attributable to the members was US$ 5.417.542 compared to US$ 949.285 in 2010. Details of the consolidated results of the group are presented on page 7 of the financial statements.

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

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

Existence of branches
The company does not maintain any branches.

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

Review of the development, financial performance and current position of the group and the company and the description of its major risks and uncertainties
The group's and company's development to date, financial results and position as presented in the financial statements are considered satisfactory, given the turbulent economic conditions that have adversely affected the group.

The group has reached revenues for the year of US$ 1.482.074.819 as compared to US$ 1.435.062.727 in 2010, representing a growth of 3,3%. This is mainly due to the group's and the company's strategy to strengthen its cash flow position and to focus more on gross and net profit growth rather than revenue growth, by improving the product portfolio, increasing own brand sales and conducting more selective sales in order to generate higher gross profit margins.

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

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

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

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011

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$ 0,04 per share, amounting to US$ 2.220.000, based on slow revenue growth and improved profitability and cash flow in 2011.

No dividend has been paid in 2011 based on 2010 results.

Share Capital
On 31 December 2011 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.

Following an extraordinary general meeting of the shareholders on 21 December 2011, the company has announced to the market the approval of a share buyback program with the following conditions:

- 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

Further details on the realised activity of the program are disclosed in note 24

Board of Directors
The members of the Board of Directors at 31 December 2011 and at the date of this report are set out on page 1. They were all members of the Board of Directors throughout the year. There were no significant changes in the assignment of the responsibilities and remuneration of the members of the Board of Directors.

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

The Board of Asbisc Enterprises Plc has two committees:

- the Audit Committee and
- the Remuneration Committee

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

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

BY ORDER OF THE BOARD OF DIRECTORS
Director

……………….……..

Limassol, 28 March 2012

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ASBISC ENTERPRISES PLC

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

We have audited the accompanying consolidated financial statements of Asbisc Enterprises Plc and its subsidiaries (the "group") and the separate financial statements of Asbisc Enterprises Plc ("the company") on pages 7 to 70, which comprise the consolidated statement of financial position and the statement of financial position of the company and the group as at 31 December 2011, 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 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 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 auditor's 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 auditor considers 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.

…/2

Opinion

In our opinion, the consolidated financial statements and the separate financial statements give a true and fair view of the financial position of the group and the company as at 31 December 2011, 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 our information and according to the explanations given to us, the consolidated and separate financial statements give the information required by the Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 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.

Alexis Agathocleous
Certified Public Accountant and Registered Auditor
for and behalf of

Deloitte Limited
Certified Public Accountants and Registered Auditors

Limassol, 28 March 2012

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 US$	2010 US$
Revenue	3	1.482.074.819	1.435.062.727
Cost of sales		(1.400.948.708)	(1.364.959.676)
Gross profit before currency movements		81.126.111	70.103.051
Currency movements on gross profit	4	123.532	(3.743.551)
Gross profit after currency movements		81.249.643	66.359.500
Selling expenses		(40.421.076)	(33.464.347)
Administrative expenses		(25.168.223)	(23.466.273)
Profit from operations		15.660.344	9.428.880
Financial income	5	275.034	894.249
Financial expenses	5	(9.330.941)	(8.308.245)
Other gains and losses	6	498.821	289.423
Goodwill written off	17	(50.213)	-
Share of loss from joint ventures	16	(186.410)	(52.365)
Profit before tax	7	6.866.635	2.251.942
Taxation	8	(1.206.415)	(949.894)
Profit for the year		5.660.220	1.302.048
Attributable to:			
Non-controlling interests		242.678	352.763
Owners of the parent company		5.417.542	949.285
		5.660.220	1.302.048
		US$ cents	US$ cents
Earnings per share			
Basic and diluted from continuing operations		9,76	1,71

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 2011

	2011 US$	2010 US$
Profit for the year	5.660.220	1.302.048
Other comprehensive loss:		
Exchange difference on translating foreign operations	(1.375.525)	(658.481)
Reclassification adjustments relating to foreign operations liquidated and disposed off in the year	(71)	4.309
Other comprehensive loss for the year	(1.375.596)	(654.172)
Total comprehensive income for the year	4.284.624	647.876
Total comprehensive income attributable to:		
Non-controlling interests	239.845	329.723
Owners of the parent company	4.044.779	318.153
	4.284.624	647.876

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 2011

	Note	2011 US$	2010 US$
ASSETS			
Non-current assets			
Goodwill	17	550.517	600.730
Property, plant and equipment	14	26.624.374	26.283.605
Investment in joint ventures	16	387.625	685.632
Available-for-sale financial assets	18	9.580	9.580
Intangible assets	15	1.507.203	1.672.152
Deferred tax assets	9	870.510	991.821
Total non-current assets		29.949.809	30.243.520
Current assets			
Inventories	10	111.640.208	103.619.085
Trade receivables	11	237.990.821	275.599.851
Other current assets	12	9.315.104	7.430.162
Derivative financial asset	13	559.106	5.379
Current taxation	8	427.765	348.667
Cash at bank and in hand	25	48.868.023	48.380.080
Total current assets		408.801.027	435.383.224
Total assets		438.750.836	465.626.744
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		60.758.056	56.717.134
Equity attributable to owners of the parent		95.376.299	91.335.377
Non-controlling interests		394.835	431.509
Total equity		95.771.134	91.766.886
Liabilities			
Non-current liabilities			
Long term liabilities	22	4.354.620	5.168.634
Long term obligations under finance leases	23	93.056	272.590
Total non-current liabilities		4.447.676	5.441.224
Current liabilities			
Trade payables		244.663.923	263.969.863
Other current liabilities	19	47.248.478	51.132.058
Derivative financial liability	20	1.215	138.840
Current taxation	8	89.476	839.316
Short term obligations under finance leases	23	171.339	267.835
Bank overdrafts and short term loans	21	46.357.595	52.070.722
Total current liabilities		338.532.026	368.418.634
Total liabilities		342.979.702	373.859.858
Total equity and liabilities		438.750.836	465.626.744

Signed on behalf of the Board of Directors on 28 March 2012

....
- Directors
....

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 2011

	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 2010	11.100.000	23.518.243	-	56.290.074	123.812	91.032.129	319.403	91.351.532
Profit for the year	-	-	-	949.285	-	949.285	352.763	1.302.048
Other comprehensive loss for the year	-	-	-	-	(631.132)	(631.132)	(23.040)	(654.172)
Dividend payment to non-controlling interests	-	-	-	-	-	-	(188.984)	(188.984)
Non-controlling interest on establishment of new subsidiary	-	-	-	-	-	-	17.357	17.357
Acquisition of shares from non-controlling interests	-	-	-	(14.905)	-	(14.905)	(45.990)	(60.895)
Balance at 31 December 2010	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

The retained earnings shown above at 31 December 2011 were readily distributable up to the amount of US$ 30.901.157 which represents the retained earnings of the Company. The remaining amount of US$ 31.740.839 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 PERIOD ENDED 31 DECEMBER 2011

	Note	2011 US$	2010 US$
Profit for the year before tax and minority interest		6.866.635	2.251.942
Adjustments for:			
Exchange difference arising on consolidation		(1.020.901)	379.462
Provision for bad debts and receivables written off	11	2.694.732	2.368.507
Bad debts recovered	11	(27.147)	(52.844)
Depreciation	14	2.501.801	2.302.605
Amortization of intangible assets	15	586.150	707.054
Gains arising on business combinations		(14.589)	(176)
Goodwill written off	17	50.213	-
Share of loss from joint ventures	16	186.410	52.365
Interest received	5	(160.190)	(483.815)
Interest paid	5	4.950.972	4.340.601
(Profit)/loss from the sale of property, plant and equipment and intangible assets	6	(28.978)	150.674
Operating profit before working capital changes		16.585.108	12.016.375
Increase in inventories		(8.021.122)	(20.142.337)
Decrease/(increase) in trade receivables		34.941.445	(63.465.562)
Increase in other current assets		(2.438.669)	(450.485)
(Decrease)/increase in trade payables		(19.301.861)	53.640.238
(Decrease)/increase in other current liabilities		(3.905.522)	7.372.537
Increase in other long-term liabilities		24.954	82.350
Cash inflows/(outflows) from operations		17.884.333	(10.946.884)
Taxation paid, net	8	(1.870.742)	(891.424)
Interest paid	5	(4.950.972)	(4.340.601)
Net cash inflows/(outflows) from operating activities		11.062.619	(16.178.909)
Cash flows from investing activities			
Interest received	5	160.190	483.815
Purchase of property, plant and equipment		(3.400.304)	(5.201.888)
Purchase of intangible assets	15	(518.506)	(251.058)
Net proceeds/(payments) on business combinations		6.571	(675.607)
Net cash (disposed)/acquired on business combinations		(109)	22.793
Buyback of ordinary shares		(3.857)	-
Proceeds from sale of property, plant and equipment and intangible assets		285.981	25.116
Net cash outflows from investing activities		(3.470.034)	(5.596.829)
Cash flows from financing activities			
Dividends paid to non-controlling interests		(276.519)	(188.984)
(Repayments)/proceeds of long term loans and long term obligations under finance lease		(1.018.503)	1.057.247
(Repayments)/proceeds of short term loans and short term obligations under finance lease		(8.415.774)	5.705.234
Net cash (outflows)/inflows from financing activities		(9.710.796)	6.573.497
Net decrease in cash and cash equivalents		(2.118.211)	(15.202.241)
Cash and cash equivalents at beginning of the year	25	21.369.517	36.571.758
Cash and cash equivalents at end of the year	25	19.251.306	21.369.517

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 2011

	Note	2011 US$	2010 US$
Revenue	3	896.839.168	934.427.354
Cost of sales		(879.234.813)	(917.497.533)
Gross profit before currency movements		17.604.355	16.929.821
Currency movements on gross profit	4	661.390	(1.512.486)
Gross profit after currency movements		18.265.745	15.417.335
Selling expenses		(10.303.602)	(9.972.633)
Administrative expenses		(7.141.477)	(6.477.987)
Profit/(loss) from operations		820.666	(1.033.285)
Financial income	5	229.748	410.733
Financial expenses, net	5	(2.102.226)	(1.447.072)
Other gains and losses	6	708.189	293.006
Loss before tax	7	(343.623)	(1.776.618)
Taxation	8	(15.349)	(77.445)
Loss for the year		(358.972)	(1.854.063)
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		(358.972)	(1.854.063)

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 2011

	Note	2011 US$	2010 US$
ASSETS			
Non-current assets			
Property, plant and equipment	14	6.500.956	5.995.291
Intangible assets	15	1.001.986	1.276.950
Deferred tax asset	9	183.855	183.737
Other non-current assets	12	1.493.769	1.714.177
Investment in subsidiary companies	16	6.701.137	4.919.085
Investment in joint ventures	16	240.000	351.597
Total non-current assets		16.121.703	14.440.837
Current assets			
Inventories	10	32.618.812	19.858.521
Trade receivables	11	84.995.032	97.165.551
Other current assets	12	74.529.861	84.418.735
Derivative financial asset	13	446.391	-
Current taxation receivable	8	105.967	34.847
Cash at bank and in hand	25	34.345.016	37.191.772
Total current assets		227.041.079	238.669.426
Total assets		243.162.782	253.110.263
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		30.897.300	31.260.129
Total equity		65.515.543	65.878.372
Liabilities			
Non-current liabilities			
Long term loans	22	1.663.625	1.865.482
Total non-current liabilities		1.663.625	1.865.482
Current liabilities			
Trade payables		161.839.152	169.544.184
Other current liabilities	19	8.940.014	5.932.840
Derivative financial liability	20	-	35.328
Bank overdrafts and short term loans	21	5.204.448	9.854.057
Total current liabilities		175.983.614	185.366.409
Total liabilities		177.647.239	187.231.891
Total liabilities and equity		243.162.782	253.110.263

Signed on behalf of the Board of Directors on 28 March 2012

....
- Directors
....

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

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

	Share capital US$	Share premium US$	Treasury stock US$	Retained earnings US$	Total US$
Balance at 01 January 2010	11.100.000	23.518.243	-	33.114.192	67.732.435
Total comprehensive loss for the year	-	-	-	(1.854.063)	(1.854.063)
Balance at 31 December 2010	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

The retained earnings of US$ 30.901.157 shown above at 31 December 2011 are all distributable. Treasury stock represents buyback of own shares during 2011.

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.

ASBISC ENTERPRISES PLC

PARENT COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 US$	2010 US$
Loss for the year before tax		(343.623)	(1.776.618)
Adjustments for:			
Depreciation	14	517.434	462.854
Amortisation of intangible assets	15	275.007	467.392
Provision for bad debts and receivables written off		331.248	1.801.100
Dividend income	6	(553.038)	(383.424)
Interest received		(183.187)	(213.018)
Interest paid	5	989.932	857.345
Loss from the sale of property, plant and equipment and intangible assets	6	12.191	123.678
Operating profit before working capital changes		1.045.964	1.339.309
Increase in inventories		(12.760.291)	(998.731)
Decrease/(increase) in trade receivables		12.160.010	(30.442.169)
Decrease/(increase) in other current assets		10.107.351	(14.780.019)
(Decrease)/increase in trade payables		(7.705.032)	42.766.295
Increase/(decrease) in other current liabilities		2.971.846	(3.508.277)
Cash inflows/(outflows) from operations		5.819.848	(5.623.592)
Taxation paid, net	8	(86.587)	(250.196)
Interest paid	5	(989.932)	(857.345)
Net cash inflows/(outflows) from operating activities		4.743.329	(6.731.133)
Cash flows from investing activities			
Interest received		183.187	213.018
Dividends received		-	383.424
Purchase of property, plant and equipment	14	(1.078.763)	(3.960.011)
Purchase of intangible assets	15	(43)	(30.280)
Proceeds from sale of property, plant and equipment and intangible assets		43.474	103.198
Buyback of ordinary shares		(3.857)	-
Net increase in investment in subsidiary companies		(1.782.052)	(343.176)
Net decrease/(increase) in investment in joint ventures		111.597	(235.636)
Net (advances)/proceeds of loans to related parties		(212.162)	261.528
Net cash outflows from investing activities		(2.738.619)	(3.607.935)
Cash flows from financing activities			
(Repayments)/proceeds of long term loans, net		(201.857)	1.865.482
Proceeds of short term loans, net		37.450	87.271
Net cash (outflows)/inflows from financing activities		(164.407)	1.952.753
Net increase/(decrease) in cash and cash equivalents		1.840.303	(8.386.315)
Cash and cash equivalents at beginning of the year	25	27.424.986	35.811.301
Cash and cash equivalents at end of year	25	29.265.289	27.424.986

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") 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 at the Warsaw Stock Exchange since 30th October 2007.

2. Summary of significant accounting policies

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

Statement of compliance

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

Basis of preparation

The financial statements 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.

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 2011.

2. Accounting policies (continued)

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

The following Standards, Amendments to Standards and Interpretations had been issued but are not yet effective for the year ended 31 December 2011:

- IFRS 1: First-time Adoption of International Financial Reporting Standards – Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs' (effective for annual periods beginning on or after 1 July 2011)
- IFRS 1: First-time Adoption of International Financial Reporting Standards – Additional exemption for entities ceasing to suffer from severe hyperinflation (effective for annual periods beginning on or after 1 July 2011)
- IFRS 7: Financial Instruments: Disclosures – Amendments enhancing disclosures about transfers of financial assets (effective for annual periods beginning on or after 1 July 2011)
- IFRS 7: Financial Instruments: Disclosures – Amendments enhancing disclosures about offsetting of financial assets and financial liabilities (effective for annual periods beginning on or after 1 January 2013)
- IFRS 7: Financial Instruments: Disclosures – Amendments requiring disclosures about the initial application of IFRS 9 (effective for annual periods beginning on or after 1 January 2015, or otherwise when IFRS 9 is first applied)
- IFRS 9: Financial Instruments – Classification and measurement of financial assets (effective for annual periods beginning on or after 1 January 2015; mandatory application date amended December 2011)
- IFRS 9: Financial Instruments – Accounting for financial liabilities and derecognition (effective for annual periods beginning on or after 1 January 2015; mandatory application date amended December 2011)
- IFRS 10: Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2013)
- IFRS 11: Joint Arrangements (effective for annual periods beginning on or after 1 January 2013)
- IFRS 12: Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2013)
- IFRS 13: Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013)
- IAS 1: Presentation of Financial Statements – Amendments to revise the way other comprehensive income is presented (effective for annual periods beginning on or after 1 July 2012)
- IAS 12: Income Taxes – Limited scope amendment (recovery of underlying assets) (effective for annual periods beginning on or after 1 January 2012)
- IAS 19: Employee Benefits – Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects (effective for annual periods beginning on or after 1 January 2013)
- IAS 27: Consolidated and Separate Financial Statements – Reissued as IAS 27 Separate Financial Statements (effective for annual periods beginning on or after 1 January 2013)
- IAS 28: Investments in Associates – Reissued as IAS 28 Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2013)
- IAS 32: Financial Instruments: Presentation – Amendments to application guidance on the offsetting of financial assets and financial liabilities (effective for annual periods beginning on or after 1 January 2014)
- IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine (effective for annual periods beginning on or after 1 January 2013)

2. Accounting policies (continued)

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

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.

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 other members of 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 owners of the company.

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

Business combinations

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

2. Accounting policies (continued)

Business combinations (continued)

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

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

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

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

2. Accounting policies (continued)

Interests in joint ventures (continued)

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.

Investments in subsidiary companies

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

Other investments

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

Goodwill

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

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

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

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

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

Property, plant and equipment

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

Properties in the course of construction for production, rental or administrative purposes, 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.

2. Accounting policies (continued)

Property, plant and equipment (continued)

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.

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 annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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

Repairs and maintenance

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

2. Accounting policies (continued)

Impairment of tangible and intangible assets excluding goodwill

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimated of future cash flows have not been adjusted.

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

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

Taxation

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

Current tax

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

Deferred tax

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

2. Accounting policies (continued)

Taxation (continued)

Deferred tax (continued)

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

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

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

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

Current and deferred tax for the period

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

Foreign currencies

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

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

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

2. Accounting policies (continued)

Foreign currencies (continued)

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

On the disposal of a foreign operation (i.e. a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

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

Inventories

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

Provisions

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

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

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

Warranties

Provisions for the expected cost of warranty are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the company's and the group's obligations.

2. Accounting policies (continued)

Financial instruments

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

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

Financial assets

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

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

Available-for-sale financial assets (AFS) are non-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.

Trade receivables

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

Factored trade receivables

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

2. Accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Effective interest method

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

Loans granted

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

Cash and cash equivalents

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

Derecognition of financial assets

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

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

Financial liabilities and equity instruments issued by the group

Classification as debt or equity

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

2. Accounting policies (continued)

Financial instruments (continued)

<u>Financial liabilities and equity instruments issued by the group (continued)</u>

Equity instruments

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

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

Accounting for financial guarantee contracts

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

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

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

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

Bank borrowings

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

Trade payables

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

Derecognition of financial liabilities

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

2. Accounting policies (continued)

Segmental reporting

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

Derivative financial instruments

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

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. During 2011 the group and the company did not designate any derivative as a hedging instrument.

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

Revenue recognition

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

Sale of goods

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

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

Dividend and interest revenue

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

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

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

2. Accounting policies (continued)

Leasing

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

Finance Leases

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

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

Operating leases

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

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

Borrowing costs

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

Dividend distribution

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

Comparative figures

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

2. Accounting policies (continued)

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

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

Revenue recognition

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

Provision for bad and doubtful debts

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

Provision for obsolete and slow-moving inventory

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

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

Useful lives of property, plant and equipment and intangible assets

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

2. Accounting policies (continued)

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

Impairment of investments in subsidiaries

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

Warranty provisions

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

Impairment of goodwill

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

Income taxes

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

3. Revenue

Revenue analysis by geographical market

The Group

The group operates as a trader and distributor of computer hardware and software in a number of geographical regions.

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

3. Revenue (continued)

Revenue analysis by geographical market (continued)

	2011 US$	2010 US$
The Group (continued)		
Former Soviet Union	614.904.827	588.378.541
Central Eastern Europe	508.773.173	481.963.173
Western Europe	105.788.935	109.926.026
Middle East & Africa	205.789.517	203.452.084
Other	46.818.367	51.342.903
	1.482.074.819	1.435.062.727

Revenue analysis by currency

	2011 US$	2010 US$
The Group		
US Dollars	637.802.838	767.386.232
Euro	320.568.525	268.030.091
Russian Rouble	183.745.507	87.611.515
Kazakhstan Tenge	56.197.328	28.035.737
Czech Koruna	54.958.349	73.635.344
Belarusian Ruble	35.491.517	25.700.646
Bulgarian Lev	35.460.952	30.101.764
Romanian New Lei	32.103.593	24.547.669
Croatian Kuna	27.611.752	27.582.124
Hungarian Forint	18.757.249	16.773.042
Serbian Dinar	15.903.926	17.132.220
Lithuanian Litas	15.883.304	11.942.119
Polish Zloty	13.736.511	24.141.759
Other	33.853.468	32.442.465
	1.482.074.819	1.435.062.727

	2011 US$	2010 US$
The Company		
US Dollars	776.962.395	817.873.776
Euro	102.340.528	110.891.275
Russian Rouble	17.536.245	5.662.303
	896.839.168	934.427.354

4. Currency movements on gross profit

	2011 US$	2010 US$
The Group		
Realised currency movements on trading activities	180.344	(2.660.330)
Unrealised currency movements on trading activities	(1.469.813)	(824.314)
Realised gain/(loss) on executed derivative contracts	579.573	(125.446)
Unrealised gain/(loss) on unexecuted derivative contracts	833.428	(133.461)
Gain/(loss) on currency movements	123.532	(3.743.551)

	2011 US$	2010 US$
The Company		
Realised currency movements on trading activities	601.523	(1.420.196)
Unrealised currency movements on trading activities	(422.994)	176.515
Realised loss on executed derivative contracts	(64.891)	(233.477)
Unrealised gain/(loss) on unexecuted derivative contracts	547.752	(35.328)
Gain/(loss) on currency movements	661.390	(1.512.486)

5. Financial expense, net

The Group	2011 US$	2010 US$
Financial income		
Interest income	160.190	483.815
Net exchange gain	-	53.859
Other financial income	114.844	356.575
	275.034	894.249
Financial expense		
Bank interest	4.950.972	4.340.601
Bank charges	1.782.376	1.651.024
Factoring interest	1.302.479	1.249.905
Factoring charges	335.522	618.032
Other financial expenses	191.411	172.493
Other interest	134.266	276.190
Net exchange loss	633.915	-
	9.330.941	8.308.245
Net	(9.055.907)	(7.413.996)

The Company	2011 US$	2010 US$
Financial income		
Interest income	1.049	1.710
Interest income from loans to subsidiary companies (note 27)	182.138	211.308
Net exchange gain	-	121.270
Other financial income	46.561	76.445
	229.748	410.733
Financial expense		
Bank interest	989.932	857.345
Bank charges	560.544	329.903
Factoring interest	82.698	-
Factoring charges	29.898	-
Net exchange loss	380.244	-
Other interest	58.910	259.824
	2.102.226	1.447.072
Net	(1.872.478)	(1.036.339)

6. Other gains and losses

	2011 US$	2010 US$
The Group		
Rental income	269.436	175.494
Profit/(loss) on disposal of property, plant and equipment	28.978	(150.674)
Bad debts recovered	27.147	52.844
Other income	173.260	211.759
	498.821	289.423

	2011 US$	2010 US$
The Company		
Dividends received	553.038	383.424
Management fees received	88.000	-
Other income	5.611	33.260
Rental income	73.730	-
Loss on disposal of property, plant and equipment	(12.190)	(123.678)
	708.189	293.006

7. Profit/(loss) before tax

	2011 US$	2010 US$
The Group		
Profit before tax is stated after charging:		
(a) Depreciation	2.501.801	2.302.605
(b) Amortisation of intangible assets	586.150	707.054
(c) Auditors' remuneration	733.945	607.955
(d) Directors' remuneration – executive (Note 27)	702.066	559.627
(e) Directors' remuneration – non-executive (Note 27)	41.706	39.627

	2011 US$	2010 US$
The Company		
Loss before tax is stated after charging:		
(a) Depreciation	517.434	462.854
(b) Amortisation of intangible assets	275.007	467.392
(c) Auditors' remuneration	423.455	342.470
(d) Directors' remuneration – executive (Note 27)	454.692	391.627
(e) Directors' remuneration – non-executive (Note 27)	41.706	39.627

8. Taxation

	2011 US$	2010 US$
The Group		
Credit balance 1 January	490.649	64.659
Tax asset from subsidiaries acquired	-	(278)
Tax asset on disposal of subsidiary	41	-
Provision for the year	1.147.023	1.315.092
(Over)/under provision of prior year	(38.608)	7.477
Exchange difference on retranslation	(66.652)	(4.877)
Amounts paid, net	(1.870.742)	(891.424)
Net (debit)/credit balance 31 December	(338.289)	490.649

	2011 US$	2010 US$
Tax receivable	(427.765)	(348.667)
Tax payable	89.476	839.316
Net	(338.289)	490.649

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

As from 1 January 2006 all Cyprus resident companies of the group are subject to corporation tax at the rate of 10%.

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

Dividends received by a Cyprus resident company from another Cyprus resident company are exempt from Special Defence Contribution, unless, with effect as from 1/1/2012, such dividends are indirectly distributed after four years from the end of the year in which the profits distributed as dividends were earned.

8. Taxation (continued)

The Group (continued)

Dividends received by a Cyprus resident company from a non-resident company are exempt from Special Defence Contribution. This exemption does not apply and the dividends are subject to 17% Defence Contribution (15% until 30 August 2011) if the foreign company paying the dividends:

(a) carries on, directly or indirectly, more than 50% investment activities giving rise to investment income; and

(b) the foreign tax burden on its profits is significantly lower than the Cyprus tax burden (in practice lower than 5%).

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

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

	2011 US$	2010 US$
Provisions and withholding tax for the year	1.147.023	1.315.092
(Over)/under provision of prior years	(38.608)	7.477
Deferred tax charge/(income)	98.000	(372.675)
Charge for the year	1.206.415	949.894

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:

	2011 US$	2010 US$
Accounting profit before taxation	6.866.635	2.251.942
Corporation tax thereon at the applicable rates	1.067.094	229.746
Tax on income not taxable in determining taxable profit	(50.035)	(235.705)
Effect of using tax losses brought forward	(242.959)	(12.225)
Effect of unused current year tax losses	62.378	476.313
Temporary differences	128.589	209.321
Tax on non-allowable expenses	125.056	518.865
	1.090.123	1.186.315
Withholding tax on dividend income	55.304	45.101
Special contribution to defence fund	1.596	83.676
(Over)/under provision of prior years	(38.608)	7.477
Deferred tax charge/(income)	98.000	(372.675)
Taxation charge for the year	1.206.415	949.894

8. Taxation (continued)

	Corporation tax 2011 US$	Defence contribution 2011 US$	Total 2011 US$	Total 2010 US$
The Company				
(Debit)/credit balance 1 January	(117.865)	83.018	(34.847)	78.558
(Over)/under provision of prior year	-	(41.887)	(41.887)	8.557
Withholding tax	55.304	-	55.304	45.101
Provision for the year	454	1.596	2.050	83.133
Amount paid, net	(43.860)	(42.727)	(86.587)	(250.196)
Debit balance 31 December	(105.967)	-	(105.967)	(34.847)

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

The taxation charge for the year consists of the following:

	2011 US$	2010 US$
Provision for the year	454	-
Withholding tax on dividend income	55.304	45.101
Special contribution to defence fund	1.596	83.133
Deferred tax credit	(118)	(59.346)
(Over)/under provision of prior years	(41.887)	8.557
	15.349	77.445

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

	2011 US$	2010 US$
Accounting loss before taxation	(343.623)	(1.776.618)
Corporation tax thereon at the applicable rate of 10%	(34.362)	(177.662)
Tax effects of:		
Tax on income not taxable in determining taxable profit	(109.730)	(205.815)
Temporary differences	(4.507)	(2.917)
Effect of unused current year tax losses	62.378	97.061
Tax on non-allowable expenses	86.675	289.333
	454	-
Withholding tax on dividend income	55.304	45.101
Special contribution to defence fund	1.596	83.133
(Over)/under provision of prior years	(41.887)	8.557
Deferred tax credit	(118)	(59.346)
	15.349	77.445

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 2010	72.513	(446.904)	(251.404)	(625.795)
Deferred tax charge/(credit) for the year	37.715	(465.902)	55.512	(372.675)
Exchange difference on retranslation	-	1.814	4.835	6.649
Credit/(debit) balance on 31 December 2010	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)

	Temporary differences between accounting and tax NBV of PPE and intangibles (note i)	Tax losses (note ii)	Total (note iv)
	US$	US$	US$
The Company			
Credit/(debit) balance on 1 January 2010	72.513	(196.904)	(124.391)
Deferred tax charge/(credit) for the year	37.715	(97.061)	(59.346)
Credit/(debit) balance on 31 December 2010	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)

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

Note (ii)
The Group
The deferred tax asset arises from the tax losses that can be carried forward and set-off against the first available taxable profits of the group.

9. Deferred tax (continued)
Note (ii) (continued)

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

In accordance with the Cyprus tax legislation, tax losses can be carried forward indefinitely. The company's management, based on their projections with respect to the future profitability of the company, are of the opinion that the tax losses of approximately US$ 3 million carried forward will be utilised in future periods.

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

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

	2011 US$	**2010 US$**
Deferred tax receivable	(302.026)	(293.965)
Deferred tax payable	118.171	110.228
Net	(183.855)	(183.737)

10. Inventories

	2011 US$	**2010 US$**
The Group		
Goods held for resale	97.085.963	99.006.701
Goods in transit	16.433.482	5.524.296
Provision for slow moving and obsolete stock	(1.879.237)	(911.912)
	111.640.208	103.619.085

As at 31 December 2011, inventories pledged as security for financing purposes amounted to US$ 24.146.165 (2010: US$ 27.916.476).

Movement in provision for slow moving and obsolete stock	**2011 US$**	**2010 US$**
On 1 January	911.912	1.339.448
Net movement for the year	1.075.508	(461.891)
Exchange difference	(108.183)	34.355
On 31 December	1.879.237	911.912

10. Inventories (continued)

	2011 US$	2010 US$
The Company		
Goods held for resale	19.829.114	16.761.728
Goods in transit	13.589.173	3.292.019
Provision for slow moving and obsolete stock	(799.475)	(195.226)
	32.618.812	19.858.521

As at 31 December 2011, inventories pledged as security for financing purposes amounted to nil (2010: nil).

Movement in provision for slow moving and obsolete stock	2011 US$	2010 US$
On 1 January	195.226	144.243
Net movement for the year	604.249	50.983
On 31 December	799.475	195.226

11. Trade receivables

	2011 US$	2010 US$
The Group		
Trade receivables	244.645.546	280.952.154
Allowance for doubtful debts	(6.654.725)	(5.352.303)
	237.990.821	275.599.851

As at 31 December 2011, receivables of the group that had been assigned as security for financing purposes amounted to US$ 70.966.427 (2010: US$ 38.387.651). In 2011, the group has recognised a loss of US$ 2.694.732 (2010: US$ 2.368.507) 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:

	2011 US$	2010 US$
On 1 January	5.352.303	4.556.457
Provisions during the year	2.694.732	2.368.507
Amount written-off as uncollectible	(964.595)	(1.364.409)
Bad debts recovered	(27.147)	(52.844)
Exchange difference	(400.568)	(155.408)
On 31 December	6.654.725	5.352.303

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 0-30 days US$	Overdue between 30-60 days US$	Overdue more than 60 days US$
2011	237.990.821	180.306.749	36.721.691	8.556.658	12.405.723
2010	275.599.851	217.669.884	27.698.462	7.939.398	22.292.107

Ageing of impaired receivables (provision for bad debts)

Year	Total US$	Overdue 60-90 days US$	Overdue 90-120 days US$	Overdue more than 120 days US$
2011	6.654.725	72.002	2.465	6.580.258
2010	5.352.303	4.773	45.396	5.302.134

	2011 US$	2010 US$
The Company		
Trade receivables	86.373.678	98.555.095
Allowance for doubtful debts	(1.378.646)	(1.389.544)
	84.995.032	97.165.551

As at 31 December 2011, receivables of the company that had been assigned as security for financing purposes amounted to US$1.860.254 (2010: nil). In 2011, the company has recognised a loss of US$10.509 (2010: US$451.100) for the impairment of its trade receivables.

Movement in provision for doubtful debts:	2011 US$	2010 US$
On 1 January	1.389.544	938.444
Provisions during the year	10.509	451.100
Amount written-off as uncollectible	(21.407)	-
On 31 December	1.378.646	1.389.544

Ageing of the company's non-impaired receivables:

Year	Total receivables US$	Outstanding but not due yet US$	Overdue 0-30 days US$	Overdue between 30-60 days US$	Overdue more than 60 days US$
2011	84.995.032	63.118.846	17.786.885	3.438.886	650.415
2010	97.165.551	78.147.048	11.900.630	5.610.749	1.507.124

Ageing of impaired receivables (provision for bad debts)

Year	Total US$	Overdue 60-90 days US$	Overdue 90-120 days US$	Overdue more than 120 days US$
2011	1.378.646	-	-	1.378.646
2010	1.389.544	-	-	1.389.544

12. Other current and non-current assets

1.1 Other current assets

The Group	2011 US$	2010 US$
Other debtors and prepayments	3.428.339	3.001.796
VAT and other taxes refundable	4.828.442	3.244.704
Employee floats	223.356	326.032
Deposits and advances to service providers	834.967	857.630
	9.315.104	7.430.162

The Company	2011 US$	2010 US$
Other debtors and prepayments	1.514.149	598.194
Amount due from subsidiary companies (Note 27)	71.543.598	82.807.439
Loans due from subsidiary companies (Note 27)	1.434.203	1.001.634
VAT refundable	37.911	11.468
	74.529.861	84.418.735

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	2011 US$	2010 US$
Long-term loans due from subsidiary companies (Note 27)	1.493.769	1.714.177
	1.493.769	1.714.177

13. Derivative financial asset

The Group	2011 US$	2010 US$
Derivative financial assets carried at fair value through profit or loss		
Foreign currency derivative contracts	559.106	5.379
	559.106	5.379

Fair value measurement of derivative financial assets

	2011 Notional amount US$	2010 Notional amount US$	2011 Fair Value US$	2010 Fair Value US$
Buying US$/Selling PLN	1.053.000	36.000	12.223	901
Buying US$/Selling HRK	993.046	-	39.529	-
Buying US$/Selling BGN	1.503.000	-	39.860	-
Buying US$/Selling RSD	244.000	-	9.077	-
Buying US$/Selling EUR	9.172.000	-	430.865	-
Buying US$/Selling RUB	3.435.000	-	120.967	-
Buying US$/Selling TRL	1.162.000	-	27.610	-
Buying US$/Selling HUF	-	246.060	-	3.771

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

	2011 Notional amount US$	2010 Notional amount US$	2011 Fair Value US$	2010 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	660.909	-	39.356	-
Buying EUR/Selling HUF	-	333.094	-	707
Buying PLN/Selling EUR	772.356	-	(11.409)	-
Charges on open contracts	-	-	(189.408)	-
	21.949.445	615.154	559.106	5.379

The Company

	2011 US$	2010 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

	2011 Notional amount US$	2010 Notional amount US$	2011 Fair Value US$	2010 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) The group and the company did not designate the aforementioned foreign currency derivative contracts as hedging instruments, thus the resulting gain that arose on the fair value of the derivatives as at 31 December 2011, which amounted to US$ 559.106 (2010: US$ 5.379), for the group and US$ 446.391 (2010: NIL) for the company, was recognized in the statement of comprehensive income. During the year the group realised gains from execution of foreign currency derivative contracts which amounted to US$ 579.573 (2010: losses US$ 125.446) and the company realized losses which amounted to US$ 64.891 (2010: losses US$ 233.477) (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 2010	19.516.123	-	143.028	2.011.028	2.726.272	3.276.380	5.377.891	33.050.722
Additions from acquisition of subsidiaries	-	-	-	953	214	-	1.720	2.887
Additions	106.863	3.402.910	31.920	222.353	195.453	598.214	645.938	5.203.651
Disposals	-	-	(5.690)	(78.566)	(150.004)	(241.565)	(275.108)	(750.933)
Foreign exchange difference on retranslation	(838.908)	-	(59)	(88.697)	(87.433)	(121.372)	(196.426)	(1.332.895)
At 31 December 2010	18.784.078	3.402.910	169.199	2.067.071	2.684.502	3.511.657	5.554.015	36.173.432
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
Accumulated depreciation								
At 1 January 2010	1.365.248	-	12.246	874.394	1.148.411	1.700.358	3.408.629	8.509.286
Charge for the year	477.917	-	18.342	215.720	296.810	527.081	766.735	2.302.605
Disposals	-	-	(5.690)	(52.701)	(51.475)	(229.582)	(258.111)	(597.559)
Foreign exchange difference on retranslation	(80.471)	-	(104)	(33.364)	(41.712)	(62.179)	(106.675)	(324.505)
At 31 December 2010	1.762.694	-	24.794	1.004.049	1.352.034	1.935.678	3.810.578	9.889.827
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
Net book value								
At 31 December 2011	21.572.402	-	125.868	1.064.992	1.212.301	1.171.105	1.477.706	26.624.374
At 31 December 2010	17.021.384	3.402.910	144.405	1.063.022	1.332.468	1.575.979	1.743.437	26.283.605

During 2010 the group acquired land and building in Cyprus of capitalized cost of US$ 3.400.604 which at 31 December 2010 was under reconstruction and renovation. 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 value US$ 1.173.025. Land and buildings of a total cost value of US$ 22.537.872 (2010 US$ 18.746.536) have been mortgaged for financing purposes. The fully depreciated assets of the group that are still in use amounted to US$ 3.238.844 (2010: US$ 3.100.125).

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 2010	1.550.918	-	359.038	798.283	792.387	1.911.789	5.412.415
Additions	-	3.400.604	46.988	28.909	275.555	207.955	3.960.011
Disposals	-	-	(4.552)	(152.335)	(143.046)	(46.187)	(346.120)
At 31 December 2010	1.550.918	3.400.604	401.474	674.857	924.896	2.073.557	9.026.306
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
Accumulated depreciation							
At 1 January 2010	365.820	-	237.744	245.751	403.855	1.434.235	2.687.405
Charge for the year	46.997	-	33.573	71.699	136.943	173.642	462.854
Disposals	-	-	(1.956)	(38.187)	(57.464)	(21.637)	(119.244)
At 31 December 2010	412.817	-	269.361	279.263	483.334	1.586.240	3.031.015
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
Net book value							
31 December 2011	5.178.711	-	125.418	387.173	419.344	390.310	6.500.956
31 December 2010	1.138.101	3.400.604	132.113	395.594	441.562	487.317	5.995.291

During 2010 the company acquired land and building in Cyprus of capitalized cost of US$ 3.400.604 which at 31 December 2010 was under reconstruction and renovation. 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 fully depreciated assets of the company that are still in use amounted to US$ 1.268.265 (2010: US$ 1.155.579).

15. Intangible assets

The Group

	Computer software US$	Patents and licenses US$	Total US$
Cost			
At 1 January 2010	6.533.961	679.436	7.213.397
Additions	121.457	129.601	251.058
Disposals upon disposal of subsidiaries	(76)	-	(76)
Disposals	(90.219)	(23.766)	(113.985)
Foreign exchange difference on retranslation	(53.518)	(12.013)	(65.531)
At 31 December 2010	6.511.605	773.258	7.284.863
Additions	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
Accumulated amortization			
At 1 January 2010	4.483.801	553.797	5.037.598
Charge for the year	623.931	83.123	707.054
Disposals upon disposal of subsidiaries	(76)	-	(76)
Disposals	(89.806)	-	(89.806)
Foreign exchange difference on retranslation	(34.832)	(7.227)	(42.059)
At 31 December 2010	4.983.018	629.693	5.612.711
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
Net book value			
At 31 December 2011	1.165.273	341.930	1.507.203
At 31 December 2010	1.528.587	143.565	1.672.152

The fully amortized intangibles of the group that are still in use amounted to US$ 3.836.325 (2010: US$ 3.152.854).

The Company

	Computer software US$	Patents & licences US$	Total US$
Cost			
At 1 January 2010	5.540.928	441.194	5.982.122
Additions	30.280	-	30.280
At 31 December 2010	5.571.208	441.194	6.012.402
Additions	43	-	43
At 31 December 2011	5.571.251	441.194	6.012.445
Accumulated amortisation			
At 1 January 2010	3.854.591	413.469	4.268.060
Charge for the year	439.667	27.725	467.392
At 31 December 2010	4.294.258	441.194	4.735.452
Charge for the year	275.007	-	275.007
At 31 December 2011	4.569.265	441.194	5.010.459
Net book value			
31 December 2011	1.001.986	-	1.001.986
31 December 2010	1.276.950	-	1.276.950

The fully amortized intangible assets of the company that are still in use amounted to US$ 3.452.449 (2010: US$ 2.785.832).

16. Investments

a. Investment in subsidiary companies

	2011 US$	2010 US$
The Company		
Shares at cost of acquisition or written down value	6.701.137	4.919.085
Balance at 1 January	4.919.085	4.575.909
Increase in investments	1.782.052	60.895
Establishments during the year	-	282.281
Balance at 31 December	6.701.137	4.919.085

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.

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

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

Subsidiary Company	Country of incorporation	Percentage of participation 2011 %	2010 %
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
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

16. Investments (continued)

a. Investment in subsidiary companies (continued)

Subsidiary Company	Country of incorporation	Percentage of participation 2011 %	2010 %
MEGATREND D.O.O. SARAJEVO	Bosnia Herzegovina	90	90
PTUE IT-MAX (v)	Belarus	100	100
CJSC ASBIS	Belarus	66.6	66.6
ASBIS IT S.R.L.	Italy	100	100
ASBIS Kazakhstan LLP	Kazakhstan	100	100
ASBIS TAIWAN CO., LTD	Taiwan	100	100
ASBIS DE GMBH (iii)	Germany	100	100
ASBIS KOREA (iii)	Korea	100	100
EUROMALL BULGARIA EOOD (iii) (ii)	Bulgaria	100	100
ION UKRAINE (i) (iii) (vii)	Ukraine	-	100
SHARK ONLINE a.s. (iii) (vi)	Slovakia	51	51

(i) Sold/liquidated during 2011
(ii) Held by E.M. Euro-Mall Ltd - Cyprus
(iii) Established/acquired during 2010
(iv) Held by Prestigio Technologies (Cyprus) Ltd
(v) Held by Asbis Middle East FZE
(vi) Held by Euro-mall s.r.o
(vii) Held by Asbis Ukraine Ltd

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

b. Investment in joint ventures The Group	2011 US$	2010 US$
Cost		
At 1 January	737.997	-
Decrease in share capital	(111.597)	-
Investment in joint ventures during the year	-	737.997
At 31 December	626.400	737.997
Accumulated share of profits from joint ventures		
At 1 January	(52.365)	-
Share of losses from joint ventures during the year	(186.410)	(52.365)
At 31 December	(238.775)	(52.365)
Investment in joint ventures recorded under the equity method of consolidation	387.625	685.632

During 2010 the group invested in two joint ventures. The first joint venture was 48% participation in AOSBIS Technology (Shenzhen) Corp. operating in China and the second was 50% participation in Shark Computers a.s. operating in Slovakia. Throughout 2011 the group continued with the same percentage participations in its joint ventures although together with the other investors it jointly reduced its investment in AOSBIS Technology (Shenzhen) Corp. The group's share for the reduction in the share capital of AOSBIS Technology (Shenzhen) Corp. was US$ 111.597.

16. Investments (continued)

b. Investment in joint ventures (continued)

The Company	**2011 US$**	**2010 US$**
Cost		
At 1 January	351.597	-
Decrease in share capital	(111.597)	-
Investment in joint ventures during the year	-	351.597
At 31 December	240.000	351.597

During 2010 the company invested 48% in AOSBIS Technology (Shenzhen) Corp. operating in China. Throughout 2011 the company continued with the same percentage participation in its joint venture although together with the other investors it jointly reduced its investment in AOSBIS Technology (Shenzhen) Corp. The company's share for the reduction in the share capital of AOSBIS Technology (Shenzhen) Corp. was US$ 111.597.

17. Business combinations

1. Acquisitions

1.1. Acquisitions 2011 – the Group

During the year 2011 the group did not acquire any new entities

1.2. Acquisitions 2010 – the Group

During the year 2010 the group acquired 100% of the share capital of EUROMALL BULGARIA EOOD. From the excess of the consideration paid over the group's interest in the net assets acquired a goodwill of $41.416 arose which was capitalised.

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

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

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

1.3. Acquired assets and liabilities

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

	2011 US$	2010 US$
Tangible and intangible assets	-	2.887
Inventories	-	244
Receivables	-	5.086
Other receivables	-	278
Short and long term loans	-	(61.708)
Payables and accruals	-	(9.584)
Cash and cash equivalents	-	22.869
Net identifiable liabilities	-	(39.928)
Group's interest in net assets acquired	-	(39.928)
Goodwill	-	50.213
Total purchase consideration	-	10.285

Net cash flow arising on transfer:

Total purchase consideration	-	(10.285)
Cash and cash equivalents acquired	-	22.869
Net cash inflow	-	12.584

1.4. Financial information regarding acquired entities

	1 January to 31 December	Acquisition date to 31 December
	2011 US$	2011 US$
Revenue for the year/period	-	-
Profit for the year/period	-	-
	2010 US$	2010 US$
Revenue for the year/period	1.902.446	262.416
Loss for the year/period	(56.585)	(57.028)

1.5. Goodwill arising on acquisitions	2011 US$	2010 US$
At 1 January	600.730	550.517
Goodwill arising from business combinations	-	50.213
Goodwill written off (note ii)	(50.213)	-
At 31 December (note i)	550.517	600.730

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

i. Capitalised goodwill of US$ 550.517 (2010: US$ 600.730) represents the economic value of the infrastructure acquired by the group plus gaining access to the acquired entities' own distribution networks. These intangibles have not been recognised separately from goodwill because their fair value could not be measured reliably due to their nature. The capitalised goodwill relates to the business combinations of the following subsidiaries:

	2011 US$	2010 US$
Megatrend D.O.O. Sarajevo	550.517	550.517
Euro-mall Bulgaria EOOD	-	41.416
ION Ukraine	-	8.797
	550.517	600.730

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

	2011 US$	2010 US$
Euro-mall Bulgaria EOOD	41.416	-
ION Ukraine	8.797	-
	50.213	-

2. Disposals of subsidiaries

2.1. Disposals 2011 – the Group

During the year the group sold 100% of the share capital for 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%

2.2. Disposals 2010 – the Group

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

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

Name of disposed entity	Type of operations	Date sold/ liquidated	% sold
PRESTIGIO LTD	Information Technology	31 July 2010	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:

	2011 US$	2010 US$
Tax receivable	41	-
Payables and accruals	(3.803)	-
Cash and cash equivalents	109	76
Net identifiable (liabilities) and assets	(3.653)	76
Group's interest in net (liabilities)/assets sold	(3.653)	76
Gain on sale of subsidiaries	10.224	176
Total sale consideration received	6.571	252

Net cash flow arising on transfer:

	2011 US$	2010 US$
Total sale consideration received	6.571	252
Cash and cash equivalents disposed	(109)	(76)
Net cash inflow	6.462	176

2.4. Financial information regarding disposed subsidiaries

	1 January to disposal date 2011 US$	1 January to disposal date 2010 US$
Revenue for the period	-	-
Loss for the period	(1.355)	(1.114)

18. Available-for-sale financial assets

	Country of incorporation	Participation %	Cost US$	Impairment US$	2011 US$	2010 US$
The Group						
Investments held in related companies						
E-Vision Ltd (i)	Cyprus	18%	90.000	(90.000)	-	-
Other Investments						
Asekol s.r.o.(ii)	Czech Republic	9,09%	9.580	-	9.580	9.580
			99.580	(90.000)	9.580	9.580
The Company						
Investments held in related 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

	2011 US$	2010 US$
The Group		
Factoring creditors (i)	29.765.116	32.373.068
Non-trade accounts payable	3.233.257	4.578.205
Salaries payable and related costs	1.371.575	1.217.365
VAT payable	4.880.799	6.106.819
Amount due to directors – executive	6.449	20.630
Amounts due to directors – non-executive	10.043	10.402
Unpaid consideration for investment in joint venture	-	115.961
Accruals and deferred income	7.981.239	6.709.608
	47.248.478	51.132.058

(i) As at 31 December 2011 the group enjoyed factoring facilities of US$ 45.740.348 (2010: US$ 48.245.810). The factoring facilities are secured as mentioned in note 21.

	2011 US$	2010 US$
The Company		
Factoring creditors (ii)	2.188.556	-
Accruals and deferred income	4.788.847	3.700.688
Non-trade accounts payable	672.812	576.106
Salaries payable and related costs	183.766	197.413
Amount due to subsidiary companies (Note 27)	317.584	479.177
Amount due to directors – executive (Note 27)	6.449	20.630
Amounts due to directors – non-executive (Note 27)	10.043	10.402
Unpaid consideration for investment in joint ventures	-	115.961
VAT payable	771.957	832.463
	8.940.014	5.932.840

(ii) As at 31 December 2011 the company enjoyed factoring facilities of US$ 2.466.503 (2010: US$ nil). 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	2011 US$	2010 US$
<u>Derivative financial liabilities carried at fair value through profit or loss</u>		
Foreign currency derivative contracts	1.215	138.840
	1.215	138.840

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

	2011 Notional amount US$	2010 Notional amount US$	2011 Fair Value US$	2010 Fair Value US$
Buying US$/Selling EUR	-	6.852.103	-	35.328
Buying EUR/Selling CZK	1.395.684	31.945	(7.975)	(697)
Buying US$/Selling CZK	630.000	45.578	(7.077)	10.571
Buying US$/Selling PLN	-	482.000	-	8.797
Buying EUR/Selling HRK	-	1.226.667	-	1.812
Buying US$/Selling HRK	-	879.118	-	10.295
Buying US$/Selling RON	-	2.899.000	-	47.097
Buying EUR/Selling HUF	-	741.941	-	7.831
Buying US$/Selling HUF	-	667.457	-	17.806
Charges on open contracts	-	-	16.267	-
	2.025.684	13.825.809	1.215	138.840

The Company

	2011 US$	2010 US$
Derivative financial liabilities carried at fair value through profit or loss		
Foreign currency derivative contracts	-	35.328
	-	35.328

Fair value measurement of derivative financial liabilities

	2011 Notional amount US$	2010 Notional amount US$	2011 Fair Value US$	2010 Fair Value US$
Buying US$/Selling EUR	-	6.852.103	-	35.328
	-	6.852.103	-	35.328

(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.

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

(iv) The group and the company did not designate the aforementioned foreign currency derivative contracts as hedging instruments, thus the resulting loss that arose on the fair value of the derivatives as at 31 December 2011, which amounted to US$ 1.215 (2010: US$ 138.840) for the group and US$ nil (2010: US$ 35.328) for the company, was recognized in the statement of comprehensive income. During the year the group realised gains from execution of foreign currency derivative contracts which amounted to US$ 579.573 (2010: losses US$ 125.446) and the company realized losses which amounted to US$ 64.891 (2010: losses US$ 233.477) (see note 4).

21. Bank overdrafts and short term loans

	2011 US$	2010 US$
The Group		
Bank overdrafts (Note 25)	29.616.717	27.010.563
Bank short term loans	16.071.488	24.382.256
Current portion of long term loans	669.390	677.903
	46.357.595	52.070.722

Summary of borrowings and overdraft arrangements

The group as at 31 December 2011 had the following financing facilities with banks in the countries that the company and its subsidiaries are operating:

- overdraft lines of US$ 52.644.277 (31 December 2010: US$ 52.167.256)
- short term loans/revolving facilities of US$ 24.189.249 (31 December 2010: US$ 31.257.789)
- bank guarantees of US$ 8.704.773 (31 December 2010: US$ 7.825.171)

The group had for the year 2011 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 6.9 % (2010: 7,4%)

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

- First, second and third floating charges over all assets of the company
- Mortgage on land and buildings that the group owns in Cyprus, Czech Republic, Belarus, Middle East, Bulgaria, Ukraine and Slovakia
- Charge over receivables and inventories
- Corporate guarantees to the extent of facilities granted
- Assignment of insurance policies
- Pledged deposits of US$ 1.859.022 (31 December 2010: US$ 888.327)

The Company	2011 US$	2010 US$
Bank overdrafts (Note 25)	5.079.727	9.766.786
Current portion of long term loans	124.721	87.271
	5.204.448	9.854.057

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

The company, as at 31 December 2011 enjoyed the following financing facilities from its bankers:

- overdraft facilities of US$ 14.419.558 (2010: US$ 19.604.362)
- long term loan facilities US$ 1.788.260 (2010: US$ 1.952.753)
- bank guarantee facilities US$ 7.513.803 (2010: US$ 6.680.201)

The company had for the year 2011 cash lines (overdrafts and revolving facilities) with average cost for the year of 6,4 % (2010: 5,2%).

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

- First, second and third floating charges over all assets of the company
- Pledged deposits of US$ 657.667 (2010: US$ 507.209)

22. Long term liabilities

	2011 US$	2010 US$
The Group		
Bank loans (i)	4.063.249	4.902.217
Other long term liabilities	291.371	266.417
	4.354.620	5.168.634

(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 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.

	2011 US$	2010 US$
The Company		
Bank loans (ii)	1.663.625	1.865.482
	1.663.625	1.865.482

(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.

23. Finance leases

	2011 US$	2010 US$
The Group		
Obligation under finance lease	264.395	540.425
Less: Amount payable within one year	(171.339)	(267.835)
Amounts payable within 2-5 years inclusive	93.056	272.590

24. Share capital

	2011 US$	2010 US$
Authorised		
63.000.000 (2010: 63.000.000) shares of US$ 0,20 each	12.600.000	12.600.000
Issued, called-up and fully paid		
55.500.000 (2010: 55.500.000) ordinary shares of US$ 0,20 each	11.100.000	11.100.000

On 31 December 2011 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, the company has announced to the market the approval of a share buyback program with the following conditions:

- 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. The minimum and maximum price per share paid for the aforementioned acquisition was 1,43 PLN and 1,48 PLN respectively.

In the year 2012 and until the date of these financial statements the company bought an additional 52.329 ordinary shares for a total consideration of US$ 31.335.

25. Cash and cash equivalents

	2011 US$	2010 US$
The Group		
Cash at bank and in hand	48.868.023	48.380.080
Bank overdrafts (Note 21)	(29.616.717)	(27.010.563)
	19.251.306	21.369.517

The cash at bank and in hand balances include an amount of US$ 1.859.022 (2010: US$ 888.327) which represents pledged deposits.

	2011 US$	2010 US$
The Company		
Cash at bank and in hand	34.345.016	37.191.772
Bank overdrafts (Note 21)	(5.079.727)	(9.766.786)
	29.265.289	27.424.986

The cash at bank and in hand balances include an amount of US$ 657.667 (2010: US$ 507.209) which represents pledged deposits.

26. Commitments and contingencies

As at 31 December 2011 the group was committed in respect of purchases of inventories of a total cost value of US$ 3.217.332 (2010: US$ 23.235.721) which were in transit as at 31 December 2011 and delivered in January 2012. 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 2011:

- the group was contingently liable in respect of bank guarantees of US$ 8.704.773 (2010: US$ 7.825.171) which the group had extended mainly to its suppliers
- the company had extended bank guarantees of US$ 7.513.803 (2010: US$ 6.680.201) 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 2011 the company was contingently liable for the amount of US$ 71.879.031 (2010: US$ 67.630.174) in respect of corporate guarantees given to financial institutions as security for financing facilities granted to the subsidiary companies. The liabilities of the subsidiary companies covered by the said corporate guarantees are reflected in note 21 of the financial statements.

As at 31 December 2011 the group and the company had no other capital or legal commitments and contingencies.

27. Related party transactions and balances

Main shareholders

The following table presents shareholders possessing more than 5% of the company's shares and shares held by the company under the share buyback program as at 31 December 2011:

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%
Aviva Investors Poland S.A. funds (Aviva Investors Fundusz Inwestycyjny Otwarty and Aviva Investors Specjalistyczny Fundusz Inwestycyjny Otwarty)	2.919.414	5,26%
Aviva Investors Fundusz Inwestycyjny Otwarty	2.841.345	5,12%
Asbisc Enterprises Plc (Share buyback program)	8.989	0,02%
Other	17.578.960	31,67%
Total	**55.500.000**	**100,00%**

Transactions between the company and its subsidiaries had been eliminated on consolidation.

27. Related party transactions and balances (continued)

The Company

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

Intercompany transactions

	Sales of goods		Purchases of goods	
	2011	**2010**	**2011**	**2010**
	US$	**US$**	**US$**	**US$**
Subsidiaries	433.594.366	474.949.439	17.600.571	17.605.131

	Sales of services		Purchases of services	
	2011	**2010**	**2011**	**2010**
	US$	**US$**	**US$**	**US$**
Subsidiaries	340.533	211.383	1.904.949	1.556.832

Intercompany balances
(Notes 12 & 19)

	Amounts owed by subsidiary companies		Amounts owed to subsidiary companies	
	2011	**2010**	**2011**	**2010**
	US$	**US$**	**US$**	**US$**
Subsidiaries	71.543.598	82.807.439	317.584	479.177

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

Loans owed from subsidiary companies

	2011	**2010**
	US$	**US$**
Total loans owed from subsidiary companies	7.097.653	7.034.466
Provision for doubtful loans	(4.169.681)	(4.318.655)
Net loans owed from subsidiary companies (Note 12)	2.927.972	2.715.811
Net loans included in other current assets	1.434.203	1.001.634
Net loans included in other non-current assets	1.493.769	1.714.177
	2.927.972	2.715.811

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

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

Subsidiary companies	Interest rate	2011	2010
	%	US$	US$
ASBIS ME FZE (note i)	9%	1.493.769	1.760.766
PRESTIGIO PLAZA LTD (note ii)	5%	90.436	95.170
ASBIS PL SP.Z O.O. (note iii)	7%	1.310.090	673.820
ASBIS EUROPE B.V. (note iv)	5%	33.620	153.497
ASBIS NL BV (note v)	-	4.169.681	4.318.655
ASBC F.P.U.E. (vi)	3%	57	32.558
		7.097.653	7.034.466

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

Subsidiary companies	2011	2010
	US$	US$
ASBIS ME FZE (note i)	157.965	153.830
PRESTIGIO PLAZA LTD (note ii)	4.727	4.561
ASBIS PL SP.Z O.O. (note iii)	11.630	45.174
ASBIS EUROPE B.V. (note iv)	7.086	7.388
ASBC F.P.U.E. (vi)	730	355
Total interest received (note 5)	182.138	211.308

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 repayable on 13 January 2013 and it is unsecured.

(ii) The subsidiary company PRESTIGIO PLAZA LTD entered into a loan agreement with the company on 6 April 2009. The loan is repayable on 6 April 2012 and it is unsecured.

(iii) The loan which the subsidiary company ASBIS PL SP.Z O.O. entered with the company on the 1 December 2009 was repaid during 2011. The outstanding amount at the year-end represents a new loan granted to the subsidiary on 14 October 2011 and is repayable on 31 December 2012. The loan is unsecured.

(iv) The subsidiary company ASBIS EUROPE B.V. entered into a loan agreement with the company on 17 December 2008. The loan is unsecured.

(v) The subsidiary company ASBIS NL BV entered into a loan agreement with the company on 18 December 2008. The loan is fully provided at the year end. Since 2010 the company has stopped charging interest to the subsidiary.

(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 but it was fully repaid in the beginning of 2012.

Transactions and balances of key management

The Group	2011 US$	2010 US$
Directors' remuneration - executive	702.066	559.627
Directors' remuneration - non executive	41.706	39.627
	743.772	599.254
Amount due to directors - executive	6.449	20.630
Amount due to directors - non executive	10.043	10.402
	16.492	31.032

27. Related party transactions and balances (continued)
Transactions and balances of key management (continued)

The Company	2011 US$	2010 US$
Directors' remuneration - executive	454.692	391.627
Directors' remuneration - non executive	41.706	39.627
	496.398	431.254
Amount due to directors - executive	6.449	20.630
Amount due to directors - non executive	10.043	10.402
	16.492	31.032

28. Personnel expenses and average number of employees

The Group	2011 US$	2010 US$
Salaries and other benefits	38.531.298	34.149.270
The average number of employees was	1.240	1.214

The Company	2011 US$	2010 US$
Salaries and other benefits	6.281.265	5.934.668
The average number of employees was	140	149

29. Earnings per share

	2011 US$	2010 US$
Profit for the year attributable to members	5.417.542	949.285
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	9,76	1,71

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$ 0,04 per share, amounting to US$ 2.220.000, based on slow revenue growth and improved profitability and cash flow in 2011.

No dividend has been paid in 2011 based on 2010 results.

31. Financial risk management

1.Financial risk factors

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

1.1.Credit risk

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

The group had established and systematically follows a thorough procedure prior to registering new customers into its system. Every new customer is checked both internally and via various reputable credit sources prior to such registration and, more importantly, prior to granting of any credit. The group runs an internal credit department consisting of local, regional and corporate credit managers. Corporate managers decide for all significant credit line requests and review the work of regional and local managers. The group uses all available credit tools – i.e. credit insurance, credit information bureaus – to safeguard itself from the credit risk. During 2011 (same for 2010) none of the group's customers accounted for more than 3% of total sales; it is of strategic importance for the group not to rely on any single customer.

On-going credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit insurance is purchased. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are financial institutions with high credit ratings assigned by international credit rating agencies.

1.2.Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The group's income and operating cash flows are dependent on changes in market interest rates. The group deposits excess cash and borrows at variable rates. The group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

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

	2011	2010
The Group	**US$**	**US$**
Variable rate instruments		
Overdrafts	29.616.717	27.010.563
Short-term loans	16.740.878	25.060.159
Long-term loans	4.063.249	4.902.217
Factoring advances	29.765.116	32.373.068
	80.185.960	89.346.007

	2011	2010
	US$	**US$**
The Company		
Variable rate instruments		
Overdrafts	5.079.727	9.766.786
Short-term loans	124.721	87.271
Long-term loans	1.663.625	1.865.482
Factoring advances	2.188.556	-
	9.056.629	11.719.539

31. Financial risk management (continued)
1.Financial risk factors (continued)

1.2.Interest rate risk (continued)

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2011 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	
	2011	2010
	US$	US$
The Group		
Variable rate instruments		
Overdrafts	296.167	270.106
Short-term loans	167.409	250.602
Long-term loans	40.632	49.022
Factoring advances	297.652	323.731
	801.860	893.461

	Equity and Profit & loss	
	2011	2010
	US$	US$
The Company		
Variable rate instruments		
Overdrafts	50.797	97.668
Short-term loans	1.247	873
Long-term loans	16.636	18.655
Factoring advances	21.886	-
	90.566	117.196

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.

31. Financial risk management (continued)

1.Financial risk factors (continued)

1.3.Liquidity risk (continued)

The Group

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	262.148.500	260.413.018	1.735.482	-	-	-
Other short and long term liabilities	555.766	19.920	151.416	41.185	343.245	-
Total	342.890.226	308.322.364	30.120.186	715.475	1.854.461	1.877.740

31 December 2010	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	29.962.376	11.102.964	13.957.195	697.408	2.078.263	2.126.546
Bank overdrafts	27.010.563	11.721.589	15.288.974	-	-	-
Factoring advances	32.373.068	29.167.752	3.205.316	-	-	-
Trade and other payables	282.867.693	281.527.121	1.340.572	-	-	-
Other short and long term liabilities	806.842	79.459	188.376	215.227	323.780	-
Total	373.020.542	333.598.885	33.980.433	912.635	2.402.043	2.126.546

The Company

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 December 2010	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	1.952.753	-	87.271	127.489	433.615	1.304.378
Bank overdrafts	9.766.786	9.766.786	-	-	-	-
Trade and other payables	175.512.352	175.512.352	-	-	-	-
Total	187.231.891	185.279.138	87.271	127.489	433.615	1.304.378

31. Financial risk management (continued)

1.4.Currency risk

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

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

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

The Group

2011	Cash at bank and in hand US$	Receivables US$	Trade and other liabilities US$	Borrowings US$
US Dollars	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)
Other	964.746	10.097.132	(2.027.613)	(3.389.979)
	48.868.023	247.865.031	(291.913.616)	(50.976.610)

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

31. Financial risk management (continued)

1.4.Currency risk (continued)

The Company

2011	**Cash at bank and in hand US$**	**Receivables US$**	**Trade and other liabilities US$**	**Borrowings US$**
US Dollars	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)

2010	**Cash at bank and in hand US$**	**Receivables US$**	**Trade and other liabilities US$**	**Borrowings US$**
US Dollars	36.145.401	157.950.908	(162.710.510)	-
Euro	498.130	25.341.847	(12.025.225)	(11.719.539)
Czech Koruna	547.641	-	(776.617)	-
Other	600	5.708	-	-
	37.191.772	183.298.463	(175.512.352)	(11.719.539)

The company is not exposed to any material foreign exchange risk, as most of its operations are conducted in US Dollars, the company's reporting currency. Its exposure to foreign exchange risk is restricted to monetary assets denominated in foreign currencies, mainly Euro.

2.Fair values

The Group and The Company

Financial instruments comprise financial assets and financial liabilities. Financial assets mainly consist of bank balances, receivables and investments. Financial liabilities mainly consist of trade payables, factoring balances, bank overdrafts and loans. The directors consider that the carrying amount of the group's financial instruments approximate their fair value.

3.Capital risk management

The group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximizing the return to stakeholders through optimization of debt and equity. The group's overall strategy remains unchanged from 2009.

The capital structure of the group consists of debt, which includes borrowings, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

<u>Gearing ratio</u>

The group's risk management committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risk associated with it. Based on the committee's recommendations, the group expects to maintain its gearing ratio at approximately the same level.

31. Financial risk management (continued)

3.Capital risk management (continued)

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

	2011 US$	2010 US$
Debt (i)	80.185.960	89.346.007
Cash at bank and in hand	(48.868.023)	(48.380.080)
Net debt	31.317.937	40.965.927
Equity (ii)	95.771.134	91.766.886
Net debt to equity ratio	33%	45%

(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.

Litigation risk

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

Reputation risk

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

Other risks

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

33. Operating lease arrangements

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

Non-cancellable operating lease arrangements

	2011		2010	
	Cars	Offices and warehouses	Cars	Offices and warehouses
	US$	US$	US$	US$
Within 1 year	468.211	2.042.474	379.599	2.099.476
Between 2 to 5 years	655.836	2.413.275	401.259	2.147.951
More than 5 years	-	136.809	18.164	145.049
	1.124.047	4.592.558	799.022	4.392.476

The payment recognised as an expense during the year amounted to US$ 3.028.123 (2010: US$ 2.729.608).

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	
	2011	2010	2011	2010
	US$	US$	US$	US$
Former Soviet Union	614.904.827	588.378.541	6.918.061	4.825.323
Central Eastern Europe	508.773.173	481.963.173	6.262.774	3.946.892
Western Europe	105.788.935	109.926.026	443.005	132.867
Middle East & Africa	205.789.517	203.452.084	2.083.576	555.560
Other	46.818.367	51.342.903	(47.072)	(31.762)
Total	1.482.074.819	1.435.062.727	15.660.344	9.428.880
Net financial expenses			(9.055.907)	(7.413.996)
Other gains and losses			498.821	289.423
Goodwill written off			(50.213)	-
Loss from joint ventures			(186.410)	(52.365)
Profit before tax			6.866.635	2.251.942

34. Operating segments (continued)

1.3 Inter-segment revenues

Selling segment	Purchasing segment	2011 US$	2010 US$
Central Eastern Europe	Former Soviet Union	902.049	-
Western Europe	Middle East & Africa	1.628.682	2.063.148

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:

	Segment CAPEX		Segment depreciation and amortisation	
	2011 US$	2010 US$	2011 US$	2010 US$
Former Soviet Union	5.178.003	4.276.064	478.947	365.945
Central Eastern Europe	11.453.320	12.354.783	1.162.334	1.102.140
Western Europe	381.430	511.741	231.954	237.124
Middle East & Africa	4.025.647	4.092.835	403.592	360.852
Unallocated	7.643.694	7.321.064	811.124	943.598
Total	28.682.094	28.556.487	3.087.951	3.009.659

1.5 Segment assets and liabilities

Segment assets	2011 US$	2010 US$
Former Soviet Union	180.309.160	189.253.508
Central Eastern Europe	123.512.702	128.640.027
Western Europe	33.416.766	35.239.222
Middle East & Africa	57.489.213	64.908.466
Total	394.727.841	418.041.223
Assets allocated in capital expenditure (1.4)	28.682.094	28.556.487
Other unallocated assets	15.340.901	19.029.034
Consolidated assets	438.750.836	465.626.744

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.

34. Operating segments (continued)

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 2011 (same for 2010) none of the group's customers accounted for more than 3% of total sales; it is of strategic importance for the group not to rely on any single customer.

35. Events after the end of the financial year

No significant events occurred after the end of the financial year, which have a bearing on the understanding of the financial statements.

36. Comparative figures

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