

**ASBISC ENTERPRISES PLC**

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

# ASBISC ENTERPRISES PLC

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## REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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# ASBISC ENTERPRISES PLC

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## OFFICERS AND PROFESSIONAL ADVISERS

Board of Directors	Siarhei Kostevitch (Cypriot) Chairman and Chief Executive Officer
	Marios Christou (Cypriot) Chief Financial Officer
	Constantinos Tziamalis (Cypriot)
	Yuri Ulasovich (Cypriot)
	Christakis Pavlou (Cypriot) (resigned on 26 March, 2019) Non-Executive Director
	Demos Demou (Cypriot) Non-Executive Director
Secretary	Alfo Secretarial Limited Limassol, Cyprus
Registered office	Kolonakiou 43, Diamond Court Ayios Athanasios, 4103, Limassol, Cyprus
Independent auditors	KPMG Limited Limassol, Cyprus
Legal adviser	Costas Tsirides & Co. Law Office Limassol, Cyprus
Bankers	Bank of Cyprus Public Company Ltd Alfa Bank Tatrabanka a.s. Všeobecná Uverová Banka a.s. Sberbank Zenit Bank Barclays Bank Plc Fimbank Plc Deutsche Bank National Bank of Fujairah First Ukrainian International bank Societe Generale Bank - Cyprus Limited CSOB Bank Alpha Bank National Bank of Greece (Cyprus) Ltd Erste Bank Credit Agricole Unicredit Bulbank Plc CITI Bank Absolut Bank Raiffeisen Bank International AG

# ASBISC ENTERPRISES PLC

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## DECLARATION BY THE MEMBERS OF THE BOARD OF DIRECTORS AND THE COMPANY OFFICIALS RESPONSIBLE FOR THE DRAFTING OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

### (In accordance with the provisions of Law 190(I)/2007 on Transparency Requirements)

In accordance with Article 9, sections (3c) and (7), of the Transparency Requirements (Traded Securities in a Regulated Market) Law 190(I)/2007, as amended from time to time (the "Law"), we, the members of the Board of Directors and the Financial Controller responsible for the drafting of the consolidated financial statements of Asbisc Enterprises Plc (the "Company") and its subsidiaries (the "Group") and the Company's separate financial statements for the year ended 31 December 2018, confirm to the best of our knowledge that:

a) the consolidated financial statements of the Group and the Company's separate financial statements for the year ended 31 December 2018 which are presented on pages 11 to 70:

- (i) have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union and the provisions of subsection (4) of Article 9 of the Law, and
- (ii) give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the Company, and

b) the management report provides a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that they face.

### Members of the Board of Directors

- Siarhei Kostevitch  
Chairman and Chief Executive Officer .....
- Marios Christou  
Executive Director .....
- Constantinos Tziomalis  
Executive Director .....
- Yuri Ulasovich  
Executive Director .....
- Demos Demou  
Non-Executive Director .....

### Financial Controller

- Loizos Papavassiliou .....

Limassol, 27 March 2019

# ASBISC ENTERPRISES PLC

## MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their annual report on the affairs of Asbisc Enterprises Plc (the "Company" or the "parent Company") and its subsidiaries (together with the Company, the "Group") together with the Group's and the Company's audited financial statements for the year ended 31 December 2018.

### Principal activity

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

### Group financial statements

The consolidated financial statements include the financial statements of the Company and those of its subsidiary companies. The names and more details about the subsidiaries are shown in note 10 to the financial statements.

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

The Group's and the Company's development to date, financial results and position are presented in the financial statements on pages 11 to 70.

The key performance and financial position figures are as follows:  
*in thousands of US\$*

	The Group		The Company	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
Revenue	2,069,564	1,484,913	1,625,197	1,072,522
Gross profit	98,093	76,736	25,189	13,357
Profit before tax	15,129	9,013	16,824	2,687
Taxation	(3,092)	(2,104)	(1,666)	(617)
Profit for the year	<u>12,037</u>	<u>6,909</u>	<u>15,158</u>	<u>2,070</u>
Earnings per share (US\$ cents)	<u>21.69</u>	<u>12.53</u>	<u>N/A</u>	<u>N/A</u>
Total equity	<u>99,233</u>	<u>94,468</u>	<u>62,992</u>	<u>53,940</u>
<b>Average number of employees during the year</b>	<u>1,401</u>	<u>1,202</u>	<u>123</u>	<u>118</u>

In the year ended December 31, 2018 we have continued our strong growth trend observed in the previous year. Following our strategy to focus on our core markets of FSU and CEE, we have enjoyed a significant growth in revenues in all markets we operated. We have managed to outperform the markets and competition and strengthen our market position. Profitability has exceeded our expectations and cash flow has significantly improved.

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

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

The Group has systems and procedures in place to maintain its expertise and keep it aware of changes in its market places to help mitigate market risks. It also has rigorous controls to help mitigate financial and other risks. These are described in note 33 to the financial statements.

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

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

### Existence of branches

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

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

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

# ASBISC ENTERPRISES PLC

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## MANAGEMENT REPORT (continued)

### Employees

During 2018 we have employed an average number of 1,401 employees, of whom 123 were employed by the Company and the remainder in the rest of the Group's offices worldwide. The split of employees by area of activity is as follows:

	As at 31 December	
	2018	2017
Sales and Marketing	750	624
Administration and IT	215	169
Finance	145	131
Logistics	<u>291</u>	<u>278</u>
<b>Total</b>	<b>1,401</b>	<b>1,202</b>

### Research and Development

In 2018, the Group spent US\$ 480,024 (2017: US\$ 645,218) on Research and Development, focusing on development of tablets, smartphones, GPS and other product lines that are sold under the Prestigio, Canyon and Perenio own brands in all regions of the Company's operations. The Group will continue to have research and development expenditures to support the design and development of own brand products in order to maintain and enhance its competitive position.

### Dividends

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

During the year, the following dividends were declared and paid by the Company:

- A final dividend of US\$ 3,300,000 of US\$ 0.06 per share for the year 2017
- An interim dividend of US\$ 2,775,000 of US\$ 0.05 per share for the year 2018

The Board of Directors also proposes the payment of a final dividend of US\$ 0.05 per share for the year 2018, amounting to US\$ 2,775,000 based on improved 2018 profitability.

### Share Capital

On 31 December 2018 the issued and fully paid up share capital of the Company consisted of 55,500,000 ordinary shares of US\$ 0.20 each. There were no changes in the share capital of the Company during the year and up to the date of these financial statements.

### Board of Directors

The members of the Board of Directors at 31 December 2018 and at the date of this report are set out on page 1. They were all members of the Board of Directors throughout the year except Christakis Pavlou, who resigned on the 26<sup>th</sup> of March, 2019. There were no significant changes in the assignment of the responsibilities of the members of the Board of Directors. The remuneration of the members of the Board of Directors is disclosed in notes 5 and 28 to the financial statements.

In accordance with the Company's Articles of Association, Mr. Constantinos Tzamalīs who is subject to retirement by rotation, retires at the next annual general meeting of the Company and, being eligible, offers himself for re-election.

### Corporate Governance

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

The Board of the Company has two committees:

- the Audit Committee and
- the Remuneration Committee

The Remuneration Committee consists of the two non-executive Directors together with the Chairman. The Audit Committee consists of the two non-executive Directors. More information on the composition and functions of the committees is given in the corporate governance statement.

# ASBISC ENTERPRISES PLC

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## MANAGEMENT REPORT (continued)

### Main shareholders

The following table presents shareholders possessing directly or indirectly more than 5% of the Company's shares and shares held by the Company under the share buyback program as at 31 December 2018:

Name	Number of votes/shares	Votes/share capital %
Siarhei Kostevitch and KS Holdings Ltd	20,443,127	36.83
Asbisc Enterprises Plc (share buyback program)	16,389	0.03
Free float	<u>35,040,484</u>	<u>63.14</u>
<b>Total</b>	<u>55,500,000</u>	<u>100.00</u>

Following the annual general meeting of the shareholders on 23 June 2015, a share buyback program was approved. At the end of 2018 the Company held a total of 16,389 (2017: 16,389) shares purchased under the buyback program.

### Auditors

The auditors of the Company, Messrs KPMG Limited, have expressed their willingness to continue in office and a resolution authorizing 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, 27 March 2019

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF ASBISC ENTERPRISES PLC

#### Report on the audit of the consolidated and separate financial statements

##### *Opinion*

We have audited the accompanying consolidated and separate financial statements of Asbisc Enterprises Plc (the "Company"), and its subsidiaries ("the Group"), which are presented on pages 11 to 70 and comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, and the consolidated income statement and statements of other comprehensive income, changes in equity and cash flows of the Group, and the income statement, and statements of comprehensive income, changes in equity and cash flows of the Company for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the separate financial statements of the Company give a true and fair view of the financial position of the Group and the Company, respectively, as at 31 December 2018, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") and the requirements of the Cyprus Companies Law, Cap. 113 as amended from time to time (the "Companies Law, Cap. 113").

##### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the consolidated and separate financial statements" section of our report. We remained independent of the Group throughout the period of our appointment in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants ("IESBA Code"), and the ethical requirements in Cyprus that are relevant to our audit of the consolidated and the separate financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



# ASBISC ENTERPRISES PLC

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and the separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and the separate financial statements, as a whole, and in forming our opinion thereon and we do not provide a separate opinion on these matters.

<i>Key audit matter 1 - Investments in subsidiaries</i>	
Refer to Notes 2 and 10 to the financial statements	
<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
There is a risk of irrecoverability of the Company's investments in subsidiaries. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of recoverability, significant judgment is required.	Our audit procedures included testing of the principles and integrity of the Company's valuation model. These included evaluating the methodology and assumptions used by the Company and comparing the Company's assumptions to our own assessments in relation to key inputs.
<i>Key audit matter 2 - Valuation of inventory</i>	
Refer to Notes 2 and 13 to the financial statements	
<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
There is an increased need to hold inventory to serve as a buffer in anticipation of customer needs. Given that the IT industry is characterized by rapid changes in technology and short product shelf lives, inventory may rapidly become obsolete. Significant judgment is required in determining the appropriate carrying amount of inventories.	Our audit procedures included understanding and evaluating the process applied by the Company and the Group in the determination of the impairment provision. We tested the accuracy of the inventory ageing report and we assessed the ageing of inventory, inventory levels and selling prices by reference to post year-end sales and price lists for a sample of inventory items and by comparing year on year key indicators, including stock turnover and gross profit margins.
<i>Key audit matter 3 - Valuation of trade receivables</i>	
Refer to Notes 2 and 14 to the financial statements	
<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Company and the Group have significant trade receivables as at the year end. Due to the market developments following the credit crisis that affected all countries the Group operates in, credit risk is an important factor that might impact results. Despite the fact that a large portion of these is credit insured, credit insurance companies are becoming more risk averse in granting credit limits to customers. Given the size of trade receivables and the risk that some of them may not be recoverable, significant judgment is required to estimate the level of the allowance required to reflect the risk.</p> <p>In addition the (first time) adoption of IFRS 9 could increase the risk of misstatement as it is a new and complex accounting standard which requires considerable judgments to be made. Specifically, a new model has been developed by management to calculate IFRS 9 impairment losses applying judgement in a number of significant areas, in particular around the calculation of Expected Credit Losses. The model's processes and data have not been subject to testing previously.</p>	<p>Our audit procedures included understanding and evaluating the process applied by the Company and the Group in the determination of the impairment provision. We tested the accuracy of the trade receivables ageing report and we discussed with the responsible credit officers and the responsible Company director the recoverability and the procedures followed for the collection of significant overdue balances. For a sample of balances, we assessed the recoverability of overdue amounts by reference to subsequent receipts from customers or, where there were no subsequent receipts, to sales and payment track records, we inspected relevant correspondence with customers and legal advisors, as applicable, and inspected insurance documents for the insured customers.</p> <p>We also evaluated the reasonableness of management's key judgements made in applying IFRS 9 on the calculation of impairment losses, including the selection of method, model, assumptions and data sources and in particular around the calculation of Expected Credit Losses. We tested the mathematical accuracy of the model and assessed the completeness, accuracy and relevance of the data and assessed whether the related financial statements disclosure was in line with the requirements of IFRS 9.</p>

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## ***Reporting on other information***

The Board of Directors is responsible for the other information. The other information comprises the Directors' report on the Group operations part I and part II (pages 3-56); and the management report (pages 3 to 5) but does not include the consolidated and the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as required by the Companies Law, Cap.113.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

With regards to "Directors' report on the Group operations part I and part II" we have nothing to report.

With regards to the management report, our report is presented in the "Report on other legal and regulatory requirements" section.

## ***Responsibilities of the Board of Directors and those charged with governance for the consolidated and separate financial statements***

The Board of Directors is responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with IFRS-EU and the requirements of the 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 misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the Board of Directors is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to either liquidate the Group or the Company or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Company's financial reporting process.

## ***Auditor's responsibilities for the audit of the consolidated and separate financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information business activities of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

# ASBISC ENTERPRISES PLC

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate to them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on other regulatory and legal requirements

### ***Other regulatory requirements***

Pursuant to the requirements of Article 10(2) of EU Regulation 537/2014, we provide the following information, which is required in addition to the requirements of ISAs.

#### *Date of our appointment and period of engagement*

We were first appointed auditors by the General Meeting of the Company's members on June 2012 to audit the consolidated and separate financial statements of the Group and the Company, respectively. Our total uninterrupted period of engagement is 7 years covering the periods ending 30 June 2012 to 31 December 2018.

#### *Consistency of the auditors' report and the additional reports to the Audit Committee and to the Board of Directors*

We confirm that our audit opinion is consistent with the additional reports presented to the Audit Committee dated 7 December 2018 and to the Board of Directors dated 27 March 2019. Refer also to the 'Other matters' section of our report.

#### *Provision of non-audit services ("NAS")*

We have not provided any prohibited NAS referred to in Article 5 of EU Regulation 537/2014 as applied by Section 72 of the Auditors Law of 2017, L.53(I)2017, as amended from time to time ("Law L53(I)/2017"). In addition, there are no non-audit services which were provided by us to the Group and which have not been disclosed in the consolidated and separate financial statements.

### ***Other legal requirements***

Pursuant to the additional requirements of law L.53(I)2017, and based on the work undertaken in the course of our audit, we report the following:

- In our opinion, the management report, the preparation of which is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Companies Law, Cap. 113, and the information given is consistent with the consolidated and separate financial statements.
- In the light of the knowledge and understanding of the business and the Group's and the Company's environment obtained in the course of the audit, we have not identified material misstatements in the management report.
- In our opinion, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Companies Law, Cap. 113, and which is also published in full on the Company's website, has been prepared in accordance with the requirements of the Companies Law, Cap. 113, and is consistent with the consolidated financial statements.
- In our opinion, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Companies Law, Cap. 113.

### ***Other matters***

#### *Reporting responsibilities*

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of Law L53(I)/2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

#### *Audit committee*

One of the two members of the audit committee resigned on 26 March 2019 and has not yet been replaced by the Board of Directors.

# ASBISC ENTERPRISES PLC

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The engagement partner on the audit resulting in this independent auditors' report is Sylvia A. Loizides.

*Sylvia A. Loizides*

Certified Public Accountant and Registered Auditor  
for and behalf of

KPMG Limited  
Certified Public Accountants and Registered Auditors

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

Limassol, 27 March 2018

# ASBISC ENTERPRISES PLC

## CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

(in thousands of US\$)

	Note	2018 US\$	2017 US\$
<b>Revenue</b>	3	2,069,564	1,484,913
Cost of sales		<u>(1,971,471)</u>	<u>(1,408,177)</u>
<b>Gross profit</b>		98,093	76,736
Selling expenses		(46,030)	(34,745)
Administrative expenses		<u>(22,653)</u>	<u>(17,585)</u>
<b>Profit from operations</b>		29,410	24,406
Financial income	6	4,452	1,598
Financial expenses	6	(18,622)	(16,006)
Other gains and losses	4	(81)	(985)
Share of loss of equity-accounted investees		<u>(30)</u>	<u>-</u>
<b>Profit before tax</b>	5	15,129	9,013
Taxation	7	<u>(3,092)</u>	<u>(2,104)</u>
<b>Profit for the year</b>		<u>12,037</u>	<u>6,909</u>
<b>Attributable to:</b>			
Equity holders of the parent		12,037	6,956
Non-controlling interests		<u>-</u>	<u>(47)</u>
		<u>12,037</u>	<u>6,909</u>
		US\$ cents	US\$ cents
<b>Earnings per share</b>			
Basic and diluted from continuing operations		<u>21.69</u>	<u>12.53</u>

The notes on pages 20 to 70 form an integral part of these consolidated financial statements.

# ASBISC ENTERPRISES PLC

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## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018 *(in thousands of US\$)*

	<b>2018 US\$</b>	<b>2017 US\$</b>
<b>Profit for the year</b>	<u>12,037</u>	<u>6,909</u>
<b>Other comprehensive (loss)/income:</b>		
Exchange difference on the translation of foreign operations	(997)	3,165
Reclassification adjustments relating to foreign operations liquidated and disposed of in the year	<u>(154)</u>	<u>7</u>
<b>Other comprehensive (loss)/income for the year</b>	<u>(1,151)</u>	<u>3,172</u>
<b>Total comprehensive income</b>	<u><u>10,886</u></u>	<u><u>10,081</u></u>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the parent	10,903	10,098
Non-controlling interests	<u>(17)</u>	<u>(17)</u>
	<u><u>10,886</u></u>	<u><u>10,081</u></u>

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The notes on pages 20 to 70 form an integral part of these consolidated financial statements.

# ASBISC ENTERPRISES PLC

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

(in thousands of US\$)

	Notes	2018 US\$	2017 US\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	25,250	24,533
Intangible assets	9	3,068	3,164
Financial assets at fair value through other comprehensive income	12	-	12
Equity-accounted investees	11	336	-
Goodwill	31	400	419
Deferred tax assets	21	133	228
<b>Total non-current assets</b>		<u>29,187</u>	<u>28,356</u>
<b>Current assets</b>			
Inventories	13	180,211	144,980
Trade receivables	14	174,580	238,192
Other current assets	15	16,859	18,127
Derivative financial asset	26	1,088	373
Current taxation	7	451	493
Cash at bank and in hand	27	101,425	93,401
<b>Total current assets</b>		<u>474,614</u>	<u>495,566</u>
<b>Total assets</b>		<u><u>503,801</u></u>	<u><u>523,922</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	16	11,100	11,100
Share premium		23,518	23,518
Retained earnings and other components of equity		64,340	59,542
Equity attributable to owners of the parent		98,958	94,160
Non-controlling interests		275	308
<b>Total equity</b>		<u>99,233</u>	<u>94,468</u>
<b>Non-current liabilities</b>			
Long term borrowings	18	87	169
Other long term liabilities	19	578	369
Deferred tax liabilities	21	34	60
<b>Total non-current liabilities</b>		<u>699</u>	<u>598</u>
<b>Current liabilities</b>			
Trade payables		208,145	253,021
Other current liabilities	22	46,938	38,083
Short term borrowings	17	146,566	136,492
Derivative financial liability	25	358	739
Current taxation	7	1,862	521
<b>Total current liabilities</b>		<u>403,869</u>	<u>428,856</u>
<b>Total liabilities</b>		<u>404,568</u>	<u>429,454</u>
<b>Total equity and liabilities</b>		<u><u>503,801</u></u>	<u><u>523,922</u></u>

Signed on behalf of the Board of Directors on 27 March 2019.

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

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

# ASBISC ENTERPRISES PLC

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

(in thousands of US\$)

	Attributable to equity holders of the parent					Total US\$	Non-controlling interests US\$	Total US\$
	Share capital US\$	Share premium US\$	Treasury stock US\$	Translation of foreign operations US\$	Retained earnings US\$			
<b>Balance at 1 January 2017</b>	11,100	23,518	(14)	(13,341)	64,464	85,727	167	85,894
<i>Total comprehensive income</i>								
Profit/(loss) for the year	-	-	-	-	6,956	6,956	(47)	6,909
Other comprehensive income for the year	-	-	-	3,142	-	3,142	31	3,173
<i>Transactions with owners of the Company</i>								
Changes in ownership interests								
Minority interest on establishment of new subsidiary	-	-	-	-	-	-	157	157
Contributions and distributions								
Final dividend declared (Note 35)	-	-	-	-	(1,665)	(1,665)	-	(1,665)
<b>Balance at 31 December 2017</b>	11,100	23,518	(14)	(10,199)	69,755	94,160	308	94,468
<i>Total comprehensive income</i>								
Profit for the year	-	-	-	-	12,037	12,037	-	12,037
Other comprehensive loss for the year	-	-	-	(1,135)	-	(1,135)	(16)	(1,151)
<i>Transactions with owners of the Company</i>								
Changes in ownership interests								
Minority interest on establishment of new subsidiary	-	-	-	-	-	-	(16)	(16)
Contributions and distributions								
Final dividend declared (Note 35)	-	-	-	-	(6,105)	(6,105)	-	(6,105)
<b>Balance at 31 December 2018</b>	<u>11,100</u>	<u>23,518</u>	<u>(14)</u>	<u>(11,334)</u>	<u>75,688</u>	<u>98,958</u>	<u>276</u>	<u>99,233</u>

The retained earnings shown above at 31 December 2018 were readily distributable up to the amount of US\$ 28,388 which represents the retained earnings of the Company. The remaining amount in retained earnings of US\$ 47,299 represents the earnings retained in the subsidiary companies of the Group. Share premium represents the difference between the issue price of the shares of the Company and their nominal value. The share premium can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law, Cap. 113 on reduction of share capital. The translation reserve comprises all foreign currency differences from the translation of the financial statements of foreign operations.

Treasury stock represents the remaining balance of own shares bought back during 2011 and 2012 (note 16).

The notes on pages 20 to 70 form an integral part of these consolidated financial statements.



# ASBISC ENTERPRISES PLC

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

(in thousands of US\$)

	Note	2018 US\$	2017 US\$
<b>Profit for the year before tax</b>		15,130	9,013
Adjustments for:			
Exchange difference arising on consolidation		(690)	1,441
Depreciation of property, plant and equipment	8	1,562	1,520
Amortization of intangible assets	9	1,005	716
Impairment losses on intangible assets and goodwill	4	360	1,232
Provision for slow moving and obsolete stock	13	(1,483)	(2,502)
Share of loss of equity-accounted investees	11	30	-
Profit from the sale of property, plant and equipment and intangible assets	4	(25)	(28)
Provision for bad debts and receivables written off	14	(2,256)	(2,107)
Bad debts recovered	4	(51)	(12)
Loss on disposal of financial assets through other comprehensive income	12	12	-
Interest received	6	(137)	(49)
Interest paid	6	4,317	4,075
<b>Operating profit before working capital changes</b>		17,774	13,299
Increase in inventories		(33,513)	(28,621)
Decrease/(increase) in trade receivables		65,919	(15,006)
Decrease/(increase) in other current assets		865	(431)
(Decrease)/increase in trade payables		(46,586)	50,983
Increase in other current liabilities		8,473	11,876
Increase in other non-current liabilities		209	56
(Decrease)/increase in factoring creditors		(18,694)	15,089
<b>Cash inflows from operations</b>		(5,553)	47,245
Interest paid	6	(4,317)	(4,075)
Taxation paid, net	7	(1,556)	(1,059)
<b>Net cash inflows from operating activities</b>		(11,426)	42,111
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	9	(1,017)	(928)
Purchase of property, plant and equipment	8	(1,997)	(1,404)
Payment for purchase of investments in associate		111	120
Write-offs from sale of property, plant and equipment and intangible assets		(366)	-
Interest received	6	137	49
<b>Net cash outflows from investing activities</b>		(3,132)	(2,163)
<b>Cash flows from financing activities</b>			
Payment of final dividend		(6,105)	(1,665)
Repayments of long-term loans and long-term obligations under finance lease		(82)	(1,015)
Proceeds of short-term borrowings and short-term obligations under finance lease		32,921	2,126
<b>Net cash outflows from financing activities</b>		26,734	(554)
<b>Net increase in cash and cash equivalents</b>		12,176	39,394
<b>Cash and cash equivalents at beginning of the year</b>		45,933	6,537
<b>Cash and cash equivalents at the end of the year</b>	27	58,109	45,933

The notes on pages 20 to 70 form an integral part of these consolidated financial statements.

# ASBISC ENTERPRISES PLC

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## PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

(in thousands of US\$)

	Note	2018 US\$	2017 US\$
<b>Revenue</b>	3	1,625,197	1,072,522
Cost of sales		<u>(1,600,008)</u>	<u>(1,059,165)</u>
<b>Gross profit</b>		25,189	13,357
Selling expenses		(5,066)	(5,746)
Administrative expenses		<u>(7,678)</u>	<u>(5,896)</u>
<b>Profit from operations</b>		12,445	1,715
Financial income	6	4,675	1,264
Financial expenses	6	(5,415)	(5,192)
Other gains and losses		5,145	4,900
Share of loss of equity-accounted investees	11	<u>(26)</u>	-
<b>Profit before tax</b>	5	16,824	2,687
Taxation	7	<u>(1,666)</u>	<u>(617)</u>
<b>Profit for the year</b>		15,158	2,070
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<u>15,158</u>	<u>2,070</u>

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The notes on pages 20 to 70 form an integral part of these consolidated financial statements.

# ASBISC ENTERPRISES PLC

## PARENT COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 (in thousands of US\$)

	Notes	2018 US\$	2017 US\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	5,269	5,357
Intangible assets	9	2,729	2,749
Investment in subsidiary companies	10	9,529	12,016
Equity-accounted investees		54	-
Deferred tax assets	21	243	369
<b>Total non-current assets</b>		<u>17,824</u>	<u>20,491</u>
<b>Current assets</b>			
Inventories	13	80,158	56,290
Trade receivables	14	20,166	39,004
Other current assets	15	134,145	80,520
Derivative financial asset	26	1,050	-
Cash at bank and in hand	27	46,600	66,595
<b>Total current assets</b>		<u>282,119</u>	<u>242,409</u>
<b>Total assets</b>		<u>299,943</u>	<u>262,900</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	16	11,100	11,100
Share premium		23,518	23,518
Retained earnings and other components of equity		28,375	19,322
<b>Total equity</b>		<u>62,993</u>	<u>53,940</u>
<b>Non-current liabilities</b>			
Long term borrowings	18	-	61
Deferred tax liabilities	21	276	317
<b>Total non-current liabilities</b>		<u>276</u>	<u>378</u>
<b>Current liabilities</b>			
Trade payables		150,086	182,389
Other current liabilities	22	45,820	18,443
Short term borrowings	17	38,880	7,111
Derivative financial liability	25	307	639
Current taxation	7	1,581	-
<b>Total current liabilities</b>		<u>236,674</u>	<u>208,582</u>
<b>Total liabilities</b>		<u>236,950</u>	<u>208,960</u>
<b>Total equity and liabilities</b>		<u>299,943</u>	<u>262,900</u>

The financial statements were approved by the Board on 27 March 2019.

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

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

The notes on pages 20 to 70 form an integral part of these consolidated financial statements.

# ASBISC ENTERPRISES PLC

## PARENT COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

(in thousands of US\$)

	Share capital US\$	Share premium US\$	Treasury stock US\$	Retained earnings US\$	Total US\$
<b>Balance at 1 January 2017</b>	11,100	23,518	(14)	18,931	53,535
<i>Total comprehensive income</i>					
Profit for the year	-	-	-	2,070	2,070
Final dividend declared (Note 35)	-	-	-	(1,665)	(1,665)
<b>Balance at 31 December 2017</b>	11,100	23,518	(14)	19,336	53,940
<i>Total comprehensive income</i>					
Profit for the year	-	-	-	15,158	15,158
<i>Transactions with owners of the Company</i>					
Contributions and distributions					
Final dividend declared (Note 35)	-	-	-	(6,105)	(6,105)
<b>Balance at 31 December 2018</b>	<u>11,100</u>	<u>23,518</u>	<u>(14)</u>	<u>28,389</u>	<u>62,993</u>

The retained earnings shown above at 31 December 2018 were readily distributable up to the amount of US\$ 28,388 which represents the retained earnings of the Company. Treasury stock represents the remaining balance of own shares bought back during 2015 (note 16). Share premium represents the difference between the issue price of the shares and their nominal value. The share premium can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law, Cap. 113 on reduction of share capital.

Companies which do not distribute 70% of their profits after tax, as defined by the relevant Cyprus 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 defense at 17% is payable on such deemed dividends to the extent that the ultimate shareholders (physical persons) are Cyprus domiciled tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defense is payable by the Company for the account of the shareholders.

Dividends paid to non-Cyprus tax resident shareholders are not subject to withholding tax in Cyprus. Dividends paid to Cyprus tax resident domiciled physical persons are subject to withholding tax at the above rates. Treasury stock represents the remaining balance of own shares bought back during 2011 and 2012 (note 16).

# ASBISC ENTERPRISES PLC

## PARENT COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

(in thousands of US\$)

	Note	2018 US\$	2017 US\$
<b>Profit for the year before tax</b>		16,824	2,687
Adjustments for:			
Depreciation of property, plant and equipment	8	311	330
Amortization of intangible assets	9	924	600
Impairment loss on investments in subsidiaries		2,297	-
Profit from the sale of property, plant and equipment and intangible assets	4	-	(9)
Provision for bad debts and receivables written off	14	237	(1,102)
Bad debts recovered	4	(46)	-
Provision for slow moving and obsolete stock	13	(1,825)	(2,399)
Dividend income	4	(1,666)	(379)
Interest received	6	(81)	(42)
Interest paid	6	550	590
<b>Operating profit before working capital changes</b>		17,525	276
Increase in inventories		(22,042)	(15,965)
Decrease in trade receivables		18,645	9,025
Increase in other current assets		(54,675)	(9,836)
(Increase)/decrease in trade payables		(32,302)	53,077
Decrease in other current liabilities		27,045	9,720
Decrease in factoring creditors		2,147	4,884
<b>Cash inflows from operations</b>		(43,657)	51,181
Interest paid	6	(550)	(590)
Taxation paid, net	7	(1)	(25)
<b>Net cash (outflows)/inflows from operating activities</b>		(44,208)	50,566
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	9	(974)	(637)
Purchase of property, plant and equipment	8	(224)	(357)
Proceeds from sale of property, plant and equipment and intangible assets		70	9
Interest received	6	81	42
Dividends received	4	1,666	379
Net increase in investment in joint ventures		(54)	-
Net decrease/(increase) in investment in subsidiary companies	10	191	(656)
<b>Net cash inflows/(outflows) from investing activities</b>		756	(1,220)
<b>Cash flows from financing activities</b>			
Dividends paid	35	(6,105)	(1,665)
Repayments of long term loans		(61)	(173)
(Repayments)/proceeds of short term borrowings		29,960	36
<b>Net cash outflows from financing activities</b>		23,794	(1,803)
<b>Net (decrease)/increase in cash and cash equivalents</b>		(19,658)	47,544
<b>Cash and cash equivalents at beginning of the year</b>		65,305	17,761
<b>Cash and cash equivalents at the end of the year</b>	27	45,647	65,305

The notes on pages 20 to 70 form an integral part of these consolidated financial statements.

# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

*(in thousands of US\$)*

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

Asbisc Enterprises Plc (the "Company or "the parent Company") was incorporated in Cyprus on 9 November 1995 with limited liability. The Group's and the Company's principal activity is the trading and distribution of computer hardware and software in a number of geographical regions as disclosed in note 24. The main shareholder of the Company is K.S. Holdings Limited, a Company incorporated in Cyprus. The details of the Company's registered office are disclosed on page 1.

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

### **2. Significant accounting policies**

#### **Changes in significant accounting policies**

Except as described below, the accounting policies adopted for the preparation of these consolidated and separate financial statements for the twelve months ended 31 December 2018 are consistent with those followed for the preparation of the annual financial statements for the year 2017.

The Group and the Company has initially adopted IFRS 15 and IFRS 9 from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group's financial statements.

#### *A. IFRS 15 Revenue from Contracts with Customers*

IFRS 15 establishes comprehensive framework for determining whether, how much and when revenue is recognized. It replaces IAS 18 Revenue and related interpretations. There was no material impact on the Group's and the Company's statement of financial position as at 31 December 2018, statement of profit or loss and other comprehensive income and statement of cash flows for the twelve months ended 31 December 2018. Accordingly, the information presented for year ended 31 December 2017, has not been restated.

#### *B. IFRS 9 Financial Instruments*

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces *IAS 39 Financial Instruments: Recognition and Measurement*.

The details of the new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

#### *i. Classification and measurement of financial assets and financial liabilities*

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities, but it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. However, although there is a reclassification impact on the financial statements there is no monetary impact, as follows:

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (in thousands of US\$)

### 2. Significant accounting policies (continued)

Financial assets	Original classification under IAS 39	New classification under IFRS 9	The Group		The Company	
			Original carrying amount under IAS 39	New carrying amount under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets at fair value through other comprehensive income	Available-for-sale	FVOCI – equity instrument	-	-	-	-
Trade receivables	Loans and receivables	Amortized cost	174,580	174,580	20,166	20,166
Derivative financial asset	Fair value – hedging instrument	Fair value – hedging instrument	1,088	1,088	1,050	1,050
Cash at bank and in hand	Loans and receivables	Amortized cost	101,425	101,425	46.600	46.600
<b>Total financial assets</b>			<b>277,093</b>	<b>277,093</b>	<b>67,816</b>	<b>67,816</b>

#### ii. Impairment of financial assets – impact of the new impairment model on trade receivables

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has calculated the expected credit losses related to trade receivables and determined that the application of IFRS 9 impairment requirements at 1 January 2018 does not have a material effect on the financial statements.

### Statement of compliance

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

The financial statements were approved by the Board of Directors and authorized for issue on 27 March 2019.

### 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.

The financial statements are presented in US dollars (USD), and all values are presented in USD thousand unless otherwise stated.

#### Use of estimates and judgements

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

# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 *(in thousands of US\$)*

### **2. Significant accounting policies (continued)**

Information about judgments made in applying accounting policies and 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 in note 2 on pages 34 and 36.

#### **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 2018. This adoption did not have a material effect on the financial statements of the Company.

The following Standards, Amendments to Standards and Interpretations, that may be relevant to the Company/Group, had been issued but were not yet effective for the year ended 31 December 2018. The Company/Group does not plan to adopt these early:

#### **(i) Issued by the IASB and adopted by the European Union**

##### **New standards**

- IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRSs 2015-2017 Cycle (issued on 12 December 2017) (effective for annual periods beginning on or after 1 January 2019)
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (issued on 7 February 2018) (effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017) (effective for annual periods beginning on or after 1 January 2019).
- IFRIC 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019).
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019).

#### **(ii) Issued by the IASB but not yet adopted by the European Union**

##### **New standards**

- IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2021).
- Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018) (effective for annual periods beginning on or after 1 January 2020).
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020)
- Amendment to IFRS 3 Business Combinations (issued on 22 October 2018) (effective for annual periods beginning on or after 1 January 2020)

Although the assessment made by the Group to date is preliminary as not all transition work requirements have been finalized and therefore may be subject to adjustments, the Board of Directors expects that other than the below and the resulting increased disclosure, the adoption of these financial reporting standards in future periods will not have a material effect on the financial statements of the Company.



# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

*(in thousands of US\$)*

### **2. Significant accounting policies (continued)**

#### **IFRS 16 Leases**

IFRS 16, published in January 2016, replaces the existing IAS 17 Leases. IFRS 16 changes fundamentally the accounting for leases by lessees. It eliminates the current IAS 17 dual accounting model, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases and, instead, introduces a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice i.e. lessors continue to classify leases as finance and operating leases. Sale-and-leaseback is effectively eliminated as an off-balance sheet financing structure.

*Leases in which the Company is a lessee*

### **2. Significant accounting policies (continued)**

The Group and the Company will recognize new assets and liabilities for its operating leases of office buildings and premises. The nature of expenses related to those leases will now change because the Group and the Company will recognize a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Currently, the Group and the Company has recognized operating lease expense on a straight-line basis over the term of the lease, and has recognized assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognized.

#### *Transition*

The Group and the Company plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Group and the Company plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

Based on the information currently available, the Company estimates that it will recognize additional leasehold asset and lease liabilities of approximately US\$ 4,500 as at 1 January 2019.

#### **Basis of consolidation**

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

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal as appropriate.

Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

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

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

# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 *(in thousands of US\$)*

### **2. Significant accounting policies (continued)**

#### *Business combinations*

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

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

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized 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 recognized 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 Noncurrent Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

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

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between

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

#### ***Investments in subsidiary and associates***

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

# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (in thousands of US\$)

### 2. Significant accounting policies (continued)

#### *Goodwill*

Goodwill arising in a business combination is recognized 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 recognized 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 recognized for goodwill is not reversed in a subsequent period.

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

#### **Segmental reporting**

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

#### **Revenue recognition**

The Group recognises revenue mainly from the following major sources:

- Sale of goods
- Sale of optional warranties related to the aforementioned products
- Sale of software licenses

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer. The Group recognizes revenue when it transfers control of a product to a customer.

#### *Sale of goods*

The Group sells IT components and finished products mainly to small-medium businesses and retail market. 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. Based on historical data and using the "most likely amount" method, the expected returns for the year were of insignificant value. Therefore, a significant reversal of revenue was not expected and the effect of the returns was recorded as occurred.

Revenue from the sale of goods is recognized when the control of the product is transferred to the customer. The point in time at which the control is transferred and the performance obligation is considered as satisfied, is decided based on the incoterms of each sale of goods and also by considering the following indicators:

# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (in thousands of US\$)

### 2. Significant accounting policies (continued)

- the entity has a present right to payment for the asset
- the customer has legal title to the asset
- the entity has transferred physical possession of the asset
- the customer has the significant risks and rewards related to the ownership of the asset and
- the customer has accepted the asset.

More specifically, for each of the most used incoterms, revenue is recognized at the following point in time:

- Ex-works (EXW) - when the goods become available to the buyer
- Carriage-paid-to (CPT) – when the goods have been delivered to the carrier
- Carriage-and-insurance-paid-to (CIP) - when the goods have been delivered to the carrier
- Free carrier (FCA) - when the goods have been delivered to the carrier at a named place

#### *Sale of optional warranties*

The Group sells optional warranties only when the vendor offers this option. Since it is the vendor that has the ultimate liability regarding the optional warranties sold, the performance obligation is considered satisfied upon sale and the related revenue is recognized immediately.

#### *Sale of software licenses*

The Group sells licenses only for software created by third parties. Since the Group acts just as the distributor of the licenses, the performance obligation is considered satisfied upon sale and the related revenue is recognized immediately.

#### *Dividend and interest income*

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

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

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

### **Borrowing costs**

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

### **Employee benefits**

#### *Defined contribution pension plans*

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

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

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

# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 *(in thousands of US\$)*

### **2. Significant accounting policies (continued)**

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

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

#### **Foreign currencies**

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

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

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

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

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

#### **Tax**

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

##### *Current tax*

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

# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 *(in thousands of US\$)*

### **2. Significant accounting policies (continued)**

#### *Deferred tax*

Deferred tax is recognized 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 utilized. Such deferred tax assets and liabilities are not recognized if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, 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 recognized as an expense or income in profit or loss, except when they relate to items that are recognized in other comprehensive income, in which case the tax is also recognized in equity.

### **Dividend distribution**

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

### **Property, plant and equipment**

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

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

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

Leasehold property	Over the remaining period of the right for usage of the land
Buildings	46 - 100 years
Computer hardware	5 years
Warehouse machinery	3 - 5 years
Motor vehicles	5 years
Furniture, fittings and office equipment	10 years

No depreciation is provided on land.

# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 *(in thousands of US\$)*

### **2. Significant accounting policies (continued)**

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

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

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

#### Intangible assets

Intangible assets consist of computer software, patents and licenses which are stated at cost less accumulated amortization and accumulated impairment losses. Amortization 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 licenses	3 years

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

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

#### **Repairs and maintenance**

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

#### **Impairment of tangible and intangible assets excluding goodwill**

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-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 recognized 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 recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (in thousands of US\$)

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

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

##### Operating leases

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

#### Financial instruments

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

##### Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized 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.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

##### *(i) Classification and subsequent measurement*

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair Value through Other Comprehensive Income – debt investment; Fair Value through Other Comprehensive Income – equity investment; or Fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.



# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (in thousands of US\$)

### 2. Significant accounting policies (continued)

- *Financial assets at FVTPL*

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

- *Financial assets at amortized cost*

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. Financial assets at amortized cost comprise of the following:

Trade receivables including factored trade receivables

The Group enters 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 statement of financial position under current liabilities until the date of settlement by the debtors. Factoring expenses are charged to the statement of comprehensive income.

Loans granted

Loans granted by the Company/Group to the borrower are categorized as loans. All loans are recognized when cash is advanced to the borrower.

Cash and cash equivalents

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

- *Debt investments at FVOCI*

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss

- *Equity investments at FVOCI*

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss

#### (ii) *Derecognition*

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial assets.

The Group enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (in thousands of US\$)

### 2. Significant accounting policies (continued)

#### Financial liabilities

##### (i) *Classification and subsequent measurement*

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

##### *Financial guarantee contracts*

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

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

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

##### *Bank borrowings*

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

##### (ii) *Derecognition*

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

##### Effective interest method

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

# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 *(in thousands of US\$)*

### 2. Significant accounting policies (continued)

#### Inventories

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

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

#### Provisions

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

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

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

#### Warranties

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

#### Impairment

##### (i) Financial assets

IFRS9 replaces the 'incurred loss' model in IAS39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt instruments at FVOCI but not to investments in equity instruments. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

*(in thousands of US\$)*

### **2. Significant accounting policies (continued)**

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

#### (ii) Non-financial assets

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

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

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

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

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

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

# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 *(in thousands of US\$)*

### **2. Significant accounting policies (continued)**

#### *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 IFRS 15 Revenue from Contracts with Customers and, in particular, whether the Company/Group had transferred to the buyer the significant risks and rewards of ownership of the goods. The timing of the transfer of control is decided based on related incoterms. 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 Company/Group reviews its trade and other receivables for evidence of their recoverability. Such evidence includes the customer's payment record, the customer's overall financial position and expected recovery from credit insurance. If indications of recoverability 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.

#### *Calculation of loss allowance*

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Loss rates are calculated separately for exposures in different segments which share common credit risk characteristics and are based on actual credit loss experience over the past four years. Significant customers, if any, are assessed individually.

#### *Provision for obsolete and slow-moving inventory*

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

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

#### *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 amortization rates.

# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

*(in thousands of US\$)*

### **2. Significant accounting policies (continued)**

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

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

#### *Warranty provisions*

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

#### *Impairment of goodwill*

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

#### *Income taxes*

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

# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (in thousands of US\$)

### 3. Revenue

#### 3.1 Disaggregation of revenue from contracts with customers

Analysis of revenue by category under revenue recognition guidance effective from 1 January 2018:

	The Group		The Company	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
Sales of goods	1,994,587	1,414,397	1,622,776	1,070,259
Sales of optional warranty	60,054	58,383	88	249
Sales of licenses	14,704	12,133	1,857	1,647
Rendering of services	219	-	476	367
Total revenue from contracts with customers	<u>2,069,564</u>	<u>1,484,913</u>	<u>1,625,197</u>	<u>1,072,522</u>

#### Revenue analysis by geographical market

#### The Group and the Company

The Group operates as a trader and distributor of computer hardware and software in a number of geographical regions. The following table shows an analysis of the Group's sales by geographical market, irrespective of the origin of the goods.

	The Group		The Company	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
Former Soviet Union	1,085,558	719,388	909,015	631,863
Central Eastern Europe	575,107	496,007	352,551	233,663
Middle East & Africa	202,664	162,610	181,232	119,819
Western Europe	163,672	93,666	147,681	76,137
Other	42,563	13,242	34,718	11,040
Total revenue from contracts with customers	<u>2,069,564</u>	<u>1,484,913</u>	<u>1,625,197</u>	<u>1,072,522</u>

#### Timing of revenue recognition

Goods transferred at a point in time	2,069,345	1,484,913	1,624,721	1,072,155
Services transferred at a point in time	219	-	476	367
Total revenue from contracts with customers	<u>2,069,564</u>	<u>1,484,913</u>	<u>1,625,197</u>	<u>1,072,522</u>

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (in thousands of US\$)

### 3. Revenue (continued)

#### Revenue analysis by currency

	The Group		The Company	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
US Dollar	824,868	554,597	1,339,648	959,815
Euro	466,844	283,149	268,044	106,411
Russian Ruble	89,685	86,135	16,861	5,061
Ukraine Hryvnia	165,227	129,149	-	-
Kazakhstan Tenge	189,417	147,825	-	-
Czech Koruna	64,050	60,567	-	-
Romanian New Lei	48,565	48,278	-	-
Belarusian Ruble	104,384	70,504	-	-
Bulgarian Lev	33,420	28,978	-	-
Croatian Kuna	20,288	21,605	-	-
Hungarian Forint	25,926	20,588	-	-
Polish Zloty	5,425	3,458	85	486
Bosnian Mark	16,253	14,693	-	-
Other	15,212	15,387	559	749
	<u>2,069,564</u>	<u>1,484,913</u>	<u>1,625,197</u>	<u>1,072,522</u>

#### 3.2 Contract balances

	The Group		The Company	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
Trade and other receivables	<u>174,580</u>	<u>238,192</u>	<u>20,166</u>	<u>39,003</u>

#### The Group

Trade receivables are non-interest bearing. In 2018, US\$ 480 (2017: US\$ nil) was recognized as provision for expected credit losses on trade receivables.

Contract assets are initially recognized for revenue earned from provision of series of services as receipt of consideration is conditional on successful completion of these services. Upon completion of the services and acceptance by the customer, the amounts recognized as contract assets are reclassified to trade receivables. During 2018 and 2017, the impact of contract assets were not material at the Group level.

Contract liabilities primarily relates to the advance consideration received from customers for delivery of series of services for which revenue is recognized over time. During 2018 and 2017, the impact of contract liabilities were not material at the Group level.

#### The Company

Trade receivables are non-interest bearing. In 2018, US\$ 100 (2017: US\$ nil) was recognized as provision for expected credit losses on trade receivables.



# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (in thousands of US\$)

### 3. Revenue (continued)

#### The Group and the Company

Contract assets are initially recognized for revenue earned from provision of series of services as receipt of consideration is conditional on successful completion of these services. Upon completion of the services and acceptance by the customer, the amounts recognized as contract assets are reclassified to trade receivables. During 2018 and 2017, the impact of contract assets were not material at the Group level.

Contract liabilities primarily relates to the advance consideration received from customers for delivery of series of services for which revenue is recognized over time. During 2018 and 2017, the impact of contract liabilities were not material at the Group level.

### 4. Other gains and losses

	The Group		The Company	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
Dividend received	-	-	1,666	379
Profit on disposal of property, plant and equipment	25	28	-	9
Other net income	160	66	5,652	4,403
Bad debts recovered	51	12	46	-
Rental income	43	82	78	109
Impairment of investments	-	-	(2,297)	-
Impairment loss on goodwill (Note 31)	(360)	(1,173)	-	-
	<u>(81)</u>	<u>(985)</u>	<u>5,145</u>	<u>4,900</u>

### 5. Profit before tax

	The Group		The Company	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
Profit before tax is stated after charging :				
(a) Amortization of intangible assets (Note 9)	1,005	716	924	600
(b) Depreciation (Note 8)	1,562	1,520	311	330
(c) Auditors' remuneration – audit fees	378	392	225	257
(d) Directors' remuneration – executive (Note 28)	766	434	766	434
(e) Directors' remuneration – non-executive (Note 28)	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (in thousands of US\$)

### 6. Financial expense, net

	The Group		The Company	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
<b>Financial income</b>				
Interest income	137	49	40	-
Interest income from loans to subsidiary companies (Note 28)	-	-	42	42
Net exchange gain	-	-	1,010	-
Other financial income	4,315	1,549	3,583	1,222
	<u>4,452</u>	<u>1,598</u>	<u>4,675</u>	<u>1,264</u>
<b>Financial expense</b>				
Bank interest	4,317	4,075	551	590
Bank charges	2,257	1,645	869	491
Derivative charges	1,090	954	651	843
Factoring interest	6,497	6,616	539	319
Factoring charges	247	348	100	87
Other financial expenses	224	125	-	-
Other interest	2,773	2,072	2,705	1,830
Net exchange loss	1,217	171	-	1,032
	<u>18,622</u>	<u>16,006</u>	<u>5,415</u>	<u>5,192</u>
Net	<u>(14,170)</u>	<u>(14,408)</u>	<u>(740)</u>	<u>(3,928)</u>

### 7. Tax

	The Group		The Company	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
Receivables balance 1 January	26	(329)	-	-
Provision for the year	2,911	1,407	1,471	25
Under/(over) provision of prior year	121	(15)	111	-
Exchange difference on retranslation	(93)	24	-	-
Amounts paid, net	(1,556)	(1,059)	(1)	(25)
Net payable balance 31 December	<u>1,409</u>	<u>28</u>	<u>1,581</u>	<u>-</u>

	The Group		The Company	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
Tax receivable	(451)	(493)	-	-
Tax payable	1,862	521	1,581	-
Net	<u>1,411</u>	<u>28</u>	<u>1,581</u>	<u>-</u>

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

The Company and all Cyprus resident companies of the Group are subject to corporation tax at the rate of 12.5% (2017: 12.5%). The tax rates of subsidiaries in foreign jurisdictions range between 0% and 30%.

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

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(in thousands of US\$)

### 7. Tax (continued)

Bank interest received by the Company and all Cyprus resident companies of the Group are subject to defence tax of 30% (2017: 30%).

#### Tax charge for the year

	The Group		The Company	
	2018	2017	2018	2017
	US\$	US\$	US\$	US\$
Provisions and withholding tax for the year	2,911	1,407	1,471	25
(Over)/under provision of prior year	121	(15)	111	-
Deferred tax charge	60	712	84	592
Net	<u>3,092</u>	<u>2,104</u>	<u>1,666</u>	<u>617</u>

The charge for taxation is based on the Group's/Company's profits for the year as adjusted for tax purposes. The reconciliation of the charge for the year is as follows:

	The Group		The Company	
	2018	2017	2018	2017
	US\$	US\$	US\$	US\$
Profit before tax	<u>15,130</u>	<u>9,013</u>	<u>16,824</u>	<u>2,687</u>
Corporation tax thereon at the applicable tax rates	863	798	2,103	336
Tax on income not taxable in determining taxable profit	(1,755)	(2,213)	(511)	(48)
Effect of using tax losses brought forward	(616)	(371)	(614)	(375)
Effect of unused current year tax losses	1,574	331	-	-
Temporary differences	(609)	1,297	-	-
Tax charges and penalties	-	301	-	-
Tax on non-allowable expenses	<u>3,451</u>	<u>1,259</u>	<u>491</u>	<u>108</u>
	2,908	1,402	1,469	21
Special contribution to defense fund	3	4	3	4
Under/(over) provision of prior years	121	(15)	110	-
Deferred tax charge	60	712	84	592
<b>Tax charge</b>	<u>3,092</u>	<u>2,103</u>	<u>1,666</u>	<u>617</u>

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(in thousands of US\$)

### 8. Property, plant and equipment

The Group	Land and buildings US\$	Computer hardware US\$	Warehouse machinery US\$	Motor vehicles US\$	Furniture and fittings US\$	Office equipment US\$	Total US\$
<b>Cost at 1 January 2017</b>	23,786	6,036	375	2,021	2,332	2,712	37,262
Additions	138	522	34	362	117	232	1,405
Disposals	(324)	(144)	-	(204)	(42)	(54)	(768)
Foreign exchange difference on retranslation	1,605	370	-	115	171	156	2,417
<b>At 31 December 2017</b>	25,205	6,784	409	2,294	2,578	3,046	40,316
Additions	313	801	7	407	458	814	2,800
Disposals	(118)	(642)	-	(503)	(57)	(169)	(1,489)
Foreign exchange difference on retranslation	(580)	(197)	-	(74)	(87)	(102)	(1,040)
<b>At 31 December 2018</b>	24,820	6,746	416	2,124	2,892	3,589	40,587
<b>Accumulated depreciation</b>							
<b>At 1 January 2017</b>	3,764	4,828	155	1,445	1,843	2,016	14,051
Charge for the year	313	593	41	237	136	199	1,519
Disposals	(232)	(143)	-	(205)	(42)	(54)	(676)
Foreign exchange difference on retranslation	264	283	-	84	134	122	887
<b>At 31 December 2017</b>	4,109	5,561	196	1,561	2,071	2,283	15,781
Charge for the year	390	574	44	250	69	235	1,562
Disposals	(118)	(642)	-	(503)	(57)	(169)	(1,489)
Foreign exchange difference on retranslation	(106)	(210)	4	(54)	(68)	(83)	(517)
<b>At 31 December 2018</b>	4,275	5,283	244	1,254	2,015	2,266	15,337
<b>Net book value</b>							
At 31 December 2018	20,545	1,463	172	870	877	1,323	25,250
At 31 December 2017	21,096	1,223	213	733	507	763	24,535

Land and buildings are mortgaged for financing purposes. The cost of fully depreciated assets of the Group that are still in use amounted to US\$ 7,289 (2017: US\$ 7,098).

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(in thousands of US\$)

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

The Company	Land and buildings US\$	Computer hardware US\$	Motor vehicles US\$	Furniture and fittings US\$	Office equipment US\$	Total US\$
<b>Cost at 1 January 2017</b>	5,810	2,790	378	450	786	10,214
Additions	-	154	182	7	14	357
Disposals	-	(21)	(80)	-	-	(101)
<b>At 31 December 2017</b>	5,810	2,923	480	457	800	10,470
Additions	6	148	-	47	22	223
Disposals	-	(13)	(104)	-	-	(117)
<b>At 31 December 2018</b>	5,816	3,058	376	504	822	10,576
<b>Accumulated depreciation</b>						
<b>At 1 January 2017</b>	1,075	2,511	268	379	652	4,885
Charge for the year	60	137	66	16	50	329
Disposals	-	(21)	(80)	-	-	(101)
<b>At 31 December 2017</b>	1,135	2,627	254	395	702	5,113
Charge for the year	60	128	74	17	32	311
Disposals	-	(13)	(104)	-	-	(117)
<b>At 31 December 2018</b>	1,195	2,742	224	412	734	5,307
<b>Net book value</b>						
At 31 December 2018	4,621	316	152	92	88	5,269
At 31 December 2017	4,675	296	226	62	98	5,357

The land and buildings have been mortgaged as securities for financing purposes. The cost of fully depreciated assets of the Company that are still in use amounted to US\$ 2,856 (2017: US\$ 3,515).

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (in thousands of US\$)

### 9. Intangible assets

The Group	Computer software US\$	Patents and licenses US\$	Total US\$
<b>Cost at 1 January 2017</b>	8,201	2,501	10,702
Additions	843	85	928
Disposals/ write-offs	(118)	(114)	(232)
Foreign exchange difference on retranslation	69	43	112
<b>At 31 December 2017</b>	<u>8,995</u>	<u>2,515</u>	<u>11,510</u>
Additions	956	61	1,017
Disposals/ write-offs	(150)	(181)	(331)
Foreign exchange difference on retranslation	(55)	(12)	(67)
<b>At 31 December 2018</b>	<u>9,746</u>	<u>2,383</u>	<u>12,129</u>
<b>Accumulated amortization</b>			
<b>At 1 January 2017</b>	6,209	1,501	7,710
Charge for the year	433	283	716
Disposals/ write-offs	(118)	(55)	(173)
Foreign exchange difference on retranslation	66	27	93
<b>At 31 December 2017</b>	<u>6,590</u>	<u>1,756</u>	<u>8,346</u>
Charge for the year	725	280	1,005
Disposals/ write-offs	(150)	(95)	(245)
Foreign exchange difference on retranslation	(41)	(4)	(45)
<b>At 31 December 2018</b>	<u>7,124</u>	<u>1,937</u>	<u>9,061</u>
<b>Net book value</b>			
At 31 December 2018	<u>2,622</u>	<u>446</u>	<u>3,068</u>
At 31 December 2017	<u>2,405</u>	<u>759</u>	<u>3,164</u>

The cost of fully amortized intangibles of the Group that are still in use amounted to US\$ 4,397 (2017: US\$ 5,174).

The Company	Computer software US\$	Patents and licenses US\$	Total US\$
<b>Cost at 1 January 2017</b>	7,554	1,671	9,225
Additions	606	31	637
<b>At 31 December 2017</b>	<u>8,160</u>	<u>1,702</u>	<u>9,862</u>
Additions	962	12	974
Disposals/write offs	-	(70)	(70)
<b>At 31 December 2018</b>	<u>9,122</u>	<u>1,644</u>	<u>10,766</u>
<b>Accumulated amortization</b>			
<b>At 1 January 2017</b>	5,618	895	6,513
Charge for the year	372	228	600
<b>At 31 December 2017</b>	<u>5,990</u>	<u>1,123</u>	<u>7,113</u>
Charge for the year	681	243	924
<b>At 31 December 2018</b>	<u>6,671</u>	<u>1,366</u>	<u>8,037</u>
<b>Net book value</b>			
31 December 2018	<u>2,451</u>	<u>278</u>	<u>2,729</u>
31 December 2017	<u>2,170</u>	<u>579</u>	<u>2,749</u>

The cost of fully amortized intangible assets of the Company that are still in use amounted to US\$ 3,623 (2017: US\$ 4,310).

# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(in thousands of US\$)

### 10. Investments

#### Investment in subsidiary companies

	2018 US\$	2017 US\$
<b>The Company</b>		
Shares at cost of acquisition or written down value	9,529	12,016
Balance at 1 January	12,016	11,360
Impairment of investments (i)	(2,297)	-
Increase in investments (ii)	21	678
Liquidation of investments	(211)	-
Decrease in investments (iii)	-	(22)
At 31 December	<u>9,529</u>	<u>12,016</u>

(i) During 2018, the wholly owned subsidiary Asbis PL Sp. Z.o.o has ceased its operations, hence the impairment of the full amount of the respective investment.

(ii) In addition, the Company acquired the remaining 15% of the share capital of Asbis Cloud Ltd for the amount of US\$ 21.

During 2017, the Company increased its investment in its wholly owned subsidiary Asbis Ukraine Ltd for the amount of US\$ 300. The Company also acquired 65.85% and 85% of the share capital of ASBC LLC and Asbis Cloud Ltd respectively, and established I ON Ltd and ASBIS Service Ltd for a total of US\$ 378.

(iii) During 2017, the Company had a return of capital from its wholly owned subsidiary Asbis Vilnius UAB for the amount of US\$ 22.

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

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

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (in thousands of US\$)

### 10. Investments (continued)

Subsidiary Company	Country of incorporation	Percentage of participation	
		2018 %	2017 %
ASBIS UKRAINE LTD	Ukraine	100	100
ASBIS KAZAKHSTAN LLP	Kazakhstan	100	100
ASBIS PL SP. Z O.O.	Poland	100	100
ASBIS POLAND SP. Z.O.O	Poland	100	100
ASBIS ROMANIA SRL	Romania	100	100
ASBISC-CR D.O.O.	Croatia	100	100
ASBIS D.O.O.	Serbia	100	100
ASBIS HUNGARY COMMERCIAL LTD	Hungary	100	100
ASBIS BULGARIA LTD	Bulgaria	100	100
ASBIS CZ, SPOL S.R.O.	Czech Republic	100	100
ASBIS VILNIUS UAB	Lithuania	100	100
ASBIS D.O.O.	Slovenia	100	100
ASBIS ME FZE	United Arab Emirates	100	100
ASBIS SK SPOL S.R.O.	Slovakia	100	100
ASBIS LIMITED	Ireland	100	100
ASBC F.P.U.E.	Belarus	100	100
E.M. EURO-MALL LTD	Cyprus	100	100
ASBIS OOO	Russia	100	100
ASBIS MOROCCO SARL – dormant	Morocco	100	100
ASBIS LV SIA	Latvia	100	100
ASBIS KYPROS LIMITED	Cyprus	100	100
PRESTIGIO PLAZA LTD	Cyprus	100	100
PERENIO IoT SPOL S.R.O. (iv)	Czech Republic	100	100
EURO-MALL SRO	Slovakia	100	100
PRESTIGIO CHINA CORP.	China	100	100
EUROMALL BULGARIA EOOD – dormant (ii)	Bulgaria	100	100
ASBIS D.O.O.	Bosnia Herzegovina	90	90
ASBIS DE GmbH – dormant	Germany	100	100
PRESTIGIO PLAZA SP.ZO.O. - dormant (i) (ii)	Poland	100	100
ASBIS TR BILGISAYAR LIMITED SIRKETI (v)	Turkey	100	100
CJSC ASBIS	Belarus	100	100
ADVANCED SYSTEMS COMPANY LLC (v)	Saudi Arabia	100	100
E-VISION" UNITARY ENTERPRISE	Belarus	100	100
SHARK COMPUTERSI a.s. (vi)	Slovakia	100	100
I ON LTD (ii)	Ukraine	100	100
ASBC LLC	Azerbaijan	65.85	65.85
ASBIS SERVIC LTD (vii)	Ukraine	100	100
ASBIS Cloud Ltd	Russia	100	85
ASBC KAZAKHSTAN LLP (iii) (v)	Kazakhstan	100	-
ATLANTECH LTD (iii) (v)	United Arab Emirates	100	-
ASBIS-BALTIC AS (i)	Estonia	-	100
PRESTIGIO PLAZA NL BV (i)	Netherlands	-	100
ASBIS UK LTD (i)	United Kingdom	-	100
EUROMALL CZ SRO (i)	Czech Republic	-	100
S.C. EUROMALL S.R.L. (i)	Romania	-	100

(i) Liquidated during 2018/or under liquidation

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

(iii) Established/acquired during 2018

(iv) Held by Prestigio Plaza Ltd

(v) Held by Asbis Middle East FZE

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

(vii) Held by Asbis Ukraine Ltd



# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (in thousands of US\$)

### 11. Equity-accounted investees

	As at 31 December 2018 US\$	As at 31 December 2017 US\$
<b>Cost</b>		
At 1 January	-	-
Additions (i), (ii)	366	-
At 31 December	366	-
<b>Accumulated share of loss from equity-accounted investees</b>		
At 1 January	-	-
Share of loss from equity-accounted investees during the year	(30)	-
At 31 December	(30)	-
<b>Carrying amount of equity-accounted investees</b>	336	-

- (i) In April 2018, the Group acquired 40% shareholding of iSpace LLC, for the consideration of US\$ 80.  
(ii) In December 2018, the Group acquired 25% shareholding of LLC Avectis, for the consideration of US\$ 286.

### 12. Financial assets at fair value through other comprehensive income

The details of the investments are as follows:

Name	Country of incorporation	Participation %	Cost US\$	Impairment US\$	As at 31 December 2018 US\$	As at 31 December 2017 US\$
<i>Other investments</i>						
Asekol s.r.o.	Czech Republic	9.09%	-	-	-	10
Regnon S.A.	Poland	0.01%	-	-	-	2
			-	-	-	12

### 13. Inventories

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Goods in transit	16,059	17,218	10,136	8,615
Goods held for resale	167,334	132,491	72,182	51,660
Provision for slow moving and obsolete stock	(3,182)	(4,729)	(2,160)	(3,985)
	180,211	144,980	80,158	56,290

#### The Group

As at 31 December 2018, inventories pledged as security for financing purposes amounted to US\$ 38,096 (2017: US\$ 38,357). Inventory written off during the year recognized in profit or loss was US\$ nil (2017: US\$ 2,238).

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (in thousands of US\$)

### 13. Inventories (continued)

#### The Company

As at 31 December 2018, inventories pledged as security for financing purposes amounted to US\$ 13,500 (2017: US\$ nil).

Inventory written off during the year recognized in profit or loss was US\$ nil (2017: US\$ 2,238).

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

	The Group		The Company	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
On 1 January	4,729	7,129	3,985	6,384
Provisions during the year	1,844	403	1,240	138
Provided stock written off	(3,327)	(2,905)	(3,065)	(2,537)
Exchange difference	(64)	102	-	-
On 31 December	<u>3,182</u>	<u>4,729</u>	<u>2,160</u>	<u>3,985</u>

### 14. Trade receivables

	The Group		The Company	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
Trade receivables	178,125	244,428	20,837	39,483
Allowance for doubtful debts	<u>(3,545)</u>	<u>(6,236)</u>	<u>(671)</u>	<u>(479)</u>
	<u>174,580</u>	<u>238,192</u>	<u>20,166</u>	<u>39,004</u>

#### The Group

As at 31 December 2018, receivables of the Group that have been pledged as security for financing purposes amounted to US\$ 78,672 (2017: US\$ 113,886).

#### The Company

As at 31 December 2018, receivables of the Company that have been pledged as security for financing purposes amounted to US\$ 7,719 (2017: US\$ 5,617).

#### Movement in provision for doubtful debts:

	The Group		The Company	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
On 1 January	6,236	7,715	479	1,581
Provisions during the year	4,666	3,857	894	550
Amount written-off as uncollectible	(6,922)	(5,963)	(656)	(1,652)
Bad debts recovered	(51)	(12)	(46)	-
Exchange difference	<u>(384)</u>	<u>639</u>	<u>-</u>	<u>-</u>
On 31 December	<u>3,545</u>	<u>6,236</u>	<u>671</u>	<u>479</u>

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (in thousands of US\$)

### 14. Trade receivables (continued)

#### The Group

##### Ageing of trade receivables

<b>Year</b>	<b>Total receivables US\$</b>	<b>Outstanding but not due yet US\$</b>	<b>Overdue between 1-30 days US\$</b>	<b>Overdue between 30-60 days US\$</b>	<b>Overdue more than 60 days US\$</b>
2018	174,580	135,206	30,062	3,229	6,082
2017	238,192	215,340	11,530	957	10,365

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

<b>Year</b>	<b>Total US\$</b>	<b>Overdue between 1-90 days US\$</b>	<b>Overdue between 90-120 days US\$</b>	<b>Overdue more than 120 days US\$</b>
2018	3,545	-	-	3,545
2017	6,235	550	-	5,686

#### The Company

##### Ageing of trade receivables

<b>Year</b>	<b>Total receivables US\$</b>	<b>Outstanding but not due yet US\$</b>	<b>Overdue between 1-30 days US\$</b>	<b>Overdue between 30-60 days US\$</b>	<b>Overdue more than 60 days US\$</b>
2018	20,166	6,667	8,392	2,284	2,824
2017	39,003	34,492	2,761	33	1,717

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

<b>Year</b>	<b>Total US\$</b>	<b>Overdue between 1-90 days US\$</b>	<b>Overdue between 90-120 days US\$</b>	<b>Overdue more than 120 days US\$</b>
2018	671	-	-	671
2017	479	-	-	479

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (in thousands of US\$)

### 15. Other current assets

	The Group		The Company	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
VAT and other taxes refundable	5,314	7,728	49	53
Deposits and advances to service providers	753	540	232	243
Employee floats	64	48	6	-
Other debtors and prepayments	10,728	9,812	1,048	1,001
Amount due from subsidiary companies (Note 28)	-	-	131,743	78,153
Loans due from subsidiary companies (Note 28)	-	-	1,067	1,070
	<u>16,859</u>	<u>18,128</u>	<u>134,145</u>	<u>80,520</u>

### 16. Share capital

(for the purposes of this note the amounts are stated in full)

	2018 US\$	2017 US\$
<b>Authorized</b>		
63,000,000 (2017: 63,000,000) shares of US\$ 0.20 each	<u>12,600,000</u>	<u>12,600,000</u>
<b>Issued and fully paid</b>		
55,500,000 (2017: 55,500,000) ordinary shares of US\$ 0.20 each	<u>11,100,000</u>	<u>11,100,000</u>

On 31 December 2018 the issued and fully paid share capital of the Company consisted of 55,500,000 ordinary shares of US \$0.20 each.

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

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

At the end of 2018 the Company held a total of 16,389 (2017: 16,389) shares purchased for a total consideration of US\$ 14,247 (2017: US\$ 14,247).

### 17. Short term borrowings

	The Group		The Company	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
<b>Current borrowings</b>				
Bank overdrafts (Note 27)	43,316	47,468	953	1,290
Current portion of long term loans	114	299	59	204
Bank short-term loans	55,930	22,819	30,104	-
Short term obligations under finance leases (Note 20)	61	66	-	-
Total short term debt	<u>99,421</u>	<u>70,652</u>	<u>31,116</u>	<u>1,494</u>
Factoring creditors	<u>47,145</u>	<u>65,840</u>	<u>7,764</u>	<u>5,617</u>
	<u>146,566</u>	<u>136,492</u>	<u>38,880</u>	<u>7,111</u>

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (in thousands of US\$)

### 17. Short term borrowings (continued)

#### Summary of borrowings and overdraft arrangements

##### The Group

As at 31 December 2018 the Group had factoring facilities of US\$ 117,369 (2017: US\$ \$ 139,661).

In addition, the Group as at 31 December 2018 had the following financing facilities with banks in the countries that the Company and its subsidiaries are operating:

- overdraft lines of US\$ 89,745 (2017: US\$ 75,791)
- short term loans/revolving facilities of US\$ 40,803 (2017: US\$ 36,322)
- bank guarantee and letters of credit lines of US\$ 41,226 (2017: US\$ 22,633)

The Group had for the year ending 31 December 2018 cash lines (overdrafts, loans and revolving facilities) and factoring lines.

The Weighted Average Cost of Debt (cash lines and factoring lines) for the period is 8.1% (2017: 9.3%).

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

- Floating charges over all assets of the Company
- Mortgage on land and buildings that the Group owns in Cyprus, Czech Republic, Belarus, Middle East, Bulgaria, Slovakia and Ukraine
- Charge over receivables and inventories
- Corporate guarantees to the extent of facilities granted to subsidiary companies
- Assignment of insurance policies
- Pledged deposits of US\$ 26,649 (2017: US\$ 17,583)

##### The Company

As at 31 December 2018 the Company enjoyed factoring facilities of US\$ 9,000 (2017: US\$ 9,000).

In addition, the Company, as at 31 December 2018 had the following financing facilities with banks:

- Overdraft facilities of US\$ 24,431 (2017: US\$ 19,082)
- Long term loan facilities US\$ 59 (2017: US\$ 319)
- Bank guarantee and letter of credit lines of US\$ 39,219 (2017: US\$ 21,732)

The Company had cash lines (overdrafts and revolving facilities) with average cost for the year of 6.2% (2017: 5.6%).

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

- Floating charges over all assets of the Company
- Pledged deposits US\$ 24,374 (2017: US\$ 15,835)
- Mortgage on immovable properties in the amount of US\$ 8,745 (2017 US\$ 8,866)

### 18. Long term borrowings

	The Group		The Company	
	2018	2017	2018	2017
	US\$	US\$	US\$	US\$
Bank loans	45	157	-	61
Long term obligations under finance leases (note 20)	42	12	-	-
	<u>87</u>	<u>169</u>	<u>-</u>	<u>61</u>

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (in thousands of US\$)

### 19. Other long term liabilities

	The Group		The Company	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
Other long term liabilities	578	369	-	-

### 20. Finance leases

	The Group		The Company	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
Obligation under finance lease	103	78	-	-
Less: Amount payable within one year (note 17)	(61)	(66)	-	-
Amounts payable within 2-5 years inclusive	42	12	-	-

### 21. Deferred tax

#### The Group

	Temporary differences between accounting and tax base of PPE and intangibles (note i) US\$	Tax losses (note ii) US\$	Other temporary differences (note iii) US\$	Total US\$
Credit/(debit) balance on 1 January 2017	150	(889)	(118)	(857)
Deferred tax charge for the year	337	375	-	712
Exchange difference on retranslation	(12)	(10)	(1)	(23)
Credit/(debit) balance on 31 December 2017	475	(524)	(119)	(168)
Deferred tax credit/(charge) for the year	(22)	126	(43)	60
Exchange difference on retranslation	4	3	1	9
Credit/(debit) balance on 31 December 2018	457	(395)	(161)	(99)

#### The Company

	Temporary differences between accounting and tax base of PPE and intangibles (note i) US\$	Tax losses (note ii) US\$	Other temporary differences (note iii) US\$	Total US\$
Credit/(debit) balance on 1 January 2017	100	(717)	(26)	(643)
Deferred tax charge for the year	217	375	-	592
Credit/(debit) balance on 31 December 2017	317	(342)	(26)	(51)
Deferred tax credit/(charge) for the year	(42)	125	-	83
Credit/(debit) balance on 31 December 2018	275	(217)	(26)	32

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (in thousands of US\$)

### 21. Deferred tax (continued)

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

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

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

#### **Note (ii)**

##### **The Group**

The deferred tax asset arises from the tax losses that can be carried forward and setoff against the first available taxable profits of the Group companies subject to the carry forward of losses restrictions stipulated in the relevant laws of the country of each relevant subsidiary.

##### **The Company**

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

In accordance with the Cyprus tax legislation, tax losses can be carried forward for 5 years.

#### **Note (iii)**

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

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

#### **Note (iv)**

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.

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Deferred tax assets	(133)	(228)	(243)	(369)
Deferred tax liabilities	34	60	276	317
Net deferred tax assets	<u>(99)</u>	<u>(168)</u>	<u>33</u>	<u>(52)</u>

### 22. Other current liabilities

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Salaries payable and related costs	1,112	1,177	53	62
VAT payable	7,111	8,822	882	705
Provision for warranties	4,657	2,580	4,087	2,580
Accruals, deferred income and other provisions	30,069	23,177	16,258	14,669
Amount payable to subsidiary companies (Note 28)	-	-	18,153	7,044
Loans from subsidiary companies (Note 28)	-	-	5,730	-
Non-trade accounts payable	3,989	2,327	657	427
	<u>46,938</u>	<u>38,083</u>	<u>45,820</u>	<u>18,443</u>

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (in thousands of US\$)

### 23. Commitments and contingencies

#### The Group

As at 31 December 2018 the Group was committed in respect of purchases of inventories of a total cost value of US\$ 9,365 (2017: US\$ 2,218) which were in transit at 31 December 2018 and delivered in January 2019. 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 at year end.

As at 31 December 2018 the Group was contingently liable to banks in respect of bank guarantees and letters of credit lines of US\$ 41,226 (2017: US\$ 22,633) which the Group has extended to its suppliers and other counterparties.

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

#### The Company

As at 31 December 2018 the Company was committed in respect of purchases of inventories of a total cost value of US\$ 9,365 (2017: US\$ 2,218) which were in transit at 31 December 2018 and delivered in January 2019. 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 at year end.

As at 31 December 2018, the Company was contingently liable to banks in respect of bank guarantees and letters of credit of US\$ 39,219 (2017: US\$ 21,732) which the Company has extended to its suppliers and other counterparties.

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

In addition the Company has issued corporate guarantees to banks in respect of financing facilities extended to its subsidiaries in the amount of US\$191,300 (2017: US\$ 184,909).

### 24. Operating segments

#### The Group

##### 1.1 Segment information

The Group mainly operates in a single industry segment as a distributor of IT products. Information reported to the chief operating decision maker for the purposes of allocating resources to the segments and to assess their performance is based on geographical locations. The Group operates in four principal geographical areas – Former Soviet Union, Eastern Europe, Western Europe and Middle East & Africa.

##### 1.2 Segment revenues and results

	Segment revenue		Segment operating profit	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
Former Soviet Union	1,085,558	719,388	15,999	11,401
Central Eastern Europe	575,107	496,007	7,808	9,416
Middle East & Africa	202,664	162,610	3,020	2,526
Western Europe	163,672	93,666	1,474	727
Other	42,563	13,242	1,109	337
<b>Total</b>	<b>2,069,564</b>	<b>1,484,913</b>	<b>29,410</b>	<b>24,407</b>
Net financial expenses			(14,170)	(14,408)
Other gains and losses			(81)	(985)
Share of loss from joint ventures			(30)	-
<b>Profit before taxation</b>			<b>15,129</b>	<b>9,014</b>



# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (in thousands of US\$)

### 24. Operating segments (continued)

#### 1.3 Segment capital expenditure (CAPEX) and depreciation & amortization

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 amortization	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
Former Soviet Union	5,914	4,373	513	370
Central Eastern Europe	11,794	12,502	621	722
Middle East & Africa	2,971	3,084	185	199
Unallocated	8,039	8,157	1,249	944
	<u>28,718</u>	<u>28,116</u>	<u>2,568</u>	<u>2,235</u>

#### 1.4 Segment assets and liabilities

Segment assets	2018 US\$	2017 US\$
Former Soviet Union	240,880	232,985
Central Eastern Europe	161,983	177,942
Middle East & Africa	31,248	45,286
Western Europe	<u>32,262</u>	<u>34,504</u>
Total	466,373	490,717
Assets allocated in capital expenditure (1.3)	28,718	28,116
Other unallocated assets	<u>8,710</u>	<u>5,089</u>
Consolidated assets	<u>503,801</u>	<u>523,922</u>

For the purposes of monitoring segment performance and allocating resources between segments only assets were allocated to the reportable segments. As the Group liabilities are mainly used jointly by the reportable segments, these were not allocated to each segment.

#### 1.5 Geographical information

Since the Group's operating segments are based on geographical location and this information has been provided above (1.2 – 1.4) no further analysis is included.

#### 1.6. Information about major customers

During 2018 (same for 2017) none of the Group's customers accounted for more than 6% of total sales; it is of strategic importance for the Group not to rely on any single customer.

### 25. Derivative financial liabilities

	The Group		The Company	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
<u>Derivative financial liabilities carried at fair value through profit or loss</u>				
Foreign currency derivative contracts	<u>358</u>	<u>740</u>	<u>307</u>	<u>639</u>

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (in thousands of US\$)

### 25. Derivative financial liabilities (continued)

#### Fair value measurement of derivative financial liabilities

The Group	Nominal amount 2018 US\$	Nominal amount 2017 US\$	Fair value 2018 US\$	Fair value 2017 US\$
Buying US\$/Selling EUR	-	10,929	-	(165)
Buying US\$/Selling PLN	7,030	6,026	(67)	(564)
Buying US\$/Selling RON	-	5,680	-	(57)
Buying US\$/Selling RUB	-	4,178	-	(327)
Buying US\$/Selling KZT	-	3,000	-	(70)
Buying US\$/Selling RSD	490	912	(4)	(11)
Buying US\$/Selling GBP	-	290	-	(5)
Buying US\$/Selling HRK	980	-	(16)	-
Buying US\$/Selling CZK	400	-	(3)	-
Buying EUR/Selling RON	-	4,730	-	35
Buying EUR/Selling HRK	566	-	(2)	-
Buying CZK/Selling EUR	-	752	-	1
Charges on open contracts	-	-	(266)	424
	<u>9,466</u>	<u>36,497</u>	<u>(358)</u>	<u>(739)</u>

#### The Company

	Nominal amount 2018 US\$	Nominal amount 2017 US\$	Fair value 2018 US\$	Fair value 2017 US\$
Buying US\$/Selling PLN	7,030	6,026	(67)	(564)
Buying US\$/Selling RUB	-	4,178	-	(327)
Buying US\$/Selling CZK	400	-	(3)	-
Buying US\$/Selling EUR	-	6,822	-	(100)
Buying USD/Selling KZT	-	2,000	-	(63)
Buying US\$/Selling RON	-	5,680	-	(57)
Buying US\$/Selling GBP	-	290	-	(5)
Buying CZK/Selling EUR	-	752	-	1
Buying EUR/Selling RON	-	4,730	-	34
Charges on open contracts	-	-	(237)	442
	<u>7,430</u>	<u>30,478</u>	<u>(307)</u>	<u>(639)</u>

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

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

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

(iv) During the year the Group realized a loss from execution of foreign currency derivative contracts of US\$ 548 (2017: loss of US\$ 1,445) and the Company realized a gain of US\$ 476 (2017: loss of US\$ 1,352).

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (in thousands of US\$)

### 26. Derivative financial assets

	The Group		The Company	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
<u>Derivative financial assets carried at fair value through profit or loss</u>				
Foreign currency derivative contracts	1,088	373	1,050	-
<b>The Group</b>	<b>Nominal amount 2018 US\$</b>	<b>Nominal amount 2017 US\$</b>	<b>Fair value 2018 US\$</b>	<b>Fair value 2017 US\$</b>
Buying US\$/Selling KZT	2,000	-	62	-
Buying US\$/Selling RUB	15,067	-	774	-
Buying US\$/Selling UAH	10,920	10,600	15	371
Buying US\$/Selling EUR	15,989	4,107	31	(65)
Buying US\$/Selling RON	8,027	-	150	-
Buying US\$/Selling BGN	-	1,926	-	(18)
Buying US\$/Selling HRK	-	779	-	1
Buying US\$/Selling GBP	135	-	4	-
Buying EUR/Selling HRK	-	414	-	2
Buying EUR/Selling US\$	2,907	-	18	-
Charges on open contracts	-	-	34	82
	<u>55,045</u>	<u>17,826</u>	<u>1,088</u>	<u>373</u>
<b>The Company</b>	<b>Nominal amount 2018 US\$</b>	<b>Nominal amount 2017 US\$</b>	<b>Fair value 2018 US\$</b>	<b>Fair value 2017 US\$</b>
Buying US\$/Selling EUR	15,989	-	31	-
Buying US\$/Selling RUB	15,067	-	774	-
Buying US\$/Selling RON	8,027	-	150	-
Buying US\$/Selling GBP	135	-	4	-
Buying EUR/Selling US\$	2,907	-	17	-
Charges on open contracts	-	-	74	-
	<u>42,125</u>	<u>-</u>	<u>1,050</u>	<u>-</u>

### Fair value measurement of derivative financial assets

(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 minimize the exposure to foreign currency fluctuations.

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

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

(iv) During the year the Group realized a loss from execution of foreign currency derivative contracts of US\$ 548 (2017: loss of US\$ 1,445) and the Company realized a gain of US\$ 476 (2017: loss of US\$ 1,352).

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (in thousands of US\$)

### 27. Cash and cash equivalents

	The Group		The Company	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
Cash at bank and in hand	101,425	93,401	46,600	66,595
Bank overdrafts (Note 17)	(43,316)	(47,468)	(953)	(1,290)
	<u>58,109</u>	<u>45,933</u>	<u>45,647</u>	<u>65,305</u>

#### The Group

The cash at bank and in hand balance includes an amount of US\$ 26,649 (2017: US\$ 17,818) which represents pledged deposits.

#### The Company

The cash at bank and in hand balance includes an amount of US\$ 24,374 (2017: US\$ 15,254) which represents pledged deposits.

### 28. Related party transactions and balances

#### Main shareholders

The following table presents shareholders possessing directly or indirectly more than 5% of the Company's shares and shares held by the Company under the share buyback program as at 31 December 2018:

Name	Number of votes/shares	Votes/share capital %
Siarhei Kostevitch and KS Holdings Ltd	20,443,127	36.83
Asbisc Enterprises Plc (share buyback program)	16,389	0.03
Free float	<u>35,040,484</u>	<u>63.14</u>
<b>Total</b>	<u>55,500,000</u>	<u>100.00</u>

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

#### The Company

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

#### Intercompany (trading) transactions

	Sales of goods		Purchases of goods	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
Subsidiaries	<u>867,977</u>	<u>621,148</u>	<u>43,763</u>	<u>32,176</u>
	Sales of services		Purchases of services	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
Subsidiaries	<u>312</u>	<u>142</u>	<u>2,236</u>	<u>1,224</u>

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (in thousands of US\$)

### 28. Related party transactions and balances (continued)

#### Intercompany (trading) balances

	Amounts owed by subsidiary companies		Amounts owed to subsidiary companies	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
Subsidiaries	131,743	78,153	18,153	7,044

#### Loans to subsidiary companies

	2018 US\$	2017 US\$
Loans to subsidiary companies (Note 15)	1,067	1,070

The total loans to subsidiary companies before provision for doubtful loans are unsecured and analyzed below:

Subsidiary companies	Interest rate %	Source currency	2018 US\$	2017 US\$
CJSC ASBIS (Note i)	4	US Dollar	1,067	1,070

The total interest received from subsidiary companies is analyzed below:

	2018 US\$	2017 US\$
CJSC ASBIS (Note i) (Note 6)	42	42

- i) CJSC ASBIS entered into a loan agreement with the Company on the 24<sup>th</sup> of November 2014, with annual renewal. The loan is unsecured.

#### Loans from subsidiary companies

	2018 US\$	2017 US\$
Loans from subsidiary companies (Note 22)	5,730	-

The total loans from subsidiary companies before provision for doubtful loans of US\$597 are analyzed below:

Subsidiary companies	Interest rate %	Source currency	2018 US\$	2017 US\$
ASBIS SK spol. S.r.o	1M Euribor + 1% p.a. + 3% surcharge on interest amount	EURO	5,730	-

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (in thousands of US\$)

### 28. Related party transactions and balances (continued)

The total interest paid to subsidiary companies is analyzed below:

	2018 US\$	2017 US\$
ASBIS SK spol. S.r.o (Note i)	5	-

- i) The Company entered into a loan agreement with its subsidiary ASBIS SK spol. S.r.o on the 4th of December 2018, with the obligation to settle the Loan by the 30<sup>th</sup> of October 2019. The loan is unsecured.

Transactions and balances of key management

	The Group		The Company	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
Directors' remuneration and benefits - executive	766	434	766	434
Directors' remuneration - non-executive	2	2	2	2
<u>Key management remuneration</u>				
In capacity as other key management personnel	898	688	122	102
Employer's contributions - provident fund	15	13	15	13
Employer's contributions - social insurance and other benefits	196	151	62	56
	<u>1,877</u>	<u>1,288</u>	<u>967</u>	<u>607</u>

### Share-based payment arrangements

Following an annual general meeting of the shareholders on 23 June 2015, a share buyback program that entitled key management personnel to purchase shares in the Company was approved.

At 31 December 2018, the Group had the following share-based payment arrangement.

Share option program (equity-settled)

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

At the end of 2018 the Company held a total of 16,389 (2017: 16,389) shares purchased for a total consideration of US\$ 14,247 (2017: US\$ 14,247).

### 29. Personnel expenses and average number of employees

	The Group		The Company	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
Salaries and other benefits	36,147	29,085	5,123	4,197
The average number of employees for the year was	1,401	1,202	123	118

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (in thousands of US\$)

### 30. Earnings per share

	2018 US\$	2017 US\$
Profit for the year attributable to members	12,038	6,956
Weighted average number of shares for the purposes of basic and diluted earnings per share	55,500,000	55,500,000
	<b>US\$ cents</b>	<b>US\$ cents</b>
Basic and diluted earnings per share	21.69	12.53

### 31. Business combinations

#### The Group

#### 1. Acquisitions

##### 1.1. Acquisitions of subsidiaries to 31 December 2018

During the year, the Group has acquired the remaining 15% of the share capital of ASBIS Cloud Ltd, 100% of ASBC Kazakhstan LLP and 100% of Atlantech Ltd.

<u>Name of entity</u>	<u>Type of operations</u>	<u>Date acquired</u>	<u>% acquired</u>	<u>% owned</u>
ASBIS Cloud Ltd	Information Technology	09 February 2018	15%	100%
ASBC Kazakhstan LLP	Information Technology	13 August 2018	100%	100%
Atlantech Ltd	Information Technology	26 December 2018	100%	100%

##### Acquisitions of subsidiaries to 31 December 2017

During the year, the Group has acquired 100% of the share capital of I ON LTD and ASBIS SERVIC Ltd, 65.85% of ASBC LLC and 85% of ASBIS Cloud Ltd.

<u>Name of entity</u>	<u>Type of operations</u>	<u>Date acquired</u>	<u>% acquired</u>	<u>% owned</u>
I ON LTD	Information Technology	04 April 2017	100%	100%
ASBC LLC	Information Technology	08 May 2017	65.85%	65.85%
ASBIS SERVIC Ltd	Warranty Services	04 July 2017	100%	100%
ASBIS Cloud Ltd	Information Technology	27 July 2017	85%	85%

##### 1.2. Goodwill arising on acquisitions

	2018 US\$	2017 US\$
At 1 January	419	1,255
Additions	360	-
Impairment loss (note ii)	(360)	(1,173)
Foreign exchange difference on retranslation	(19)	337
At 31 December (note i)	400	419

(i) The capitalized goodwill arose from the business combinations of the following subsidiaries:

	2018 US\$	2017 US\$
ASBIS d.o.o. (BA) (formerly Megatrend D.O.O. Sarajevo)	400	419
	400	419

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (in thousands of US\$)

### 31. Business combinations (continued)

(ii) The impairment loss on goodwill relates to the following cash generating unit and subsidiary:

	2018 US\$	2017 US\$
iPoint Kazakhstan LLP	(360)	-
SHARK Computers a.s.	-	(1,173)
	<u>(360)</u>	<u>(1,173)</u>

#### 1.3. Impairment testing

For ASBIS d.o.o. (BA) (formerly Megatrend D.O.O. Sarajevo), a detailed impairment analysis was performed and based on the results it has been concluded that no impairment is required.

### 2. Liquidation of subsidiaries

#### liquidation in the year ended 31 December 2018

During the period the following Group's subsidiaries went into liquidation. No gain or loss arose on the event.

<u>Name of disposed entity</u>	<u>Type of operations</u>	<u>Date liquidated</u>	<u>% liquidated</u>
OU ASBIS Estonia	Information Technology	29 November 2017	100%
Prestigio Plaza NL BV	Information Technology	03 January 2018	100%
ASBIS UK	Information Technology	30 April 2018	100%
S.C. EUROMALL 2008 S.R.L	Information Technology	26 September 2018	100%
EUROMALL CZ s.r.o.	Information Technology	21 November 2018	100%

#### Liquidation in the year ended 31 December 2017

The following Group's subsidiary went into liquidation and a loss of US\$ 12 arose on the event. In addition, on 31 March 2017 the Group has decreased the share capital of Asbis Vilnius UAB by US\$ 22.

<u>Name of disposed entity</u>	<u>Type of operations</u>	<u>Date liquidated</u>	<u>% liquidated</u>
Shark Online a.s.	Information Technology	01 January 2017	100%

### 32. Financial risk management

#### 1. Financial risk factors

In this note, references to the Group also relate to the Company.

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

##### 1.1. Credit risk

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

The Group had established and systematically follows a thorough procedure prior to registering new customers into its system. Every new customer is checked both internally and via various reputable credit sources prior to such registration and, more importantly, prior to granting of any credit. The Group runs an internal credit department consisting of local, regional and corporate credit managers. Corporate managers decide for all significant credit line requests and review the work of regional and local managers. The Group uses all available credit tools – i.e. credit insurance, credit information bureaus, letter of guarantee – to safeguard itself from the credit risk. We have insured about 72% of our 2018 receivables.

During 2018 none of the Group's customers accounted individually for more than 6% (2017: 7%) of total sales; it is of strategic importance for the Group not to rely on any single customer.



# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(in thousands of US\$)

### 32. Financial risk management (continued)

#### 1.1. Credit risk (continued)

Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit insurance is purchased. The credit risk on liquid funds and derivative financial instruments is determined by the credit ratings assigned to the financial institutions with which these funds are held.

The aging profile of trade receivables is disclosed in note 14.

The tables below shows an analysis of the Group's and Company's bank deposits at year end by credit rating of the bank in which they are held:

#### The Group

	2018 US\$	2017 US\$
Based on credit ratings by Moody's; the cash at banks the Group held as at year end are:		
Aa1	867	350
Aa2	262	-
Aa3	623	103
A1	23,379	31,662
A2	16,055	3,100
A3	22,766	-
Baa1	8,390	34,345
Baa2	3,457	2,814
Baa3	2,434	98
Ba1	27	-
Ba2	1,249	5,884
Ba3	1,989	1,843
B1	44	3,277
B2	-	289
B3	13,588	-
Caa1	-	3,057
Caa2	1,002	114
Caa3	-	3,770
Without credit rating	5,293	2,695
	<u>101,425</u>	<u>93,401</u>

#### The Company

	2018 US\$	2017 US\$
Based on credit ratings by Moody's; the cash at banks the Company held as at year end are:		
Aa1	500	350
Aa3	573	-
A1	19,840	30,052
A2	-	495
A3	10,036	-
Baa1	-	26,054
Ba2	-	4,413
B3	13,483	-
Caa1	-	3,015
Caa2	1,002	114
Without credit rating	1,166	2,102
	<u>46,600</u>	<u>66,595</u>

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(in thousands of US\$)

### 32. Financial risk management (continued)

#### 1.1. Credit risk (continued)

Impairment on cash and cash equivalents has been measured on a twelve month expected loss basis and reflects short maturities of the exposures. The Group and the Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and there is no material impact on the Group's and Company's financial statements.

*Trade receivables and contract assets*

*Expected credit loss assessment for individual customers as at 31 December 2018*

#### The Group

	<b>Default rate</b>	<b>Gross carrying amount</b>	<b>Loss allowance</b>
	<b>%</b>	<b>US\$</b>	<b>US\$</b>
Outstanding but not due yet	0.11	146,935	160
Overdue between 1-30 days	0.23	30,052	70
Overdue between 30-60 days	0.95	3,213	31
Overdue more than 60 days	1.91	5,643	108
		<u>185,843</u>	<u>369</u>

#### The Company

	<b>Default rate</b>	<b>Gross carrying amount</b>	<b>Loss allowance</b>
	<b>%</b>	<b>US\$</b>	<b>US\$</b>
Outstanding but not due yet	0.15	18,568	28
Overdue between 1-30 days	0.23	8,380	19
Overdue between 30-60 days	0.49	2,272	11
Overdue more than 60 days	0.67	2,165	14
		<u>31,385</u>	<u>72</u>

Loss rates are based on actual credit loss experience over the past four years.

#### 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 monitor the interest rate fluctuations on a continuous basis and act accordingly.

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
<b>Variable rate instruments</b>				
Overdrafts	43,316	47,468	953	1,290
Short-term loans	56,044	23,118	30,163	204
Long-term loans	45	157	-	61
Factoring advances	47,145	65,840	7,764	5,617
	<u>146,550</u>	<u>136,583</u>	<u>38,880</u>	<u>7,172</u>

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (in thousands of US\$)

### 32. Financial risk management (continued) 1.2. Interest rate risk (continued)

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

#### Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2018 would have decreased 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.

	Profit & loss			
	The Group		The Company	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
<b>Variable rate instruments</b>				
Overdrafts	433	475	10	13
Short-term loans	561	231	301	2
Long-term loans	-	2	-	1
Factoring advances	471	658	78	56
	<u>1,465</u>	<u>1,366</u>	<u>389</u>	<u>72</u>

### 1.3. Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the object of minimizing 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 remaining contractual maturity for financial liabilities. The tables have been drawn up based on the earliest date on which the Group/Company can be required to pay and include only principal cash flows.

#### The Group

	Carrying amounts US\$	Contractual cash flows US\$	3 months or less US\$	3-12 months US\$	1-2 years US\$	2-5 years US\$
31 December 2018						
Bank loans	25,985	25,985	16,829	9,112	42	3
Bank overdrafts	73,420	73,420	33,904	39,516	-	-
Factoring advances	47,145	47,145	38,844	8,301	-	-
Trade and other payables	256,944	256,944	254,747	2,196	-	-
Other short and long term liabilities	<u>1,038</u>	<u>1,038</u>	<u>364</u>	<u>54</u>	<u>595</u>	<u>25</u>
	<u>404,532</u>	<u>404,532</u>	<u>344,688</u>	<u>59,179</u>	<u>637</u>	<u>28</u>
31 December 2017						
Bank loans	23,275	23,275	14,842	8,276	157	-
Bank overdrafts	47,468	47,468	4,967	42,501	-	-
Factoring advances	65,840	65,840	54,065	11,775	-	-
Trade and other payables	291,625	291,625	289,748	1,877	-	-
Other short and long term liabilities	<u>1,188</u>	<u>1,188</u>	<u>791</u>	<u>15</u>	<u>382</u>	<u>-</u>
	<u>429,396</u>	<u>429,396</u>	<u>364,413</u>	<u>64,444</u>	<u>539</u>	<u>-</u>

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(in thousands of US\$)

### 32. Financial risk management (continued)

#### 1.3. Liquidity risk (continued)

##### The Company

	Carrying amounts US\$	Contractual cash flows US\$	3 months or less US\$	3-12 months US\$	1-2 years US\$	2-5 years US\$
31 December 2018						
Bank loans	59	59	59	-	-	-
Bank overdrafts	34,974	34,974	34,974	-	-	-
Factoring advances	7,764	7,764	7,764	-	-	-
Trade and other payables	169,688	169,688	169,688	-	-	-
Other short and long term liabilities	307	307	307	-	-	-
	<u>212,792</u>	<u>212,792</u>	<u>212,792</u>	<u>-</u>	<u>-</u>	<u>-</u>
31 December 2017						
Bank loans	265	265	51	153	61	-
Bank overdrafts	1,290	1,290	1,290	-	-	-
Factoring advances	5,617	5,617	5,617	-	-	-
Trade and other payables	200,832	200,832	200,832	-	-	-
Other short and long term liabilities	639	639	639	-	-	-
	<u>208,643</u>	<u>208,643</u>	<u>208,429</u>	<u>153</u>	<u>61</u>	<u>-</u>

#### 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 recognized assets and liabilities are denominated in a currency that is not the Group's/Company's measurement currency.

The Group uses short-term derivative financial instruments to minimize 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 Ruble, 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 monetary assets and monetary liabilities at the reporting date are denominated in the following currencies:

##### The Group

2018	Cash at bank and in hand US\$	Receivables US\$	Trade and other liabilities US\$	Borrowings US\$
US Dollar	77,160	35,589	(188,223)	(39,445)
Euro	5,343	45,226	(41,711)	(37,110)
Russian Ruble	748	16,769	(7,043)	(8,443)
Polish Zloty	10	1,558	(460)	(622)
Czech Koruna	3,823	8,128	(2,943)	(7,098)
Belarusian Ruble	440	5,363	(3,418)	(5,479)
Croatian Kuna	1,452	2,057	(471)	(2,840)
Romanian New Lei	1,373	12,348	(1,648)	(2,570)
Bulgarian Lev	1,648	3,964	(1,185)	(2,921)
Hungarian Forint	652	2,996	(922)	(1,709)
Kazakhstan Tenge	2,695	28,745	(4,480)	(19,085)
Ukrainian Hryvnia	1,563	23,674	(3,506)	(12,893)
Bosnian Mark	222	3,528	(655)	(1,477)
United Arab Emirates Dirham	3,706	-	-	(4,210)
Other	590	3,168	(637)	(664)
	<u>101,425</u>	<u>193,113</u>	<u>(257,302)</u>	<u>(146,566)</u>

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (in thousands of US\$)

### 32. Financial risk management (continued) 1.4. Currency risk (continued)

#### The Group

2017	Cash at bank and in hand	Receivables	Trade and other liabilities	Borrowings
	US\$	US\$	US\$	US\$
US Dollar	71,954	61,738	(223,822)	(5,705)
Euro	3,453	55,600	(56,768)	(36,286)
Russian Ruble	218	31,080	(21,762)	(5,665)
Polish Zloty	504	5,866	(903)	(719)
Belarusian Ruble	257	4,616	(1,647)	(3,408)
Croatian Kuna	1,152	2,880	(858)	(2,991)
Romanian New Lei	3,768	17,833	(6,391)	(3,170)
Bulgarian Lev	2,049	5,484	(3,377)	(2,502)
Hungarian Forint	891	2,652	(730)	(1,855)
Kazakhstan Tenge	1,843	22,005	(15,729)	(80)
Ukrainian Hryvnia	1,032	28,012	(16,461)	(1,981)
Bosnian Mark	531	3,869	(517)	(1,533)
Other	5,747	15,780	(9,238)	(4,987)
	<u>93,399</u>	<u>257,415</u>	<u>(358,203)</u>	<u>(70,882)</u>

#### The Company

2018	Cash at bank and in hand	Receivables	Trade and other liabilities	Borrowings
	US\$	US\$	US\$	US\$
US Dollar	43,078	124,783	(169,059)	(38,509)
Euro	2,860	6,501	(3,645)	(645)
Czech Koruna	574	(99)	(1,157)	-
Great British Pound	88	141	(48)	-
Polish Zloty	-	3,894	(1)	(1)
Other	-	(3,498)	(2)	-
	<u>46,600</u>	<u>131,722</u>	<u>(173,912)</u>	<u>(39,155)</u>

#### The Company

2017	Cash at bank and in hand	Receivables	Trade and other liabilities	Borrowings
	US\$	US\$	US\$	US\$
US Dollar	64,576	116,062	(206,644)	(1,088)
Euro	1,404	7,050	(6,769)	(466)
Czech Koruna	495	316	(554)	-
Great British Pound	120	212	(164)	-
Polish Zloty	-	4,106	(1)	-
Other	-	(1,127)	-	-
	<u>66,595</u>	<u>126,619</u>	<u>(214,132)</u>	<u>(1,554)</u>

The Company is not exposed to any material foreign exchange risk, as most of its operations are conducted in US Dollars, the Company's reporting currency. Any exposure to foreign exchange risk is restricted to monetary assets denominated in foreign currencies, mainly Euro, Polish Zloty and Russian Ruble, and this risk is mitigated by the appropriate use of currency derivative contracts.

# ASBISC ENTERPRISES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (in thousands of US\$)

### 32. Financial risk management (continued)

#### 2. Fair values

##### The Group and the Company

Financial instruments comprise financial assets and financial liabilities. Financial assets mainly consist of bank balances, receivables and investments. Financial liabilities mainly consist of trade payables, factoring balances, bank overdrafts and loans. The Directors consider that the carrying amount of the Company's/Group's financial instruments approximate their fair value at the reporting date. Financial assets and financial liabilities carried at fair value through profit or loss represent foreign currency derivative contracts categorized as a Level 2 (quoted prices (unadjusted) in active markets for identical assets or liabilities) fair value hierarchy.

#### 3. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through optimization of debt and equity. The Group's overall strategy remains unchanged from 2018.

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

##### Gearing ratio

The Group's risk management committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risk associated with it.

##### The Group

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

	2018 US\$	2017 US\$
Debt (i)	146,611	136,649
Cash at bank and in hand	(101,425)	(93,401)
Net debt	<u>45,186</u>	<u>43,248</u>
Equity (ii)	<u>99,233</u>	<u>94,468</u>
Net debt to equity ratio	46%	46%

(i) Debt includes short-term (factoring advances, overdrafts and short-term loans) and long-term borrowings.

(ii) Equity includes all capital and reserves.

##### The Company

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

	2018 US\$	2017 US\$
Debt (i)	38,880	7,171
Cash at bank and in hand	(46,600)	(66,595)
Net debt	<u>(7,720)</u>	<u>(59,424)</u>
Equity (ii)	<u>62,993</u>	<u>53,940</u>
Net debt to equity ratio	-	-

(i) Debt includes short-term (factoring advances, overdrafts and short-term loans) and long-term borrowings.

(ii) Equity includes all capital and reserves.

# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(in thousands of US\$)

### 32. Financial risk management (continued)

#### 4. Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the fair value hierarchy of the Group's and the Company's assets:

	<b>The Group Level 2 US\$</b>	<b>The Company Level 2 US\$</b>
<b>Assets</b>		
Derivative financial assets	<u>1,088</u>	<u>1,050</u>
<b>Liabilities</b>		
Derivative financial liabilities	<u>1,383</u>	<u>-</u>

The fair value of financial instruments that are not traded in an active market (for example, unlisted equity securities) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

### 33. Other risks

#### *Operational risk*

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

#### *Compliance risk*

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

#### *Litigation risk*

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

#### *Reputation risk*

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

#### *Other risks*

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

# ASBISC ENTERPRISES PLC

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## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(in thousands of US\$)

### 34. Operating lease arrangements

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

#### The Group

##### Non-cancellable operating lease arrangements

	2018		2017	
	Cars US\$	Offices and warehouses US\$	Cars US\$	Offices and warehouses US\$
Within 1 year	440	355	365	122
Between 2 to 5 years	452	932	516	349
More than 5 years	-	185	-	-
	<u>892</u>	<u>1,472</u>	<u>881</u>	<u>471</u>

The payment recognized as an expense during the year amounted to US\$ 1,985 (2017: US\$ 1,511).

#### The Company

The Company had no operating leases during 2018 and 2017.

### 35. Dividends

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

During the year, the following dividends were declared and paid by the Company:

- A final dividend of US\$ 3,300,000 of US\$ 0.06 per share for the year 2017
- An interim dividend of US\$ 2,775,000 of US\$ 0.05 per share for the year 2018,

The Board of Directors also proposes the payment of a final dividend of US\$ 0.05 per share for the year 2018, amounting to US\$ 2,775,000 based on improved 2018 profitability.