



## ASBISc Enterprises PLC

(incorporated as a public company with limited liability under Cypriot law)

### Offer of 21,205,144 ordinary shares with a nominal value of U.S. \$0.20 each

This document is of a promotional nature only. The only legally binding document containing information on ASBISc Enterprises Plc (the "Company") and on the public offering of shares in the Company is the Polish language prospectus approved by the Polish Financial Supervision Authority on October 4, 2007. For investors' convenience, the Company has also prepared the following English translation of the Prospectus. It should, however, be noted that the Polish language version is the only binding version of the Prospectus of ASBISc Enterprises Plc and any investment decisions should be made solely in reliance on the original Polish version of the Prospectus. The Polish version of the prospectus is available on the websites of: Gielda Papierów Wartościowych w Warszawie (www.gpw.pl), the Company (www.asbis.com) and ING Securities S.A. (www.ingsecurities.pl). Hard copies of the prospectus in Polish will be available at the customer service desks of investment agents accepting subscriptions for the shares, namely: Customer Service Desks of ING Securities S.A., Order Placement Points operated by DM Polonia Net S.A. and BM Nordea Bank, Customer Service Desks of DM BZWBK and Order Placement Points of Biuro Maklerskie Banku BPH S.A.

This is the initial public offering (the "Offer") of 21,205,144 ordinary shares each with a nominal value of U.S. \$0.20 per share (the "Offer Shares") of ASBISc Enterprises PLC (the "Company" and together with its consolidated subsidiaries, the "Group" or "ASBIS"), a company incorporated with limited liability in the Republic of Cyprus.

The Offer Shares include 7,500,000 new shares to be issued and offered by the Company (the "New Shares") and 13,705,144 existing shares to be offered for sale by the Selling Shareholders (as defined in this Prospectus) (the "Sale Shares") (together, the "Offer Shares"), including up to 2,765,888 Sale Shares being offered under an Over-allotment Option referred to below. KS Holdings Limited has granted ING Bank N.V., London Branch (the "Global Coordinator") an option (the "Over-allotment Option") to make available to the Global Coordinator, at the Offer Price (as defined herein) up to an additional 2,765,888 existing shares representing up to 15 per cent. of the aggregate number of Offer Shares available in the Offer, before any exercise of the Over-allotment Option. The Over-allotment option was granted to cover over-allotments, if any, made in connection with the Offer and to cover positions resulting from stabilization transactions. Such stabilization, if any, shall be conducted in accordance with the rules set out in the European Commission Regulation (EC) No. 2273/2003 of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemptions for buy-back programmes and stabilization of financial instruments. This option is exercisable for 30 days from the Listing Date (as defined herein).

The offer price per Offer Share (the "Offer Price") will not exceed PLN 11.05 (the "Maximum Price"). The Offer Price will be determined jointly by the Company and the Selling Shareholders upon recommendation of the managers named herein (the "Managers") after termination of the Subscription Period but not later than on 19 October 2007, based on interest from investors and will be published in accordance with article 54 of Polish Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies of 29 July 2005 (Dz. U. 2005.184.1539, as amended), (the "Polish Act on Public Offering").

This prospectus constitutes a prospectus (the "Prospectus") in the form of a single document within the meaning of Article 21 Clause 1 item 1 of the Polish Act on Public Offering. Pursuant to this Prospectus an application will be made for all 55,500,000 shares of the Company, that is for all the Company's shares existing as of the date of the Prospectus was approved and the New Shares to be admitted to trading on the Warsaw Stock Exchange, with the reservation, however, that 24,752 shares of the Company listed on the AIM will be admitted to trading on the Warsaw Stock Exchange after their delisting from AIM.

Payment for and issuance of the Offer Shares is expected to occur on 24 October 2007 (the "Closing Date"). The commencement of trading on the WSE is expected to occur on or about 30 October 2007. Prospective investors may subscribe or purchase the Offer Shares during a period which is expected to commence on 10 October 2007 and is expected to end on 18 October 2007 (the "Subscription Period"). If the Offer is cancelled or postponed prior to the Closing Date, all subscriptions for the Offer Shares will be disregarded, any allotments made will be deemed null and void, and any subscription payments made will be returned without interest or compensation. All dealings in the Offer Shares prior to settlement of the Offer and delivery of the Offer Shares are at the sole risk of the parties concerned.

This prospectus was approved on 4 October 2007 by the Polish Commission for Financial Supervision (the "Polish Commission"), which is the competent Polish supervisory authority for the financial market in Poland.

**The Offer Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") or with any securities regulatory authority of any state or other jurisdiction in the United States and may not be offered, sold, pledged or otherwise transferred within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.**

**The Offer does not constitute an offer to sell, or a solicitation of an offer to buy, securities in any jurisdiction in which such offer or solicitation would be illegal.**

**Any person considering acquiring Offer Shares in the Offer should read this prospectus in its entirety and, in particular, "Risk Factors".**

The Company's common stock, except for the New Shares, has already been listed on the Alternative Investment Market, the unregulated market of the London Stock Exchange for the purposes of Directive 93/22/EEC ("AIM") since 25 October 2006, however trading has been marginal to date due to the small number of the Company's shares listed on that market and their limited liquidity.

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*Global Co-ordinator, Bookrunner and Lead Manager*

**ING**

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4 October 2007

## IMPORTANT INFORMATION

ING Bank N.V., London Branch (the "Global Coordinator"), and ING Securities S.A. ("**ING Securities**" or a "**Polish Manager**" and, together with the Global Coordinator, the "**Managers**") are acting for the Company and no one else in connection with the Offer, and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients, or for providing advice in relation to the Offer or any transaction or arrangement referred to in this Prospectus.

The Offer Shares are being offered outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act ("**Regulation S**").

**The distribution of this Prospectus and the offer of the Offer Shares in certain jurisdictions may be restricted by law. Accordingly, neither this Prospectus nor any advertisement nor any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. No action has been or will be taken at the date of this Prospectus, by the Company, the Selling Shareholders, the Managers or any other legal entity to permit a public offering of the Offer Shares or to permit the possession or distribution of this Prospectus (or any other offering or publicity materials or application form(s) relating to the Offer Shares) in any jurisdiction where action for that purpose may be required.**

**This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any Offer Shares in any jurisdiction in which such offer or sale would be unlawful. Persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. Further information with regard to restrictions on offers and sales of Offer Shares and the distribution of this Prospectus is set out in the section headed "Terms and Conditions of the Offer and Plan of Distribution".**

The information contained in this Prospectus has been provided by the Company and other sources identified herein. The Managers do not make any representation, express or implied, or accept any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus. This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Selling Shareholders or the Managers that any recipient of this document should subscribe for or purchase Offer Shares.

Potential investors should rely only on the information in this Prospectus. No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied on as having been authorised by the Company, the Selling Shareholders, or the Managers.

Potential investors should read this Prospectus in its entirety and determine for themselves the relevance of the information contained in this Prospectus and their subscription of Offer Shares should be based upon such investigation as they deem necessary. In making a decision to invest in the Offer Shares, prospective investors must rely upon their own examination of the Group and the terms of this document, including the risks involved. The contents of this Prospectus are not to be construed as legal, financial, business or tax advice. Each prospective investor should consult his, her or its own legal adviser, financial adviser or tax adviser for legal, financial or tax advice. If in any doubt about the contents of this Prospectus, prospective investors should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser. It should be remembered that the price of securities and the income from them can go down as well as up.

In connection with the Offer, the Managers, and any of their respective affiliates acting as an investor for its or their own account(s) may acquire Offer Shares and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in such securities, any other securities of the Company or other related investments in connection with the Offer or otherwise. Accordingly, references in this Prospectus to the Offer Shares being issued, offered, acquired or otherwise dealt with should be read as including any issue or offer to, or acquisition or dealing by, the Managers or either of them and any of their affiliates acting as an investor for its or their own account(s). The Managers do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Subject to the stipulations of the Chapter "Terms and Conditions of the Offer and Plan of Distribution" the Company, the Selling Shareholder and the Managers reserve the right to reject any offer to purchase the Offer Shares in whole or in part and to allot to any prospective investor less than the full amount of the Offer Shares requested by such investor.

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## PROSPECTUS SUMMARY

*This summary is treated as an introduction to this Prospectus. Any investment decision should be made based on the contents of the entire Prospectus. An investor bringing a claim relating to the contents of this Prospectus shall bear the cost of translating the Prospectus, before proceedings before the court are initiated. Under Polish securities laws civil liability attaches to those persons who have drawn up the summary, including any translation thereof but only if this summary is misleading, inaccurate or inconsistent when read together with any other parts of this Prospectus.*

### Overview

#### ***The ASBIS Group***

The Group is one of the leading distributors of Information Technology ("IT") products in Central and Eastern Europe, the Baltic States, the former Soviet Union, the Middle East and North Africa, combining a broad geographical reach with a wide range of products distributed on a "one-stop-shop" basis. The Company's main focus is on the following countries: Poland, Czech Republic, Slovakia, Romania, Croatia, Slovenia, Serbia, Hungary, Russia, Ukraine, United Arab Emirates, Jordan, Yemen, Oman and Qatar.

The Group distributes servers, desktop PCs, laptops and networking to assemblers, system integrators and retailers. The Group's IT product portfolio encompasses a wide range of IT components, blocks and peripherals, and mobile IT systems. The Group currently purchases the majority of its products from leading international manufacturers, including Intel, Advanced Micro Devices ("AMD"), Seagate, Samsung and Microsoft. In addition, a growing part of the Group's revenue is comprised of sales of IT products under the Group's private labels, Prestigio and Canyon, which together accounted for 7.6 per cent. of the Group's total revenues in 2006, compared to 5.8 per cent. in 2005. In addition, the Group offers "white label" products, which are products that are distributed through the Group and branded with some of its largest customers' own brands.

The Group's business began in 1992 in Belarus and in 1995 the Group incorporated its holding company in Cyprus and moved its headquarters to Limassol. The Group's Cypriot headquarters support, through four master distribution centers (located in the Czech Republic, the Netherlands, Finland and the U.A.E.), its network of 31 warehouses located in 19 countries. This network supplies products to the Group's in-country operations and directly to its customers in approximately 70 countries. In 2006 more than 80 per cent. of the Group's revenues were generated in the former Soviet Union and Central and Eastern Europe.

In 2006, the Group sold, among other products, approximately 3.4 million central processing units ("CPUs"), 3.3 million hard disk drives ("HDDs") and 2.0 million memory modules (including both RAM and flash memory modules), either sourced from leading industry manufacturers or sold under the Group's private brands. These compared to approximately 3.1 million CPUs, 3.0 million HDDs and 1.3 million memory modules in 2005 and approximately 1.9 million CPUs, 3.0 million HDDs and 1.2 million memory modules sold in 2004.

The Group's revenues increased to U.S. \$540 million for the six months ended 30 June 2007, from U.S. \$426 million for the six months ended 30 June 2006, representing an increase of 26.7 per cent., while the Group's profits (after taxation) increased to U.S. \$3.2 million for the six months ended 30 June 2007, from U.S. \$2.5 million for the six months ended 30 June 2006, representing an increase of 27.4 per cent.

The Group's revenues increased to U.S. \$1,009 million in 2006, from U.S. \$930 million in 2005 and U.S. \$756 million in 2004, representing increases of 8.4 per cent. and 23.1 per cent., respectively. Over the same periods, the Group's profits after taxation and before deduction of listing expenses increased to U.S. \$11.1 million in 2006, from U.S. \$8.4 million in 2005 and U.S. \$2.2 million in 2004, representing increases of 32.1 per cent. and 272.5 per cent., respectively.

#### ***Strategy***

The Group's strategy is to grow its business and increase its profitability, mainly by improving its operating efficiency in the distribution of IT components and by increasing sales of its private label products. The Group intends to achieve this by:

- increasing sales and market share in the EMEA region;
- expanding to new emerging markets, in particular countries such as Libya, Kenya and other African states, as well as Moldova, Azerbaijan, Georgia and Armenia;

- developing its private label business;
- continuing to focus on leveraging its size and distribution capacity to achieve better commercial terms and optimize its product mix; and
- enhancing operating efficiency and automated processes, including its on-line sales channels.

### **Key strengths**

The Group's key strengths are:

- Broad geographic coverage in Central and Eastern Europe, combined with local presence;
- Experienced Group management team, combined with local expertise;
- Critical mass of operations;
- Price protection and stock rotation policy for inventory; and
- The Group is one-stop-shop for producers and integrators of IT equipment.

### **Summary Historical Financial and Operating Information for the Group**

The summary information presented in U.S. dollars set out below has been derived from and should be read in conjunction with the Group's audited consolidated Financial Statements as at and for the years ended 31 December 2006, 2005 and 2004, and the notes thereto, and the Group's unaudited consolidated Financial Statements as at and for the six months ended 30 June 2007 and 2006, and the notes thereto, included elsewhere in this Prospectus. The following information should be read in conjunction with the chapter "Operating and Financial Review and Results of Operations" included elsewhere in this Prospectus.

	Six months ended 30 June		Year ended 31 December		
	2007	2006	2006	2005	2004
	(unaudited)		(U.S.\$)	(audited)	
<b>Revenue</b> .....	540,055,910	426,368,013	1,008,794,597	930,389,282	755,719,777
Cost of sales .....	(516,276,970)	(408,829,273)	(961,101,730)	(892,020,384)	(728,773,519)
<b>Gross profit</b> .....	23,778,940	17,538,740	47,692,867	38,368,898	26,946,258
Selling expenses.....	(10,047,770)	(6,651,806)	(17,290,825)	(13,225,005)	(10,369,395)
Administrative expenses .....	(8,087,157)	(6,416,924)	(14,318,319)	(12,839,668)	(11,392,565)
<b>Profit from operations before amortization and write-off of goodwill</b> .....	5,644,013	4,470,010	16,083,723	12,304,225	5,184,298
Other expenses-amortization/write-off of goodwill.....	—	(39,031)	—	(13,620)	(64,425)
<b>Operating profit</b> .....	5,644,013	4,430,979	16,083,723	12,290,605	5,119,873
Financial income .....	381,347	202,668	142,271	226,636	203,757
Financial expense.....	(2,298,329)	(1,806,009)	(3,850,106)	(3,558,489)	(2,485,417)
Other income.....	119,623	102,775	383,238	340,542	252,612
Profit on disposal of subsidiary .....	—	—	—	18,349	—
<b>Profit before taxation</b> .....	3,846,654	2,930,413	12,759,126	9,317,643	3,090,825
Taxation.....	(678,483)	(444,343)	(1,688,816)	(939,380)	(841,508)
<b>Profit after taxation</b> .....	3,168,171	2,486,070	11,070,310	8,378,263	2,249,317
Listing expenses written off.....	—	—	(1,597,310)	—	—
Minority interest.....	—	—	—	(55,959)	(59,922)
<b>Profit attributable to members</b> .....	3,168,171	2,486,070	9,473,000	8,322,304	2,189,395
<b>Earnings per share</b> .....					
Basic and diluted from continuing operations (U.S. \$ cents).....	6.6	5.2	19.7	17.3	4.56



	<b>Six months ended 30 June</b>		<b>Year ended 31 December</b>		
	<b>2007</b>	<b>2006</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>(unaudited)</b>		<b>(audited)</b>		
			<i>(U.S.\$)</i>		
<b>Cash flow data</b>					
Operating profit before working capital changes .....	4,980,656	4,002,459	14,615,171	11,867,125	5,840,649
Cash inflows/(outflows) from operations .....	4,818,256	(16,154,992)	(5,885,834)	2,393,993	(3,368,814)
Net cash inflows/(outflows) from operating activities .....	4,195,878	(16,364,562)	(8,778,510)	13,574	(4,635,684)
Net cash outflows from investing activities .....	(1,314,194)	(764,443)	(1,060,422)	(1,701,633)	(1,586,772)
Net cash (outflows)/inflows from financing activities .....	(1,194,227)	(326,684)	10,910,750	(1,646,954)	4,993,326
Net increase/(decrease) in cash and cash equivalents .....	1,687,457	(17,455,689)	1,071,818	(3,335,013)	(1,229,130)
<b>Cash and cash equivalents at beginning of the period/year .....</b>	<b>13,250,441</b>	<b>12,178,623</b>	<b>12,178,623</b>	<b>15,513,636</b>	<b>16,742,766</b>
<b>Cash and cash equivalents at end of period/year .....</b>	<b>14,937,898</b>	<b>(5,277,066)</b>	<b>13,250,441</b>	<b>12,178,623</b>	<b>15,513,636</b>

	<b>Six months ended 30 June</b>		<b>Year ended 31 December</b>		
	<b>2007</b>	<b>2006</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>(unaudited)</b>		<b>(audited)</b>		
			<i>(U.S.\$)</i>		
<b>Balance sheet data</b>					
<b>ASSETS</b>					
Total current assets .....	226,294,084	175,903,659	227,622,136	198,875,895	160,992,692
Total non-current assets .....	8,852,707	8,063,215	8,529,759	8,196,865	8,509,421
<b>Total assets .....</b>	<b>235,146,791</b>	<b>183,966,874</b>	<b>236,151,895</b>	<b>207,072,760</b>	<b>169,502,113</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Liabilities</b>					
Total current liabilities .....	171,892,211	129,472,009	175,213,559	155,211,658	125,096,550
Total non-current liabilities .....	766,264	875,204	785,770	901,465	1,123,830
<b>Total liabilities .....</b>	<b>172,658,475</b>	<b>130,347,213</b>	<b>175,999,329</b>	<b>156,113,123</b>	<b>126,220,380</b>
<b>Equity</b>					
<b>Total equity .....</b>	<b>62,488,316</b>	<b>53,619,661</b>	<b>60,152,566</b>	<b>50,959,637</b>	<b>43,232,583</b>
Minority interest .....	-	-	-	-	49,150
<b>Total liabilities and equity .....</b>	<b>235,146,791</b>	<b>183,966,874</b>	<b>236,151,895</b>	<b>207,072,760</b>	<b>169,502,113</b>

### **Directors**

The members of the Company's Board of Directors are John Hirst, Siarhei Kostevitch, Marios Christou, Constantinos Tziamalis, Laurent Journoud and Paul Swigart (collectively, the "**Directors**"). Certain Directors and senior managers of the Company have ownership interests in the Company and will continue to do so following the Offer. John Hirst owns 75,600 shares and is expected to own 75,600 after the Offer. Siarhei Kostevitch (Director and Chief Executive Officer) owns 25,751,961 shares indirectly through KS Holdings Limited ("**KS Holdings**"). KS Holdings is expected to own 23,751,961 shares after the Offer assuming no exercise of the Over-allotment Option and 20,986,073 shares assuming full exercise of the Over-allotment Option. Yuri Ulasovich (Vice President of Product Marketing) owns 50% of Sangita Enterprises Limited and his wife, Natalia Ulasovich holds the balance. Sangita Enterprises Limited owns 2,800,000 shares and is expected to own 2,660,000 after the Offer. Marios Christou (Director and Chief Financial Officer) owns 400,000 shares and is expected to own 360,000 shares after the Offer. Laurent Journoud (Director and Executive Vice President of Sales and Marketing) owns 400,000 shares and is expected to own 360,000 after the Offer. Constantinos Tziamalis (Director and Corporate Credit Control and Investor Relations Manager) owns 35,000 shares and is expected to own 31,500 shares after the Offer. Daphne Su (Su-Shu Min) (Managing Director of the Canyon Group) owns 100,000 shares and is expected to own 100,000 after the Offer.

### *Summary of risk factors*

An investment in the Offer Shares involves numerous risks, including those relating to:

- global competition and price pressure in the IT industry in which the Group operates;
- business conducted on a low-margin market of distribution of IT products;
- obsolete stock and price erosion in the IT industry;
- the Group's business being strongly dependent on distribution agreements with a limited number of suppliers;
- the Group's ability to maintain or renew on favorable terms its distribution and supply contracts with key suppliers and customers;
- growing e-trade activities of the Group's suppliers which provides them with ability to sell directly;
- logistics and distribution infrastructure, as well as the risks related to third party logistics and distribution services suppliers;
- credit risks faced by the Group related to its obligations under supply contracts and activities are financed and risks of delayed client payments;
- fluctuations currencies relative to the U.S. dollar in which operations are conducted and activities are financed;
- inability to attract and keep key executives and employees;
- termination of an agreement with E-Vision Limited regarding the use of software and support for the IT4 Profit platform;
- disruption in IT systems or communication links of the Group;
- online commerce and security fraud;
- the Group's inability to effectively manage its growth;
- product liability exposure relating to the sale of defective or damaged components;
- lack of sufficient capital resources or inability to obtain financing for future needs;
- the emerging markets in which a substantial portion of the Group's revenues are generated and operations and assets are located, which are exposed to greater risks than the developed markets;
- failure to maintain effective internal controls system or the identification of material weaknesses in its internal controls over financial reporting;
- increasing interest rates on the Group's borrowings;
- a change of the market price of the Offer Shares, which may fall below the Offer Price;
- to the development of a future market for the Offer Shares;
- market expectations regarding a potential sale of the shares held by the Selling Shareholders upon completion of the Offer, and after the end of the lock-up period;
- the principal shareholder of the Company, KS Holdings Limited, which will retain the ability to exercise significant influence on the Group's management and its business;
- recalling the Offer and the payments made against subscriptions for the Offer Shares which may be returned to investors without interest or any other form of compensation;

- the Offer and the admission of the Offer Shares to trading on WSE (the Offer and/or listing of the Offer Shares on WSE may be delayed or denied);
- the Offer Shares which may be delisted or excluded from trading on WSE should the Company fail to satisfy the criteria set out in the Polish Act on Public Offering, which may in turn restrict the liquidity of the Offer Shares;
- suspension of trading in the Company's shares on WSE;
- the possible imposition of administrative sanctions and fines for a failure to promptly comply with the statutory requirements related to a possibility of temporary or permanent withdrawal of the Company's shares from stock exchange trading;
- the Company is incorporated in Cyprus, which may pose difficulties and additional expense for non-Cypriot investors to exercise their rights; and
- risks related to a failure to comply with all corporate governance rules prevailing on WSE.

Detailed description of all risk factors can be found in the Chapter "Risk Factors".

## THE OFFER

<b>The Company</b> .....	ASBISc Enterprises PLC
<b>Legal form of the Company</b> .....	Public limited company, established and existing under the laws of the Republic of Cyprus
<b>The Selling Shareholders</b> .....	The principal Selling Shareholders are KS Holdings Limited, the ultimate beneficial owner of which is Siarhei Kostevitch, MAIZURI Enterprises Ltd. and Alpha Ventures SA. For a list of and information concerning the other Selling Shareholders, see " <i>Principal and Selling Shareholders</i> ".
<b>The Offer</b> .....	The Offer comprises in aggregate 21,205,144 Offer Shares, representing 7,500,000 New Shares to be issued and offered by the Company and 10,939,256 Sale Shares to be offered by the Selling Shareholders. In addition, KS Holdings Limited has granted the Global Coordinator an Over-allotment Option covering up to an additional 2,765,888 Offer Shares, representing up to 15 per cent. of the base aggregate number of the Offer Shares, to cover over-allotments, if any, made in connection with the Offer and to cover short positions resulting from stabilisation transactions.
<b>Division into tranches of the Offer Shares and shifts between tranches</b> .....	<p>The Offer Shares are divided into two tranches:</p> <ul style="list-style-type: none"> <li>• the Retail Tranche of 2,650,000 Offer Shares, intended for Retail Investors;</li> <li>• the Institutional Tranche containing all the remaining 18,555,144 Offer Shares, including up to 2,765,888 Sale Shares offered in the Over-allotment Option and intended for Institutional Investors.</li> </ul> <p>Upon consultation with Managers, the Company and the Selling Shareholders, after the end of the Subscription Period, but prior to announcing the Offer Price and the number of the Offer Shares, may shift the Offer Shares between tranches, provided that the Offer Shares are not covered by subscriptions under the given tranche at a price equal or higher than the Offer Price.</p>
<b>Subscription Period</b> .....	The period in which investors may file subscriptions which will commence on 10 October 2007 and will end on 18 October 2007.

<b>Offer Price</b> .....	The Offer Price will be determined by the Company and the Selling Shareholders upon the recommendation of the Managers after the termination of the Subscription Period not later than on 19 October 2007 taking into account the results of book-building amongst the institutional investors. The Offer Price will not be higher than the Maximum Price of PLN 11.05 per Share.
<b>Offer Shares</b> .....	The Offer Shares are ordinary shares in the share capital of the Company, each with a nominal value of U.S. \$0.20.
<b>Allotment</b> .....	Allotment will occur promptly following the Subscription Period, not later than on 19 October 2007, subject to acceleration or extension of the timetable for the Offer at the discretion of the Company and the Selling Shareholders.
<b>Listing Date</b> .....	The Offer Shares are expected to be listed on the WSE on or around 30 October 2007.
<b>Shares issued and outstanding</b> .....	Prior to the Offer, the Company's share capital consisted of 48,000,000 shares issued and outstanding. On the Closing Date, following the issue of 7,500,000 New Shares, the Company's share capital will consist of 55,500,000 shares issued and outstanding.
<b>Voting rights</b> .....	Each share (including New Shares) gives its holder one vote. The decisions at the general meeting of shareholders are taken by a simple or an increased majority of votes of shares whose holders are present or represented by proxy at a meeting. As at the date of the Prospectus, the Company's articles of association do not contain any limitations on the number of shares or voting rights that may be held by the any one or more persons.
<b>Reasons for the Offer and use of proceeds</b> .....	<p>The principal use of the proceeds of the Offer of the New Shares is to: (i) invest in the further development of the Group's own brands of IT equipment - Prestigio and Canyon - by investing in their marketing, design, sourcing and quality control, (ii) enable the Group to take advantage of early payment discounts offered by certain suppliers, most notably Seagate Technologies and Hitachi Global Storage, (iii) expand the range of branded end-user products offered by the Company, including necessary working capital requirements in this respect and (iv) the acquisition of a building in Slovakia to serve as the registered office and a warehouse of a local subsidiary.</p> <p>The Company will not receive any proceeds from any sale of Sale Shares by the Selling Shareholders. The Selling Shareholders will pay commissions associated with the sale of the Sale Shares in the Offer on a pro-rata basis.</p>
<b>Dividends and dividend policy</b> .....	The Company's general dividend policy following the Offer will be to pay dividends at levels consistent with the Company's growth and development plans, while maintaining a reasonable level of liquidity. Pursuant to this policy, the Board of Directors intends to recommend to the General Meeting of Shareholders that up to 20% of audited net profits be distributed as a dividend going forward. All shares, including Offer Shares carry full and identical rights to dividend, if and when declared, from the date they are acquired.
<b>Listing and market</b> .....	Shares of the common stock of the Company are already listed on AIM, however only very limited trading has occurred to date due to lack of liquidity. Following the closing of the Offer, the Company intends to promptly apply for the admission of all its shares (which will include the Offer Shares) on the main market of the WSE. See " <i>Terms and Conditions of the Offer and Plan of Distribution</i> ".
<b>Settlement and delivery of the Offer Shares</b> .....	The issuance and release of the Offer Shares is expected to take place on 24 October 2007 upon payment of the total offer price. The delivery will take place through the book-entry facilities of the Polish National Deposit of Securities (the "NDS"), in accordance with their normal settlement procedures applicable to initial public offerings of equity securities.

**Lock-up.....** Each of the Company and each Selling Shareholder, except for Maizuri Enterprises Ltd. and Alpha Ventures S.A., owning more than 1% of the Company's shares, has agreed that in the period of 12 months from the Closing Date, it will not, without the prior written consent of the Global Coordinator, which consent shall not be unreasonably withheld, propose or otherwise support an offering of any of its shares, announce any intention to offer new shares and/or to issue any securities convertible into its shares or securities that in any other manner represent the right to acquire its shares, or conclude any transaction (including any transaction involving derivatives) whose economic effect would be similar to the effect of selling its shares.

With respect to Maizuri Enterprises Ltd. and Alpha Ventures SA, the lock-up undertaking described above shall remain in force for six months from the Closing Date and shall apply only if the number of the Sale Shares held by each Maizuri Enterprises Ltd and Alpha Ventures SA, respectively, after completing the Offer were to exceed 20% of the overall number of Sale Shares held by those entities before commencing the Offer.

The Selling Shareholders who made the foregoing commitments presently hold in aggregate 90.6% of the Company's shares.

**ISIN code .....** Existing Shares of the Company carry the following securities code – ISIN CY1000031710. It is expected that the New Shares will carry the same ISIN code.

**Global Coordinator .....** ING Bank NV, London Branch

**Polish Manager and Offeror.....** ING Securities S.A.

## **NO INCORPORATION OF WEBSITE INFORMATION**

The contents of the Company's website do not form part of this Prospectus.

## **FORWARD-LOOKING STATEMENTS**

This Prospectus contains forward-looking statements which reflect the current view of the Company or, as appropriate, of the Directors or the management of the Company (the "**Management**"), as the context may require, with respect to financial performance, business strategy, plans and objectives of the Company for future operations (including development plans relating to the Group's products and services).

These forward-looking statements relate to the Group and the sectors and industries in which the Group operates. Statements which include the words "expects", "intends", "plans", "believes", "projects", "anticipates", "will", "targets", "aims", "may", "would", "could", "continue" and similar statements of a future or forward-looking nature identify such forward-looking statements.

All forward-looking statements included in this Prospectus address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Group's actual results to differ materially from those indicated in these statements. These factors include, but are not limited to:

- increases or decreases in demand for the Group's products;
- the effects of competition;
- price pressure;
- increases in operating costs;
- availability of funds, through borrowings or otherwise, for the Group's future operations and planned capital expenditures;
- the Group's ability to successfully implement any of its business or financing strategies;
- developments in, or changes to, the laws, regulations and governmental policies applicable to the Group's business;
- substantial inflation, interest rate and exchange rate fluctuations;
- changes in the Group's ability to obtain, maintain or renew the distribution contracts necessary to conduct its businesses;
- the effects of international political events; and
- the Group's success in identifying additional risks to its businesses and managing risks associated with the aforementioned factors.

Any forward-looking statements in this Prospectus reflect the Company's current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the Group's operations, results of operations, growth strategy and liquidity.

Any forward-looking statements speak only as of the date of this Prospectus. Notwithstanding that this Prospectus does not contain profit forecasts or estimates within the meaning of the European Commission Regulation (EC) No 809/2004 the Company undertakes no obligation to update publicly or review any forward-looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward looking statements attributable to the Group or individuals acting on behalf of the Group are expressly qualified in their entirety by this paragraph. Prospective investors should specifically consider the factors identified in this Prospectus which could cause actual results to differ before making an investment decision.

## **PRESENTATION OF FINANCIAL AND OTHER INFORMATION**

In this Prospectus all references to the Company apply to ASBISc Enterprises Plc and all references to the Group apply to ASBISc Enterprises Plc and its consolidated subsidiaries. Expressions such as "we", "us", "our" and similar apply generally to the Group (including its particular subsidiaries, depending on the country discussed), unless from the context it is clear that they apply to the Company alone.

## **Financial and Operating Data**

This Prospectus contains financial statements of, and financial information relating to the Group. In particular, this Prospectus contains the Company's audited consolidated annual financial statements for the three years ended, and as at 31 December 2004, 2005 and 2006 that were audited by Deloitte & Touche Limited, an auditor certified to audit financial statement pursuant to Cypriot laws and the Company's unaudited consolidated interim financial statements for the six months ended, and as at 30 June 2007 upon which Deloitte & Touche Limited performed a limited review (collectively the "**Financial Statements**"). The Financial Statements appended to this Prospectus are presented in U.S. dollars and have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

The functional currency of the Company is U.S. dollars. Accordingly, transactions in currencies other than the Company's functional currency are translated into U.S. dollars at the exchange rates prevailing on the applicable transaction dates.

Certain arithmetical data contained in this Prospectus, including financial and operating information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables contained in this Prospectus may not conform exactly to the total figure given for that column or row.

## **Market, Economic and Industry Data**

In this Prospectus references to "**Gartner**" are to Gartner, Inc., an IT consulting firm and references to "**IDC**" are to a subsidiary of IDG, a world leading IT market research house.

Market, economic and industry data in this Prospectus has been derived from various industry and other independent sources. There can be no assurance regarding the accuracy and completeness of such information. Data presented in the "*Industry Overview and Competition*" section of this Prospectus was derived from publicly available information, including press releases and public filings and industry research and consulting organisations.

The Company confirms that the above information has been accurately reproduced from its sources and, as far as the Company is aware and is able to ascertain, no facts have been omitted that would render the reproduced information inaccurate or misleading. There is not always a uniformity of views among such sources as to the information provided therein. The Company has relied on the accuracy of this information without carrying out an independent verification of the accuracy of such information.

## **References to Defined Terms**

Certain terms used in this Prospectus, including certain capitalised terms (which may also be defined in the body of the Prospectus) and certain technical and other terms, are defined in "*Definitions*", and certain selected industry and technical terms used in this Prospectus are defined and explained in "*Glossary*".

## **Currency Presentation**

Unless otherwise indicated, all references in this Prospectus to "U.S. \$" or "U.S. dollars" are to the lawful currency of the United States; all references to "€" or the "Euro" are to the lawful currency of the member states of the European Union that adopt the single currency in accordance with the EC Treaty, which means the Treaty establishing the European Community (signed in Rome on 25 March 1957), as amended by the Treaty on European Union (signed in Maastricht on 7 February 1992) and as amended by the Treaty of Amsterdam (signed in Amsterdam on 2 October 1997) and includes, for this purpose, Council Regulations (EC) No. 1103/97 and No. 974/98; all references to "C£" or the "Cypriot pound" are to the lawful currency of the Republic of Cyprus; and all references to "PLN" or "Polish Zloty" are to the lawful currency of the Republic of Poland.

## EXCHANGE RATES

The following table shows for the dates and periods indicated the period-end, average, high and low official Polish Zloty to U.S. dollar exchange rate as reported by the National Bank of Poland expressed in PLN per U.S. \$1.00.

<b>Period</b>	<b>Period end</b>	<b>Average<sup>(1)</sup></b>	<b>High</b>	<b>Low</b>
2004 .....	2.9904	3.6484	4.0572	2.9716
2005 .....	3.2613	3.2347	3.4491	2.9066
2006 .....	2.9105	3.1047	3.3008	2.8628
29 June 2007 .....	2.7989	2.8954	3.0400	2.7549

Note:

(1) The arithmetic average rate calculated on the basis of daily exchange rates reported by the National Bank of Poland.

The following table shows for the dates and periods indicated the period-end, average, high and low Euro to U.S. dollar exchange rate as calculated based on the rates reported by the National Bank of Poland, expressed in Euro per U.S. \$1.00.

<b>Period</b>	<b>Period end</b>	<b>Average<sup>(1)</sup></b>	<b>High</b>	<b>Low</b>
2004 .....	0.7331	0.8048	0.8476	0.7331
2005 .....	0.8449	0.8044	0.8565	0.7387
2006 .....	0.7597	0.7970	0.8442	0.7515
29 June 2007 .....	0.7432	0.7529	0.7747	0.7330

Note:

(1) The arithmetic average rate calculated on the basis of daily exchange rates of Polish Zloty to U.S. dollar and Polish Zloty to Euro reported by the National Bank of Poland.



## RISK FACTORS

*Investing in the Offer Shares involves a high degree of risk. Prospective investors should carefully consider the following risk factors, and all information contained in this Prospectus, before investing in the Offer Shares. If any of these events occur, the Group's business, operating results and financial condition could be materially and adversely affected, the price of the Offer Shares may decline and/or the Company's ability to pay dividends could be impaired.*

### **Risk factors relating to the Group's Business and Industry**

***Competition and price pressure in the industry in which the Group operates on a global scale may lead to a decline in market share, which could have a material adverse effect on the Group's business, operating results and financial condition.***

The IT distribution industry in which the Group operates is a highly competitive market, particularly with regards to product selection, quality, inventory, price, customer service and credit availability and hence is open to margin pressure from competitors and new entrants. The Group competes at the international level with a wide variety of suppliers of varying sizes, covering different product categories and geographic markets. In particular, in each of the markets in which the Group operates it faces competition from a number of either international distributors such as Avenet Inc., Tech Data Corp., Ingram Micro Inc. and Arrow Electronics Inc., which are much larger than the Group, but do not always cover the same geographic regions with local presence as the Group does, as well as from regional or local distributors, such as Elko, mainly in the Baltic States, Russia, Ukraine and the Adriatic Region, Kvazar Micro and Millennium Distribution in the former Soviet Union, ABC Data and Action in Poland and ATC and BGS-Levi in the Czech Republic and Slovakia.

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

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

The Group's gross profit margins, like those of other distributors of IT products, are low and the Group expects them to continue to be low in the future. Increased competition arising from industry consolidation and low demand for certain IT products may hinder the Group's ability to maintain or improve its gross margins. A portion of the Group's operating expenses is relatively fixed, and planned expenditures are based in part on anticipated orders that are forecasted with limited visibility of future demand. As a result, the Group may not be able to reduce its operating expenses as a percentage of revenue to mitigate any further reductions in gross margins in the future. The Group's inability to manage its costs could have a material adverse effect on its business, results of operations and financial condition.

***Inventory obsolescence and price erosion in the industry in which the Group operates may have a material adverse effect on the Group's business, financial condition and results of operations.***

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

The Group benefits from advantageous contract terms which protect it against declining prices or slow moving inventory with respect to certain types of products supplied by a number of its suppliers (see "*Business Description*

– *The Group's Main Suppliers – Price Protection Policy and Stock Rotation Policy*"). These policies, however, do not cover all products distributed by the Group, may not continue to be offered by all suppliers in the future and, in any case, do not protect sales of the Group's own private labels, Canyon and Prestigio. As a result, inventory obsolescence and resulting price erosion could have a material adverse impact on the Group's business, financial condition and results of operations.

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

The Group's business is dependent on the decisions and actions of a limited number of suppliers. In the year ended 31 December 2006, almost half of the Group's revenue was generated by three of its largest suppliers, namely Intel, Advanced Micro Devices (AMD) and Seagate. Contracts with these suppliers are typically on a non-exclusive basis, allow for termination with or without cause and are open-ended with respect to requirements and output rather than imposing any commitment to a specific volume of business or scope of work.

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

***The Group's inability to maintain or renew its distribution and supply contracts on favorable terms with key customers and suppliers, could have a material adverse effect upon the Group's business, operating results and financial condition.***

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

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

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

The Group operates as a distributor, or a "middleman", between manufacturers and its customers. Manufacturers are sometimes able to outsource their sales and marketing functions by engaging the services of a distributor and concentrating on their core competencies. With the emergence, however, of new internet technologies and e-commerce, more manufacturers are developing their own online commerce platforms with the capability to accept orders and conduct sales through the internet. Global distributors have also set up their own web-sites to enable sales and purchases to be conducted online. Although the Group has developed the IT4Profit platform, an online purchasing platform for

electronic dealing with its customers (B2B), there can be no assurance that any of the Group's suppliers or competing distributors will not successfully implement similar electronic purchasing platforms and manage to fully satisfy the Group's customers' needs, in which case the Group risks losing a significant part of its business. In addition, market prices of components may deteriorate as a result of increasing online competition, as online customers have the ability to search globally for the cheapest available components. If the Group is unable to effectively leverage its internet technologies and e-commerce or successfully compete with emerging competitors offering online services, this could have a material adverse effect upon the Group's business, operating results and financial condition.

***The Group's success is dependent on its own logistics and distribution infrastructure and on third parties that provide those services, a loss of which could adversely affect the Group's business, operating results and financial performance.***

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

***Credit risk faced by the Group due to its obligations under supply contracts and the risk of delinquency of customer accounts receivable could have a material adverse effect upon the Group's business, operating results and financial condition.***

The Group buys components from its suppliers on its own account and distributes them to its customers. The Group extends credit to some of its customers at terms ranging from 15 to 45 days or, in certain cases, up to 90 days. The Group's payment obligations towards its suppliers under such agreements are separate and distinct from its customers' obligations to pay for their purchases, except in limited cases in which the Group's arrangements with its suppliers require it to resell to certain resellers or sub-distributors. Thus, the Group is liable to pay its suppliers regardless of whether the Group's customers pay for their respective purchases. As the Group's profit margin is relatively low compared to the total price of the products sold, in the event the Group is unable to recover payments from its customers, the Group is exposed to a financial liquidity risk. The Group has in place credit insurance which covers such an eventuality for only approximately 50 per cent. of the Group's revenue. Therefore, any doubtful debts provided for and bad debts written off due to the Group's inability to collect could have a material adverse effect upon the Group's business, operating results and financial condition.

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

The Group's reporting currency is the U.S. dollar. Approximately half of the Group's revenues are denominated in U.S. dollars, while the balance of its revenues is denominated in Euro and other currencies, certain of which are linked to the Euro. Substantially all of the Group's trade payable balances are denominated in U.S. dollars. In addition, approximately half of the Group's operating expenses are denominated in U.S. dollars and the other half in Euro or other currencies, certain of which are linked to the Euro.

As a result, reported results are affected by movements in exchange rates, particularly in the exchange rate of the U.S. dollar against the Euro and other currencies of the countries in which the Group operates, including the Slovakian crown, the Czech crown and the Polish Zloty. In particular, a strengthening of the U.S. dollar against the Euro and other currencies of the countries in which the Group operates may result in a decrease in the Group's revenues, as reported in U.S. dollars, and foreign exchange loss relating to trade receivables and payables, which would have a negative impact on the Group's operating and net profit despite a positive impact on the Group's operating expenses. On the other hand, a devaluation of the U.S. dollar against the Euro and other currencies of the countries in which the Group operates may have a positive impact on the Group's revenues, as reported in U.S. dollars, which would have a positive impact on operating and net profit despite a negative impact on the Group's operating expenses, as was the case in 2006.

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

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

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

***The Group's inability to recruit and retain key executives and personnel could have a material adverse effect upon the Group's business, operating results and financial condition.***

The Group's business depends in significant part upon the contribution of a number of the Group's executive Directors, key senior management and personnel, including Siarhei Kostevitch, its Chief Executive Officer and principal shareholder. There can be no certainty that the services of Mr. Kostevitch and of other of the Group's key personnel will continue to be available to the Group. The Group has in the past experienced and may in the future continue to experience difficulty in identifying expert personnel in its areas of activity, and particularly in the areas of information technology and sales and marketing, in the countries in which it operates. In addition, the Group does not currently maintain "key person" insurance. If the Group is not successful in retaining or attracting highly qualified personnel in key management positions, this could have a material adverse effect upon the Group's business, operating results and financial condition.

***The Group's inability to maintain or renew its contracts with E-Vision Limited for the provision of software and support for its IT4Profit platform could have a material adverse effect upon the Group's business, operating results and financial condition.***

The Group's IT4Profit platform, its on-line purchasing platform for electronic trading with its customers, is supported by software and other services provided by E-Vision Limited ("**E-Vision**"). The Directors consider IT4Profit to be a key component of the Group's logistics and distribution model. Dealings through the IT4Profit on-line platform grew to represent approximately 50 per cent. of the Group's revenues in 2006. The Group's companies, including the Company itself, have entered into licence agreements with E-Vision for the provision of software and services, see "*Business Description - Distribution - Distribution Operations Management - Asbis on IT4Profit*". E-Vision is controlled by the Group's majority shareholder, Siarhei Kostevitch, but not controlled by the Group. The Group owns 18% of E-Vision's shares. If E-Vision does not renew its contracts for the provision of software and services that support the Group's IT4Profit platform or renews them on less favorable terms, including as a result of its majority shareholder disposing of his controlling interest in E-Vision, this could have a material adverse effect upon the Group's business, operating results and financial condition.

***Any disruption in the Group's IT systems and communication links could have a material adverse effect on the Group's business, results of operations and financial condition.***

The Group's business is highly dependant on voice and data communication links between its offices and warehouses. Any significant interruption in the IT systems or breakdown of the Group's communication links could affect the Group's ability to meet its contractual commitments, damage its reputation and weaken its competitive position. Since the Group does not maintain business interruption insurance, the occurrence of any of the foregoing events could have a material adverse effect on the Group's business, results of operations and financial condition.

***The Group is exposed to risks associated with online commerce security and fraud, which could adversely affect the Group's business, operating results and financial performance.***

Approximately 50% of transactions and 50% of the Group's revenues for the year ended 31 December 2006 were transacted or generated online. To transmit confidential information securely, the Group relies on encryption and authentication technology. Unanticipated events or developments could result in a compromise or breach of the systems used to protect transaction data of the contracting parties. Furthermore, the servers may be vulnerable to viruses transmitted via the internet. While the Group proactively checks for intrusions into its infrastructure, new and undetected viruses could cause a service disruption. Although to date the Group's website has not experienced any material breakdowns, disruptions or breaches in security, there can be no assurance that there will not be any material breakdowns, disruptions or breaches in security.

If the Group were to experience a security breakdown, disruption or breach that compromised sensitive information, this could harm its operations and its relationships with its customers or suppliers. Disruption of the Group's website or the internet in general could impair its order processing ability or more generally prevent the Group's customers and suppliers from accessing information. This could cause a loss of business and decline in operating results. A failure to adequately maintain the security of transactions conducted on the internet would have a material adverse effect on the Group's business, operating results and financial performance.

***A failure by the Group to effectively manage its growth could have a material adverse effect on the Group's business, operating results and financial performance.***

In recent years, the Group entered a number of new emerging IT markets in North Africa. Although revenues derived from these markets still represent a relatively low share of the Group's total revenues, this share is increasing, as these markets continue to grow and as the Group continues to expand to other emerging and growing markets including in Africa and Central Asia. The ability of the Group to implement its strategy requires effective planning and management control systems. Should the Group's operations grow more rapidly than planned for, such growth may place a significant strain on the Group's management and operational, financial and personnel resources. Therefore, the Group's future growth and prospects will depend on its ability to manage this growth. A failure by the Group to effectively manage its growth could have a material adverse effect on the Group's business, operating results and financial performance.

***Product liability to which the Group is exposed for defective or damaged components could adversely affect the Group's business, operating results and financial performance.***

Occasionally, some of the components which the Group purchases from its suppliers may be defective or damaged in transit, or may not be of merchantable quality or fit for the purpose for which they are purchased. Sometimes, the components may be lost during shipment or transfer, or arrive in short delivery.

When such circumstances arise, the Group's customers will have a legal right to claim against the Group as seller of such items for the loss and damage suffered by them. A claim made by the Group's customers as a result of any of these or other unforeseeable events could result in liability for substantial damages and legal costs, which may increase significantly if there is a shortage of such components in the industry at that time or if the Group is unable to find suitable replacements for its customers within a certain period. Such potential liability for substantial damages and legal costs towards the Group's customers could cause an interruption or shutdown in operations, which could have a material adverse effect on the Group's business, operating results and financial performance.

***A lack of sufficient capital resources or the inability to secure financing for future operations could adversely affect the Group's business, results of operations and financial condition.***

Additional capital may need to be raised and new sources of financing secured to fully develop the Group's business or to take advantage of acquisition opportunities. The Group's capital requirements depend on numerous factors, including its ability to maintain and expand its customer base and potential acquisitions, although none are currently envisaged. It is difficult for the Directors to accurately predict the timing and amount of the Group's capital requirements for such extraordinary items.

If the plans or assumptions set out in the Group's business plan change or prove to be inaccurate, or if the Group makes any material acquisitions, the Group may require further financing. Any additional equity financing may be dilutive to investors, and debt financing, if available, may involve restrictions on financing and operating activities. If the Group is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion, which could adversely affect the Group's business, results of operations and financial condition.

***As a substantial percentage of the Group's sales take place and operations and assets are located in emerging markets, which are subject to greater risk than more developed markets, the occurrence of a number of factors in these markets could jeopardize the security of the Group's international investments, which could result in a material adverse effect on the Group's business, results of operations and financial condition.***

A substantial percentage of the Group's sales take place and operations and assets are located in emerging markets, including in the former Soviet Union, Eastern Europe and the Middle East and North Africa. Investors should be aware that these markets are subject to greater risk than more developed markets. Relevant risks could include, but are not limited to:

- unanticipated changes in, and uncertainty regarding the interpretation of, the existing legal or regulatory environment and licensing requirements;
- tariffs, taxes, price, wage and exchange controls and other trade barriers;
- other restrictions on, or costs of, repatriation of profits or capital;
- political and social instability;
- significant economic volatility;
- strong inflationary pressures; and
- interest rate and exchange rate fluctuations.

Many emerging markets in which the Group has assets are in the process of transitioning to a market economy and, consequently their economies and government policies are subject to changes that may affect the Group's assets. Although some of these countries are in various stages of developing institutions and legal and regulatory systems that are characteristic of parliamentary democracies, these institutions are not yet as firmly established as in the U.S. or Western Europe. Similarly, the interpretation and procedural safeguards of the new legal and regulatory regimes in these countries are still being developed, existing laws and regulations may be applied inconsistently and, in some circumstances, it may not be possible to obtain the legal remedies provided under those laws and regulations in a timely manner. As a result, the Group may face further uncertainty as to the security of its international investments.

Investors should also note that emerging economies are subject to rapid change and that the information set out in this Prospectus may become outdated relatively quickly. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of these risks, investing in the Offer Shares is appropriate. Generally, investment in a company whose assets are located in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved, and investors are urged to consult with their own legal and financial advisors before making an investment in the Offer Shares.

If any of the aforementioned factors occurs this could affect the Group's security of its international investments, which could have a material adverse effect on the Group's business, results of operations and financial condition.

***If the Group fails to maintain an effective system of internal controls or discovers material weaknesses in its internal controls over financial reporting, it may not be able to report its financial results accurately or timely or detect fraud, which could have a material adverse effect on its business.***

An effective internal control environment is necessary for the Group to produce reliable financial reports and is an important part of its effort to prevent financial fraud. The Group is required to periodically evaluate the effectiveness of the design and operation of its internal controls over financial reporting. Based on these evaluations, the Group may conclude that enhancements, modifications or changes to internal controls are necessary or desirable. While management evaluates the effectiveness of the Group's internal controls on a regular basis, these controls may not always be effective. There are inherent limitations on the effectiveness of internal controls, including collusion, management override, and failure of human judgment. In addition, control procedures are designed to reduce rather than eliminate business risks. If the Group fails to maintain an effective system of internal controls, or if management or the Group's independent registered public accounting firm discovers material weaknesses in its internal controls, it may be unable to produce reliable financial reports or prevent fraud, which could have a material adverse effect on its business. Any such failure to maintain an effective system of internal controls or the existence of a material weakness in internal controls over financial reporting may result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of the Group's financial statements, which could cause the market price of the Offer Shares to decline or limit the Group's access to capital, which in turn could have a material adverse effect on the Group's business, results of operations and financial condition.

***As the ratio of the Group's financial expense to its profit is material, an increase in the interest rate of the Group's borrowings may have a material adverse effect on the Group's business, results of operations and financial condition.***

For the year ended 31 December 2006, the Group had borrowings (excluding amounts due to factoring creditors) of U.S. \$34,990 thousand and incurred a bank interest expense of U.S. \$1,620 thousand on those borrowings compared to a profit after taxation of U.S. \$11,070 thousand. Substantially all of the Group's borrowings bear interest on a floating rate, i.e. either U.S. LIBOR or local base rates plus a certain spread. Therefore any fluctuation in U.S. LIBOR or in other interest rates applicable to the Group's borrowings would have an impact on the Group's financial expense, in

particular any increase in such rates would increase the Group's financial expense, which could have a material adverse effect on the Group's business, results of operations and financial condition.

### **Risk factors relating to the Offer and listing of the Offer Shares on the WSE**

#### ***The market price of the Offer Shares may fluctuate and decline below the Offer Price***

The market price of the Offer Shares at the time of the Offer may not be indicative of the market price for the Offer Shares after the Offer has been completed. The market price of the Offer Shares may fluctuate widely, depending on many factors beyond the Group's control. These factors include, amongst other things, actual or anticipated variations in operating results and earnings by the Group and any member thereof, changes in financial estimates by securities analysts, market conditions in the industry and in general the status of the securities market, governmental legislation and regulations, as well as general economic and market conditions, such as a recession. The market price of the Offer Shares is also subject to fluctuations in response to further issuances of shares by the Company, sales of shares by the Company's major shareholders, the liquidity of trading in the Company's shares and capital reduction or purchases of the Company's shares by the Company, as well as investor perception. As a result of these or other factors, there can be no assurance that the public trading market price of the Offer Shares will not decline below the Offer Price.

In addition, shares listed on regulated markets, including the WSE, have from time to time experienced significant price fluctuations that are unrelated to the operating performance of particular companies. Factors including concerns as to product quality, trading performance of certain of the Company's customers, and general market conditions can have an adverse effect on the market price of the Offer Shares.

#### ***No assurance can be given regarding the future development of a market for the Offer Shares***

Although the Company's shares have been listed on AIM since 2006, only very limited trading in the Offer Shares has occurred on AIM following the Company's listing.

The lack of a prior public market for the Offer Shares may have a negative effect on the ability of purchasers to sell their Offer Shares or the price at which the Offer Shares can be sold. If a market for the Offer Shares were to develop, the Offer Shares could trade on prices that may be higher or lower than the Offer Price, depending on many factors. Therefore, there can be no assurance as to the liquidity of any trading in the Offer Shares or that an active market for the Offer Shares will develop.

#### ***Potential overhang of Offer Shares held by the Selling Shareholders after completion of the Offer may cause the price of the Offer Shares to decline due to subsequent sales arranged following expiration of the lock-up***

The Selling Shareholders are selling and allocating only a part of their Offer Shares in the Company. As a result, following completion of the Offer, the Selling Shareholders are expected to hold in the aggregate 55% of Offer Shares available for possible sale in the future, (assuming full exercise of the Over-Allotment Option). All those Offer Shares not sold by the Selling Shareholders in the Offer will be subject to a lock-up. See "*Placing and Underwriting*". The Company and the Selling Shareholders are, however, not able to predict the effect of any sales, which may, among other things, have, even temporarily, a material negative effect on the market price of the Offer Shares.

#### ***The Company's principal shareholder, KS Holdings Limited, after the Offer, will continue to be able to exercise significant influence on the Group's management and operations***

The principal Selling Shareholder, KS Holdings Limited will retain a significant block of Offer Shares following completion of the Offer. As a result, the principal Selling Shareholder will be able to exercise significant voting control over the resolutions adopted by the General Shareholders' Meeting, including the resolutions relating to amendments of the Charter, payment of dividends and the appointment of members of the Board of Directors which, in turn, appoints members of Management. No assurance can be given that the interests of the principal Selling Shareholder, as the significant shareholder of the Company, will be aligned with or will not conflict with the interests of other shareholders.

The Company's principal shareholder, KS Holdings Limited, which indirectly held 53.65% of the Company's stock prior to the offering, will continue to hold approximately 40% of the Company's share capital after the Offer. He will, accordingly, continue to be able to directly and indirectly exercise significant influence over the Company's management and affairs, including controlling decisions made by the Board of Directors, such as the approval of acquisitions and other important matters.

***The Offer may be cancelled, and subscription payments may be returned to prospective purchasers of the Offer Shares without interest or compensation.***

The Offer may be cancelled, upon recommendation of the Managers or at the initiative of the Company or the Selling Shareholders, at any time prior to the commencement of the Subscription Period or at any time after opening of the Subscription Period, but not later than the Allotment and Pricing Date, when the Company and the Selling Shareholders will enter into an Underwriting Agreement, if any of such parties consider it impracticable or inadvisable to proceed with this Offer. In addition, the Underwriting Agreement entered into in connection with this Offer will also contain conditions precedent to the underwriter's obligation to subscribe and pay for the Offer Shares, including negative conditions relating to suspension or material limitation in trading in securities generally on significant stock exchanges, material adverse changes in the business of the Company or general economic conditions, the declaration of banking moratoria and acts of war or terrorist attacks. The occurrence of any of these events after the parties enter into the Underwriting Agreement, could result in cancellation of the Offer. Should the Offer be cancelled, subscriptions for the Offer Shares that have been made will be disregarded, and any subscription payments that have been made will be returned without interest or any other compensation no later than 7 business days after the date of the cancellation notice.

***The Offer or the admission of the Offer Shares to listing on the WSE may be delayed or denied.***

The Offer, and admission and introduction of the Offer Shares to trading on the WSE, requires approval of this Prospectus by the Polish Commission. The admission and introduction of the Offer Shares to trading on the WSE also requires the Company to execute an agreement with the NDS to register the Offer Shares to be listed on the WSE in its securities deposit and a resolution of the WSE's Management Board to admit and introduce the Offer Shares to trading, determine the listing market and schedule the first day of listing. The Company is not in a position to guarantee that these requirements will be satisfied or that the Offer Shares will be introduced to trading on the WSE within the prescribed time period.

Furthermore, in the case of an infringement or substantiated suspicion of infringement of legal provisions committed by the Company in connection with this Offer or application for admission of the Offer Shares to trading on the WSE, or in the case of a substantiated suspicion that such infringement may occur, the Polish Commission may: (i) withhold the Offer or admission of the Offer Shares to trading on the WSE for a period not exceeding 10 working days, (ii) prohibit the commencement or continuation of the public offering or admission of the Offer Shares to trading on the WSE or (iii) publish, at the Company's or Selling Shareholders' expense, information about any unlawful action taken by the Company in connection with the Offer or application for admission of the Offer Shares to the WSE.

The Polish Commission may also apply the sanctions referred to above if the content of the Prospectus indicates that: (i) the Offer of the Offer Shares or their admission to public trading on the regulated market would materially prejudice investors' interests; (ii) a material breach of law was committed in establishing the Company and its consequences remain in force; (iii) activities of the Company were or have been conducted in breach of law, and its consequences remain in force; or (iv) the legal status of the Offer Shares does not satisfy the requirements of law.

The Polish Commission may also demand from the WSE withholding of the admission of the Offer Shares to trading for a period not exceeding 10 days, if the Polish Commission determines that it is necessary to protect the security of the market and investors' interests. (See "*Description of the Offer Shares and Applicable Cypriot and Polish Legislation - Significant Ownership of Shares and Other relevant provisions under Polish Law - Certain Competencies of the Polish Commission*").

Upon expiration of the grounds for the Polish Commission's decision to order withholding or prohibit the commencement of the Offer or admission of the Offer Shares to public trading on the regulated market, the Polish Commission may repeal such a decision at the request of the Company, or at its own initiative.

***The Offer Shares may be delisted or excluded from trading on the WSE if the Company fails to satisfy the requirements of the Polish Act on Public Offering, which would decrease liquidity of the Offer Shares.***

In connection with the Offer or listing of the Offer Shares on the WSE, the Company is subject to certain obligations, including without limitation, the obligation to submit the approved version of the Prospectus to the Polish Commission and to make it public, the duty to prepare, have approved and publish a supplement to the Prospectus in the case of an event set forth by the provisions of the Polish Act on Public Offering, as well as the reporting obligations imposed by the Polish Act on Public Offering. In the event that the Company fails to perform its obligations under the Polish Act on Public Offering, the Polish Commission may issue a decision to exclude the Offer Shares from trading on the WSE for



a specified or unspecified period of time, impose a fine of up to PLN 1 million or apply both measures simultaneously. (See "*Description of the Offer Shares and Applicable Cypriot and Polish Legislation - Significant Ownership of Shares and Other relevant provisions under Polish Law - Certain Competencies of the Polish Commission*").

Pursuant to the WSE Regulations, the Management Board of the WSE will exclude the Offer Shares from trading on the WSE in the following events: (i) if the Offer Shares' transferability is restricted; (ii) upon the Polish Commission's demand made pursuant to the provisions of the Act on Public Trading; (iii) if the Offer Shares are reverted from book-entry form; (iv) if the Offer Shares are excluded from trading by the Polish Commission. The Management Board of the WSE can also exclude the Offer Shares from trading on the WSE: (i) upon the Company's motion (provided that the Company satisfies the conditions imposed by the Management Board of the WSE), (ii) if it determines that such exclusion is required by the interests and safety of the trading participants, (iii) if the Company continuously infringes regulations governing trading on the WSE; (iv) if the Offer Shares do not satisfy the requirements for admission to trading on a regulated market operated by the WSE, (v) if the Company decides to merge with another company, de-merge or transform itself, (vi) if bankruptcy is declared or the motion for bankruptcy is dismissed by the court due to the Company's assets being insufficient to cover the cost of the proceedings, (vii) if, for a period of three months, there are no transactions in the Offer Shares on the WSE, (viii) if the Company undertakes any activity prohibited by law, or (ix) if the Company is placed in liquidation. Delisting of the Offer Shares from the WSE could also result from the Company's application to the Polish Commission for permission to revert the Offer Shares from book-entry to documentary form.

Any such action to delist or exclude the Offer Shares from trading on the WSE would decrease liquidity of the Offer Shares.

***Trading in the Company's shares on the WSE may be suspended.***

If the Polish Commission determines that trading in the Offer Shares on the WSE might jeopardize the proper functioning of the regulated market or the security of trading thereon or cause infringement of investors' interests, it may demand that the WSE to suspend the Offer Shares from trading on the WSE for a period not exceeding one month or to permanently exclude the Offer Shares from trading on the WSE. (See "*Description of the Offer Shares and Applicable Cypriot and Polish Legislation - Significant Ownership of Shares and Other relevant provisions under Polish Law - Certain Competencies of the Polish Commission*").

The Management Board of the WSE may suspend trading in the Offer Shares on the WSE for up to three months: (i) upon the Company's motion, (ii) if the Management Board of the WSE deems that such suspension is required by the interests and safety of the trading participants, or (iii) if the Company is in breach of the regulations governing the WSE.

A decision to suspend the Offer Shares from trading on the WSE could adversely affect the liquidity of the Offer Shares in Poland. There can be no assurance that such a situation will not occur in relation to the Offer Shares.

***The Company may be subject to administrative sanctions or penalties, in addition to temporary or permanent delisting of the shares, for failure to comply with certain statutory requirements.***

The Company may be subject to a number of administrative sanctions in the event of failure to comply with the statutory duties set forth in Articles 96 and 97 of the Polish Act on Public Offering.

If the Company fails to comply with its obligations, in particular those related to publishing of the Prospectus or confidential information as well as current and periodic reports, or if the Company breaches the provisions governing the manner of conduct of public offerings, including those set forth in Regulation 809/2004, the Polish Commission may temporarily or permanently delist the Offer Shares from trading on a regulated market or impose a penalty of up to PLN 1,000,000, or apply both of these sanctions jointly.

If a decision is issued asserting that the Company has breached its obligations, the Polish Commission may additionally force the Company to publish the relevant information promptly in two nationwide daily newspapers, or otherwise make such information public. The Polish Commission may also publish the contents of the decision asserting the Company's failure to satisfy its obligations. There can be no assurance that such a situation will not occur in relation to the Offer Shares.

***The Company is established and organized under Cypriot law, which may make it more difficult and expensive for investors from outside of Cyprus to enforce their rights as shareholders.***

The Company is a company organized and existing under the laws of Cyprus. Accordingly, the Company's corporate structure as well as the rights and obligations of its shareholders may be different from the rights and obligations of shareholders in Polish companies listed on the WSE. The exercise of certain shareholders' rights for Polish or other non-Cyprus investors in a Cyprus company may be more difficult and costly than the exercise of rights in a Polish company; for example, resolutions of the General Meeting of Shareholders may have different voting requirements than the majorities required for the adoption of equivalent resolutions in Polish companies. For more information on this issue see: "*Description of the Offer Shares and Applicable Cypriot and Polish Legislation*". However the description refers only to selected issues, therefore in order to obtain complete information with regards to Cypriot law, investors should seek advice from a relevant advisor.

***The Company is not in full compliance with the corporate governance rules of the WSE and may not be able to be fully compliant in the near future.***

The Company is not, as of the date of this Prospectus, in full compliance with the WSE Corporate Governance Rules, including as a result of differences between Polish and Cypriot law. For example, Cypriot companies are not required to have a separate Management Board and a Supervisory Board, but rather have a single Board of Directors that fulfils both roles. In the future, compliance with WSE Corporate Governance Rules could be difficult or impossible. See "*Directors and Senior Management - Corporate Governance and Board Practices*".

## TRANSFER RESTRICTIONS FOR THE OFFER SHARES

### Notice to Prospective Investors in Poland

Pursuant art. 7 of the Polish Act on Public Offering, a public offer or admission of securities to trading on a regulated market requires an issue prospectus to be drawn up, approved by the Polish Commission and made publicly known. Pursuant to Art. 3 of the Polish Act on Public Offering, a "public offer" consists of making available on the territory of the Republic of Poland to at least 100 persons or to an unspecified addressee, in any form and manner, the information about securities and conditions for the acquisition thereof provided that such information constitutes satisfactory grounds for making a decision on acquisition of such securities against payment.

### Notice to Prospective Investors in the EEA

In relation to each member state of the European Economic Area ("EEA") which has implemented Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 (the "**Prospectus Directive**") (each, a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive was implemented in that Relevant Member State (the "**Relevant Implementation Date**") no Offer Shares have been offered or will be offered pursuant to the Offer to the public in that Relevant Member State prior to the publication of a Prospectus in relation to the Offer Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in the first Relevant Member State, all in accordance with the Prospectus Directive, except that with effect from, and including the Relevant Implementation Date, offers of the Offer Shares may be made to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than Euro 43,000,000; and (iii) an annual turnover of more than Euro 50,000,000, as shown in its last annual or consolidated accounts;
- (c) by the Managers to fewer than 100 natural or legal persons (other than "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive) ("**Qualified Investors**"), subject to obtaining the prior consent of the Global Coordinator; or
- (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the Offer Shares shall result in a requirement for the publication of a Prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in any Relevant Member State and each person who initially acquires any Offer Shares or to whom any offer is made under the Offer will be deemed to have represented, acknowledged and agreed that it is a Qualified Investor. For these purposes the expression an "offer of any Offer Shares to the public" in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer of any Offer Shares to be offered so as to enable an investor to decide to purchase any Offer Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

In the case of any Offer Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Offer Shares acquired by it in the Offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Offer Shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the Global Coordinator has been obtained to each such proposed offer or resale. The Company, and each of the Managers and its affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement, and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Global Coordinator of such fact in writing may, with the consent of the Global Coordinator, be permitted to subscribe for or purchase Offer Shares in the Offer.

## **Notice to Prospective Investors in the United Kingdom**

The information contained in this Prospectus is confidential, and has not been (and will not be) approved by an authorised person for the purposes of Section 121 of the Financial Services and Markets Act 2000 (the "FSMA"). In the United Kingdom, this Prospectus is being distributed to, and is directed only at, Qualified Investors, (i) who are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"), (ii) who fall within Article 49(2)(a) to (d) of the Order, and (iii) to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This Prospectus must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. Any investment or investment activity to which this Prospectus relates is available only to relevant persons in the United Kingdom and will be engaged in only with such persons. All applicable provisions of the FSMA must be complied with in respect of anything done in relation to the Offer Shares in, from or otherwise involving the United Kingdom. The Offer Shares are not being offered to the public in the United Kingdom within the meaning of the FSMA. The Offer Shares may only be lawfully offered or sold to persons in the United Kingdom in compliance with the provisions of the FSMA.

## **Notice to Persons in Australia, Canada and Japan**

This Prospectus does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, Offer Shares in any jurisdiction in which such offer or solicitation is unlawful and is not for distribution in or into Australia, Canada or Japan. In particular, the Offer Shares offered under this Prospectus have not been and will not be registered under the applicable securities laws of Australia, Canada or Japan and, subject to certain exceptions, may not be offered or sold directly, or indirectly, in or into Australia, Canada or Japan, or any legal entity resident in Australia, Canada or Japan.

## **Notice to Persons in the United States**

**The Offer Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States and may not be offered, sold, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.**

The Offer Shares have not been approved or disapproved by the U.S. Securities and Exchange Commission (the "SEC"), any state securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the shares or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

The information in this Prospectus is not intended or written to be used, and cannot be used by any legal entity, for the purpose of avoiding U.S. federal tax penalties, and was written to support the promotion or marketing of the Offer. Each prospective investor should seek advice based on its particular circumstances from an independent tax adviser.

The Offer and the associated tax strategies are not confidential, proprietary or exclusive. Notwithstanding anything to the contrary herein, there is no limitation on the disclosure by any recipient of this Prospectus of the tax treatment or tax structure of the Offer described therein.

## **Notice to Prospective Investors in Cyprus**

Notwithstanding that the Company is incorporated in Cyprus, this Prospectus has not been approved by the Cyprus Securities and Exchange Commission ("CySec").

Pursuant to the Prospectus Directive, CySec has transferred and the Polish Commission has accepted the authority for the approval of this Prospectus. Therefore, no Offer Shares have been offered or will be offered pursuant to the Offer to the public in Cyprus, except in accordance with the Prospectus Directive:

- (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than Euro 43,000,000; and (iii) an annual turnover of more than Euro 50,000,000 as shown in its last annual or consolidated accounts;

- (c) by the Managers to fewer than 100 natural or legal persons (other than Qualified Investors), subject to obtaining the prior consent of the Global Coordinator; or
- (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the Offer Shares shall result in a requirement for the publication of a Prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in Cyprus.

#### **Transfer Restrictions Under U.S. Securities Law**

Purchasers are advised to consult legal counsel prior to making any resale, pledge or transfer of Offer Shares.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction and, accordingly, are only being sold to persons outside the United States in accordance with Regulation S. Terms used in this paragraph that are defined in Regulation S under the Securities Act are used herein as so defined.

Each purchaser of Offer Shares will be deemed to have represented, agreed and acknowledged as follows:

1. It is aware (or if it is a broker-dealer, its customer has confirmed to it that such customer is aware) that the Offer Shares have not been or will be not registered under the Securities Act and that the sale of the Offer Shares is being made pursuant to and in accordance with Regulation S under the Securities Act.
2. It certifies that it will be the beneficial owner of the Offer Shares and (a) it is not a U.S. person (as defined in Regulation S) and it is located outside the United States and has acquired, or has agreed to acquire, and will have acquired, the Regulation S Offer Shares outside the United States, (b) it is not an affiliate of the Company or a person acting on behalf of such an affiliate, and (c) it is not in the business of buying and selling securities or, if it is in such business, it did not acquire the Offer Shares from the Company or any affiliate thereof in the initial distribution thereof.
3. It acknowledges that the Company, the Managers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and warranties and agrees that if any of such acknowledgements, representations and warranties deemed to have been made by virtue of its purchase of the Offer Shares are no longer accurate, it will promptly notify the Company, and if it is purchasing Offer Shares as a fiduciary or agent for one or more accounts, it represents that it has sole discretion with respect to each such account and full power to make the foregoing acknowledgements, representations and warranties on behalf of each account.

## REASONS FOR THE OFFER AND USE OF PROCEEDS

Based on the Maximum Price, the Company may raise up to approximately PLN 82.9 million (approximately U.S. \$29.6 million, at the exchange rate of PLN 2.7989 for U.S. \$1, as published by the National Bank of Poland on 29 June 2007) of gross proceeds from the offering of the New Shares.

The net proceeds from the sale of the New Shares, after paying commissions, fees and expenses associated with the preparation of the Offer and the sale of New Shares, will be used (in the order of priority) for the purposes of:

- further developing the Group's own brands of IT equipment - Prestigio and Canyon - by investing in their marketing, design and sourcing and quality control – up to approximately PLN 39.1 million (approximately U.S.\$ 14.0 million, at the same exchange rate mentioned above). Marketing of the Prestigio and Canyon brands will aim at increasing customer and product awareness which will be achieved via various marketing activities such as advertising, publishing of promotional materials, product presentations and other marketing activities. The Group expects to gain significant strategic and commercial advantages from the development of its own brands and is committed to supporting growth of both Canyon and Prestigio brands;
- enabling the Group to take advantage of early payment discounts offered by some of the Group's key suppliers, such as Seagate Technologies and Hitachi Global Storage, thus enhancing its bottom line performance – up to approximately PLN 21.8 million (approximately U.S.\$ 7.8 million, at the same exchange rate mentioned above);
- expansion of the range of branded end-user products offered by the Company, including necessary working capital requirements in this respect – up to approximately PLN 15.4 million (approximately U.S.\$ 5.5 million, at the same exchange rate mentioned above). In recent years, the Group introduced A- Brand notebooks (such as Toshiba) to its distribution network out of which it expects large amounts of sales and more need for working capital; and
- completion of a purchase of a building in Slovakia, serving as a headquarters of a local subsidiary – up to approximately PLN 2.0 million (approximately U.S.\$ 0.7 million, at the same exchange rate mentioned above). The property (Tuchovske Pole) is situated in the Bratislava Vajnory area, close to the International Airport of Bratislava. The area of 9,128 sq.m will be used for building offices and a warehouse which will substitute the Company's current facilities;

The Company is planning to use the net proceeds from the subscription of the New Shares for the purposes specified above within 12 months from the Closing Date. Pending application of any excess funds the Company will invest them in short-term, investment-grade and interest bearing or zero-coupon securities or bank deposits.

In order to optimize benefits from the money raised, the Company intends to start using the net proceeds from the sale of New Shares for the purposes listed above immediately after the Offering is completed.

The Company reserves the right to change the use of net proceeds received from the Offering should the planned use prove impractical or should unforeseen circumstances occur which could negatively affect the Company in the light of the planned use of the proceeds. Any decision on a possible alteration of the use of the net proceeds shall be taken by the Board of Directors. The Company will publish such information by way of a current report promptly after the relevant decision of the Board of Directors.

The Company estimates that the total costs of the Offer borne by the Company, such as commissions, fees and expenses associated with the preparation of the Offer, listing on the WSE and the sale of New Shares will amount to approximately PLN 4.6 million (approximately U.S. \$1.6 million, at the same exchange rate mentioned above).

The Company will publish final details of the net proceeds, as well as estimated commissions, fees and expenses within two weeks of the Settlement in a manner described in Article 56 of the Polish Act on Public Offerings.

The Company will not receive any portion of the proceeds from the sale of Sale Shares by the Selling Shareholders.

## **DIVIDENDS AND DIVIDEND POLICY**

The Company's dividend policy following the Offer is to pay dividends at levels consistent with the Company's growth and development plans, while maintaining a reasonable level of liquidity. Pursuant to this policy, the Board of Directors intends to recommend to the general meeting of shareholders that up to 20% of the consolidated and audited net profit be distributed as a dividend going forward.

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

For the year ended 31 December 2004, the Company did not declare or pay out any dividends. For the year ended 31 December 2005, the Company declared and paid out a dividend of U.S. \$0.02 per share, approximately 11.5% of the Group's consolidated annual net profit. For the year ended 31 December 2006, the Board of Directors proposed a dividend of U.S. \$0.02 per share, corresponding to approximately 10.1% of the Group's consolidated net profit. The proposal was approved by the general meeting of shareholders on 23 April 2007 and paid out in May 2007.

<b>Financial year ended 31 December</b>	<b>Consolidated net profit (U.S. \$ million)</b>	<b>Dividend declared or proposed (U.S. \$)</b>	<b>Dividend declared or proposed per share (U.S. \$)</b>	<b>Pay-out ratio (% of net profit)</b>
2006	9.5	960,000	0.02	10.1%
2005	8.3	960,000	0.02	11.5%
2004	2.2	-	-	-

All of the shares, in particular the Offer Shares including the New Shares, carry equal dividend rights as of the moment of their acquisition. The New Shares will be eligible for any dividend declared as for the year 2007.

## BUSINESS DESCRIPTION

### Overview

The Company is the parent entity for the Group described in this chapter, in the section "*Group Structure and Operations*".

The Group is one of the leading distributors of Information Technology ("IT") products in Central and Eastern Europe, the Baltic States, the former Soviet Union, the Middle East and North Africa, combining a broad geographical reach with a wide range of products distributed on a "one-stop-shop" basis. The Company's main focus is on the following countries: Poland, Czech Republic, Slovakia, Romania, Croatia, Slovenia, Serbia, Hungary, Russia, Ukraine, United Arab Emirates, Jordan, Yemen, Oman and Qatar.

The Group distributes servers, desktop PCs, laptops and networking to assemblers, system integrators and retailers. The Group's IT product portfolio encompasses a wide range of IT components, blocks and peripherals, and mobile IT systems. The Group currently purchases the majority of its products from leading international manufacturers, including Intel, Advanced Micro Devices ("AMD"), Seagate, Samsung and Microsoft. In addition, a growing part of the Group's revenue is comprised of sales of IT products under the Group's private labels, Prestigio and Canyon, which together accounted for 7.6 per cent. of the Group's total revenues in 2006, compared to 5.8 per cent. in 2005. In addition, the Group offers "white label" products, which are products that are distributed through the Group and branded with some of its largest customers' own brands.

The Group's business began in 1992 in Belarus, and in 1995 the Group incorporated its holding company in Cyprus and moved its headquarters to Limassol. The Group's Cypriot headquarters support through four master distribution centers (located in the Czech Republic, the Netherlands, Finland and the U.A.E.), its network of 31 warehouses located in 19 countries. This network supplies products to the Group's in-country operations and directly to its customers in approximately 70 countries. In 2006 more than 80 per cent. of the Group's revenues were generated in the former Soviet Union and Central and Eastern Europe. See "- Key Markets" and "- Subsidiaries".

In 2006, the Group sold, among other products, approximately 3.4 million central processing units ("CPUs"), 3.3 million hard disk drives ("HDDs") and 2.0 million memory modules (including both RAM and flash memory modules), either sourced from leading industry manufacturers or sold under the Group's private brands. These compared to approximately 3.1 million CPUs, 3.0 million HDDs and 1.3 million memory modules in 2005 and approximately 1.9 million CPUs, 3.0 million HDDs and 1.2 million memory modules sold in 2004.

The Group's revenues increased to U.S. \$540 million for the six months ended 30 June 2007, from U.S. \$426 million for the six months ended 30 June 2006, representing an increase of 26.7 per cent., while the Group's profits (after taxation) increased to U.S. \$3.2 million for the six months ended 30 June 2007, from U.S. \$2.5 million for the six months ended 30 June 2006, representing an increase of 27.4 per cent.

The Group's revenues increased to U.S. \$1,009 million in 2006, from U.S. \$930 million in 2005 and U.S. \$756 million in 2004, representing increases of 8.4 per cent. and 23.1 per cent., respectively. Over the same periods, the Group's profits (after taxation and before deduction of listing expenses ) increased to U.S. \$11.1 million in 2006, from U.S. \$8.4 million in 2005 and U.S. \$2.2 million in 2004, representing increases of 32.1 per cent. and 272.5 per cent., respectively.

The Group's headquarters are home to its centralised purchasing department and its global control function, which centrally monitors and controls the Group's global activities, including purchasing, warehousing and transportation operations. In line with its strategy of focusing on automation and innovation in order to increase its cost-efficiency, in 2002, the Group began developing the IT4Profit platform, its on-line purchasing platform for electronic trading with its customers (B2B). Within this platform, the Group has also implemented its end-to-end on-line supply chain management system, in order to effectively manage its multinational marketplace and to increase automation and reporting transparency both internally and vis-à-vis its suppliers. Dealings through the IT4Profit on-line platform have grown to represent approximately 50 per cent. of the Group's revenues in 2006.

The Group combines the international experience of its central management team with the local expertise of its offices in each of the 23 countries in which it operates. With its broad local presence, it has developed in-depth knowledge and understanding of fast-growing IT markets in regions such as Central and Eastern Europe and its diverse cultural, linguistic and legal landscape, which may form significant barriers to entry for most of its international competitors. The Directors believe that this advantage has helped the Group to quickly and cost-effectively penetrate emerging markets and strengthen its competitive position not only in Eastern Europe, but also the Middle East and Africa



(EMEA). As a result, the Directors believe that the Group is currently one of the largest distributors of IT components in Eastern Europe, with a distribution network covering a majority of countries in Eastern Europe, and is one of the three largest distributors in the EMEA region for IT components such as HDDs and CPUs.

## **History of the Group**

The Group was established in Minsk, Belarus in 1992 by Mr. Siarhei Kostevitch and its main activities were the distribution of Seagate Technology products in the territory of the Former Soviet Union. Then, in 1995, the Company was incorporated in Cyprus and the Group moved its headquarters to Limassol. In 2002, in order to fund further growth, the Company privately placed U.S. \$6 million shares with Black Sea Fund Limited, of which MAIZURI Enterprises Ltd. is a wholly owned subsidiary, and U.S. \$4 million shares with Alpha Ventures SA. It is expected that MAIZURI Enterprises Ltd. and Alpha Ventures SA may dispose of up to their entire respective interests in the share capital of the Company in the Offering. In 2006, the Company listed its common stock on AIM, however, to date only limited trading has occurred.

## **Strengths**

The Directors consider that the Group's key strengths are:

### ***Broad geographic coverage in Central and Eastern Europe, combined with local presence.***

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

### ***Experienced Group management team, combined with local expertise.***

The Group's management team consists of experienced executives. The Group's Chief Executive Officer has been with the Group since its inception in 1992, while a number of its key executives have served with the Group for longer than five years. In addition, the Group's subsidiary operations are managed by teams of mainly local experienced managers, which provides the Group with strong expertise and understanding of the diverse markets in which it operates. The Directors believe that local presence represents a significant competitive advantage for the Group over its multinational competitors.

### ***Critical mass of operations***

Having exceeded U.S. \$1.0 billion in revenues in 2006 and with sales in approximately 70 countries and facilities in 19 countries, the Group believes that it has become a strong partner for, and has improved its position with, leading international suppliers of IT components, including Intel, AMD, Seagate, Samsung, Microsoft, Hitachi and Toshiba, in most of its regions of operation. Thanks to its size and the scope of its regional reach, the Group has achieved authorised distributor status with leading international suppliers, either on a pan-European, regional, or on a country-by-country basis, thus enjoying a number of beneficial commercial terms and achieving agreements with respect to the distribution of products offering higher profit margins.

### ***Price protection and stock rotation policy for inventory***

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

### ***One-stop-shop for producers and integrators of IT equipment***

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

### **Strategy**

The Group's strategy is to grow its business and increase its profitability, mainly by improving its operating efficiency in the distribution of IT components and by increasing sales of its private label products. The Group intends to achieve this by:

- increasing sales and market share in the EMEA region;
- expanding to new emerging markets;
- developing its private label business;
- continuing to focus on leveraging its size and distribution capacity to achieve better commercial terms and optimize its product mix; and
- enhancing operating efficiency and automated processes, including its on-line sales channels.

### ***Increasing sales and market share in the EMEA region.***

As confirmed by independent market reports produced by Gartner, computer penetration in the markets in which the Group operates, is still significantly lower than in more developed Western European markets. As a result, demand for computer products in these markets is growing rapidly and the Directors expect it to continue to grow at a high rate in the foreseeable future. The Group will continue to focus on increasing its revenue from and market share in these growing markets and believes that it is in an advantageous position to do so, due to its relationships with leading international suppliers, extended distribution network and strong local presence.

### ***Expansion to new emerging markets.***

In recent years, the Group has entered a number of new emerging IT markets in North Africa. Although revenues derived from these markets still represent a relatively low share of the Group's total revenues, this share is increasing, as these markets continue to grow and as the Group continues to expand to other emerging and growing markets including in Africa and Central Asia (in particular countries such as Libya, Kenya, as well as Moldova, Azerbaijan, Georgia and Armenia). The Group expects that its long experience of successfully competing in emerging, high-growth markets, combined with the geographic proximity of its headquarters to these markets, will help it strengthen its market position and increase its revenues.

### ***Development of private label business.***

The Group's private label (branded) product lines, Canyon and Prestigio, are manufactured by leading OEM producers in the Far East (i.e., Korea, Taiwan, and China), often based on designs developed by the Group, selected on the basis of their quality and potential for achieving high profit margins in the Group's markets. The Group markets and sells these products under its own brands, successfully competing with products of comparable quality marketed under international brands. The Group believes that increasing sales of private label products as part of its total revenues will have a positive impact on its overall profitability, as these products return a higher profit margin, compared to international suppliers' products distributed by the Group. As a result, the Group aims to continue expanding the range of its private label products and strengthening their promotion in its markets.

### ***Continuing to focus on leveraging its size and distribution capacity to achieve better commercial terms and optimize its product mix.***

The Group's local presence in a number of markets in which it operates and the size and breadth of its operations, combined with its centralized procurement system for negotiating with suppliers, help increase the Group's purchasing

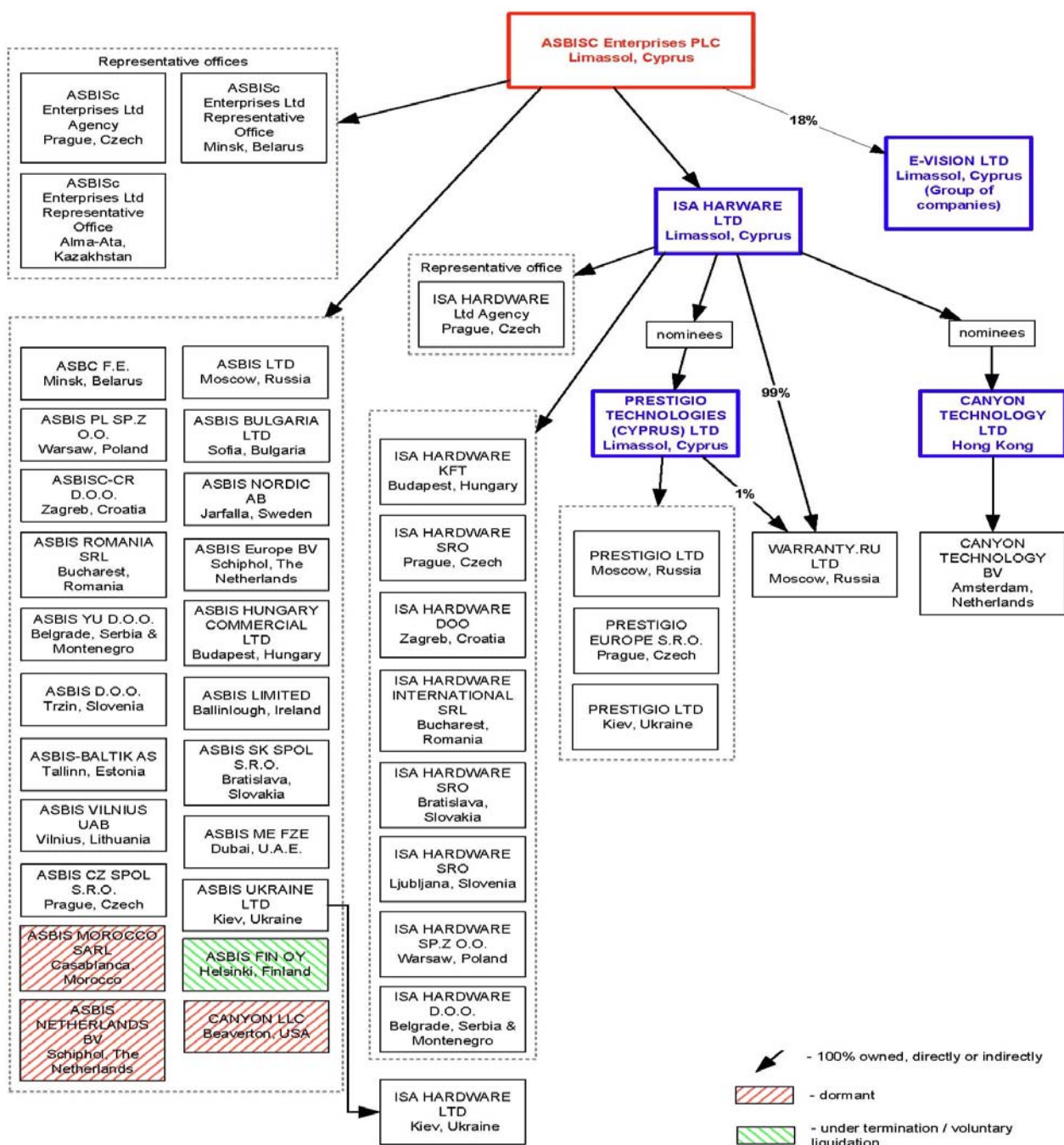
power and strengthen its ability to negotiate and achieve more beneficial terms in its distribution agreements, including achieving agreements with respect to the distribution of products offering higher profit margins.

***Enhancing operating efficiency and automated processes, including its on-line sales channels.***

The Group continues to focus on improving operating efficiency and enhancing its automated processes, with a view to reducing operating expenses and increasing its profit margins, mainly through enhancing its own on-line, end-to-end supply chain management system, which operates over its IT4Profit platform. This automated system covers a wide range of Group activities, from purchasing processes with key suppliers, to intercompany transactions, order processing and business data exchange with customers, as well as automated B2C (business-to-customer) connection with e-shops of resellers. Approximately half of the Group's revenues were derived from on-line transactions with customers in 2006, and the Group aims to increase this percentage.

## Group Structure and Operations

The following chart sets forth the Group's corporate structure as at 30 June 2007:



ASBIS FIN OY is in liquidation because the Group decided to cease the operations for which it was incorporated.

The Company is a dominant entity of the Group. Its subsidiaries are involved in diverse activities related to distribution of IT components and equipment. In particular, the Company's subsidiaries (or representative offices) operating under ASBIS name are involved in distribution of IT components and equipment, including distribution of products from worldwide leading manufacturers such as Intel, Seagate, Samsung, Microsoft and Hitachi, whereas subsidiaries operating under ISA name are involved primarily in distribution of AMD products.

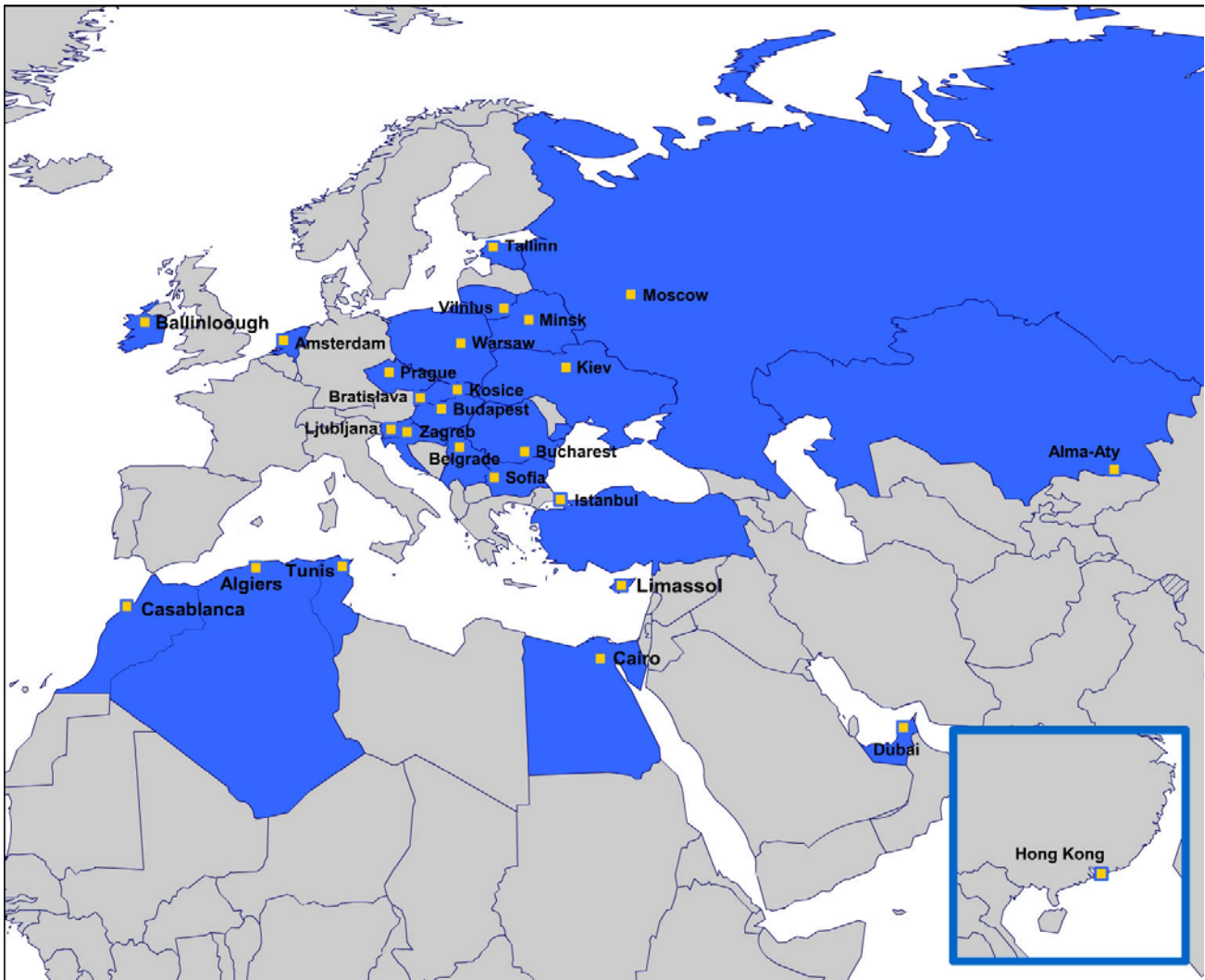
The Company's subsidiaries operating under Prestigio and Canyon brands are primarily responsible for the procurement, quality control, marketing and wholesale distribution of Company's private label (Canyon and Prestigio) IT equipment. These products are also distributed by subsidiaries operating under the ASBIS and ISA business names.

## Regional operations

The Group operates as a one-stop shop for the desktop PC, server and laptop segments. The Management believes that the Group is currently the only IT component distributor that covers substantially all of the Central and Eastern Europe, as part of a single supply chain with highly integrated sales and distribution systems. The Group also has operations in the Baltic States, the Balkans, the former Soviet Union, the United Arab Emirates, Ireland and the Netherlands. In countries with a large geographic area and a less developed infrastructure, such as Russia, Ukraine, Belarus, Kazakhstan, Egypt, Morocco, Algeria and Tunisia, the Group has developed and manages sales through a network of local resellers. These resellers distribute products, supported by pre-sales and post-sales services provided by the Group. As the level of infrastructure development increases in these countries, the Directors intend to shift from an indirect to a direct sales model through establishing local operations. See "*Business Description — Strategy*".

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

The Group is represented in the following locations:



## Key Markets

Historically, the regions of the former Soviet Union (FSU) and Central and Eastern Europe have been the main markets for the Group's products and services, with the FSU representing approximately half of the Group's sales.

The following table sets forth the breakdown of the Group's revenue by market for the years ended 31 December 2006, 2005 and 2004 and for the six months ended 30 June 2007 and 2006:

Market	Six months ended		Year ended 31 December		
	2007	2006	2006	2005	2004
			per cent.		
Former Soviet Union .....	46.8	44.7	48.7	48.7	48.3
Central and Eastern Europe .....	32.2	33.0	34.0	33.7	33.4
Western Europe .....	10.3	10.7	8.8	9.1	9.7
Middle East & Africa.....	8.0	8.8	6.8	5.9	4.8
Other.....	2.7	2.8	1.7	2.6	3.8
<b>Total Revenue .....</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

In 2006, the proportion of sales in the FSU and Central and Eastern Europe remained at 2005 levels, while it continued to decrease in Western Europe. This decline in Western Europe was mainly due to the decision of the Group to shut down its Swedish operations and scale back its operations in the Netherlands over this period. During the same period, this percentage rose slightly in the Middle East and Africa. See also "*Operating and Financial Review and Results of Operations of the Group – Results of Operation and – Gross Profit*".

### Products

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

The Group engages in two primary lines of business:

- sales and distribution of the products described below that it purchases from a variety of suppliers such as Intel, Seagate and AMD and
- sales of a range of products (such as notebooks, LCD monitors, VGA cards, data storage devices and MP3 players) with larger volumes and with profit potential selected by the Group and manufactured by ODM/OEM producers in the Far East under its own private label brands, Canyon and Prestigio.

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

In 2006, the Group sold, among other products, approximately 3.4 million central processing units (CPUs), 3.3 million hard disk drives (HDDs) and 2.0 million memory modules (including both RAM and flash memory modules), either sourced from leading industry manufacturers or sold under the Group's private brands. These compared to approximately 3.1 million CPUs, 3.0 million HDDs and 1.3 million memory modules in 2005 and approximately 1.9 million CPUs, 3.0 million HDDs and 1.2 million memory modules in 2004.

The following table shows revenues from sales of each category of product in 2006, 2005 and 2004, and for the first six months of 2007 and 2006.

**PRODUCT CATEGORY**

(U.S. \$ millions)	Six months ended 30 June		Year ended 31 December		
	2007	2006	2006	2005	2004
CPUs .....	149.9	154.9	336.9	324.9	196.4
Hard disk drives (HDD).....	115.7	88.1	219.1	212.2	211.3
Memory modules (RAM) .....	32.4	23.3	65.1	49.9	53.6
Mainboards & VGA cards .....	24.0	19.3	52.6	36.0	32.2
Software .....	53.9	12.9	45.1	23.2	29.7
Peripherals.....	12.7	15.7	34.9	32.4	34.0
PC mobile (laptops) .....	32.9	9.4	33.0	16.6	13.0
Display products .....	12.7	10.6	29.3	28.0	51.2
Optical & floppy drives .....	12.2	13.8	28.0	29.1	44.9
PC desktop .....	9.8	7.9	25.9	23.0	20.3
Servers & server blocks .....	11.8	7.5	18.8	18.2	13.1
Accessories & Multimedia.....	9.2	6.6	16.2	15.1	6.4
Networking products.....	3.7	2.9	9.1	8.0	6.0
Flash memory.....	5.4	3.8	9.0	4.2	5.8
Other.....	53.8	49.7	85.8	109.6	37.8
<b>Total Revenue.....</b>	<b>540.1</b>	<b>426.4</b>	<b>1,008.8</b>	<b>930.4</b>	<b>755.7</b>

**Private Labels: Prestigio and Canyon**

The Group has developed two private labels brands, Canyon and Prestigio. The Group, through its purchasing office in Taiwan, selects products or ranges of products with high profit potential from a number of ODM/OEM producers in the Far Eastern region and, in particular, in Korea, Taiwan, and China, and purchases these products at larger volumes in order to benefit from economies of scale. The Group then resells these products in the markets in which it operates under its own brands at cheaper prices than similar products sold by competitors.

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

*Prestigio.* Prestigio was launched at the end of 2002 with the aim of becoming a supplier of premium quality IT products and now supplies laptops, LCD TVs and monitors, digital media centers and data storage devices. Prestigio has been positioned to profit from the continued market increase of flat panel displays with LCD technologies. Prestigio's laptop sales have also benefited from the success of wireless internet technology, such as Intel's Centrino, which has generated continued strong demand for laptops. Prestigio's brand slogan "The Art of High Tech" reflects the positioning of these products in this premium, high-specification design segment.

In parallel to the Prestigio and Canyon brands, the Group also offers, in all countries in which it operates, white label product platforms to enable its largest local customers to create their own brand with exclusive designs.

**Suppliers and Procurement**

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

**The Group's Main Suppliers**

The Group believes that establishing strong supplier relationships is a critical success factor for its business and has devoted considerable resources over the years to establishing strong relationships based on mutual trust with the Group's key suppliers. In that direction, the Group strives to provide full visibility to its suppliers by reporting to them crucial information on a daily/weekly basis, including stock levels, sales-out reports by country, thus assisting them in monitoring customers' demand and allowing them time to comprehend and react to specific market peculiarities, trends and dynamics.

The following table presents the percentage of sales generated by products from the Group's key suppliers for the years 2006, 2005 and 2004 and for the six months ended 30 June 2007 and 2006.

Supplier	Six months ended 30 June		Year ended 31 December		
	2007	2006	2006 (%)	2005	2004
Intel .....	22.8%	20.4%	21.4%	24.9%	25.3%
AMD .....	9.3%	19.5%	16.1%	13.4%	4.0%
Seagate .....	13.5%	11.2%	11.9%	12.9%	13.4%
Samsung .....	4.6%	4.5%	5.1%	3.5%	4.9%
Prestigio <sup>(1)</sup> .....	5.0%	4.8%	5.1%	3.2%	2.8%
Microsoft .....	9.8%	3.5%	4.3%	2.5%	3.9%
HP .....	2.3%	3.7%	3.5%	3.5%	4.5%
Hitachi .....	3.2%	3.5%	3.4%	4.4%	4.6%
Canyon <sup>(1)</sup> .....	2.6%	2.4%	2.5%	2.6%	3.6%

Note:

1. Prestigio and Canyon are the Group's own private label products that the Group sells in the markets in which it operates.

In 2006, a significant proportion (approximately 73.3%) of the Group's revenues were generated from its nine biggest suppliers, while its three biggest suppliers (INTEL, AMD and Seagate) accounted for approximately 49.4% of the Group's revenue.

The sales percentage generated from Intel and Seagate products gradually decreased from 2004 to 2005 and to 2006. Thus the Group's reliance on both Intel and Seagate declined. Conversely, revenues generated from the sale of AMD and Prestigio products steadily increased from 2004 to 2005 to 2006. Revenues from the sales of Samsung and Microsoft products fluctuated with a decline from 2004 to 2005, followed by an increase from 2005 to 2006.

The Group's major product lines are CPUs and HDDs. With respect to the supply of CPUs, the Group was heavily reliant on Intel until 2004, when it signed a distribution agreement with AMD for the supply of CPUs, thus reducing its reliance on Intel. In respect of the HDD product sector, the Group has entered into contractual agreements with several suppliers including Seagate, Hitachi and Samsung, as a result of which the Group's dependence on suppliers in this product sector is currently relatively diversified.

Concentration on a few large suppliers within the supply chain reduces the Group's bargaining power in respect to prices and support levels. The adverse consequences of a restricted supply base were evident in 2004 when the OEMs, who buy larger volume of components, were receiving more competitive prices directly from the same suppliers forcing the Group to sell certain products at lower profit margins.

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

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

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

*Return Material Authorisation Policy (RMA).* Subject to the specific provisions of each suppliers' RMA policy, the Group has the flexibility to return defective items to its major suppliers in return for either credit, replacements or refurbished products.

For a brief description of material terms under the Group's agreements with certain key suppliers, see "*Business Description – Material Contracts*".



## ***Procurement Policies***

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

## **Sales and Marketing**

The Group focuses on developing efficient on-line sales infrastructure and a rewarding profit commission scheme, as well as on investing in training its 257 sales managers in order to instil a thorough understanding of its product offerings with the goal of enhancing customer satisfaction.

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

The Group's marketing team consists of the Central Marketing Group and the Local Marketing Coordinators, both of which work in close coordination with suppliers, product managers and sales teams. In 2006, the Group employed 331 marketing and sales employees, compared to 269 employees in 2005 and 261 in 2004.

## **Distribution**

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

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

In countries where infrastructure is not optimum, such as Russia, the Ukraine, Egypt, Kazakhstan and countries in North Africa, the Group operates through a system of authorised resellers (dealers). In these countries, sales and marketing efforts are carried out by the Group's representative offices. The Group sells to resellers directly from its Cyprus headquarters, ships the products from its regional distribution centers, and provides different loyalty schemes designed on a country-specific basis.

*Distribution centers.* The Group's four master distribution centers are located in Amsterdam, Dubai, Helsinki and Prague. All four distribution warehouses are licensed to import, store and export cleared and bonded products. The table below sets forth information with respect to the size and ownership of each of the Group's four master distribution centers:

<b>Facility Location</b>	<b>Office Square Metres</b>	<b>Warehouse Square Metres</b>	<b>Total Square Metres</b>	<b>Owned or Leased</b>
Prague .....	222	3,042	3,264	Leased
Amsterdam .....	320	1,700	2,020	Leased
Helsinki.....	11	900	911	Outsourced
Dubai .....	56	500	556	Leased

In the year 2006, a total of 16.1 million stock keeping units (SKUs) compared to 11.4 million in 2005 and 9.6 million in 2004, were shipped through these four master distribution centers.

In order to ensure visibility and bottom-line efficiencies of its warehousing environment, the Group has connected its warehousing management system ("WMS"), on the J.D. Edwards platform, to IT4Profit. Thus when an order is placed on IT4Profit, the order is communicated to the Group's relevant master distribution center, which can then ready the order for delivery. This WMS is currently functional in the Prague and Amsterdam warehouses and is scheduled to become operational in the Dubai warehouse in the second quarter of 2008. The operations of the warehouse in Helsinki are outsourced to and operated by DHL, a third party logistics provider. The Directors believe that the advantages of operating the WMS connected through IT4Profit include the ability to meet or exceed shipping commitments, instant visibility of inventory movements, consistency of inventory management records, reduction of inventory write-offs and simplicity in shipment planning, lot replenishment and storage activities.

*In-Country Operations.* The Group operates through 27 local offices in 23 countries. Customer orders are mainly served through the supply of the local offices, and in the event that local inventory levels are insufficient, additional inventory is drawn from one of the four distribution centers. Each local office operates its own logistics function and is responsible for direct shipments to its customers. The Group's headquarters monitors and assesses the performance of each local logistics center by using a number of key performance indicators, including transit time of incoming shipments, order fulfilment, (such as pick, pack and ship time and the percentage of orders shipped to commitment by date and time), on-time delivery, transport, cost per kilogram shipped and cycle count performance.

*Transport Management System.* The Group's transport management system is a new system, currently under development, which aims at providing information concerning costs of delivery, delivery schedules, tracking and tracing as well as electronic invoicing, to the Group's direct customers. The Group successfully piloted a Global Positioning System (GPS) with a number of its transport service providers in Central and Eastern Europe, allowing the Group to communicate with its customers on a real-time basis regarding expected delivery times.

#### ***Distribution Operations Management - "Asbis on IT4Profit"***

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

Each of the Company, ISA Hardware Limited and Prestigio Technologies (Cyprus) Ltd. have entered into separate Master Integrated Product and Services agreements with E-Vision dated 2 January 2006 for the supply of E-Vision products, product support services, hosting services and professional services, specifically the IT4Profit software in respect of which E-Vision granted a licence to each of the Company, ISA Hardware Limited and Prestigio Technologies (Cyprus) Ltd. The IT4Profit service provides the application upon which the Company's on-line marketplace, "Asbis on IT4Profit", is run.

IT4Profit is the Group's on-line supply chain management software, which was internally developed, and which the Group is continuously in the process of improving. The Group uses IT4Profit to effectively manage the flow of goods within its distribution network. This system collaborates and exchanges business data with the Group's key suppliers, master distribution centers, subsidiaries and customers. Local subsidiaries place their orders on-line through the Group's e-market place on www.IT4Profit and receive their goods directly from one of the four distribution centers. In addition, local logistics staff use this on-line system to ensure that every on-line order is picked, packed and shipped within the allocated timeframe.

IT4Profit provides the following functions:

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

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

As mentioned above, the Company, ISA Hardware Limited and Prestigio Technologies (Cyprus) Ltd. have entered into separate agreements with E-Vision for the supply of the IT4Profit software and have each been granted a license. E-Vision also provides support, hosting and professional services. Under the terms of each agreement, each of the Company, ISA Hardware Limited and Prestigio Technologies (Cyprus) Ltd. fill out a project schedule stating which products it requires from E-Vision. Each of these project schedules are then executed accordingly. The Company, ISA Hardware Limited and Prestigio Technologies (Cyprus) Ltd. each pay a licence fee to E-vision. None of the agreements has a definitive date of termination and thus they will continue for as long as the Company, ISA Hardware Limited and Prestigio Technologies (Cyprus) Ltd. continue to pay the periodic licence fees and the specific terms of each agreement are not violated. Either party has the right under each of the agreements to terminate the respective agreement by written mutual consent. See "*Operating and Financial Review and Results of Operations of the Company - Related Party Transactions*" for more information.

### ***Disaster Recovery***

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

### ***Customers***

The Group served over 14,000 customers in approximately 70 countries in the year ended 31 December 2006. The Group has managed to become a supplier of choice to most of the major OEMs and VARs as well as to smaller integrators. In each country in which the Group operates, customers from all tiers of the supply chain can purchase on-line via the Asbis B2B shops on IT4Profit.

### ***Employees***

As at 31 December 2006, the Group employed 788 employees, of whom 145 were employed by the Company and the remainder were located in the 27 offices detailed above. The split of employees by area of activity as at 31 December 2006, 2005 and 2004 and as at 30 June 2007 and 2006 is as follows:

	As at 31 December			As at 30 June	
	2006	2005	2004	2007	2006
Sales and Marketing .....	331	269	261	347	272
Administration and IT.....	131	97	76	127	109
Finance .....	95	84	88	106	96
Logistics .....	231	199	171	253	206
<b>Total.....</b>	<b>788</b>	<b>649</b>	<b>596</b>	<b>833</b>	<b>683</b>

As at the date of approval of this Prospectus the Group employed 837 employees.

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

The Company owns its headquarters in Cyprus, premises in the Czech Republic, Belarus and Ukraine. In Cyprus the Company purchased its own offices of 1,080 square meters and established its headquarters. In the Czech Republic the Company owns a real estate property of 5,000 square meters of which 1,532 square meters includes an office center (232 sq. meters) and a warehouse (1,300 sq. meters). The remaining 3,468 square meters is as yet undeveloped. In Ukraine the Company bought a building complex of 2,990 square meters in total. The total surface area of the office space is 532 square meters, with 2,368 square meters of warehouse area. Finally, the Company owns an office center in Belarus of 1,047 square meters. The Company is also planning to purchase a building in Slovakia, which will house the registered office of the Company's local subsidiary - for up to PLN 2 million (equivalent of approx. US \$ 0.7 million). The real estate (Tuchovske Pole) is located in the area of Bratislava Vajnory, close to the international airport in Bratislava. A warehouse and an office building will be build on the plot of 9,128 square meters and will replace the existing facilities of the Company. The remaining premises of the Group are under lease.

Information regarding the real property owned by the Group and the relevant encumbrances are provided in the annual consolidated audited Financial Statements (Note 16).

Other than the real property, the Group does not hold any significant tangible assets.

## Subsidiaries

The subsidiary undertakings of the Group are summarised as follows:

<b>Subsidiary</b>	<b>Country of incorporation/seats/ scope of business</b>	<b>Percentage of participation</b>
Asbis Ukraine Limited.....	Ukraine/Kiev/Distribution of computer components	100
ISA Hardware Limited* .....	Ukraine/Kiev/ Distribution of computer components	100
Asbis PL Sp.zo.o. ....	Poland/Warsaw/ Distribution of computer components	100
AS Asbis Baltic .....	Estonia/Tallinn/ Distribution of computer components	100
Asbis Romania S.R.L. ....	Romania/Bucharest/ Distribution of computer components	100
Asbis Cr d.o.o. ....	Croatia/Zagreb/ Distribution of computer components	100
Asbis YU d.o.o. ....	Serbia/Belgrade/ Distribution of computer components	100
Asbis Hungary Limited.....	Hungary/Budapest/ Distribution of computer components	100
Asbis Bulgaria Limited.....	Bulgaria/Sofia/ Distribution of computer components	100
Asbis CZ, spol.s.r.o. ....	Czech Republic/Prague/ Distribution of computer components	100
UAB Asbis Vilnius .....	Lithuania/Vilnius/ Distribution of computer components	100
Asbis Slovenia d.o.o. ....	Slovenia/Trzin/ Distribution of computer components	100
Asbis Middle East FZE.....	United Arab Emirates/Dubai/ Distribution of computer components	100
Asbis SK spol.s.r.o. ....	Slovakia/Bratislava/ Distribution of computer components	100
Asbis Europe B.V. ....	Netherlands/Schiphol/ Distribution of computer components	100
Asbis Limited .....	Ireland/Charlestown/ Distribution of computer components	100
ZAO Automatic Systems of Business Control-Minsk .....	Belarus/Minsk/ Distribution of computer components	100
ISA Hardware Limited – Group .....	Cyprus/Limassol/ Distribution of computer components	100
OOO ‘Asbis’ – Moscow .....	Russia/Moscow/ Distribution of computer components	100
Asbis Nordic AB .....	Sweden/Jaelfaella/ Distribution of computer components	100
Asbis Fin OY .....	Finland/Helsinki/ Distribution of computer components	100
Asbis Morocco Limited .....	Morocco/Casablanca/ Distribution of computer components	100

\*held by Asbis Ukraine Limited

In turn the ISA Hardware Limited holds a direct or indirect ownership in the following subsidiaries, also making them members of the Group:

<b>Subsidiary</b>	<b>Country of incorporation</b>	<b>Percentage of participation</b>
Warranty RU Limited .....	Russia/Moscow/ Distribution of computer components	99
Comptizon Ltd.....	British Virgin Islands/ Distribution of computer components	100
ISA Hardware s.r.o. ....	Czech Republic/Prague/ Distribution of computer components	100
ISA Hardware d.o.o. ....	Croatia/Zagreb/ Distribution of computer components	100
ISA Hardware Hungary Commercial Limited Liability Co.....	Hungary/Budapest/ Distribution of computer components	100
ISA Hardware International S.R.L. ....	Romania/Bucharest/ Distribution of computer components	100
ISA Hardware s.r.o. Slovakia .....	Slovakia/Bratislava/ Distribution of computer components	100
ISA Hardware d.o.o. Beograd.....	Serbia/Belgrade/ Distribution of computer components	100
ISA Hardware s.r.o. Slovenia .....	Slovenia/Ljubljana/ Distribution of computer components	100
ISA Hardware SP.Z.O.O. ....	Poland/Warsaw/ Distribution of computer components	100
Prestigio Technologies (Cyprus) Ltd.....	Cyprus/Limassol/ Distribution of computer components	100
Prestigio Europe s.r.o.....	Czech Republic/Prague/ Distribution of computer components	100
Prestigio Limited .....	Russia/Moscow/ Distribution of computer components	100
Prestigio Ukraine Limited.....	Ukraine/Kiev/ Distribution of computer components	100
Canyon Technology Ltd .....	Hong Kong/Hong Kong/ Distribution of computer components	100
Canyon Technology B.V. ....	Netherlands/Amsterdam/ Distribution of computer components	100

### **Legal Proceedings**

There are no legal or arbitration proceedings which are active, pending or threatened against, or being brought by, the Company or any member of the Group which are having or, in the view of the Company may have a significant effect on the Company's or the Group's financial position. No proceedings have been notified, and, in the Company's opinion, there is no risk of institution of such proceedings.

### **Material Agreements**

The Group has not entered into any material agreements outside the ordinary scope of business. The following are descriptions of certain of the Group's distribution contracts with suppliers under which the Group has realised revenues of at least U.S. \$ 5,000,000 in 2006. See "*Suppliers and Procurement – The Group's Main Suppliers*". All these agreements were concluded in the ordinary course of business. There are no other agreements entered into by any member of the Group that result in an obligation or entitlement material to the entire Group.

The Company has entered into an agreement with Exel Logistics OY ("**Exel**") dated 23 October 2003 for the provision of warehousing and distribution services and customs clearance ("**Exel Agreement**"). Exel was merged into DHL at the end of 2005 and pursuant to an extension letter entered into between the Company and DHL Global Forwarding (Finland) OY ("**DHL**") dated 24 August 2006, DHL agreed to extend the term of the Exel Agreement until and unless it is terminated by either party. Under the terms of the agreement, Exel operates its warehouse in Espoo, Finland as

a logistics hub for the Company, primarily to receive, handle and store the inbound and outbound computer components and accessories from the Company's suppliers and to its customers. In addition, Exel provides inbound and outbound air and road freight forwarding services including customs clearance. The amount that the Company must pay to Exel is dependent on the number of shipments in and out of the warehouse as well as the number of components that are stored in the warehouse. Exel charges the Company once a month and payment must be made within 30 days. The agreement states that the products shall be owned by the Company whilst in Exel's possession and the Company is responsible for maintaining insurance. The parties have agreed that Exel's overall aggregate annual liability (including theft and unaccountable loss of product) shall be limited to 8 per cent. of Exel's annual turnover under this agreement. The term of this agreement is for a period of one year, after which either party may terminate with 90 days' written notice. If not terminated, the agreement is automatically renewed for one subsequent year.

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

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

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

The Company is party to a master distribution agreement with Hitachi Global Storage Technologies Singapore Pts. Ltd ("**Hitachi**"), which was formed with IBM Corporation ("**IBM**") on 23 February 2000 and assigned in part to Hitachi in August 2002, upon notice from IBM that its hard drive disk division had been outsourced to Hitachi. Under the agreement the Company has been appointed as a non-exclusive distributor of Hitachi and IBM products globally except in Cuba, Iran, Iraq, Libya, North Korea, Sudan, Syria, Guatemala, Belize, Honduras, Nicaragua, Costa Rica, Panama, El Salvador, Dominican Republic and Haiti. In return for the distribution of IBM and Hitachi products the Company is liable for amounts invoiced within 30 days after the date specified on the IBM invoice. The prices paid by the Company are those set out in the price list or the price catalogue as amended from time to time by IBM or Hitachi upon 30 days' written notice. The contract was renewed in 2003 for an indefinite term, unless either party terminates the agreement or any product order upon 90 days' written notice. In addition, either party may terminate the agreement immediately without notice if the other party becomes insolvent, is subject to reorganisation or receivership, makes an

assignment for the benefit of creditors, undergoes a change of control or commits a material breach of its obligations under the agreement.

The Company entered into a distribution agreement with Samsung Semiconductor Europe GmbH ("**Samsung Semiconductor**") dated 28 October 2001 under which the Company was appointed a non-exclusive distributor of DRAM, SRAM, GRAPHICS AND FLASH memory in Ukraine, Poland, Czech Republic, Slovakia, Croatia, Slovenia, FYROM, Serbia, Montenegro, Hungary, Romania, Bulgaria, Turkey, Egypt, Tunisia, Algeria, Morocco, Kenya and the United Arab Emirates. The agreement requires the Company to maintain adequate offices and warehouse facilities, issue a monthly sales analysis report to Samsung and not to substantially change the structure of its business. If the Company does not fulfil these obligations Samsung may, at its option, terminate the agreement. The agreement is renewed automatically on a yearly basis. However, it may be terminated by either party for any reason upon 90 days' written notice. The agreement may also be terminated forthwith if any party fundamentally breaches any obligations of the agreement or on the bankruptcy/liquidation of one of the parties.

Asbis Slovakia entered into an IBM Business Partner agreement with IBM World Trade Corporation on 29 October 2001 pursuant to which Asbis Slovakia was granted the non-exclusive right to distribute certain IBM products and services. The agreement provides for minimum annual targets to be achieved in relation to different products ranging from U.S. \$500,000 for the pSeries and RS/6000 products and U.S. \$1 million for the xSeries products. This agreement was extended by the IBM Global Financing Gold Plan Agreement, dated 1 August 2005, which transferred Asbis Slovakia's account with IBM to the Gold Plan. The agreement will remain in force until the earlier of 90 days after either party gives written notice of termination or the effective date from which IBM notifies Asbis Slovakia that it will cease to trade with them.

Asbis Slovakia entered into a purchase agreement with Hewlett Packard Europe B.V. ("**HP**") dated 1 May 2002 regarding the purchase and resale of certain Hewlett Packard products, details of which are set out in the agreement, in the territory of Slovakia. Pursuant to the agreement, Asbis Slovakia has agreed to provide both pre and post sales support to the customers to whom it sells such products. The agreement is effective from 1 May 2002 until it is terminated. The agreement may be terminated by Asbis Slovakia at any time, and HP may terminate the agreement at any time if Asbis Slovakia fails to remedy a breach of its obligations within 30 days of written notice thereof. In addition, upon written notice with immediate effect, either party may terminate if the other party becomes insolvent or subject to bankruptcy proceedings.

Asbis Slovakia entered into a Channel Development Partner Agreement with HP dated 1 September 2003. Under this agreement, Asbis Slovakia has been appointed as a non-exclusive authorised Hewlett Packard Channel Development Partner in Slovakia. Asbis Slovakia distributes the products to resellers who meet the HP selection criteria. The agreement may be terminated by Asbis Slovakia at any time, and HP may terminate the agreement at any time if Asbis Slovakia fails to remedy a breach of its obligations within 30 days of written notice thereof. HP must give 60 days' written notice to amend the terms of the agreement. HP may also terminate the agreement immediately in the event that Asbis Slovakia does not comply with applicable U.S.A. and/or other countries export administration regulations or is deprived of export privileges from the U.S.A. or other government authorities. In addition, either party may terminate the agreement if the other becomes insolvent or subject to bankruptcy proceedings or if force majeure circumstances arise and continue for more than 3 months.

Asbis Romania entered into an International Distribution Agreement with Microsoft Ireland Operations Limited ("**Microsoft Ireland**") dated 1 April 2006, for the distribution of Windows operating systems and applications within the territory of Romania. Asbis Romania is able to ship software packages, software licences and hardware under the terms of the agreement and is liable for royalty fees on a "per item" basis. These fees are calculated in accordance with a price schedule. Software royalties are payable within 75 days and hardware royalties within 60 days with late payment charges applicable. All products distributed by Asbis Romania are covered by the Microsoft warranty which accompanies the particular hardware or software. Unless terminated earlier, the agreement will continue until 30 June 2008, at which date it will automatically end. Either party may negotiate a new fixed term by mutual consent, which will be governed by the same terms and conditions as the present agreement. In any event, either party may terminate the agreement upon 30 days' written notice or immediately if the other party becomes insolvent, is subject to bankruptcy proceedings, is subject to reorganisation or receivership, is unable to pay its debts, or makes or attempts to make an assignment for the benefit of creditors.

The Company entered into an agreement with Asbis (Africa) Proprietary Limited ("**Asbis Africa**") dated 1 April 2005 under which the Company appointed Asbis Africa as its exclusive reseller and marketer of its products in South Africa, Namibia, Botswana, Zimbabwe, Mozambique, Zambia, Angola, Malawi, Uganda, DRC, Ghana, Ivory Coast, Cameroon, Seychelles and Mauritius. The Company retains the right to do business directly in those countries. Pursuant to the



agreement, Asbis Africa pays a royalty to the Company calculated as a percentage of the gross profit value of all products sold by Asbis Africa. This percentage is set at 30% unless otherwise agreed between the parties. Asbis Africa is not a subsidiary of the Company, nor is it a joint venture arrangement. The agreement provides that the right to use the name Asbis is only for purposes of the agreement and terminates upon termination thereof. The agreement restricts Asbis Africa in respect of the use of the Asbis name. All marketing and website materials must be authorised by the Company before use and the Company may immediately terminate the agreement if Asbis Africa uses the name in a manner that reflects poorly upon the Company. The agreement is subject to an initial 2 year term with automatic one year renewals-unless terminated by either party with 30 days' notice prior to the expiry of every term.

The Company entered into an oral agreement with Samsung Electrics Overseas B.V. under which the Company was appointed as a non-exclusive distributor of Samsung HDD, ODD, MP3 players, Monitors, digital photo cameras, with the following territorial restrictions: desktop HDD may only be sold in Ukraine, Croatia, Czech Republic and Slovakia; Mobile HDD may be sold in all countries except Poland, Russia and Hungary; monitors are allowed for sale only in Belarus; digital photo cameras are allowed for sale only in Ukraine.

The Company entered into an agreement with Toshiba Europe GmbH dated 31 March 2006 under which the Company was appointed non-exclusive distributor of mobile storage products in Belarus, Bulgaria, Croatia, Cyprus, Czech Republic, Egypt, Estonia, Hungary, Ireland, Kazakhstan, Lithuania, Morocco, Poland, Romania, Russia, Slovakia, Slovenia, Turkey, Ukraine, United Arab Emirates and Yugoslavia. The term of the agreement is until 31 March 2007 with automatic one year renewals unless a termination notice is given at least 30 days before the expiration of the term then in effect.

The Company entered into an agreement dated 1 July 2001 with Kingston Technology Company, Inc. (the "**Valueram Distribution Agreement**") under which the Company was appointed as a non-exclusive distributor of Kingston ValueRAM generic memory products in Belarus, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Kazakhstan, Lithuania, Latvia, Romania, Slovakia, Slovenia, Ukraine, Uzbekistan and Yugoslavia. The Valueram Distribution Agreement runs indefinitely until either party gives 30 days' written notice of termination.

The Company has an oral understanding with Power Quotient International Co. for the supply to the Company of Canyon USB Flash Drives.

The Company has an oral understanding with Lite-On IT Corporation based in the Netherlands for the non-exclusive right to distribute optical drives in all countries where the Company operates except for countries in Western Europe.

The Company entered into an agreement with CSD EU B.V. dated 16 February 2005 for the right to distribute its products in all countries where the Group operates. The agreement is subject to automatic annual renewal for successive one-year terms, unless earlier terminated by either party with three months' notice before the end of the then current period.

The Company has an oral understanding with NEC Deutschland GmbH, for the non-exclusive right to distribute optical and floppy drives in all countries where the Company operates except for countries in Western Europe.

The Company has an oral understanding with Eudar Technology Inc. for the supply to the Company of Canyon memory modules, Canyon USB Flash Drives and Prestigio USB Flash Drives.

The Company has an oral understanding with Microview International Co. Ltd. for the non-exclusive right to sell hard disks and CPU's without territorial restriction.

The Company entered into a program with Transcend Information, Inc. dated 1 January 2006, for cooperation in the distribution of Transcend's flash and memory products in all of the territories in which the Company has branch offices (except for Russia). This program is active for a period of 12 months and may be terminated, renewed or re-negotiated by either party.

The Company has an oral understanding with Kingmax Semiconductor Inc. for the non-exclusive right to sell Kingmax's flash memory and other memory products in Ukraine, Kazakhstan, Romania, Poland, Slovakia, Czech Republic, Croatia, Hungary and South Africa.

The Company has an oral understanding with ASRock Europe B.V. for the non-exclusive right to sell motherboards coming from that supplier in Ukraine, Kazakhstan, Czech Republic, Slovakia, Croatia, Bulgaria, Hungary, North Africa, Algeria, Tunisia, and Morocco.

The following is a summary of the key commercial terms of the foregoing master agreements with the Group's key suppliers.

Name	Trade Credit (million US \$)	Payment term (in days)
Intel	45.0	30
Microsoft	45.0	90
AMD	30.0	30
Seagate	15.0	30
Hitachi	7.0	30
Toshiba	3.8	45

### Intellectual Property

The Group has registered the following trademarks:

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

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

In addition to the E-Vision licence described above, the Company has also entered into the following licence agreements:

The Company entered into a Microsoft Desktop Operating System Licence Agreement with Microsoft Ireland Operation Limited ("**Microsoft**") dated 1 August 2006. Pursuant to this agreement, the Company has been granted a non-exclusive limited licence to pre-install Microsoft products set out in the agreement onto the Company's computer systems and to distribute and sub-licence the end users pursuant to the end user licence agreement delivered by Microsoft with each product. The licence was renewed and will expire on 31 July 2008.

The Company entered into a licence agreement dated 1 November 2005 with Microsoft for application products. Subject to the payment of product royalties, Microsoft has granted the Company a non-exclusive licence to pre-install one copy of the product software on its system and distribute and sub-licence them to end user customers pursuant to the end user's instructions. The licence agreement is delivered by Microsoft with the product. The agreement allows the Company to distribute Microsoft products in the member countries of the European Union and European Free Trade Association, subject to limitations to certain territories. The licence was renewed and is due to expire on 31 December 2007.

The Company entered into a licence agreement dated 1 December 2006 with Microsoft for office products. Subject to the payment of royalties for each system distributed to end-users at the rate listed in the schedule to the license, Microsoft has granted the Company a non-exclusive limited licence to preinstall certain Microsoft software on computer systems and distribute such systems and sublicense them to end-users subject to the terms of the end-user licence agreements. The Company is required to pay a minimum amount of royalty every month. Subject to Microsoft's approval, the Company has the right to subcontract and sublicense its limited rights and obligations under the agreement to its subsidiaries and related parties. The licence is due to expire on 31 December 2008.

The Company intends to renew its Microsoft licences upon expiry.

Other than the licence agreements described above, the Group is not dependent on other patents or licences.

## Insurance

The Group holds two different types of insurance: products insurance and credit insurance.

*Products insurance.* The Group has a products insurance policy with M.N. Leons B.V. The Group assumes the risks of products it receives from its suppliers only upon transfer of legal title, which is when the goods reach the Group and thereafter. Under its product insurance policy, covering the twelve months ending 31 December 2007 with tacit renewal thereafter the Group's products are insured for a maximum of U.S. \$4 million from any single shipment of computers, monitors and supplies of accessories transported from country to country or warehouse to warehouse. Typical shipment values for each warehouse are as follows: Czech Republic: U.S. \$120,000; the Netherlands: U.S. \$40,000; Finland: U.S. \$140,000, and the Middle East: U.S. \$140,000.

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

- The Czech Republic: U.S. \$10m.
- The Netherlands: U.S. \$2m.
- Finland: U.S. \$1.5m.
- The Middle East: U.S. \$3.5m.

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

*Credit insurance.* The Group has two major credit insurance policies in place with Euler Hermes Kreditversicherungs AG ("**Euler Hermes**"), reducing the Group's exposure in respect to possible non-recoverability of its receivables. Euler Hermes has agreed to indemnify the Group for losses due to bad debts in respect of goods delivered and services performed during the policy period, which covers a term of twelve months, subject to annual renewal. The Group insured more than 50% of its 2006 revenues.

The first major insurance policy covers ASBIS Europe B.V., the Company, ASBIS Middle East FZE, ASBIS Limited (Ireland), ASBIS d.o.o (Slovenia) and Canyon Technology B.V. (the Netherlands). Each buyer, primarily the Group's large customers, who has an approved credit limit is insured for a coverage amounting to 85%, at a premium rate of 0.30%.

The second insurance policy, which commenced in May 2003, is considered by the management as a milestone in credit insurance for the Group. One of its core vendors in co-operation with Euler Hermes offered the Group the Credit Insurance Program ("**CIP**"). At that time, the Group was the only Central and Eastern European distributor to participate in such a vendor-driven program. This flexible and tailor-made program has given the Group a competitive advantage over other distributors on insurance of small customers. This insurance policy is held by the Company and extends to cover ASBIS CZ, spol s.r.o., ASBIS CR d.o.o., ASBIS Hungary Limited, ASBIS Vilnius UAB, ASBIS PL Sp z.o.o., ASBIS SK spol s.r.o. (Slovakia); and ASBIS d.o.o. (Slovenia). ASBIS Bulgaria Limited, ASBIS Romania S.R.L., AS ASBIS Baltic, as well as to specific customers in Algeria, Tunisia and Morocco. Under this policy the Group has the flexibility of providing, only to registered INTEL Preferred Dealers, a credit limit up to a maximum of U.S. \$75,000. A premium of 0.15% is charged on each invoice raised by the Group and is covered by this credit insurance program. It should be noted, that certain customers not approved by Intel are not eligible to participate in this insurance program.

## Research and Development

The Group does not have a significant research and development function and therefore it does not have significant capital expenditure related thereto.

## Environmental Issues

The Group is not subject to any environmental protection requirements which could affect the Group's use of its tangible fixed assets

## CAPITALIZATION AND INDEBTEDNESS OF THE GROUP

The following table sets forth the Group's consolidated capitalization and indebtedness as at 30 June and 31 August 2007.

Prospective investors should read this table in conjunction with "*Operating and Financial Review and Results Operations of the Group*" and the Financial Statements and the notes thereto, which are included elsewhere in this Prospectus.

CAPITALIZATION AND INDEBTEDNESS	As at 30 June 2007	As at 31 August 2007
	<i>(U.S.\$ thousands)</i>	
<b>Total current debt</b> .....	<b>171,893</b>	<b>221,395</b>
Short term obligations under finance lease - secured.....	97	97
Bank overdrafts and short term loans secured.....	32,737	31,420
Trade payables - unsecured.....	117,983	162,653
Other current liabilities - unsecured.....	20,742	27,036
Current taxation - unsecured.....	334	189
<b>Total non-current debt</b> .....	<b>766</b>	<b>661</b>
Bank loans - secured.....	543	476
Long term obligations under finance lease - secured.....	117	79
Deferred tax liability - unsecured.....	60	60
Other long term liabilities - unsecured.....	46	46
<b>Shareholders' equity</b> .....	<b>62,488</b>	<b>64,472</b>
Share capital.....	9,600	9,600
Share premium.....	8,138	8,138
Reserves.....	44,750	46,734
<b>Total capitalization and indebtedness</b> .....	<b>235,147</b>	<b>286,528</b>

As of 30 June and 31 August 2007 all of the Group's financial indebtedness (both short and long term) was secured by inventories or promissory notes on inventories, pledge of receivables, property, equipment, cash as well as assignment of insurance policies. In addition, certain financial debt granted to the Company is additionally guaranteed through personal guarantees of Mr. Siarhei Kostevich, its Chief Executive Officer. For further details regarding indebtedness as of 30 June 2007 see notes 13, 14, 15 and 16 of the Financial Statements for the six months ended 30 June 2007 included elsewhere in this Prospectus.

As at 30 June 2007, the Group had an aggregate amount of U.S. \$28,608 thousand secured factoring facilities (mostly with recourse). It was also committed in respect of purchases of inventories for an aggregate value of U.S. \$10,153 thousand, which were in transit at 30 June 2007 and delivered in July 2007. These inventories and their corresponding liabilities were not included in the Group's consolidated unaudited financial statements for the six months ended 30 June 2007 since, according to the terms of the purchase, the title of the goods had not passed to the Group as at 30 June 2007.

As of 31 August 2007, the aggregate amount of secured factoring facilities was U.S. \$ 28,608 thousand.

As at 30 June 2007, the Group was also contingently liable in respect of bank guarantees in the aggregate amount of U.S. \$4,337 thousand, which the Group had extended mainly to its vendors. As of 31 August 2007, this amount was U.S. \$ 5,972 thousand. The Group did not have any other contingent or indirect financial indebtedness as at 30 June and 31 August 2007.

The Group's net debt position, as at 30 June and 31 August 2007 is stated in the table below.

NET INDEBTEDNESS	As at 30 June 2007	As at 31 August 2007
	<i>(U.S.\$ thousands)</i>	
(A) Cash .....	28,127	21,918
(B) Cash equivalents (deposits) .....	-	-
(C) Trading securities .....	-	-
<b>(D) Liquidity (A) + (B) + (C) .....</b>	<b>28,127</b>	<b>21,918</b>
(E) Current Financial Receivables .....	-	-
(F) Bank overdrafts and short term loans .....	32,498	31,420
(G) Current portion of long term loans .....	239	239
(H) Short term obligations under finance lease .....	97	97
(I) Current financial debt (F) + (G) + (H) .....	32,834	31,756
<b>(J) Net current financial indebtedness (I) – (E) – (D) .....</b>	<b>4,707</b>	<b>9,838</b>
(K) Long term bank loans .....	543	476
(L) Bonds issued .....	-	-
(M) Long term obligations under finance lease .....	117	79
<b>(N) Non current financials indebtedness (K) + (L) + (M) .....</b>	<b>660</b>	<b>555</b>
<b>(O) Net financial indebtedness (J) + (N) .....</b>	<b>5,367</b>	<b>10,393</b>

Since 31 August 2007 until the day on which the Prospectus was approved, there has been no material change in the Group's consolidated capitalization and indebtedness (including in respect of contingent liabilities and guarantees), and there has been no significant change in the financial or trading position of the Group.

### Working Capital Statement

The Company hereby declares that, in its opinion, having duly considered the nature of the Group's banking arrangements and any restrictions on the transfer of, the working capital (on a consolidated basis) is sufficient for present requirements for the next 12 months of the business activities from the date of approval of this Prospectus.

## SELECTED HISTORICAL FINANCIAL AND OPERATIONAL INFORMATION FOR THE GROUP

The selected information presented in U.S. dollars set out below has been derived from and should be read in conjunction with discussion in conjunction with the Group's audited financial statements as at and for the years ended 31 December 2006, 2005 and 2004, and the Group's unaudited financial statements as at and for the six months ended 30 June 2006 and 2007, including the accompanying notes thereto, which are included elsewhere in this Prospectus, and have been prepared in accordance with IFRS. The following information should also be read in conjunction with "Operating and Financial Review and Results of Operations of the Group" included elsewhere in this Prospectus.

	Six months ended 30 June		Year ended 31 December		
	2007	2006	2006	2005	2004
	(unaudited)		(U.S.\$)		
			(audited)		
<b>Revenue</b> .....	540,055,910	426,368,013	1,008,794,597	930,389,282	755,719,777
Cost of sales .....	(516,276,970)	(408,829,273)	(961,101,730)	(892,020,384)	(728,773,519)
<b>Gross profit</b> .....	23,778,940	17,538,740	47,692,867	38,368,898	26,946,258
Selling expenses .....	(10,047,770)	(6,651,806)	(17,290,825)	(13,225,005)	(10,369,395)
Administrative expenses .....	(8,087,157)	(6,416,924)	(14,318,319)	(12,839,668)	(11,392,565)
<b>Profit from operations before amortization and write-off of goodwill</b> .....	5,644,013	4,470,010	16,083,723	12,304,225	5,184,298
Other expenses-amortization of goodwill .....	—	(39,031)	—	(13,620)	(64,425)
<b>Operating profit</b> .....	5,644,013	4,430,979	16,083,723	12,290,605	5,119,873
Financial income .....	381,347	202,668	142,271	226,636	203,757
Financial expense .....	(2,298,329)	(1,806,009)	(3,850,106)	(3,558,489)	(2,485,417)
Other income .....	119,623	102,775	383,238	340,542	252,612
Profit on disposal of subsidiary .....	—	—	—	18,349	—
<b>Profit before taxation</b> .....	3,846,654	2,930,413	12,759,126	9,317,643	3,090,825
Taxation .....	(678,483)	(444,343)	(1,688,816)	(939,380)	(841,508)
<b>Profit after taxation</b> .....	3,168,171	2,486,070	11,070,310	8,378,263	2,249,317
Listing expenses written off .....	—	—	(1,597,310)	—	—
Minority interest .....	—	—	—	(55,959)	(59,922)
<b>Profit attributable to members</b> .....	3,168,171	2,486,070	9,473,000	8,322,304	2,189,395
<b>Earnings per share</b> .....					
Basic and diluted from continuing operations (U.S. \$ cents) .....	6.6	5.2	19.7	17.3	4.56

	Six months ended 30 June		Year ended 31 December		
	2007	2006	2006	2005	2004
	(unaudited)		(U.S.\$)		
			(audited)		
<b>Cash flow data</b>					
Operating profit before working capital changes .....	4,980,656	4,002,459	14,615,171	11,867,125	5,840,649
Cash inflows /outflows) from operations .....	4,818,256	(16,154,992)	(5,885,834)	2,393,993	(3,368,814)
Net cash inflows /(outflows) from operating activities .....	4,195,878	(16,364,562)	(8,778,510)	13,574	(4,635,684)
Net cash outflows from investing activities ....	(1,314,194)	(764,443)	(1,060,422)	(1,701,633)	(1,586,772)
Net cash (outflows)/inflows from financing activities .....	(1,194,227)	(326,684)	10,910,750	(1,646,954)	4,993,326
Net increase/(decrease) in cash and cash equivalents .....	1,687,457	(17,455,689)	1,071,818	(3,335,013)	(1,229,130)
<b>Cash and cash equivalents at beginning of the period/year</b> .....	<b>13,250,441</b>	<b>12,178,623</b>	<b>12,178,623</b>	<b>15,513,636</b>	<b>16,742,766</b>
<b>Cash and cash equivalents at end of period/year</b> .....	<b>14,937,898</b>	<b>(5,277,066)</b>	<b>13,250,441</b>	<b>12,178,623</b>	<b>15,513,636</b>

	<b>Six months ended 30 June</b>		<b>Year ended 31 December</b>		
	<b>2007</b>	<b>2006</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>(unaudited)</b>		<b>(audited)</b>		
	<i>(U.S.\$)</i>				
<b>Balance sheet data</b>					
<b>ASSETS</b>					
Total current assets .....	226,294,084	175,903,659	227,622,136	198,875,895	160,992,692
Total non-current assets .....	8,852,707	8,063,215	8,529,759	8,196,865	8,509,421
<b>Total assets .....</b>	<b>235,146,791</b>	<b>183,966,874</b>	<b>236,151,895</b>	<b>207,072,760</b>	<b>169,502,113</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Liabilities</b>					
Total current liabilities .....	171,892,211	129,472,009	175,213,559	155,211,658	125,096,550
Total non-current liabilities .....	766,264	875,204	785,770	901,465	1,123,830
<b>Total liabilities .....</b>	<b>172,658,475</b>	<b>130,347,213</b>	<b>175,999,329</b>	<b>156,113,123</b>	<b>126,220,380</b>
<b>Equity</b>					
<b>Total equity .....</b>	<b>62,488,316</b>	<b>53,619,661</b>	<b>60,152,566</b>	<b>50,959,637</b>	<b>43,232,583</b>
Minority interest .....	-	-	-	-	49,150
<b>Total liabilities and equity .....</b>	<b>235,146,791</b>	<b>183,966,874</b>	<b>236,151,895</b>	<b>207,072,760</b>	<b>169,502,113</b>

## OPERATING AND FINANCIAL REVIEW AND RESULTS OF OPERATIONS OF THE GROUP

*The following Management's discussion and analysis of the Group's financial condition and results of operations discusses the Group's historical financial results as at, and for the years ended, 31 December 2006, 2005 and 2004 and the six months ended 30 June 2007 and 2006. Potential investors should read the following discussion in conjunction with the Group's audited financial statements as at and for the years ended 31 December 2006, 2005 and 2004, including the accompanying notes thereto, which are included elsewhere in this Prospectus, and have been prepared in accordance with IFRS and audited by Deloitte & Touche Limited, the Group's independent auditors and the Group's unaudited financial statements as at and for the six months ended 30 June 2006 and 2007, including the accompanying notes thereto, which are included elsewhere in this Prospectus, and have been prepared in accordance with IAS 34 Interim Financial Reporting and reviewed by Deloitte & Touche Limited, and in conjunction with the information set forth under "Risk Factors" and "Business Description".*

*Some of the information in the discussion and analysis set forth below and elsewhere in this Prospectus includes forward looking statements that involve risks and uncertainties. See "Information Regarding Forward Looking Statements" and "Risk Factors" for a discussion of important factors that could cause actual results to differ materially from the results described in the forward looking statements contained in this Offering Circular.*

### **Overview**

The Group is one of the leading distributors of IT products in the regions of Central and Eastern Europe, the Baltic States, the former Soviet Union, the Middle East and North Africa.

The Group is a "one-stop-shop" for servers, desktop PCs, laptops and networking to assemblers, system integrators and retailers. The Group's IT product portfolio encompasses a wide range of IT components, blocks and peripherals, and mobile IT systems. The Group purchases the majority of its products from leading international manufacturers, including Intel, AMD, Seagate, Samsung and Microsoft. In addition, a growing part of the Group's revenue is comprised of sales of IT products under the Group's private labels, Prestigio and Canyon, which together accounted for 7.6 per cent. of the Group's total revenues in 2006, compared to 5.8 per cent. in 2005. In addition, the Group offers "white label" products to certain of its largest customers.

In 2006, the Group sold, among other products, approximately 3.4 million central processing units (CPUs), 3.3 million hard disk drives (HDDs) and 2.0 million memory modules (including both RAM and flash memory modules), either sourced from leading industry manufacturers or sold under the Group's private brands. These compared to approximately 3.1 million CPUs, 3.0 million HDDs and 1.3 million memory modules in 2005 and approximately 1.9 million CPUs, 3.0 million HDDs and 1.2 million memory modules sold in 2004.

The Group's revenues increased to U.S. \$540.1 million for the six months ended 30 June 2007, from U.S. \$426.4 million for the six months ended 30 June 2006, representing an increase of 26.7 per cent. Over the same periods, the Group's profits after taxation increased to U.S. \$ 3.2 million for the six months ended 30 June 2007, from U.S. \$ 2.5 million for the six months ended 30 June 2006, representing an increase of 27.4 per cent.

The Group's revenues were U.S. \$1,008.8 million in 2006, compared to U.S. \$930.4 million in 2005 and U.S. \$755.7 million in 2004, representing increases of 8.4 per cent. and 23.1 per cent., respectively. Over the same periods, the Group's profits after taxation increased to U.S. \$11.1 million in 2006, from U.S. \$8.4 million in 2005 and U.S. \$2.2 million in 2004, representing increases of 32.1 per cent. and 272.5 per cent., respectively.

### **Principal Factors Affecting Financial Condition and Results of Operations**

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

#### ***Competition and price pressure***

The IT distribution industry is a highly competitive market, particularly with regards to product selection and quality, inventory, price, customer services and credit availability and hence is open to margin pressure from competitors and



new entrants. The Group competes at the international level with a wide variety of suppliers of varying sizes, covering different product categories and geographic markets. In particular, in each of the markets in which the Group operates it faces competition from a number of either international distributors such as Avnet Inc., Tech Data Corp., Ingram Micro Inc. and Arrow Electronics Inc., which are much larger than the Group, but do not always cover the same geographic regions with local presence as the Group does, as well as from regional or local distributors, such as Elko, mainly in the Baltic States, Russia, Ukraine and the Adriatic Region, Kvazar Micro, and Millennium Distribution in the Former Soviet Union, ABC Data and Action in Poland and ATC and BGS Levi in the Czech Republic and Slovakia.

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

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

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

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

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

A number of the Group's most significant contracts with its major suppliers contain advantageous contract terms that protect the Group against exposure to price fluctuations, defective products and stock obsolescence. Specifically, the Group's contracts include terms such as (1) a price protection policy, which allows the Group to request reimbursement from suppliers for inventory in transit or held at its warehouses in the event that product prices decline; (2) a stock rotation policy under which the Group has the right to return to the supplier slow moving inventory in exchange for credit, which reduces the Group's exposure to obsolescence of inventory; and (3) a return material authorisation policy under which the Group can return defective items to its suppliers in return for either credit, replacement or refurbished products.

### ***Currency fluctuations***

The Group's reporting currency is the U.S. dollar. Approximately half of the Group's revenues are denominated in U.S. dollars, while the balance of its revenues are denominated in Euro and other currencies, certain of which are linked to the Euro. Substantially all of the Group's trade payable balances are denominated in U.S. dollars. In addition, approximately half of the Group's operating expenses are denominated in U.S. dollars and the other half in Euro or other currencies, certain of which are linked to the Euro.

As a result, reported results are affected by movements in exchange rates, particularly in the exchange rate of the U.S. dollar against the Euro and other currencies of the countries in which the Group operates, including the Slovakian crown, the Czech crown and the Polish Zloty. In particular, a strengthening of the U.S. dollar against the Euro and other currencies of the countries in which the Group operates may result in a decrease in the Group's revenues, as reported in U.S. dollars, which would have a negative impact on the Group's operating and net profit, despite a positive impact on the Group's operating expenses. On the other hand, a devaluation of the U.S. dollar against the Euro and

other currencies of the countries in which the Group operates may have a positive impact on the Group's revenues, as reported in U.S. dollars, which would have a positive impact on operating and net profit despite a negative impact on the Group's operating expenses, as was the case in 2006.

In addition, exchange rate fluctuations of the U.S. dollar against other currencies of countries in which the Group operates may result in translation gains or losses reflected in the Group's consolidated financial statements.

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

### ***Interest rate fluctuations***

As at 31 December 2006, the Group had total borrowings (excluding amounts due to factoring creditors) of U.S. \$34,990 thousand and for the year 2006 its interest expense was U.S. \$1,620 thousand on those borrowings, compared to a profit after taxation of U.S. \$11,070 thousand. Substantially all of the Group's borrowings bear interest at a floating rate, i.e. either U.S. LIBOR or local base rates, plus a certain spread. Therefore any fluctuation in U.S. LIBOR or in other interest rates applicable to the Group's borrowings would have an impact on the Group's financial expense, in particular any increase in such rates would increase the Group's financial expense, and this, in turn, would adversely affect its operating profit and financial situation.

### ***Credit risk***

The Group buys components from its suppliers on its own account and resells them to its customers. The Group extends credit to some of its customers at terms ranging from 15 to 45 days or, in certain cases, to 90 days. The Group's payment obligations towards its suppliers under such agreements are separate and distinct from its customers' obligations to pay for their purchases, except in limited cases in which the Group's arrangements with its suppliers require it to resell to certain resellers or distributors. Thus, the Group is liable to pay its suppliers regardless of whether the Group's customers pay for their respective purchases. As the Group's profit margin is relatively low compared to the total price of the products sold, in the event the Group is unable to recover payments from its customers, the Group is exposed to a financial liquidity risk. The Group has in place credit insurance which covers such an eventuality for approximately 50% of the Group's revenue.

### ***Growth markets***

Information technology penetration in the markets in which the Group operates, is still significantly lower than in more mature Western European markets. As a result, demand for relevant products in these markets is growing and the Directors expect it to continue to grow in the foreseeable future. In addition, in a number of these markets, including Russia and Ukraine, the Group believes that there will be improvements in applicable import regulations which should have a positive effect on demand for its products. The Group's aim is to benefit from such growth in order to increase its revenue and potentially its market shares.

### ***Seasonality***

The IT distribution industry in which the Group operates experiences high demand during the months prior to and leading up to the Christmas and New Year holiday period. In particular, for distributors of IT components, such as the Group, demand tends to increase in the period starting from September to the end of the year. During these periods prices for the Group's products tend to increase, which may have a positive effect on the Group's gross profit margin. During these periods the Group may, however, experience, and in certain cases in the past has experienced, shortages in product supply due to higher demand.

### **Other factors affecting financial performance for the years 2004, 2005, 2006 and the six months ended 30 June 2007**

*Closure of Swedish operations.* In early 2003, the Group opened a local subsidiary in Sweden for the distribution of its products within the Swedish market. The operations of the local warehouse were outsourced to DFDS, a regional logistics services provider. The Swedish operations continuously ran at a loss since opening and in June 2005 the Group closed them.

*Arrangements with suppliers.* During the first three quarters of 2004 Seagate, one of the Group's leading suppliers, continuously reduced prices, which had a negative impact on the Group's gross profit. However, in late 2004 Seagate commenced stabilizing its prices mitigating the negative impact its prior reductions had on the Group's gross profit.

From November 2004, the Group entered into a new distribution agreement with AMD for the distribution of Central Processing Units. As a result, the Group reduced its dependence on Intel for the supply of Central Processing Units and the Group's profit margins benefited, as a result of the increasing share of AMD Central Processing Units business.

In 2004, prices for LCD displays declined sharply across the IT market, which had a material adverse effect on the Group's revenues and profits from these products.

In September 2004 the Group terminated a distribution agreement with Maxtor, a hard disk supplier that followed an inconsistent pricing policy. However, in 2006 Maxtor was acquired by Seagate one of the Group's current suppliers and, therefore, the Group continues to distribute Maxtor products.

*Decrease in CPU prices.* In 2007, to date, revenues from the sales of CPUs supplied by AMD were negatively affected as their average sales price dropped significantly due to strong competition by Intel, AMD's competitor. However, the Group managed to partially offset the negative impact of decreasing revenues from sales of AMD CPUs, by increasing sales of Intel CPUs, the average selling prices of which increased, due to the introduction of new, technologically advanced products, such as Core 2 Duo CPUs. The Group intends to continue to work with both Intel and AMD with a view to continuing to increase its revenues and profits, while ensuring customer satisfaction.

## **Results of Operations**

### **Six months ended 30 June 2007 compared to the six months ended 30 June 2006**

For the six months ended 30 June 2007, the Group realised revenues of U.S. \$540,056 thousand, compared to U.S. \$ 426,368 thousand for the six months ended 30 June 2006. The Group had profit after taxation of U.S. \$ 3,168 thousand for the six months ended 30 June 2007, compared to U.S. \$2,486 thousand for the six months ended 30 June 2006. The increase in profit after taxation of 27.4% in the six months ended 30 June 2007, compared to the same period in 2006, was mainly due to increased sales and an improvement in gross profit margin (4.4% in the six months ended 30 June 2007, compared to 4.1% in the six months ended 30 June 2006), mainly resulting from improved product mix, due to increased sales of higher margin private label and software products. The Group's net profit margin (net profit as a percentage of revenues) remained stable at 0.59% for the six months ended 30 June 2007, compared to 0.58% for the six months ended 30 June 2006, despite the improvement in gross profit margin, primarily due to increasing selling expenses. The following is a discussion of the Group's results of operations under IAS 34 Interim Financial Reporting for the six months periods ended 30 June 2006 and 2007.

#### *Revenues*

Revenues for the six months ended 30 June 2007 were U.S. \$540,056 thousand, compared to U.S. \$ 426,368 thousand for the six months ended 30 June 2006, representing an increase of 26.7%. This increase in the Group's revenues reflected an increase in units sold and a limited positive impact as a result of the weakening of the U.S. dollar against the Euro and Euro-linked currencies, partially offset by declining average sales prices for certain products distributed.

The table below sets forth a breakdown of the Group's revenues, by product, for the six-month periods ended 30 June 2006 and 2007:

	<b>For the six months ended 30 June</b>			
	<b>2007</b>		<b>2006</b>	
	<i>U.S. \$ thousand</i>	<i>per cent.</i>	<i>U.S. \$ thousand</i>	<i>per cent.</i>
Central Processing Unit (CPU).....	149,862	27.7%	154,848	36.3%
Hard Disk Drives (HDD).....	115,716	21.4%	88,063	20.7%
Software.....	53,948	10.0%	12,937	3.0%
PC-mobile (laptops).....	32,896	6.1%	9,364	2.2%
Memory modules (RAM) .....	32,427	6.0%	23,248	5.5%
Mainboards and VGA cards .....	23,948	4.4%	19,264	4.5%
Display products .....	12,729	2.4%	10,547	2.5%
Peripherals .....	12,659	2.3%	15,736	3.7%
Optical and floppy drives.....	12,174	2.3%	13,820	3.2%
Servers and server blocks .....	11,751	2.2%	7,478	1.7%
PC-desktops .....	9,832	1.8%	7,936	1.9%
Accessories and multimedia .....	9,207	1.7%	6,630	1.6%
Flash memory .....	5,390	1.0%	3,814	0.9%
Networking products .....	3,680	0.7%	2,948	0.7%
Other .....	53,837	10.0%	49,735	11.6%
<b>Total Revenue .....</b>	<b>540,056</b>	<b>100.0%</b>	<b>426,368</b>	<b>100.0%</b>

Revenues from central processing units ("CPUs") decreased by 3.2% from U.S. \$154,848 thousand (36.3% of the Group's revenues) in the six months ended 30 June 2006, to U.S. \$149,862 thousand (27.7% of the Group's revenues) in the six months ended 30 June 2007, mainly due to price erosion throughout 2007, resulting from strong competition between the Group's two main suppliers, Intel and AMD, partially offset by an increase in the number of units sold from 1,448 thousand in the six months ended 30 June 2006 to 1,547 thousand in the six months ended 30 June 2007. In particular, while average selling prices for Intel CPUs increased slightly, average selling prices for AMD CPUs decreased sharply, which had a negative effect on the Group's aggregate average selling price of CPUs which decreased from U.S. \$106.9 in the six months ended 30 June 2006 to U.S. \$96.9 in the six months ended 30 June 2007. Sales of Intel CPUs increased to become the majority of CPUs sold in the six months ended 30 June 2007, while sales of AMD CPUs decreased.

Revenues from the sale of hard disk drives ("HDD") increased by 31.4% from U.S. \$88,063 thousand (20.7% of the Group's revenues) in the six months ended 30 June 2006 to U.S. \$115,716 thousand (21.4% of the Group's revenues) in the six months ended 30 June 2007, mainly due to an increase in the number of units sold from 1,262 thousand in the six months ended 30 June 2006 to 1,778 thousand in the six months ended 30 June 2007, mainly due to a significant increase in the distribution of Seagate HDDs, partially offset by a decrease in prices. The Group's average selling price of HDDs was U.S. \$69.8 and U.S. \$65.1 in the six months ended 30 June 2006 and 2007, respectively.

Revenues from the sale of software increased by 317.0% from U.S. \$12,937 thousand (3.0% of the Group's revenues) in the six months ended 30 June 2006 to U.S. \$53,948 thousand (10.0% of the Group's revenues) in the six months ended 30 June 2007, mainly due to an increase in the number of software units sold from 121 thousand in the six months ended 30 June 2006 to 443 thousand in the six months ended 30 June 2007, which was primarily due to increasing sales of Microsoft software mainly in Russia and an increase in sales of PC-mobile (laptops) in the respective periods for which the Group also supplies the relevant software packages (see below). The Group's average selling price of software units was U.S. \$106.9 and U.S. \$121.8 in the six months ended 30 June 2006 and 2007, respectively.

Revenues from the sale of PC-mobile (laptops) increased by 251.3% from U.S. \$9,364 thousand (2.2% of the Group's revenues) in the six months ended 30 June 2006 to U.S. \$32,896 thousand (6.1% of the Group's revenues) in the six months ended 30 June 2007, mainly due to a significant increase in the number of units sold from 14 thousand in the six months ended 30 June 2006 to 38 thousand in the six months ended 30 June 2007, mainly attributable to increased sales of A brand mobile computers and Prestigio notebooks, as well as an increase in sales prices of PC-mobile (laptops). The Group's average selling price of PC-mobile products increased from U.S. \$668.9 in the six months ended 30 June 2006 to U.S. \$865.7 in the six months ended 30 June 2007.

Revenues from the sale of memory modules (RAM) increased by 39.5% from U.S. \$23,248 thousand (5.5% of the Group's revenues) in the six months ended 30 June 2006, to U.S. \$32,427 thousand (6.0% of the Group's revenues) in

the six months ended 30 June 2007, mainly due to an increase in the number of units sold from 660 thousand in the six months ended 30 June 2006 to 1,370 thousand in the six months ended 30 June 2007, as a result of the Group's increasing selling efforts in this product category, while prices decreased substantially. The Group's average selling price of memory modules was U.S. \$35.2 and U.S. \$23.7 in the six months ended 30 June 2006 and 2007, respectively.

Revenues from the sale of mainboards and VGA cards increased by 24.3% from U.S. \$19,264 thousand (4.5% of the Group's revenues) in the six months ended 30 June 2006 to U.S. \$23,948 thousand (4.4% of the Group's revenues) in the six months ended 30 June 2007, mainly due to an increase in the number of units sold from 283 thousand in the six months ended 30 June 2006 to 301 thousand in the six months ended 30 June 2007, as well as an increase in prices. The Group's average selling price of mainboards and VGA cards was U.S. \$68.1 and U.S. \$79.6 in the six months ended 30 June 2006 and 2007, respectively.

Revenues from the sale of display products increased by 20.7% from U.S. \$10,547 thousand (2.5% of the Group's revenues) in the six months ended 30 June 2006 to U.S. \$12,729 thousand (2.4% of the Group's revenues) in the six months ended 30 June 2007, mainly due to an increase in units sold from 48 thousand in the six months ended 30 June 2006 to 68 thousand in the six months ended 30 June, 2007, partially offset by a decline in prices in the six months ended 30 June 2007. The Group's average selling price of display products was U.S. \$219.7 and U.S. \$187.2 in the six months ended 30 June 2006 and 2007, respectively.

Revenues from the sale of peripherals decreased by 19.6% from U.S. \$15,736 thousand (3.7% of the Group's revenues) in the six months ended 30 June 2006 to U.S. \$12,659 thousand (2.3% of the Group's revenues) in the six months ended 30 June 2007, mainly due to a decrease in the number of units sold from 84 thousand in the six months ended 30 June 2006 to 80 thousand in the six months ended 30 June 2007, and a decline in prices. The Group's average selling price of peripherals was U.S. \$187.3 and U.S. \$158.2 in the six months ended 30 June 2006 and 2007, respectively.

Revenues from the sale of optical and floppy drives decreased by 11.9% from U.S. \$13,820 thousand (3.2% of the Group's revenues) in the six months ended 30 June 2006 to U.S. \$12,174 thousand (2.3% of the Group's revenues) in the six months ended 30 June 2007, due to a decrease in unit sales from 522 thousand in the six months ended 30 June 2006 to 495 thousand in the six months ended 30 June 2007, and due to price erosion. The Group's average selling price of optical drives was U.S. \$26.5 and U.S. \$24.6 in the six months ended 30 June 2006 and 2007, respectively.

Revenues from sales of servers and server blocks increased by 57.1% from U.S. \$7,478 thousand (1.7% of the Group's revenues) in the six months ended 30 June 2006 to U.S. \$11,751 thousand (2.2% of the Group's revenues) in the six months ended 30 June 2007 mainly due to an increase in unit sales from 28 thousand units in the six months ended 30 June 2006 to 38 thousand units in the six months ended 30 June 2007, and due to an increase in prices of such products. The Group's average selling price of servers and server blocks was U.S. \$267.0 and U.S. \$309.2 in the six months ended 30 June 2006 and 2007, respectively.

The category "Other" consists of a range of products including cameras, special customer orders and products mainly purchased by the Group's subsidiaries to service their customers. Revenues from other products increased by 8.2% from U.S. \$49,735 thousand (11.6% of the Group's revenues) in the six months ended 30 June 2006 to U.S. \$53,837 thousand (10.0% of the Group's revenues) in the six months ended 30 June 2007, mainly due to changes in product mix, despite a decrease in the number of units sold in the six months ended 30 June 2006 and 2007.

Most of the Group's product categories include sales of private label products, with flash memory and accessories and multimedia products comprising almost exclusively of private label products. Revenues derived from sales of the Group's private label products represented 7.6% of the Group's revenues in the six months ended 30 June 2007, compared to 7.2% in the six months ended 30 June 2006.

In 2007, the U.S. dollar weakened against the Euro and Euro-linked currencies as a result of which revenues were positively impacted.

The table below provides a geographical breakdown of sales in the six months ended 30 June 2006 and 2007:

	<b>For the six months ended 30 June</b>			
	<b>2007</b>		<b>2006</b>	
	<i>U.S. \$ thousand</i>	<i>per cent.</i>	<i>U.S. \$ thousand</i>	<i>per cent.</i>
Former Soviet Union .....	252,844	46.8%	190,454	44.7%
Eastern Europe.....	173,978	32.2%	140,907	33.0%
Western Europe .....	55,751	10.3%	45,635	10.7%
Middle East & Africa.....	42,935	8.0%	37,557	8.8%
Other.....	14,548	2.7%	11,815	2.8%
<b>Total.....</b>	<b>540,056</b>	<b>100.0%</b>	<b>426,368</b>	<b>100.0%</b>

The table below provides a country-by-country breakdown of sales in the Group's most important markets in the six months ended 30 June 2006 and 2007:

	<b>For the six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<i>per cent.</i>	
Russia .....	28.2%	23.5%
Ukraine .....	13.5%	13.1%
Slovakia .....	8.8%	8.0%
Germany .....	5.0%	4.5%
Romania .....	5.0%	3.9%
Poland .....	4.5%	4.2%
Czech Republic.....	4.1%	7.1%
United Arab Emirates .....	3.7%	3.8%
Kazakhstan.....	2.8%	2.9%
South Africa.....	2.6%	2.2%
Other .....	21.8%	26.8%
<b>Total.....</b>	<b>100.0%</b>	<b>100.0%</b>

#### *Cost of Sales*

The principal components of the Group's costs of sales over the period consisted of cost of goods sold, freight and insurance costs, import duties and warehouse costs.

Cost of sales for the six months ended 30 June 2007 was U.S. \$516,277 thousand, compared to U.S. \$408,829 thousand for the six months ended 30 June 2006, representing an increase of 26.3%, which corresponded to a similar rate of increase in revenues.

The table below sets forth a breakdown of the Group's cost of sales in the six months ended 30 June 2007 and 2006:

	<b>For the six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<i>U.S. \$ thousand</i>	
Cost of goods sold .....	507,317	401,309
Freight and insurance cost .....	7,141	6,051
Import duties of goods sold .....	491	377
Warehouse costs .....	1,328	1,093
<b>Total.....</b>	<b>516,277</b>	<b>408,829</b>

The cost of goods sold (which is shown net of warranties for defective items, warranties for services, vendor credits and rebates) increased by 26.4% from U.S. \$401,309 thousand in the six months ended 30 June 2006 to U.S. \$507,317 thousand in the six months ended 30 June 2007, approximately in line with the increase in revenues.

Freight and insurance costs increased by 18.0% from U.S. \$6,051 thousand in the six months ended 30 June 2006 to U.S. \$7,141 thousand in the six months ended 30 June 2007, representing 1.4% and 1.3% of the Group's revenues for the six months ended 30 June 2006 and 2007, respectively. This increase was mainly attributable to an increase in freight (i.e. transport costs), due to increasing sales.

Import duties increased by 30.2% from U.S. \$377 thousand in the six months ended 30 June 2006 to U.S. \$491 thousand in the six months ended 30 June 2007. This increase was mainly attributable to changes in the mix of products imported by the Group, as well as changes in the rates of applicable import duties in certain countries.

Warehouse costs increased by 21.5% from U.S. \$1,093 thousand in the six months ended 30 June 2006 to U.S. \$1,328 thousand, due to increasing sales.

#### *Gross Profit*

For the six months ended 30 June 2007 the Group realised gross profit (revenues minus cost of sales) of U.S. \$23,779 thousand compared to U.S. \$17,539 thousand for the six months ended 30 June 2006, representing an increase of 35.6%.

The Group's gross profit margin (gross profit as a percentage of revenues) improved to 4.4% in the six months ended 30 June 2007, compared to 4.1% in the six months ended 30 June 2006. This increase in gross profit margin was mainly a result of improved product mix, including the decrease in sales of AMD CPUs as a percentage of total sales of CPUs and increased sales of private label products. Private label products represented 17.8% of the Group's gross profit in the six months ended 30 June 2007, compared to 14.6% of gross profit in the six months ended 30 June 2006, although they represented only 7.6% and 7.2% of total revenues in the respective periods.

#### *Selling Expenses*

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

Selling expenses for the six months ended 30 June 2007 were U.S. \$10,048 thousand compared to U.S. \$6,652 thousand for the six months ended 30 June 2006, representing an increase of 51.1%. This increase in selling expenses was driven primarily by the Group's increased investment in marketing and advertising of its own private label brands, Canyon and Prestigio, and an increase in salaries and benefits paid to sales employees.

The following table sets forth a breakdown of the main elements that comprise selling expenses for the six months ended 30 June 2006 and 2007:

	<b>For the six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<i>U.S. \$ thousand</i>	
Salaries and benefits .....	6,112	3,899
Marketing and advertising fees (net) .....	818	898
Commissions .....	596	591
Traveling and subsistence.....	326	304
Other .....	2,196	960
<b>Total.....</b>	<b>10,048</b>	<b>6,652</b>

Salaries and benefits for sales employees increased by 56.8% from U.S. \$3,899 thousand in the six months ended 30 June 2006 to U.S. \$6,112 thousand in the six months ended 30 June 2007. Salaries and benefits increased largely as a result of an increase in the number of employees, increased salary rates, increased bonuses paid to employees on the basis of increased profitability and the weakening of the U.S. dollar against the Euro in 2007. The average annual salary per sales employee was approximately U.S. \$10.2 thousand per employee in the six months ended 30 June 2007, compared to approximately U.S. \$8.2 thousand in the six months ended 30 June 2006. The number of sales employees increased from 478 employees at 30 June 2006 to 600 employees at 30 June 2007.

Marketing and advertising fees decreased by 8.9% from U.S. \$898 thousand in the six months ended 30 June 2006 to U.S. \$818 thousand in the six months ended 30 June 2007, as the Group continued to increase its marketing efforts for promoting its own private label brands, Canyon and Prestigio.

Commissions increased by 0.8% from U.S. \$591 thousand in the six months ended 30 June 2006 to U.S. \$596 thousand in the six months ended 30 June 2007. This increase was due to an increase in the Group's sales and profitability.

Traveling and subsistence increased by 7.2% from U.S. \$304 thousand in the six months ended 30 June 2006 to U.S. \$326 thousand in the six months ended 30 June 2007.

Other selling expenses mainly comprise of credit costs (including credit insurance, provision for bad debts, bad debts written off) and purchasing office expenses. Other selling expenses increased by 128.8% from U.S. \$960 thousand in the six months ended 30 June 2006 to U.S. \$2,196 thousand in the six months ended 30 June 2007. The main reasons for this increase were increased purchasing office expenses and certain credit costs.

Selling expenses represented 1.6% and 1.9% of the Group's revenues for the six months ended 30 June 2006 and 2007, respectively.

Selling expenses per sales employee increased from approximately U.S. \$13.9 thousand per sales employee in the six months ended 30 June 2006, to approximately U.S. \$16.7 thousand per sales employee in the six months ended 30 June 2007.

#### *Administrative Expenses*

Administrative expenses largely comprise of salaries and wages, rent payable, postage and telephone and Prague warehouse expenses.

For the six months ended 30 June 2007, the Group had administrative expenses of U.S. \$8,087 thousand, which were 26.0% higher than administrative expenses of U.S. \$6,417 thousand for the six months ended 30 June 2006. In each year, administrative expenses were comprised largely of salaries and wages paid to administrative employees and rent payable.

The following table sets forth a breakdown of the main elements that comprise administrative expenses for the six months ended 30 June 2006 and 2007:

	<b>For the six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<i>U.S. \$ thousand</i>	
Salaries and wages.....	3,263	2,565
Rent payable.....	1,003	782
Depreciation and amortization.....	902	841
Postage and telephone.....	391	448
Prague warehouse expenses.....	153	145
Other.....	2,375	1,636
<b>Total.....</b>	<b>8,087</b>	<b>6,417</b>

Salaries and wages increased by 27.2% from U.S. \$2,565 thousand in the six months ended 30 June 2006 to U.S. \$3,263 thousand for the six months ended 2007. This increase in salaries and wages was driven primarily by an increase in the number of administrative employees, which rose to 233 employees as at 30 June 2007 from 205 employees as at 30 June 2006, mainly in order to support the expansion of Canyon and Prestigio, as well as salary increases. Average salary was approximately U.S. \$14.0 thousand per administrative employee in the six months ended 30 June 2007, compared to approximately U.S. \$12.5 thousand in the six months ended 30 June 2006.

In addition, rent payable (including local warehouses) increased by 28.2% from U.S. \$782 thousand in the six months ended 30 June 2006 to U.S. \$1,003 thousand in the six months ended 30 June 2007. This increase was the result of demand for larger office and warehouse space, which was driven by an increase in sales volume, higher rent costs and the weakening of the U.S. dollar against the Euro and Euro-linked currencies.

Depreciation and amortization increased by 7.3% from U.S. \$841 thousand in the six months ended 30 June 2006 to U.S. \$902 thousand in the six months ended 30 June 2007.

Postage and telephone decreased by 12.7% from U.S. \$448 thousand in the six months ended June 2006 to U.S. \$391 thousand in the six months ended 30 June 2007.



Prague warehouse expenses increased by 5.5% from U.S. \$145 thousand in the six months ended 30 June 2006 to U.S. \$153 thousand in the six months ended 30 June 2007. This increase was mainly due to the increase in shipments to the Prague distribution centre.

Other administrative expenses increased by 45.2% from U.S. \$1,636 thousand in the six months ended 30 June 2006 to U.S. \$2,375 thousand in for the six months ended 30 June 2007. Other administrative expenses mainly comprise information technology support, travel cost, insurance, professional fees and audit fees.

Administrative expenses represented 1.5% of the Group's revenues for each of the six months ended 30 June 2006 and 2007. Administrative expenses per employee were U.S. \$31.3 thousand and U.S. \$34.7 thousand for the six months ended 30 June 2007 respectively.

*Other Expenses - amortization of goodwill*

For the six months ended 30 June 2007 the Group had no other expenses, compared to U.S. \$39 thousand for the six months ended 30 June 2006. Other expenses in the six months ended 30 June 2006 comprised impairment of goodwill as a result of the Group adopting IFRS 3 "Business Combinations".

*Operating Profit*

The Group realised operating profit for the six months ended 30 June 2007 of U.S. \$5,644 thousand, compared to U.S. \$4,470 thousand for the six months ended 30 June 2006, representing an increase of 26.3%. Operating margin (operating profit as a percentage of revenues) for the six months ended 30 June 2007 and for the six months ended 30 June 2006 was 1.0%. The increase in operating profit was mainly due to an increase in revenue and gross profit.

*Financial Income*

The Group had financial income of U.S. \$381 thousand for the six months ended 30 June 2007, compared to financial income of U.S. \$203 thousand for the six months ended 30 June 2006.

The table below sets forth a breakdown of the Group's financial income in the six months ended 30 June 2007 and 2006:

	<b>For the six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<i>U.S. \$ thousand</i>	
Interest income .....	152	99
Exchange gain.....	229	104
<b>Total.....</b>	<b>381</b>	<b>203</b>

In the six months ended 30 June 2007 and 2006, interest income increased by 53.5% from U.S. \$99 thousand in the six months ended 30 June 2006 to U.S. \$152 thousand in the six months ended 30 June 2007. The main reason for this increase was a reduction in the average number of days of deposit for interest-producing assets.

*Financial expenses*

The Group had financial expenses of U.S. \$2,298 thousand for the six months ended 30 June 2007, compared to financial expenses of U.S. \$1,806 thousand for the six months ended 30 June 2006, representing an increase of 27.2%.

The principal components of the Group's financial expenses in each of the relevant periods were bank interest and factoring interest and charges.

The table below sets forth a breakdown of the Group's financial expenses in the six months ended 30 June 2007 and 2006:

	<b>For the six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<i>U.S. \$ thousand</i>	
Bank interest.....	1,123	792
Bank charges.....	422	306
Factoring interest and charges.....	603	401
Other financial expenses.....	126	253
Other interest.....	24	54
<b>Total.....</b>	<b>2,298</b>	<b>1,806</b>

Bank interest increased by 41.8% from U.S. \$792 thousand in the six months ended 30 June 2006 to U.S. \$1,123 thousand in the six months ended 30 June 2007, primarily due to an increase in the amount borrowed and an increase in the applicable interest rates.

Bank charges increased by 37.9% from U.S. \$306 thousand in the six months ended 30 June 2006 to U.S. \$422 thousand in the six months ended 30 June 2007.

Factoring interest and charges increased by 50.4% from U.S. \$401 thousand in the six months ended 30 June 2006 to U.S. \$603 thousand in the six months ended 30 June 2007, mainly as a result of the increase in sales and the consequent increase in trade receivables subject to factoring facilities.

#### *Other Income*

The Group generated other income of U.S. \$120 thousand for the six months ended 30 June 2007, which was 16.5% higher than the Group's other income of U.S. \$103 thousand for the six months ended 30 June 2006. During the six months ended 30 June 2007 other income comprised principally of other operating income which mainly includes interest charged to customers delaying payment beyond agreed credit terms.

The table below sets forth a breakdown of the Group's other income in the six months ended 30 June 2007 and 2006:

	<b>For the six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<i>U.S. \$ thousand</i>	
Profit on disposal of property, plant and equipment.....	20	4
Bad debts recovered.....	33	35
Other operating income.....	67	64
<b>Total.....</b>	<b>120</b>	<b>103</b>

Bad debts recovered decreased by 5.7% from U.S. \$35 thousand in the six months ended 30 June 2006 to U.S. \$33 thousand in the six months ended 30 June 2007.

Other operating income, which mainly includes interest charged to customers delaying payment beyond agreed credit terms decreased from U.S. \$64 thousand in the six months ended 30 June 2006 to U.S. \$67 thousand in the six months ended 30 June 2007.

#### *Profit Before Taxation*

Profit before taxation for the six months ended 30 June 2006 was U.S. \$2,930 thousand, compared to U.S. \$3,847 thousand for the six months ended 30 June 2006, representing an increase of 31.3%.

#### *Taxation*

Income taxes calculated by the Group for the six months ended 30 June 2007 were U.S. \$678 thousand, compared to U.S. \$444 thousand for the six months ended 30 June 2006, representing an increase of 52.7%.

The Group's effective tax rate for the six months ended 30 June 2007 was 17.6% compared to 15.1% for the six months ended 30 June 2006.

#### *Profit After Taxation*

Profit after taxation for the six months ended 30 June 2007 was U.S. \$3,168 thousand compared to U.S. \$2,486 thousand for the six months ended 30 June 2006, representing an increase of 27.4%.

#### *Profit attributable to members*

Profit attributable to members increased to U.S. \$3,168 thousand for the six months ended 30 June 2007 compared to U.S. \$2,486 thousand for the six months ended 30 June 2006.

#### *Earnings per share*

Earnings per share increased to U.S. \$0.07 for the six months ended June 2007 compared to U.S. \$0.05 for the six months ended 30 June 2006.

### **Year ended 31 December 2006 compared to year ended 31 December 2005**

For the year ended 31 December 2006, the Group realised revenues of U.S. \$1,008,795 thousand, compared to U.S. \$930,389 thousand for 2005. The Group had profit after taxation of U.S. \$11,070 thousand for the year ended 31 December 2006, compared to U.S. \$8,378 thousand for the year ended 31 December 2005. The increase in profit after taxation of 32.1% in 2006 compared to 2005 is mainly due to increased sales and a higher gross profit margin mainly resulting from improved product mix, due to increased sales of the Group's private label brands, Canyon and Prestigio. The Group's net profit margin (net profit as a percentage of revenues) also improved to 1.1% for the year ended 31 December 2006 from 0.9% for the year ended 31 December 2005. The following is a discussion of the Group's results of operations under IFRS for the years ended 31 December 2006 and 2005.

#### *Revenues*

Revenues for the year ended 31 December 2006 were U.S. \$1,008,795 thousand compared to U.S. \$930,389 thousand for 2005, representing an increase of 8.4%. This increase in the Group's revenues reflected an increase in units sold and a limited positive impact resulting from the weakening of the U.S. dollar, partially offset by an overall decline in prices.

The table below sets forth a breakdown of the Group's revenues, by product, for the years ended 31 December 2006 and 2005:

	<b>For the year ended 31 December</b>			
	<b>2006</b>		<b>2005</b>	
	<i>U.S. \$ thousand</i>	<i>Per cent.</i>	<i>U.S. \$ thousand</i>	<i>per cent.</i>
Central Processing Unit (CPU).....	336,945	33.4%	324,935	34.9%
Hard Disk Drives (HDD).....	219,110	21.7%	212,230	22.8%
Memory Modules (RAM).....	65,112	6.5%	49,848	5.4%
Mainboards and VGA cards .....	52,559	5.2%	36,016	3.9%
Software.....	45,053	4.4%	23,247	2.4%
Peripherals .....	34,855	3.4%	32,349	3.5%
PC-Mobile (laptops) .....	33,004	3.3%	16,634	1.8%
Display Products.....	29,308	2.9%	27,947	3.0%
Optical and Floppy Drives.....	28,029	2.8%	29,115	3.1%
PC-Desktop.....	25,904	2.6%	23,040	2.5%
Servers and Server Blocks .....	18,791	1.9%	18,154	2.0%
Accessories and Multimedia.....	16,190	1.6%	15,080	1.6%
Networking Products .....	9,129	0.9%	7,988	0.9%
Flash memory .....	8,961	0.9%	4,248	0.5%
Other .....	85,845	8.5%	109,558	11.7%
<b>Total Revenue .....</b>	<b>1,008,795</b>	<b>100.0%</b>	<b>930,389</b>	<b>100.0%</b>

Revenues from CPUs increased by 3.7% from U.S. \$324,935 thousand (34.9% of the Group's revenues) in 2005, to U.S. \$336,945 thousand (33.4% of the Group's revenues) in 2006, mainly due to an increase in the number of units sold from 3,056 thousand in 2005 to 3,389 thousand in 2006, partially offset by price erosion throughout 2006, due to competition between the Group's two main suppliers, Intel and AMD; the trend of decline in average prices started to reverse in the last quarter of 2006. The Group's average selling price of CPUs was U.S. \$106.3 and U.S. \$99.4 in 2005 and 2006, respectively.

Revenues from the sale of HDD increased by 3.2% from U.S. \$212,230 thousand (22.8% of the Group's revenues) in 2005 to U.S. \$219,110 thousand (21.7% of the Group's revenues) in 2006, mainly due to an increase in the number of units sold from 3,048 thousand in 2005 to 3,284 thousand in 2006, partially offset by a decrease in prices. The Group's average selling price of HDDs was U.S. \$69.6 and U.S. \$66.7 in 2005 and 2006, respectively.

Revenues from the sale of Memory Modules (RAM) increased by 30.6% from U.S. \$49,848 thousand (5.4% of the Group's revenues) in 2005, to U.S. \$65,112 thousand (6.5% of the Group's revenues) in 2006, mainly due to an increase in the number of units sold from 1,258 thousand in 2005 to 1,702 thousand in 2006, as a result of the Group's increasing selling efforts in this product category, while prices remained stable. The Group's average selling price of Memory Modules was U.S. \$39.6 and U.S. \$38.3 in 2005 and 2006, respectively.

Revenues from the sale of Mainboards and VGA cards increased by 45.9% from U.S. \$36,016 thousand (3.9% of the Group's revenues) in 2005 to U.S. \$52,559 thousand (5.2% of the Group's revenues) in 2006, mainly due to an increase in the number of units sold from 507 thousand in 2005 to 750 thousand in 2006, partially offset by a decline in prices. The Group's average selling price of Mainboards and VGA cards was U.S. \$71.0 and U.S. \$70.1 in 2005 and 2006, respectively.

Revenues from the sale of software increased by 93.8% from U.S. \$23,247 thousand (2.4% of the Group's revenues) in 2005 to U.S. \$45,053 thousand (4.4% of the Group's revenues) in 2006, mainly due to an increase in the number of software units sold from 215 thousand in 2005 to 416 thousand in 2006, which was mainly due to an increase in the sales of mobile systems in the respective periods. The Group's average selling price of software units was U.S. \$108.3 and U.S. \$108.2 in 2005 and 2006, respectively.

Revenues from the sale of peripherals increased by 7.7% from U.S. \$32,349 thousand (3.5% of the Group's revenues) in 2005 to U.S. \$34,855 thousand (3.4% of the Group's revenues) in 2006, mainly due to an increase in the number of units sold from 151 thousand in 2005 to 175 thousand in 2006, partially offset by a decline in prices. The Group's average selling price of peripherals was U.S. \$214.9 and U.S. \$199.2 in 2005 and 2006, respectively.

Revenues from the sale of PC-Mobile (laptops) increased by 98.4% from U.S. \$16,634 thousand (1.8% of the Group's revenues) in 2005 to U.S. \$33,004 thousand (3.3% of the Group's revenues) in 2006, mainly due to an increase in the number of units sold from 25 thousand in 2005 to 43 thousand in 2006, mainly attributable to increased sales of A brand mobile computers and Prestigio Notebooks, as well as increase in sales prices of PC-Mobile (laptops). The Group's average selling price of PC-Mobile products was U.S. \$673.8 and U.S. \$774.0 in 2005 and 2006, respectively.

Revenues from the sale of display products increased by 4.9% from U.S. \$27,947 thousand (3.0% of the Group's revenues) in 2005 to U.S. \$29,308 thousand (2.9% of the Group's revenues) in 2006, mainly due to an increase in units sold from 114 thousand in 2005 to 167 thousand in 2006, partially offset by a decline in prices in 2006. The Group's average selling price of display products was U.S. \$245.8 and U.S. \$175.8 in 2005 and 2006, respectively.

Revenues from the sale of optical and floppy drives decreased by 3.7% from U.S. \$29,115 thousand (3.1% of the Group's revenues) in 2005 to U.S. \$28,029 thousand (2.8% of the Group's revenues) in 2006, despite an increase in unit sales from 911 thousand in 2005 to 1,097 thousand in 2006, mainly due to price erosion, as DVD drives were more common in the computer market in 2006 than in 2005, and as a result, their prices declined. The Group's average selling price of optical drives was U.S. \$32.0 and U.S. \$25.6 in 2005 and 2006, respectively.

Revenues from sales of PC-desktop products increased by 12.4% from U.S. \$23,040 thousand (2.5% of the Group's revenues) in 2005 to U.S. \$25,904 thousand (2.6% of the Group's revenues) in 2006 mainly due to an increase in sales from 49 thousand units in 2005 to 75 thousand units in 2006, partially offset by a decline in the prices of PC-desktop products. The Group's average selling price of PC-desktop products was U.S. \$470.2 and U.S. \$346.2 in 2005 and 2006, respectively.

The category "Other" consists of a range of products including cameras, special customer orders and products purchased by the Group's subsidiaries to service their customers. Revenues from other products decreased by 21.6%

from U.S. \$109,558 thousand (11.7% of the Group's revenues) in 2005 to U.S. \$85,845 thousand (8.5% of the Group's revenues) in 2006, mainly due to changes in product mix, despite an increase in the number of units sold in 2006 compared to 2005.

Most of the Group's product categories include sales of private label products, with flash memory and accessories and multimedia products comprising almost exclusively of private label products. Revenues derived from sales of the Group's private label products represented 7.6% of the Group's revenues in 2006, compared to 5.8% in 2005.

In 2006, the U.S. dollar weakened against the Euro and Euro-linked currencies as a result of which revenues were positively impacted.

The table below provides a geographical breakdown of sales in the years ended 31 December 2006 and 2005:

	<b>For the year ended 31 December</b>			
	<b>2006</b>		<b>2005</b>	
	<i>U.S. \$ thousand</i>	<i>per cent.</i>	<i>U.S. \$ thousand</i>	<i>per cent.</i>
Former Soviet Union .....	491,247	48.7%	453,459	48.7%
Eastern Europe.....	342,541	34.0%	313,126	33.7%
Western Europe .....	88,784	8.8%	84,899	9.1%
Middle East & Africa.....	68,656	6.8%	54,865	5.9%
Other .....	17,567	1.7%	24,040	2.6%
<b>Total.....</b>	<b>1,008,795</b>	<b>100.0%</b>	<b>930,389</b>	<b>100.0%</b>

The table below provides a country-by-country breakdown of sales in the Group's most important markets in the years ended 31 December 2006 and 2005:

	<b>2006</b>	<b>2005</b>
		<i>per cent.</i>
Russia .....	25.8	28.5
Ukraine .....	15.6	12.9
Slovakia .....	9.2	8.5
Czech Republic.....	6.5	9.5
Poland .....	4.5	3.7
Belarus.....	4.2	4.6
Romania.....	4.1	2.5
Germany .....	3.4	3.3
United Arab Emirates .....	3.3	3.3
Kazakhstan.....	2.5	2.2
Other .....	20.9	21.0
<b>Total.....</b>	<b>100.0</b>	<b>100.0</b>

#### *Cost of Sales*

The principal components of the Group's costs of sales over the period consisted of cost of goods sold, freight and insurance costs, import duties and warehouse costs.

Cost of sales for the year ended 31 December 2006 was U.S. \$961,102 thousand, compared to U.S. \$892,020 thousand for 2005, representing an increase of 7.7%, which was mainly due to an increase in the cost of goods sold in 2006, as compared to 2005.

The table below sets forth a breakdown of the Group's cost of sales in the years ended 31 December 2006 and 2005:

	<b>For the year ended 31 December</b>	
	<b>2006</b>	<b>2005</b>
	<i>U.S. \$ thousand</i>	
Cost of goods sold .....	944,370	879,966
Freight and insurance cost .....	13,492	8,838
Import duties of goods sold .....	859	1,032
Warehouse costs .....	2,381	2,184
<b>Total.....</b>	<b>961,102</b>	<b>892,020</b>

The cost of goods sold, which is shown net of warranties for defective items, warranties for services, vendor credits and rebates increased in 2006, as compared to 2005, by 7.3% from U.S. \$879,966 thousand in 2005 to U.S. \$944,370 thousand in 2006, approximately in line with the increase in revenues.

Freight and insurance costs increased by 52.7% from U.S. \$8,838 thousand in 2005 to U.S. \$13,492 thousand in 2006, representing 1.0% and 1.3% of the Group's revenues for 2005 and 2006, respectively. This increase was mainly attributable to an increase in freight (i.e. transport costs), due primarily to increasing oil prices.

Import duties decreased by 16.8% from U.S. \$1,032 thousand in 2005 to U.S. \$859 thousand in 2006. This decrease was mainly attributable to the fact that the Group imported less products on which import duties are levied, as well as to decreases or, in certain cases, abolition of import duties imposed on products the Group imported into Russia. Warehouse costs increased by 9.0% from U.S. \$2,184 thousand in 2005 to U.S. \$2,381 thousand, in line with the increase in revenues.

The weakening of the U.S. dollar against the Euro and related currencies in 2006, compared to 2005, slightly mitigated the increase in cost of sales in 2006.

#### *Gross Profit*

For the year ended 31 December 2006 the Group realised gross profit (revenues minus cost of sales) of U.S. \$47,693 thousand compared to U.S. \$38,369 thousand for the year ended 31 December 2005, representing an increase of 24.3%.

The Group's gross profit margin (gross profit as a percentage of revenues) improved to 4.7% in 2006 compared to 4.1% in 2005. This increase in gross profit margin was mainly a result of improved product mix including the increasing share of the AMD product line for central processing units and increased sales of private label products, which represented 7.6% of revenues from products sold in 2006, compared to 5.8% in 2005 and from 11.8% of the Group's gross profit in 2005 to 15.7% of the Group's gross profit in 2006.

#### *Selling Expenses*

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

Selling expenses for the year ended 31 December 2006 were U.S. \$17,291 thousand compared to U.S. \$13,225 thousand for 2005, representing an increase of 30.7%. This increase in selling expenses was driven primarily by the Group's increased investment in marketing and advertising its own private label brands, Canyon and Prestigio, and an increase in salaries paid to sales employees.

The following table sets forth a breakdown of the main elements that comprise selling expenses for the years ended 31 December 2006 and 2005:

	<b>For the year ended 31 December</b>	
	<b>2006</b>	<b>2005</b>
	<i>U.S. \$ thousand</i>	
Salaries and benefits .....	8,782	6,770
Marketing and advertising fees (net) .....	2,548	1,813
Commissions .....	1,757	1,437
Traveling and subsistence.....	844	744
Other .....	3,360	2,461
<b>Total.....</b>	<b>17,291</b>	<b>13,225</b>

Salaries and benefits for sales employees increased by 29.7% from \$6,770 thousand in 2005 to \$8,782 thousand in 2006. Salaries and benefits increased largely as a result of an increase in the number of employees, increased salary rates, increased bonuses paid to employees on the basis of increased profitability and the weakening of the U.S. dollar against the Euro in 2006. The average annual salary per sales employee was approximately U.S. \$15.6 thousand per employee in 2006, compared to approximately U.S. \$14.5 thousand in 2005. The number of sales employees increased from 468 employees at 31 December 2005 to 562 employees at 31 December 2006.

Marketing and advertising fees increased by 40.5% from U.S. \$1,813 thousand in 2005 to U.S. \$2,548 thousand in 2006. This increase was mainly due to the Group continuing to increase its marketing efforts for promoting its own private label brands, Canyon and Prestigio.

Commissions increased by 22.3% from U.S. \$1,437 thousand in 2005 to U.S. \$1,757 thousand in 2006. This increase was due to an increase in sales and profitability of the Group.

Traveling and subsistence increased by 13.4% from U.S. \$744 thousand in 2005 to U.S. \$844 thousand in 2006.

Other selling expenses mainly comprise of credit costs (including credit insurance, provision for bad debts, bad debts written off) and purchasing office expenses. The provision for bad debts increased by 94.1% from U.S. \$442 thousand in 2005 to U.S. \$858 thousand in 2006. The main reason for this increase was the default of a large customer of the Group in the Middle East.

Selling expenses represented 1.7% and 1.4% of the Group's revenues for the years ended 31 December 2006 and 2005, respectively.

Selling expenses, per sales employees, increased from approximately U.S. \$28 thousand per sales employee in 2005, to approximately U.S. \$31 thousand per sales employee in 2006.

#### *Administrative Expenses*

Administrative expenses largely comprise of salaries and wages, rent payable, postage and telephone and Prague warehouse expenses.

For the year ended 31 December 2006, the Group had administrative expenses of U.S. \$14,318 thousand, which were 11.5% higher than administrative expenses of U.S. \$12,840 thousand for the year ended 31 December 2005. In each year, administrative expenses were comprised largely of salaries and wages to administrative employees and rent payable.

The following table sets forth a breakdown of the main elements that comprise administrative expenses for the years ended 31 December 2006 and 2005:

	<b>For the year ended 31 December</b>	
	<b>2006</b>	<b>2005</b>
	<i>U.S. \$ thousand</i>	
Salaries and wages.....	4,711	4,625
Rent payable.....	1,843	1,586
Depreciation and amortization.....	1,647	1,577
Postage and telephone.....	848	737
Prague warehouse expenses.....	920	608
Other.....	4,349	3,707
<b>Total.....</b>	<b>14,318</b>	<b>12,840</b>

Salaries and wages increased by 1.8% from U.S. \$4,625 thousand in 2005 to U.S. \$4,711 thousand in 2006. This increase in salaries and wages was driven primarily by an increase in the number of administrative employees, which rose to 226 employees as at 31 December 2006 from 181 employees as at 31 December 2005, mainly in order to support the expansion of Canyon and Prestigio, as well the increasing distribution of AMD products, combined with salary increases. Average salary was approximately U.S. \$20.8 thousand per administrative employee in 2006, compared to approximately U.S. \$25.6 thousand in 2005.

In addition, rent payable (including local warehouses) increased by 16.2% from U.S. \$1,586 thousand in 2005 to U.S. \$1,843 thousand in 2006. This increase was the result of demand for larger office and warehouse space, which was driven by an increase in sales volume, higher rent costs and the weakening of the U.S. dollar against the Euro and Euro-linked currencies.

Depreciation and amortization increased by 4.4% from U.S. \$1,577 thousand in 2005 to U.S. \$1,647 thousand in 2006.

Postage and telephone increased by 15.0% from U.S. \$737 thousand in 2005 to U.S. \$848 thousand in 2006.

Prague warehouse expenses increased by 51.3% from U.S. \$608 thousand in 2005 to U.S. \$920 thousand in 2006. This increase was mainly due to the increase in shipments to the Prague distribution centre.

Other administrative expenses increased by 17.3% from U.S. \$3,707 thousand in 2005 to U.S. \$4,349 thousand in 2006. Other administrative expenses mainly comprise information technology support, travel cost, insurance, professional fees and audit fees.

Administrative expenses represented 1.4% of the Group's revenues for each of the years ended 31 December 2006 and 2005. Administrative expenses per employee were U.S. \$63 thousand and U.S. \$71 thousand for the years ended 31 December 2006 and 2005, respectively.

#### *Other Expenses - amortization of goodwill*

For the year ended 31 December 2006, the Group had no amortization of goodwill, compared to U.S. \$14 thousand for 2005. Other expenses in 2005 comprised impairment of goodwill as a result of the Group adopting IFRS 3 "Business Combinations".

#### *Operating Profit*

The Group realised operating profit for the year ended 31 December 2006 of U.S. \$16,084 thousand, compared to U.S. \$12,291 thousand for the year ended 31 December 2005, representing an increase of 30.9% in 2006. Operating margin (operating profit as a percentage of revenues) increased to 1.6% of revenues for the year ended 31 December 2006, compared to 1.3% for the year ended 31 December 2005. The increase in operating profit was mainly due to an increase in revenue and gross profit margin.



### Financial Income

The Group had financial income of U.S. \$142 thousand for the year ended 31 December 2006, compared to financial income of U.S. \$227 thousand for the year ended 31 December 2005, representing a decrease of 37.4%.

The table below sets forth a breakdown of the Group's financial income in the years ended 31 December 2006 and 2005:

	<b>For the year ended 31 December</b>	
	<b>2006</b>	<b>2005</b>
	<i>U.S. \$ thousand</i>	
Interest income .....	116	132
Interest on taxation .....	-	66
Other financial income .....	6	29
Exchange gain.....	20	-
<b>Total.....</b>	<b>142</b>	<b>227</b>

In the years ended 31 December 2006 and 2005, financial income comprised principally of interest income, which decreased by 12.0% from U.S. \$132 thousand in 2005 to U.S. \$116 thousand in 2006. The main reason for this decrease was a reduction in the average number of days of deposit for interest-producing assets.

Interest on taxation decreased from U.S. \$66 thousand in 2005 to no interest on taxation in 2006. Interest on taxation for the year 2005 relates to interest received from tax authorities on tax refunded.

### Financial expenses

The Group had financial expenses of U.S. \$3,850 thousand for the year ended 31 December 2006, compared to financial expenses of U.S. \$3,558 thousand for the year ended 31 December 2005, representing an increase of 8.2%.

The principal component of the Group's financial expenses in each of the relevant periods were bank interest and factoring interest and charges.

The table below sets forth a breakdown of the Group's financial expenses in the years ended 31 December 2006 and 2005:

	<b>For the year ended 31 December</b>	
	<b>2006</b>	<b>2005</b>
	<i>U.S. \$ thousand</i>	
Bank interest.....	1,620	1,210
Bank charges.....	610	590
Interest to suppliers.....	228	-
Factoring interest and charges .....	1,125	950
Other financial expenses.....	23	31
Other interest .....	242	216
Exchange loss .....	-	558
Interest on taxation .....	2	3
<b>Total.....</b>	<b>3,850</b>	<b>3,558</b>

Bank interest increased by 33.9% from U.S. \$1,210 thousand in 2005 to U.S. \$1,620 thousand in 2006, primarily due to an increase in the amount borrowed under U.S. dollar bank overdraft facilities and an increase in the applicable interest rate.

Bank charges increased by 3.2% from U.S. \$590 thousand in 2005 to U.S. \$610 thousand in 2006.

Factoring interest and charges increased by 18.4% from U.S. \$950 thousand in 2005 to U.S. \$1,125 thousand in 2006, as a result of the increase in sales and the consequent increase in trade receivables subject to factoring facilities.

As a result of the depreciation of the U.S. dollar, there was no exchange loss in 2006.

### *Other Income*

The Group generated other income of U.S. \$383 thousand for the year ended 31 December 2006, which was 12.5% higher than the Group's other income of U.S. \$341 thousand for the year ended 31 December 2005. During 2006 other income comprised principally of other operating income which includes interest charged to customers delaying payment beyond agreed credit terms.

The table below sets forth a breakdown of the Group's other income in the years ended 31 December 2006 and 2005:

	<b>For the year ended 31 December</b>	
	<b>2006</b>	<b>2005</b>
	<i>U.S. \$ thousand</i>	
Profit on disposal of property, plant and equipment.....	12	29
Bad debts recovered.....	77	47
Other operating income .....	294	265
<b>Total.....</b>	<b>383</b>	<b>341</b>

Bad debts recovered increased by 66.7% from U.S. \$47 thousand in 2005 to U.S. \$77 thousand in 2006.

Other operating income, which mainly includes interest charged to customers delaying payment beyond agreed credit terms increased from U.S. 265 thousand in 2005 to U.S. \$294 thousand in 2006.

### *Profit Before Taxation*

Profit before taxation for the year ended 31 December 2006 was U.S. \$12,759 thousand, compared to U.S. \$9,318 thousand for the year ended 31 December 2005, representing an increase of 36.9%.

### *Taxation*

Income taxes calculated by the Group for the year ended 31 December 2006 were U.S. \$1,689 thousand, compared to U.S. \$939 thousand for the year ended 31 December 2005, representing an increase of 79.8%.

The Group's effective tax rate for the year ended 31 December 2006 was 15.1% compared to 10.1% for the year ended 31 December 2005. The Group's higher effective tax rate was mainly due to the fact that the Group's parent company, ASBISc Enterprises Plc, was subject to a higher income tax rate of 10% in 2006, compared to an income tax rate of 4.25% in 2005.

### *Profit After Taxation*

Profit after taxation for the year ended 31 December 2006 was U.S. \$11,070 thousand compared to U.S. \$8,378 thousand for the year ended 31 December 2005, representing an increase of 32.1%.

### *Minority Interest*

The Group had no minority interest in 2006, due to the disposal of a subsidiary with minority interests during 2005.

### *Profit attributable to members*

Profit attributable to members increased to U.S. \$9,473 thousand for the year ended 31 December 2006 compared to U.S. \$8,322 thousand for the year ended 31 December 2005. Profit attributable to members for the year ended 31 December 2006 was calculated after the deduction of listing expenses (due to the Company's listing on AIM in October 2006) of U.S. \$1,597 thousand. These expenses are of a non-recurring nature and are directly attributable to the Company's listing.

### *Earnings per share*

Earnings per share increased to U.S. \$0.197 for the year ended 31 December 2006 compared to U.S. \$0.173 for the year ended 31 December 2005.

## Year ended 31 December 2005 compared to year ended 31 December 2004

For the year ended 31 December 2005, the Group realised revenues of U.S. \$930,389 thousand, compared to U.S. \$755,720 thousand for 2004. The Group had profit after taxation, of U.S. \$8,378 thousand for the year ended 31 December 2005, compared to U.S. \$2,249 thousand for the year ended 31 December 2004. The increase in profit after taxation of 272.5% in 2005 compared to 2004 is mainly due to increased sales and a higher gross profit margin mainly resulting from improved product mix, due to increased sales of the Group's private label brands, Canyon and Prestigio. In addition, profit after taxation in 2004 was exceptionally low due to a number of unfavourable events, such as problems with Intel, Seagate and Maxtor. The Group's net profit margin (net profit as a percentage of revenues) also improved to 0.9% for the year ended 31 December 2005 from 0.3% for the year ended 31 December 2004. The following is a discussion of the Group's results of operations under IFRS for the financial years ended 31 December 2005 and 2004.

### Revenues

Revenues for the year ended 31 December 2005 were U.S. \$930,389 thousand compared to U.S. \$755,720 thousand for 2004, representing an increase of 23.1%. This increase in the Group's revenues reflected an increase of unit sales, especially an increase in the sales of Central Processing Units partially offset by lower prices and negative impact on revenues due to the strengthening of the U.S. dollar in 2005.

The table below sets forth a breakdown of the Group's revenues, by product, for the years ended 31 December 2005 and 2004:

	For the year ended 31 December			
	2005		2004	
	<i>U.S. \$ thousand</i>	<i>per cent.</i>	<i>U.S. \$ thousand</i>	<i>per cent.</i>
Central Processing Units (CPU) .....	324,935	34.9%	196,483	26.0%
Hard Disk Drives (HDD) .....	212,230	22.8%	211,294	28.0%
Memory Modules (RAM) .....	49,848	5.4%	53,653	7.1%
Mainboards & VGA cards .....	36,016	3.9%	32,164	4.3%
Software .....	23,247	2.4%	29,728	3.9%
Peripherals .....	32,349	3.5%	34,020	4.5%
PC-Mobile (laptops) .....	16,634	1.8%	13,047	1.7%
Display Products .....	27,947	3.0%	51,168	6.8%
Optical & Floppy Drives .....	29,115	3.1%	44,886	5.9%
PC-Desktop .....	23,040	2.5%	20,265	2.7%
Servers & Server Blocks .....	18,154	2.0%	13,080	1.7%
Accessories & Multimedia .....	15,080	1.6%	6,380	0.8%
Networking Products .....	7,988	0.9%	5,956	0.8%
Flash Memory .....	4,248	0.5%	5,825	0.8%
Other .....	109,558	11.7%	37,771	5.0%
<b>Total Revenue .....</b>	<b>930,389</b>	<b>100.0%</b>	<b>755,720</b>	<b>100.0%</b>

Revenues from the sale of CPUs increased by 65.4% from U.S. \$196,483 thousand (26.0% of the Group's revenue) in 2004, to U.S. \$324,935 thousand (34.9% of the Group's revenue) in 2005, due to an increase in the number of units sold from 1,851 thousand in 2004 to 3,056 thousand in 2005, due to increasing business with both AMD and Intel, mainly as a result of the commencement of distribution of AMD products as of late 2004. The Group's average selling price of CPUs was U.S. \$106.1 and U.S. \$106.3 in 2004 and 2005, respectively.

Revenues from the sale of HDD increased by 0.4% from U.S. \$211,294 thousand (28.0% of the Group's revenues) in 2004 to U.S. \$212,230 thousand (22.8% of the Group's revenues) in 2005, mainly due to an increase in unit sales from 2,982 thousand in 2004 to 3,048 thousand in 2005, partially offset by erosion in prevailing prices for the products. The Group's average selling price of HDDs was U.S. \$70.8 and U.S. \$69.6 in 2004 and 2005 respectively.

Revenues from the sale of memory modules (RAM) decreased by 7.1% from U.S. \$53,653 thousand (7.1% of the Group's revenues) in 2004 to U.S. \$49,848 thousand (5.4% of the Group's revenues) in 2005, mainly due to erosion in product prices, due to intensified competition for the distribution of memory components in 2005, compared to 2004, due to the emergence of new suppliers, partially offset by an increase in unit sales from 1,166 thousand in 2004 to 1,258

thousand in 2005. The Group's average selling price of memory modules was U.S. \$46.0 and U.S. \$39.6 in 2004 and 2005, respectively.

Revenues from the sale of mainboards & VGA cards increased by 12.0% from U.S. \$32,164 thousand (4.3% of the Group's revenues) in 2004 to U.S. \$36,016 thousand (3.9% of the Group's revenues) thousand in 2005, mainly due to an increase in average prices, partially offset by a decrease in units sold from 561 thousand in 2004 to 507 thousand in 2005. The Group's average selling price of mainboards & VGA cards was U.S. \$57.4 and U.S. \$71.0 in 2004 and 2005, respectively.

Revenues from the sale of software decreased by 21.8% from U.S. \$29,728 thousand (3.9% of the Group's revenues) in 2004 to U.S. \$23,247 thousand (2.4% of the Group's revenues) in 2005, mainly due to a decrease from 271 thousand units sold in 2004 to 215 thousand units sold in 2005 primarily because of a reduced focus of the Group on sales of Microsoft software products, due to lower profit margins, as well as price erosion. The Group's average selling price of software was U.S. \$109.9 and U.S. \$108.3 in 2004 and 2005, respectively.

Revenues from the sale of peripherals decreased by 4.9% from U.S. \$34,020 thousand (4.5% of the Group's revenues) in 2004 to U.S. \$32,349 thousand (3.5% of the Group's revenues) in 2005, mainly as a result of changes in the product mix, due to the introduction of cheaper peripheral lines, and price erosion, which were partially offset by an increase in unit sales from 148 thousand in 2004 to 151 thousand in 2005. The Group's average selling price of peripherals was U.S. \$230.2 and U.S. \$214.9 in 2004 and 2005, respectively.

Revenues from the sale of PC-Mobile (laptops) increased by 27.5% from U.S. \$13,047 thousand (1.7% of the Group's revenues) in 2004, to U.S. \$16,634 thousand (1.8% of the Group's revenues) in 2005, mainly due to an increase in unit sales from 19 thousand in 2004 to 25 thousand in 2005, which was mainly attributable to increased sales of Prestigio Notebooks, which constituted the major part of this product category, and other A brand mobile computers. The Group's average selling price of PC-Mobile products was U.S. \$687.1 and U.S. \$673.8 in 2004 and 2005, respectively.

Revenues from the sale of display products decreased by 45.4% from U.S. \$51,168 thousand (6.8% of the Group's revenues) in 2004 to U.S. \$27,947 thousand (3.0% of the Group's revenues) in 2005, mainly due to unusually high sales of LCD monitors in 2004, with unit sales decreasing from 156 thousand in 2004 to 114 thousand in 2005, combined with price erosion. The Group's average selling price of display products was U.S. \$327.5 and U.S. \$245.8 in 2004 and 2005, respectively.

Revenues from the sale of optical and floppy drives decreased by 35.1% from U.S. \$44,886 thousand (5.9% of the Group's revenues) in 2004 to U.S. \$29,115 thousand (3.1% of the Group's revenues) in 2005, mainly as a result of sharp price erosion, as DVD drives had become more common technology in the computer market in 2005 compared to 2004, and their prices declined sharply. In addition, unit sales decreased from 976 thousand in 2004 to 911 thousand in 2005. The Group's average selling price of optical and floppy drives was U.S. \$46.0 and U.S. \$32.0 in 2004 and 2005, respectively.

Revenues from sales of PC-desktop products increased by 13.7% from U.S. \$20,265 thousand (2.7% of the Group's revenues) in 2004 to U.S. \$23,040 thousand (2.5% of the Group's revenues in 2005), mainly due to an increase in average selling prices, partially offset by a decrease in unit sales from 57 thousand units in 2004 to 49 thousand units in 2005. The Group's average selling price of PC-desktop products was U.S. \$357.6 and U.S. \$470.2 in 2004 and 2005, respectively.

Other consists of a range of products including cameras, special customer orders and products purchased by the Group's subsidiaries to service their customers. Revenues from other products increased by 190.1% from U.S. \$37,771 thousand (5.0% of the Group's revenues) in 2004 to U.S. \$109,558 thousand (11.7% of the Group's revenues) in 2005, mainly due to changes in the product mix, as well as an increase in units sold.

Most of the Group's product categories include sales of private label products, with flash memory and accessories and multimedia products comprising almost exclusively of private label products. Revenues derived from sales of the Group's private label products represented 5.8% of the Group's revenues in 2005, compared to 6.5% in 2004.

In 2005, the U.S. dollar appreciated against Euro and other Euro-linked currencies as a result of which revenues were negatively impacted.

The table below provides a geographical breakdown of sales in the years ended 31 December 2005 and 2004:

	<b>For the year ended 31 December</b>			
	<b>2005</b>		<b>2004</b>	
	<i>U.S. \$ thousand</i>	<i>per cent.</i>	<i>U.S. \$ thousand</i>	<i>per cent.</i>
Former Soviet Union .....	453,459	48.7%	364,499	48.2%
Eastern Europe.....	313,126	33.7%	252,651	33.4%
Western Europe .....	84,899	9.1%	73,440	9.7%
Middle East & Africa.....	54,865	5.9%	36,187	4.8%
Other .....	24,040	2.6%	28,943	3.9%
<b>Total.....</b>	<b>930,389</b>	<b>100.0%</b>	<b>755,720</b>	<b>100.0%</b>

The table below provides a country-by-country breakdown of sales in the Group's most important markets in the years ended 31 December 2005 and 2004:

	<b>2005</b>		<b>2004</b>	
	<i>per cent.</i>			
Russia .....	28.5		27.6	
Ukraine .....	12.9		11.4	
Czech Republic.....	9.5		6.2	
Slovakia .....	8.5		9.8	
Belarus.....	4.6		6.1	
Poland.....	3.7		4.2	
Germany .....	3.3		3.6	
United Arab Emirates .....	3.3		2.6	
Romania.....	2.5		1.9	
Kazakhstan.....	2.2		2.5	
Other .....	21.0		24.1	
<b>Total.....</b>	<b>100.0</b>		<b>100.0</b>	

#### *Cost of Sales*

The principal components of the Group's cost of sales over the period consisted of the cost of goods sold, freight and insurance costs, import duties and warehouse costs.

Cost of sales for the year ended 31 December 2005 was U.S. \$892,020 thousand, compared to U.S. \$728,773 thousand for 2004, representing an increase of 22.4%, which was mainly due to an increase in the cost of goods sold in 2005, as compared to 2004.

The table below sets forth a breakdown of the Group's cost of sales in the years ended 31 December 2005 and 2004:

	<b>For the year ended 31 December</b>	
	<b>2005</b>	<b>2004</b>
	<i>U.S. \$ thousand</i>	
Cost of goods sold .....	879,969	719,005
Freight and insurance cost .....	8,835	7,183
Import duties of goods sold .....	1,032	835
Warehouse costs .....	2,184	1,750
<b>Total.....</b>	<b>892,020</b>	<b>728,773</b>

The cost of goods sold, which is shown net of warranties for defective items, warranties for services and including vendor credits and rebates, increased in 2005, as compared to 2004, by 22.4% from U.S. \$719,005 thousand in 2004 to U.S. \$879,969 thousand in 2005, approximately in line with the increase in revenues.

Freight and insurance costs increased by 23.0% from U.S. \$7,183 thousand in 2004 to U.S. \$8,835 thousand, representing 0.95% of the Group's revenues for each of 2004 and 2005. This increase was due to increased business

and an increase in transport costs, partially due to increased oil prices. Import duties and warehouse costs increased in line with the increase in revenues.

The strengthening of the U.S. dollar against the Euro and related currencies in 2005, compared to 2004, also supported the increase in cost of sales in 2005.

### *Gross Profit*

For the year ended 31 December 2005 the Group realised gross profit (revenues minus cost of sales) of U.S. \$38,369 thousand compared to U.S. \$26,946 thousand for the year ended 31 December 2004, representing an increase of 42.4%.

The Group's gross profit margin (gross profit as a percentage of revenues) improved to 4.1% in 2005 compared to 3.6% in 2004. The increase in gross profit margin in 2005 compared to 2004 was mainly a result of the closure of the Group's Swedish operations, termination of Maxtor business, improved product mix and further development of the Group's own private label brands, Canyon and Prestigio, which represented 6.5% of revenues from products sold in 2004, compared to 5.8% in 2005 and from 10.5% of the Group's gross profit in 2004 to 11.8% of the Group's gross profit in 2005.

### *Selling Expenses*

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

Selling expenses for the year ended 31 December 2005 were U.S. \$13,225 thousand compared to U.S. \$10,369 thousand for 2004, representing an increase of 27.5%. These increases in selling expenses were driven primarily by the Group's increased marketing and advertising of its own private label brands, Canyon and Prestigio, and by an increase in commissions paid to sales employees.

The following table sets forth a breakdown of the main elements that comprise selling expenses for the years ended 31 December 2005 and 2004:

	<b>For the year ended 31 December</b>	
	<b>2005</b>	<b>2004</b>
	<i>U.S. \$ thousand</i>	
Salaries and benefits .....	6,770	6,056
Marketing and advertising fees (net) .....	1,813	951
Commissions .....	1,437	1,154
Traveling and subsistence .....	744	767
Other .....	2,461	1,441
<b>Total .....</b>	<b>13,225</b>	<b>10,369</b>

Salaries and benefits for sales employees increased by 11.8% from U.S. \$6,056 thousand in 2004 to U.S. \$6,770 thousand in 2005. Salaries and benefits increased largely as a result of an increase in the number of employees, increased salary rates, increased bonuses paid to employees on the basis of increased profitability. The average salary per sales employee was approximately U.S. \$14 thousand in 2005, compared to approximately U.S. \$14 thousand in 2004. The number of sales employees increased from 425 employees at 31 December 2004 to 468 employees at 31 December 2005.

Marketing and advertising fees increased by 90.6% from U.S. \$951 thousand in 2004 to U.S. \$1,813 thousand in 2005. This increase was mainly due to the Group increasing its marketing efforts for promoting its own private label brands, Canyon and Prestigio.

Commissions increased by 24.5% from U.S. \$1,154 thousand in 2004 to U.S. \$1,437 thousand in 2005. This increase was due to an increase in sales and profitability of the Group.

Traveling and subsistence decreased by 3.0% from U.S. \$767 thousand in 2004 to U.S. \$744 thousand in 2005.

Other selling expenses mainly comprise of credit costs (credit insurance, provision for bad debts, bad debts written off) and purchasing office expenses.

Provision for bad debts increased by 20.0% from U.S. \$368 thousand in 2004 to U.S. \$442 thousand in 2005.

Selling expenses, represented 1.4% of the Group's revenues for each of the years ended 31 December 2005 and 2004.

Selling expenses per sales employees increased from \$24 thousand per sales employee in 2004 to \$28 thousand per sales employee in 2005.

#### *Administrative Expenses*

Administrative expenses largely comprise of salaries and wages, rent payable, postage and telephone and Prague warehouse expenses.

For the year ended 31 December 2005, the Group had administrative expenses of U.S. \$12,840 thousand, which were 12.7% higher than administrative expenses of U.S. \$11,393 thousand for the year ended 31 December 2004. In each year, administrative expenses were comprised largely of salaries and wages of administrative employees and rent payable.

The following table sets forth a breakdown of the main elements that comprise administrative expenses for the years ended 31 December 2005 and 2004:

	<b>For the year ended 31 December</b>	
	<b>2005</b>	<b>2004</b>
	<i>U.S. \$ thousand</i>	
Salaries and wages.....	4,625	4,115
Rent payable.....	1,586	1,258
Depreciation and amortization.....	1,577	1,439
Postage and telephone.....	737	715
Prague warehouse expenses.....	608	618
Other.....	3,707	3,248
<b>Total.....</b>	<b>12,840</b>	<b>11,393</b>

Salaries and wages increased by 12.4% from U.S. \$4,115 thousand in 2004 to U.S. \$4,625 thousand in 2005. This increase in salaries and wages was driven primarily by an increase in the number of administrative employees, which rose to 181 employees as at 31 December 2005 from 171 employees as at 31 December 2004, mainly to support the expansion of Canyon and Prestigio, as well as the increasing distribution of AMD products, combined with salary increases. Average salary per administrative employee was approximately U.S. \$26 thousand in 2005, compared to approximately U.S. \$24 thousand in 2004.

In addition, rent payable (including local warehouses) increased by 26.1% from U.S. \$1,258 thousand in 2004 to U.S. \$1,586 thousand in 2005. This increase was the result of demand for larger office and warehouse space, which was driven by an increase in sales volume, higher rental costs due to many Eastern European countries joining the European Union, partially offset by the strengthening of the U.S. dollar against the Euro and Euro-linked currencies.

Depreciation and amortization increased by 9.6% from U.S. \$1,439 thousand in 2004 to U.S. \$1,577 thousand in 2005.

Postage and telephone expenses increased by 3.1% from U.S. \$715 thousand in 2004 to U.S. \$737 thousand in 2005.

Prague warehouse expenses decreased by 1.6% from U.S. \$618 thousand in 2004 to U.S. \$608 thousand in 2005.

Other administrative expenses increased by 14.1% from U.S. \$3,248 thousand in 2004 to U.S. \$3,707 thousand in 2005. Other administrative expenses mainly comprise of information technology support, travel cost, insurance, professional fees and audit fees.

Administrative expenses represented 1.4% and 1.5% of the Group's revenues for the years ended 31 December 2005 and 2004, respectively. Administrative expenses per employee were U.S. \$71 thousand and U.S. \$67 thousand for the years ended 31 December 2005 and 2004, respectively.

### *Other Expenses - Amortization of goodwill*

For the year ended 31 December 2005, the Group had other expenses of U.S. \$14 thousand compared to U.S. \$64 thousand for 2004, reflecting a decrease of 78.9%. Other expenses in 2005 comprised impairment of goodwill as a result of the Group adopting IFRS 3 "Business Combinations". Other expenses in 2004 comprised amortization of goodwill relating to the acquisition of subsidiaries.

### *Operating Profit*

The Group realised profit from operations for the year ended 31 December 2005 of U.S. \$12,291 thousand compared to U.S. \$5,120 thousand for the year ended 31 December 2004, representing an increase of 140.0% in 2005. Operating margin (operating profit as a percentage of revenues) similarly increased to 1.3% of revenues for the year ended 31 December 2005 compared to 0.7% for the year ended 31 December 2004. The increase in operating profit was due to an increase in revenue and gross profit margin which was only partially offset by the strengthening of the U.S. dollar against the Euro and Euro-linked currencies.

### *Financial Income*

The Group had financial income of U.S. \$227 thousand for the year ended 31 December 2005 compared to financial income of U.S. \$204 thousand for the year ended 31 December 2004, representing an increase of 11.2%.

The table below sets forth a breakdown of the Group's financial income for the years ended 31 December 2005 and 2004:

	<b>For the year ended 31 December</b>	
	<b>2005</b>	<b>2004</b>
	<i>U.S. \$ thousand</i>	
Interest income .....	132	50
Interest on taxation .....	66	-
Other financial income .....	29	-
Exchange gain.....	-	154
<b>Total.....</b>	<b>227</b>	<b>204</b>

For the years ended 31 December 2005 and 2004, financial income was comprised principally of interest income, which increased by 163.3% from U.S. \$50 thousand to U.S. \$132 thousand mainly due to an increase in deposits, as well as an increase in interest rates.

Interest on taxation increased from no interest on taxation in 2004 to U.S. \$66 thousand in 2005. Interest on taxation for the year 2005 relates to interest received from tax authorities on tax refunded.

### *Financial Expenses*

The Group had financial expenses of U.S. \$3,558 thousand for the year ended 31 December 2005 compared to financial expenses of U.S. \$2,485 thousand for the year ended 31 December 2004, representing an increase of 43.1%.

In the years ended 31 December 2005 and 2004, financial expense was comprised principally of bank interest and charges, factoring interest and charges and exchange loss.



The table below sets forth a breakdown of the Group's financial expense in the years ended 31 December 2005 and 2004:

	<b>For the year ended 31 December</b>	
	<b>2005</b>	<b>2004</b>
	<i>U.S. \$ thousand</i>	
Bank interest.....	1,210	1,018
Bank charges.....	590	593
Factoring interest and charges.....	950	670
Other financial expenses.....	31	34
Other interest.....	216	170
Exchange loss.....	558	-
Interest on taxation.....	3	-
<b>Total.....</b>	<b>3,558</b>	<b>2,485</b>

Bank interest increased by 18.9% from U.S. \$1,018 thousand in 2004 to U.S. \$1,210 thousand in 2005, primarily due to an increase in the amount borrowed and increases in the applicable interest rates.

Bank charges decreased by 0.47% from U.S. \$593 thousand in 2004 to U.S. \$590 thousand in 2005.

Factoring interest and charges increased by 41.9% from U.S. \$670 thousand in 2004 to U.S. \$950 thousand in 2005, as a result of the increase in sales and the consequent increase in trade receivables subject to factoring facilities.

Exchange loss of U.S. \$558 thousand in 2005 was due to the appreciation of the U.S. dollar in 2005.

#### *Other Income*

The Group generated other income of U.S. \$341 thousand for the year ended 31 December 2005, which was 34.8% higher than the Group's other income of U.S. \$253 thousand for the year ended 31 December 2004.

During 2004 and 2005 other income comprised principally of other operating income including interest charged to customers delaying payment beyond agreed credit terms.

The table below sets forth a breakdown of the Group's other income in the years ended 31 December 2005 and 2004:

	<b>For the year ended 31 December</b>	
	<b>2005</b>	<b>2004</b>
	<i>U.S. \$ thousand</i>	
Profit on disposal of property, plant and equipment.....	29	48
Bad debts recovered.....	46	89
Other operating income.....	266	116
<b>Total.....</b>	<b>341</b>	<b>253</b>

Bad debts recovered decreased by 47.6% from U.S. \$89 thousand in 2004 to U.S. \$46 thousand in 2005.

Other operating income, which mainly includes interest charged to customers delaying payment beyond their agreed credit terms, increased by 128.9% from U.S. \$116 thousand in 2004 to U.S. \$266 thousand in 2005.

#### *Profit Before Taxation*

Profit before taxation for the year ended 31 December 2005 was U.S. \$9,318 thousand compared to U.S., \$3,091 thousand for the year ended 31 December 2004, representing an increase of 201.5%.

#### *Taxation*

Income taxes calculated by the Group for the year ended 31 December 2005 were U.S. \$939 thousand compared to U.S. \$842 thousand for the year ended 31 December 2004. However, the Group's effective tax rate for the year ended

31 December 2005 was 10.1% compared to 27.2% for the year ended 31 December 2004, although the absolute amount of tax increased as a result of an increase in profit before taxation from U.S. \$3,091 thousand in 2004 to U.S. \$9,318 thousand in 2005.

#### *Profit after taxation*

Profit after taxation for the year ended 31 December 2005 was U.S. \$8,378 thousand compared to U.S. \$2,249 thousand for the year ended 31 December 2004, representing an increase of 272.5%.

#### *Minority Interest*

Minority interest decreased to U.S. \$56 thousand for the year ended 31 December 2005 compared to U.S. \$60 thousand for the year ended 31 December 2004.

#### *Profit attributable to members*

Profit attributable to members increased to U.S. \$8,322 thousand for the year ended 31 December 2005, compared to U.S. \$2,189 thousand for the year ended 31 December 2004.

#### *Earnings per share*

Earnings per share increased to U.S. \$0.173 for the year ended 31 December 2005, compared to U.S. \$0.0456 per share for the year ended 31 December 2004.

### **Ratio Analysis**

The table below sets forth the Group's selected financial ratios.

	<b>Six months ended 30 June</b>		<b>Year ended 31 December</b>		
	<b>2007</b>	<b>2006</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>Profitability</b>					
Return on equity (ROE).....	5.1%	4.6%	18.4%*	16.4%	5.2%
Return on assets (ROA).....	1.3%	1.4%	4.7%*	4.0%	1.3%
Gross profit margin.....	4.4%	4.1%	4.7%	4.1%	3.6%
Operating profit margin.....	1.0%	1.0%	1.6%	1.3%	0.7%
Net profit margin.....	0.6%	0.6%	1.1%*	0.9%	0.3%
<b>Liquidity</b>					
Current ratio.....	1.32	1.36	1.30	1.28	1.29
Quick ratio.....	0.97	0.90	1.03	0.90	0.92
Net working capital ratio.....	0.23	0.25	0.22	0.21	0.21
<b>Leverage</b>					
Debt to equity ratio.....	2.76	2.43	2.93	3.06	2.92
Interest coverage ratio.....	5.03	5.64	9.93	10.16	5.03

Note: All ratios are calculated on a period-end:

Return on equity (ROE) = Profit after taxation and before minority interest / Equity

Return on assets (ROA) = Profit after taxation and before minority interest / Total assets

Gross margin profit = Gross profit / Revenues

Operating profit margin = Operating profit / Revenues

Net profit margin = Profit after taxation and after minority interest / Revenues

Current ratio = Total current assets / Total current liabilities

Quick ratio = (Total current assets – Inventories) / Total current liabilities

Net working capital ratio = (Total current assets – Total current liabilities) / Total assets

Debt to equity = Total liabilities / Total equity

Interest coverage = Operating profit / Bank interest

\*Calculated before listing expenses written off of US \$1,597,310

## Liquidity and Capital Resources

The Group has in the past funded its liquidity requirements, including ongoing operating expenses and capital expenditures and investments, for the most part, through operating cash flows, debt financing and equity financing. The Group expects to fund its liquidity requirements, for the most part, through operating cash flows, debt financing and equity financing.

The following table provides a summary of cash flows for the years ended 31 December 2006, 2005 and 2004 for the six months ended 30 June 2007 and 2006:

	<u>Six months ended 30 June</u>		<u>Year ended 31 December</u>		
	<u>2007</u>	<u>2006</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
	<i>U.S. \$ thousand</i>				
Net cash inflows (outflows) from operating activities.....	4,196	(16,365)	(8,779)	14	(4,636)
Net cash outflows from investing activities.....	(1,314)	(764)	(1,060)	(1,702)	(1,587)
Net cash outflows (inflows) from financing activities.....	(1,194)	(327)	10,911	(1,647)	4,993
Net increase/(decrease) in cash and cash equivalents .....	1,687	(17,456)	1,072	(3,335)	(1,229)

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

*Six months ended 30 June 2007 compared to 30 June 2006.* Cash inflows from operations were U.S. \$4,196 thousand for the six months ended 30 June 2007, compared to cash outflows of U.S. \$16,365 thousand for the six months ended 30 June 2006. The increase in cash generated from operations in the first half of 2007, compared to the first half of 2006, was primarily due to increased profitability and shorter cash-to-cash cycle.

*2006 compared to 2005.* Cash outflows from operations were U.S. \$8,779 thousand in 2006, compared to cash inflows of U.S. \$14 thousand in 2005. The decrease in cash generated from operations in 2006, compared to 2005, primarily resulted from increased business and additional investment in working capital.

*2005 compared to 2004.* Cash inflows from operations were U.S. \$14 thousand in 2005 compared to an outflow of U.S. \$4,636 thousand in 2004. The increase in cash generated from operations in 2005, compared to 2004, was primarily due to increased profitability.

### *Net cash outflows from investing activities*

*Six months ended 30 June 2007 compared to 30 June 2006.* Net cash used in investing activities was U.S. \$1,314 thousand for the six months ended 30 June 2007, compared to U.S. \$764 thousand for the six months ended 30 June 2006. The higher amount used in the first half of 2007, compared to the first half of 2006, was primarily due to higher expenditure on property, plant and equipment.

*2006 compared to 2005.* Net cash used in investing activities was U.S. \$1,060 thousand in 2006, compared to U.S. \$1,702 thousand in 2005. The lower amount used in 2006, compared to 2005, was primarily due to cash acquired from the purchase of subsidiaries and lower expenditure on property, plant and equipment.

*2005 compared to 2004.* Net cash used in investing activities was U.S. \$1,702 thousand in 2005, compared to U.S. \$1,587 thousand in 2004. The higher amount used in 2005, compared to 2004, was primarily due to an increase in capital expenditure for property, plant and equipment, which increased from U.S. \$1,212 thousand in 2004 to U.S. \$1,461 thousand in 2005. This increase in capital expenditure for property, plant and equipment related to further improvements to the Group's building in the Ukraine and the acquisition of computer hardware.

### *Net cash (outflows)/inflows from financing activities*

*Six months ended 30 June 2007 compared to 30 June 2006.* Net cash outflows from operations were U.S. \$1,194 thousand for the six months ended 30 June 2007, compared to cash outflows of U.S. \$327 thousand for the six months

ended 30 June 2006. The outflows in the first half of 2007, compared to the outflows in the first half of 2006, was primarily due to the payment of a dividend amounting to U.S. \$960 thousand.

*2006 compared to 2005.* Net cash inflows from financing activities were U.S. \$10,911 thousand in 2006 compared to a cash outflow of U.S. \$1,647 thousand in 2005. The inflows in 2006, compared to the outflow in 2005, were primarily due to the ability of the Group to raise more financing lines on as a result of improved results in 2005.

*2005 compared to 2004.* Net cash used in financing activities was U.S. \$1,647 thousand in 2005 compared to cash generated in the amount of U.S. \$4,993 thousand in 2004. The outflow in 2005, compared to the inflow in 2004, mainly reflected the inability of the Group to raise additional financing lines because of poor 2004 results.

## Capital Resources

As at 30 June 2007, the Group had total short-term and long-term debt (excluding amounts due to factoring creditors) of U.S. \$33,280 thousand, including U.S. \$32,737 thousand of current maturities (due within one year), compared to U.S. \$22,249 thousand, including U.S. \$21,550 thousand of current maturities, as at 30 June 2006.

As at 31 December 2006, the Group had total short-term and long-term debt (excluding amounts due to factoring creditors) of U.S. \$34,990 thousand, including U.S. \$34,377 thousand of current maturities (due within one year), compared to U.S. \$20,884 thousand, including U.S. \$20,315 thousand of current maturities, as at 31 December 2005.

The following table sets forth information with respect to principal outstanding short-term and long-term debt obligations as at 31 December 2006, 2005 and 2004 and as at 30 June 2007 and 2006, respectively:

	Six months ended 30 June		As at 31 December		
	2007	2006	2006	2005	2004
	<i>U.S. \$ thousand</i>				
Bank overdrafts.....	13,189	14,384	14,677	12,927	10,355
Bank short term loans.....	19,309	6,981	19,494	7,213	8,584
Current portion of long term loans.....	239	186	206	175	192
Short term obligations under finance lease.....	97	-	145	87	120
Long-term bank loans.....	543	844	612	569	943
Long-term obligations under finance lease.....	117	31	75	147	158
<b>Total.....</b>	<b>33,494</b>	<b>22,426</b>	<b>35,209</b>	<b>21,118</b>	<b>20,352</b>

The following summary describes the Group's principal outstanding debt facilities as at 30 June 2007

On 13 July 2006, the Group entered into a multi-option facility with Barclays Bank Plc (the "**Barclays Facility**"), which was later amended on 25 August 2006. The Barclays Facility provides the Group with two funding options, either by overdraft in U.S. dollars and/or optional currency or in bonds, guarantees and indemnities in US dollars and/or any optional currency. The Barclays Facility has a limit of U.S. \$3,500 thousand and is secured by a first legal mortgage of U.S. \$2,800 thousand plus interest over a quarter of the value of the Group's headquarters in Cyprus. The final date for repayment of this term facility is 31 August 2008 and is subject to renewal.

BNP Paribas Cyprus Limited ("**BNP**") has granted to the Group a multi-purpose facility for a maximum aggregate amount of U.S. \$5,000 thousand (the "**BNP Facility**") which may be utilized interchangeably as an overdraft facility for working capital (the "**BNP Overdraft**") and for the issuance of letters of guarantees in favor of the Group's suppliers. The facility was due initially to mature on 31 October 2007. On 8 August 2006, the Group further extended the maturity of the facility to 30 September 2008. Pursuant to this agreement, the interest charged is 2.5 per cent. over BNP's standard base rate in respect of the overdraft facility; an issuance commission of 1.25 per cent. per annum in respect of the letters of guarantee. The BNP Facility is secured by a first priority floating charge registered on 24 February 2006 for U.S. \$4,000 thousand over the assets and goodwill of the Group as a continuing security for the Group's obligations under the BNP Facility. By way of security and pursuant to the terms of the BNP Facility, the Group's U.S. \$2,000 thousand deposit with BNP has been pledged to BNP and the Group has provided an undertaking granting BNP security over the goods in their warehouses. Siarhei Kostevitch has also provided BNP with a personal guarantee for up to U.S. \$2,000 thousand. The BNP Overdraft is repayable upon written demand by BNP.

On 3 July 2006, the Group entered into a credit facility agreement with Raiffeisen Zentralbank Österreich Aktiengesellschaft for U.S. \$2,000 thousand (the "**Raiffeisen Facility**"). The Group pays an annual fee of one percent of the un-drawn portion of the Raiffeisen Facility. The agreement is for a period of one year at which point the full amount of the facility is repayable. The Raiffeisen Facility is secured by a guarantee from ISA Hardware Ltd and by a transfer to Raiffeisen Zentralbank Österreich Aktiengesellschaft of the Group's rights and ownership of certain equipment, material and inventory supplied to the Group for an amount to always exceed U.S. \$4,000 thousand.

ASBIS PL s.p. zo.o. entered into an overdraft agreement with BRE BANK SA dated 29 August 2006 for the aggregate amount of PLN 5,000 thousand. This facility is secured by a promissory note on inventory for PLN 5,000 thousand. The interest charged is 1 month WIBOR (Warsaw Interbank Offered Rate) plus 1.2 per cent. The facility is scheduled to mature on 30 November 2007.

ASBIS SK Sp.l. Sr.o. entered into an overdraft agreement with Tatrabanka AS on 19 October 2006 for the aggregate amount of Slovakian koruna 227,000 thousand. This facility is secured by a pledge of receivables of ASBIS SK Sp.l. Sr.o. for Slovakian koruna 227,000 thousand and is guaranteed by ASBISC Enterprises PLC. The interest charged is One-month BRIBOR (Bratislava Interbank Offered Rate) plus 1.5 per cent. The facility is scheduled to mature on 19 October 2007.

ASBIS CZ Spol. S.r.o. entered into an overdraft agreement with CSOB Bank on 23 September 2006 for the aggregate amount of Czech koruna 60,000 thousand. This facility is secured by a charge of receivables of ASBIS CZ Spol. S.r.o. for Czech koruna 60,000 thousand and is guaranteed by ASBISC Enterprises PLC. The interest charged is One-month PRIBOR (Prague Interbank Offered Rate) plus 1.3 per cent. The facility is scheduled to mature on 23 September 2007.

### ***Factoring Facilities***

As at 30 June 2007 the Group had an aggregate amount of U.S. \$28,608 thousand secured factoring facilities (mostly with recourse), compared to U.S. \$20,478 thousand as at 30 June 2006.

As at 31 December 2006 the Group had an aggregate amount of U.S. \$25,031 thousand secured factoring facilities (mostly with recourse), compared to U.S. \$19,436 thousand as at 31 December 2005.

The Group's key factoring facilities as at 30 June 2007, totaling U.S. \$10,037 thousand, are described below:

ASBIS PL s.p. zo.o. entered into a factoring agreement with Handlowy-Heller Bank, which was succeeded by ING Commercial Finance Polska, dated 1 February 2003 for the aggregate amount of PLN 10,000 thousand. This facility is secured by a pledge receivables of ASBIS PL s.p. zo.o. for the same amount and is also guaranteed by ASBISC Enterprises PLC.

ASBIS CZ Spol. S.r.o. entered into a factoring agreement with Transfinance on 15 September 2006 for the aggregate amount of Czech koruna 90,000 thousand. This facility is secured by a charge of receivables of ASBIS CZ Spol. S.r.o. for the same amount and is also guaranteed by ASBISC Enterprises PLC.

ASBIS Middle East FZE entered into a factoring agreement with the National Bank of Fujairah on 23 September 2006 for the aggregate amount of Dirham 8,000 thousand. This facility is secured by a corporate guarantee of ASBISC Enterprises PLC, a promissory note on inventory, an assignment of the insurance policy covering inventory and receivable in favor of the National Bank of Fujairah and an indemnity regarding discounting post-dated cheques, bills of exchange or drafts.

### **Capital Expenditure**

The Group's total capital expenditure for fixed and intangible assets increased from U.S. \$789 thousand for the six months ended 30 June 2006 to U.S. \$1,423 thousand for the six months ended 30 June 2007. This increase was largely due to higher expenditure on property, plant and equipment. Capital expenditure in the first six months of 2007 mostly concerned office equipment, computer hardware and motor vehicles and focused in Cyprus, the Czech Republic, Poland, Russia, and Ukraine, whereas in the first six months of 2006 such spending was chiefly on furniture and fittings, computer hardware and computer software, and occurred mainly in Russia, Slovakia, Ukraine and Cyprus.

As at the date of approval of this Prospectus, the Group's capital expenditure totaled approximately U.S. \$1,500 thousand, chiefly for the reasons named above.

The aggregate value of the Group's expenditure on fixed assets and intangible assets decreased from U.S. \$1,919 thousand in 2005 to U.S. \$1,631 thousand in 2006. This decrease was mainly due to lower expenditure on property, plant and equipment. The expenditure in 2006 mainly relates to furniture and fittings, motor vehicle, and computer hardware and computer software incurred chiefly in Cyprus, the Czech Republic, Russia and Ukraine.

In 2005, the Group's aggregate capital expenditure on fixed assets and intangible assets increased from U.S. \$1,822 thousand in 2004 to U.S. \$1,919 thousand. This increase was largely due to an increase in expenditure on land and buildings, from U.S. \$219 thousand in 2004 to U.S. \$554 thousand in 2005, which related to further improvements to the Group's building in Ukraine. The remainder of the expenditure in 2005 chiefly concerned the replacement of furniture and fittings, which took place in several countries in which the Group operates, while the expenditure in 2004 focused on the installation of computer hardware and computer software in the countries in which the Group operates.

As at the date of approval of this Prospectus, the Group has not made any final commitment regarding capital expenditure. In the future, capital expenditure will mainly be financed with bank loans and operating profits and also (in respect of the acquisition of the building in Slovakia) with proceeds from the Offering.

### **Commitments and Contingencies**

The Group enters into financial arrangements with off-balance sheet risk in the ordinary course of its business.

As at 30 June, 2007 the Group was committed in respect of purchases of inventory for an aggregate value of U.S. \$10,153 thousand which were in transit at 30 June 2007 and delivered in July 2007.

As at 31 December 2006 the Group was committed in respect of purchases of inventory for an aggregate value of U.S. \$13,544 thousand (as compared to U.S. \$4,734 thousand as at 31 December 2005), which were in transit at 31 December 2006 and delivered in January 2007. These inventories and their corresponding liabilities were not included in the Group's consolidated financial statements for the year ended 31 December 2006 since, according to the terms of the purchase, the title of the goods had not passed to the Group as at 31 December 2006.

As at 31 December 2005, the Group was committed in respect of purchases of inventory for an aggregate value of U.S. \$4,734 thousand (as compared to U.S. \$6,868 thousand as at 31 December 2004), which were in transit as at 31 December 2005 and delivered in January 2006. These inventories and their corresponding liabilities were not included in the Group's consolidated financial statements for the year ended 31 December 2005 since, according to the terms of the purchase, the title of the goods had not passed to the Group as at 31 December 2005.

As at 30 June, 2007, the Group was contingently liable in respect of bank guarantees in the aggregate amount of U.S. \$4,337 thousand (as compared to U.S. \$4,127 thousand as at June 30, 2006), which the Group had extended mainly to its vendors.

As at 31 December 2006, the Group was contingently liable in respect of bank guarantees in the aggregate amount of U.S. \$4,211 thousand (as compared to U.S. \$4,656 thousand as at 31 December 2005), which the Group had extended mainly to Group vendors.

As at 31 December 2005, the Group was contingently liable in respect of bank guarantees in the aggregate amount of U.S. \$4,656 thousand (as compared to U.S. \$4,374 thousand as at 31 December 2004), which the Group had extended mainly to its vendors.

### **Related-party Transactions**

Transactions between the Group and its subsidiaries have been eliminated on consolidation. In the normal course of business, the Group engaged in arm's length transactions with its affiliated company E-Vision and its subsidiaries. The following table sets forth related party transactions engaged in with E-Vision and its subsidiaries:

	<b>Six months ended 30 June</b>		<b>Year ended 31 December</b>		
	<b>2007</b>	<b>2006</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
			<i>U.S. thousand</i>		
<b>Transactions</b>					
Sales of services – interest income .....	4	4	8	7	5
Purchases of IT services .....	250	320	570	587	460
<b>Balances</b>					
Loan receivable.....	110	110	118	110	110
Non-trade payables .....	-	-	-	19	4

The loan receivable from E-Vision bears interest at 2% per annum at three months U.S. LIBOR 3M and is repayable in October 2007, with automatic renewal for successive one-year periods unless terminated by either party by notice given in writing, no less than three months from the expiry date.

In the period from 1 January 2004 until the date of approval of this Prospectus a number of transactions occurred between the Company and its subsidiaries. Similarly, subsidiaries also carried out transactions amongst themselves. In the Company's opinion, all of those transactions were based on terms that did not vary from market terms and their nature and conditions resulted from the ongoing needs and operations of the Company and of the Group, such as contracts related to the purchases of goods for onward distribution to external clients. All of these transactions and related outstanding balances were eliminated from the Financial Statements included elsewhere in this Prospectus and, as a result did not have any impact on the consolidated financial results of the Group presented in this Prospectus and on the financial position of the Group as a whole.

#### **Tabular Disclosure of Contractual Obligations**

The following table sets forth the Group's contractual obligations as of 30 June 2007:

	<b>Payments due by maturity as at 30 June 2007</b>				
	<b>Total</b>	<b>less than 1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>more than 5 years</b>
			<i>U.S. \$ thousand</i>		
Long Term Debt Obligations.....	782	239	373	170	-
Purchase Obligations .....	10,153	10,153	-	-	-
Finance Lease Obligations.....	214	97	117	-	-
<b>Total.....</b>	<b>11,149</b>	<b>10,489</b>	<b>490</b>	<b>170</b>	<b>-</b>

As at 30 June 2007 the Group had an aggregate amount of U.S. \$28,608 thousand secured factoring facilities (mostly with recourse), compared to U.S. \$20,478 thousand as at 30 June 2006.

The Directors are of the opinion that both the factoring facilities and their utilization will increase relative to the increase in revenues going forward.

#### **Critical accounting policies**

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

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

The critical accounting policies of the Group are described below. The Group's accounting policies and certain critical accounting estimates and judgments of the Group with respect to the preparation of its Financial Statements are described in Note 2 to the Financial Statements.

### ***Revenue Recognition***

Revenue represents amounts invoiced to customers in respect of sales of goods during the year and is stated net of trade discounts and returns. Sales of goods are recognised when goods are delivered and title has passed.

In making its judgment, management considered the detailed criteria for the recognition of revenue from the sale of goods as set out in IAS 18 Revenue and, in particular, whether the Group had transferred to the buyer the significant risks and rewards of ownership of the goods. The management are satisfied that the significant risks and rewards have been transferred and the recognition of the revenue is appropriate.

### ***Warranty Provisions***

Warranty provisions represent the 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.

### **Quantitative and qualitative disclosures about market and other risks**

The Group's activities expose it to interest rate risk, credit 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:

#### ***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 substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets and it borrows at variable rates. The Group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

#### ***Credit risk***

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. The Group has no significant concentrations of credit risk. The Group has credit insurance policies in place and also implement internal policies to ensure that sales of products are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables.

#### ***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 credit facilities.

#### ***Currency risk***

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's functional currency. The Group's policy is to sometimes enter into currency hedging transactions mainly with respect to the Polish Zloty. Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.



## PRINCIPAL AND SELLING SHAREHOLDERS

### Principal Shareholders

The following table sets out, in so far as it is known to the Company, the interests in shares beneficially held by persons who are directly or indirectly interested in 3% or more of the Company's issued share capital as at the date of this Prospectus and as adjusted to reflect the sale of all the Offer Shares pursuant to the Offer.

	Prior to the Offer		After the Offer			
	Number of Shares	% of issued share capital	Assuming no exercise of the Over-allotment Option		Assuming full exercise of the Over-allotment Option	
			Number of Shares	% of issued share capital	Number of Shares	% of issued share capital
KS Holdings Limited <sup>(1)</sup>	25,676,361	53.49%	23,676,361	42.66%	20,910,473	37.67%
MAIZURI Enterprises Ltd.	4,800,000	10.00%	0	0.00%	0	0.00%
Alpha Ventures SA	3,200,000	6.67%	0	0.00%	0	0.00%
Sangita Enterprises Limited <sup>(2)</sup>	2,800,000	5.83%	2,660,000	4.79%	2,660,000	4.79%
Richard Coasby	1,575,248	3.28%	1,415,248	2.55%	1,415,248	2.55%

Notes:

1. The ultimate beneficial shareholder of which is Siarhei Kostevitch.
2. The ultimate beneficial shareholders of which are Yuri Ulasovich, who holds 50% of the shares of Sangita Enterprises Ltd., and his wife Natalia Ulasovich, who holds the balance.

For more information regarding the shares held by members of the Board of Directors and the Company's executives, see "**Directors and Senior Management - Directors' and Senior Managers' interests**".

The Company's principal shareholders, mentioned above, do not have any special rights or privileges attached to their shares, or other voting rights than those presented in this Prospectus.

For more information regarding voting rights, see "**Description of the Offer Shares and Applicable Cypriot and Polish Legislation - voting rights**".

As at the date of this Prospectus the Company is not owned by any entity or person other than those listed above. The Company is not controlled by any entity or person other than those listed above.

Additionally, as at the date of this Prospectus there are no arrangements which might at a later date result in a change of control over the Company.

The Company does not hold treasury shares itself, nor through any other entity.

As of the date of approval of this Prospectus, KS Holdings Limited is the parent entity of the Company under Cypriot law. If all the Offer Shares are allotted to investors, KS Holdings Limited shall lose its status as the Company's parent entity. Provisions of Cypriot law provide for mechanisms which prevent the abuse of a dominant position. In particular, pursuant to Article 202 of the Cypriot Companies Law, if a majority shareholder abuses its authority with respect to minority shareholders, a minority shareholder may appeal to a court of competent jurisdiction to issue any verdict that the court deems just and reasonable to protect the interests of minority shareholders. Specifically, the court may: wind up the company, issue an order obligating the majority shareholder or the company to buy out a minority shareholder at the market value, or obligate the majority shareholder to refrain from taking certain action which has been deemed abusive.

## Selling Shareholders

The Selling Shareholders are offering for sale in aggregate 10,939,256 Sale Shares as follows:

<b>Name</b>	<b>Business/domicile address</b>	<b>Relationship with the Group</b>	<b>Number of Sale Shares offered</b>
MAIZURI Enterprises Ltd.	55 Arsinois, Flat/Office 12, Akropolis, Nicosia, Cyprus	Financial investor	4,800,000
Alpha Ventures SA	Merlin 5, Athens, 10671, Greece	Financial investor	3,200,000
KS Holdings Limited	ASBISc Enterprises Plc, Diamond Court, 43 Kolonakiou Street Ayios Athanasios, 4103 Limassol, Cyprus	Company ultimately controlled by Mr Siarhei Kostevitch, Chief Executive Officer of the Company	2,000,000
Richard Coasby	2676 Orrington Ave, Evanston, Illinois 60201, U.S.A.	Former employee	160,000
Sangita Enterprises Limited	Mill Mall, Suite 6, Wickhams Cay 1, P.O. Box 3085, Road Town, Tortola, British Virgin Islands	Sangita Enterprises Limited controlled jointly by Mr Yuri Ulasovich, Vice President, Product Marketing. Mr Ulasovich holds 50% of the shares of Sangita Enterprises Ltd., and his wife Natalia Ulasovich, holds the balance	140,000
Maryia Tarhonskaya	ASBISc Enterprises Plc, Diamond Court, 43 Kolonakiou Street Ayios Athanasios, 4103 Limassol, Cyprus	Finance Control Administration Director of the Company	120,000
Christopher Mark Hayes	1332 15th Street, NW, Apt 31, Washington DC 20005, U.S.A.	Former employee	105,143
Alexandros and Photini Tsirides	Grivas Digenis Avenue, Panagides Building – 2nd Floor, P.O.Box 56250, 3305, Limassol, Cyprus	Estate of a deceased employee of the Company	61,363
Itaimbe Management Ltd	Bison Court, P.O. Box 3460, Road Town, Tortola, British Virgin Islands	Beneficially owned by Victor Poberezhnik, Regional Sales Director	60,000
Andrey Kostevitch	ASBISc Enterprises Plc, Diamond Court, 43 Kolonakiou Street Ayios Athanasios, 4103 Limassol, Cyprus	Brother of Mr Siarhei Kostevitch, Chief Executive Officer of the Company	60,000
Owen Gyfax	Home Farm Cottage, Barford Road, Bloxham, Oxfordshire, OX15 4EZ, Ireland	Former employee	50,000
Marios Christou	ASBISc Enterprises Plc, Diamond Court, 43 Kolonakiou Street Ayios Athanasios, 4103 Limassol, Cyprus	Director of the Company, Chief Financial Officer	40,000
Laurent Journoud	ASBISc Enterprises Plc, Diamond Court, 43 Kolonakiou Street Ayios Athanasios, 4103 Limassol, Cyprus	Director of the Company, Executive Vice President, Sales and Marketing	40,000
Berend Andre Nagelhout	Wilgenlaan 8, 2161 ML Lisse, Netherlands	Former employee	30,000
Jozef Hegyi	ASBISc Enterprises Plc, Diamond Court, 43 Kolonakiou Street Ayios Athanasios, 4103 Limassol, Cyprus	Regional Sales Director	29,250
Franc Mulhern	ASBISc Enterprises Plc, Diamond Court, 43 Kolonakiou Street Ayios Athanasios, 4103 Limassol, Cyprus	Regional Financial Controller	20,000
Patricia Sweeney	ASBISc Enterprises Plc, Diamond Court, 43 Kolonakiou Street Ayios Athanasios, 4103 Limassol, Cyprus	Managing Director of ASBIS Limited (Ireland)	20,000
Constantinos Tziamalīs	ASBISc Enterprises Plc, Diamond Court, 43 Kolonakiou Street Ayios Athanasios, 4103 Limassol, Cyprus	Corporate Credit Control Director of the Company	3,500

In addition, KS Holdings has granted the Global Coordinator an Over-allotment Option covering an additional 2,765,888 Sale Shares. For more information regarding the above and agreements restricting the disposal of shares, see "*Placing and Underwriting – Over-allotment and Stabilisation and Lock-up Agreements*".

### Dilution of Share Capital

Upon completion of this Offer and assuming that all New Shares are issued the amount and percentage of the immediate dilution of the Company's shares will be as follows:

	<u>Before this Offer</u>		<u>After this Offer</u>	
Existing shares (issued and outstanding).....	48,000,000	100.00%	48,000,000	86.49%
New Shares.....	0	0.00%	7,500,000	13.51%
<b>Total.....</b>	<b>48,000,000</b>	<b>100.00%</b>	<b>55,500,000</b>	<b>100.00%</b>

## DIRECTORS AND SENIOR MANAGEMENT

### Board of Directors

The Board of Directors is responsible for formulating, reviewing and approving the Company's strategy, budgets and corporate actions. The Company intends to hold Board of Directors meetings at least four times each financial year and at other times as and when required. For a description of competencies and the rules of operation of the Board of Directors see "*Description of the Offer Shares and Applicable Cypriot and Polish Legislation - Board of Directors*".

The following table sets out the current Directors of the Company:

<u>Name</u>	<u>Year of Birth</u>	<u>Position</u>	<u>Appointed to the Board</u>	<u>Expiry of term of office</u>	<u>Nationality</u>
John Hirst	1953	Non Executive Chairman	4 September 2006	4 September 2008	British
Siarhei Kostevitch	1965	Chief Executive Officer	30 August 1999	31 December 2007	Belarussian
Marios Christou	1968	Chief Financial Officer	28 December 2001	31 December 2007	Cypriot
Constantinos Tziamalis	1975	Corporate Credit Controller & Investor Relations	23 April 2007	31 December 2007	Cypriot
Laurent Journoud	1971	Director, Executive Vice-President Sales and Marketing	26 June 2003	31 December 2007	French
Paul Swigart	1971	Non Executive Director	4 September 2006	4 September 2008	American

The biographical details of the Directors of the Company are set out below:

*John Hirst*, born in 1953, holds a B.A. in Economics from Leeds University. He is also a Companion of the Chartered Management Institute, Associate in Corporate Treasury Management and a Fellow of the Institute of Chartered Accountants in England & Wales. Between 1979 and 1998, John served in various roles at Imperial Chemicals Industries plc, including that of CEO for ICI Performance Chemical, and from 1988 until 2005, he was the CEO of Premier Farnell plc, the UK listed global electronics distribution company. From 2005 until he joined the Company in 2006, John was a non-executive director of Hammerson Plc.

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

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

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

*Laurent Journoud*, born in 1971, holds an M.I.T. (Management – International Trade) and M.M.E. (Master's in European Management) from ICL Lyon, France (1993 and 1994 respectively). For more than 10 years, Laurent held senior international product management positions in the EMEA distribution industry with major multinationals, including Ingram Micro, Karma International and Actebis. Laurent joined the Company in January 2002 as Director of Product Lines. He is responsible for the Group's product portfolio and market development for each of the Group's technology offerings. Laurent is a Director and Executive Vice-President, responsible for Sales and Marketing.

*Paul Swigart*, born in 1971, holds a B.A. in History (magna cum laude) (1992) from Princeton University. Paul was a partner at United Financial Group, a brokerage and London Stock Exchange market maker for a leading Russian investment bank. Paul has also worked at Scudder Kemper in New York as a Latin American analyst; at Omega Advisors in New York in the Emerging Market Equities department; and at CS First Boston in New York as a corporate finance analyst. He is the founder and controlling partner of Steep Rock Capital, an investment company established in May 2006. Paul is a Non-Executive Director.

The business address of all the Directors is Diamond Court, 43 Kolonakiou Street, Ayios Athanasios, 4103 Limassol, Cyprus.

The Chief Executive Officer of the company Mr. Siarhei Kostevitch is married to Mrs. Elena Ulasovich Kostevitch who is Mr. Yuri Ulasovich's sister. Mr. Yuri Ulasovich is the Vice President of Product Marketing of the Group.

There are no administrative, management and supervisory bodies and Senior Management conflicts present in the Group.

## Key Management

The Board of Directors is supported by the following senior management ("**Senior Management**"):

<u>Name</u>	<u>Year of Birth</u>	<u>Position</u>	<u>Expiry of term of office</u>	<u>Nationality</u>
<i>Siarhei Kostevitch</i>	1965	Chief Executive Officer	31 December 2007	Belarussian
<i>Marios Christou</i>	1968	Chief Financial Officer	31 December 2007	Cypriot
<i>Veronique Holbrook</i>	1955	Logistics Manager	31 December 2007	Canadian
<i>Laurent Journoud</i>	1971	Director, Executive Vice-President Sales and Marketing	31 December 2007	French
<i>Constantinos Tziamalis</i>	1975	Corporate Credit Controller & Investor Relations	31 December 2007	Cypriot
<i>Maryia Tarhonskaya</i>	1953	Finance & Administration	31 December 2007	Belarussian
<i>Yuri Ulasovich</i>	1963	Vice-President, Product Marketing	31 December 2007	Belarussian
<i>Yuri Antoshkin</i>	1978	Chief Operating Officer, Prestigio	31 December 2007	Russian
<i>Geert van Dijk</i>	1968	Chief Sales & Marketing Officer of Canyon EMEA	1 July 2008	Dutch
<i>Daphne Su(Su-Shu Min)</i>	1961	Managing Director- Canyon Group	20 July 2008	Taiwanese
<i>Patrick van den Bovenkamp</i>	1969	Chief Sales & Marketing EMEA- Prestigio	1 October 2008	Dutch

The biographical details of the Senior Management of the Company are set out below:

*Siarhei Kostevitch* – see "*Board of Directors*" above.

*Marios Christou* – see "*Board of Directors*" above.

*Constantinos Tziamalis* – see "*Board of Directors*" above.

*Laurent Journoud* – see "*Board of Directors*" above.

*Veronique Holbrook*, born in 1955, holds an Associate Arts Degree from Dawson College and a Bachelor of Arts Degree in Cinematography from Sir George Williams University. Veronique worked for Seagate Technology, one of the world's leading manufacturers of computer storage products, for 20 years, during which time she held several senior level international logistics and distribution positions in the United States and Europe. Veronique joined the Company in January 2003 and is responsible for Logistics.

*Maryia Tarhonskaya*, born in 1953, holds a degree in the field of Economics from Minsk State University, Belarus. Maryia worked for over 7 years in the construction industry in Minsk, Belarus, holding the position of Finance Controller, and another 10 years as an engineer in a state-owned company manufacturing electronics. Maryia joined the Group in 1994 in Minsk, Belarus as a Finance Controller. Her role is to provide management and financial accounting and reporting, and to contribute towards effective and efficient management of the company's resources. In 2000, Maryia relocated to Cyprus to work for the Company. Maryia is Finance & Administration Director.

*Yuri Ulasovich*, born in 1963, holds a B.A. degree in Economics and Philosophy from the Humanitarian Academy of Military forces in Moscow (1992). Yuri joined the Company in 1995. During his employment with the Company he has held many different positions including Regional Sales Director and Marketing Director. In 2004 he was appointed Vice-President of Product Marketing. Yuri has extensive experience in the former Soviet Union and the Eastern European markets, specifically Ukraine, Kazakhstan, Poland and Bulgaria. Yuri is Vice-President, responsible for Product Marketing).

*Yuri Antoshkin*, born in 1978, holds a B.A. and Masters degree from the Moscow Institute of Physics and Technology (1998 and 2000 respectively). Yuri also has certificates in Financial Accounting, Cost Accounting and Operational Management from MIPT. Yuri worked at the Neo Group, part of the Trinity Group. He joined the Company in 2004 as Operations Director of ISA Hardware Limited. After successfully representing the Group as Operations Director at ISA Hardware Limited, the Company decided to appoint him as COO of Prestigio operations.

*Geert van Dijk*, born in 1968, holds a degree in marketing from Dutch NIMA A & B. Geert worked at Chaintech Europe as a CEO Europe. He joined the Company in September 2003 as Managing Director of Canyon B.V. He was promoted to Chief Sales & Marketing Officer of Canyon EMEA as of March 2006.

*Daphne Su (Su-Shu Min)*, born in 1961, holds a degree in banking and insurance from Feng Chia University (1984). Daphne worked at Chaintech Corporation as a Sales and Marketing Vice President. She joined the Company in June 2004 as the President of Canyon Group and a General Manager of Canyon Taiwan.

*Patrick van den Bovenkamp*, born in 1969, holds a B.A. marketing with Dutch NIMA A& B. Patrick worked at BTC as a Sales and Marketing Manager of EMEA as well as the Sales and Marketing Director of Chaintech and Sales Manager of corporate accounts at IBM. Patrick joined the Company in October 2006 as the Chief Sales and Marketing Officer of Prestigio - EMEA.

The business address of Mr. Geert van Dijk is: Canyon B.V., Stephensonweg 11, 4207 HA Gorinchem, The Netherlands.

The business address of Ms. Daphne Su is: Canyon Taiwan, 9F-1, No. 510, Sec. 5 Chung Hsiao E. Road, Taipei 110, Taiwan.

The business address of Mr. Patrick van den Bovenkamp is: Asbis Europe NL, Shannoweg 3, La Schiphol, 1118 La Luchthaven Schiphol, The Netherlands.

The business address of the rest of the Senior Management is: Diamond Court, 43 Kolonakiou Street, Ayios Athanasios, 4103 Limassol, Cyprus.

### **Directors and Senior Management's terms of service and remuneration**

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

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

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

Members of Senior Management and Directors are also entitled to receive a bonus every quarter depending upon the Company's quarterly results. The bonus consists of a certain amount or percentage which is agreed and described in each Managers or Directors service agreements or contracts, as applicable, however, members of Seniro Management and the Directors only receive such a bonus to the extent that the Company's profit meets certain pre-set budetary figures. All such bonus amounts are included in the remuneration tables set forth below.

In addition the Company has in place a share option plan, see "- *Share Option Plan*" below.

The Company also operates a healthcare plan for its Directors and Senior Manager. This plan covers Directors and Senior Managements medical expenses. The contract is held with BUPA International. All amounts paid for this plan are also included in the tables below.

The following table sets forth the remuneration (including bonuses) of Directors during the years ended 31 December 2006, 2005 and 2004, respectively:

Director	Aggregate Remuneration (including bonuses) as at 31 December		
	2006	2005 U.S. \$	2004
Siarhei Kostevitch.....	282,732	237,967	230,399
Marios Christou.....	89,679	66,147	65,710
Constantinos Tziamalis*.....	39,708	34,813	34,342
Laurent Journoud.....	205,590	214,322	214,760
Paul Swigart.....	7,667	-	-
John Hirst.....	13,333	-	-

\*Constantinos Tziamalis was appointed as a Director on 23 April 2007.

Each Director's service agreement provides as follows:

- Siarhei Kostevitch, as a Director and the Chief Executive Officer, entered into a service agreement with the Company dated 18 October 2006, under which he is entitled to a salary of U.S. \$180,000 per annum. In addition, he is entitled to a management bonus of up to U.S. \$3,000 per quarter payable at the Company's discretion, subject to achievement of certain performance criteria. Siarhei Kostevitch is also entitled to receive, at the Company's discretion, a maximum bonus payable quarterly of an amount equal to 1.375 per cent. of the Company's consolidated net profit, if 110 per cent. of the consolidated net profit target, as established by the Company from time to time, is achieved.
- Marios Christou, as a Director and the Chief Finance Officer, entered into a service agreement with the Company dated 18 October 2006, under which he is entitled to a salary of C£38,506 per annum (U.S. \$88,500). In addition, he is entitled to a management bonus of C£1,500 (U.S. \$3,500) per quarter payable at the Company's discretion, subject to achievement of certain performance criteria. Marios Christou is also entitled to receive, at the Company's discretion, a maximum bonus payable quarterly of C£4,500 (U.S. \$10,400), if 100 per cent. of the Company's consolidated net profit target, as established by the Company from time to time, is achieved.
- Constantinos Tziamalis entered into an employment agreement with the Company, pursuant to which he was appointed Corporate Credit Controller effective 1 January 2007 under which he is entitled to a monthly salary of C£1900 (U.S. \$4,400) in arrears and is entitled, at the Company's discretion, to a monthly management bonus of up to C£600 (U.S. \$1,400) (payable quarterly). The bonus is based on the extent to which up to three objectives are achieved, as determined by the Chief Finance Officer within 15 days of the quarter end on the following basis: C£600 multiplied by the percentage of each objective that has been achieved divided by the number of objectives per quarter. Constantinos is also entitled, at the Company's discretion, to a maximum bonus payable quarterly of C£1,500 (U.S. \$3,500) if 100 per cent. of the Company's consolidated net profit target, as established by the Company from time to time, is achieved. On 23 April 2007, Constantinos was appointed as a Director of Credit and Investor Relations. Following the appointment a new service agreement is to be drafted and agreed between the Company and the Director.
- Laurent Journoud, as Director and Executive Vice President, Sales and Marketing, entered into a service agreement with the Company dated 18 October 2006, under which he is entitled to a salary of €120,000 per annum (U.S. \$160,800). He is also entitled to receive, subject to the Company's discretion, a bonus based on gross profit of up to U.S. \$ 11,000, if 110 per cent. of the Company's gross profit target, as established by the Company from time to time, is achieved. If the gross profit is less than 70 per cent. of the target, no bonus will be payable.
- Paul Swigart entered into a letter of appointment with the Company, dated 18 October 2006, to act as non-executive Director for a fee of £23,000 per annum (U.S. \$45,700) for an initial term of 12 months. The appointment may be terminated by either party giving not less than three months' notice at any time after the initial period.
- John Hirst entered into a letter of appointment with the Company, dated 18 October 2006, to act as non-executive Chairman for a fee of £40,000 (U.S. \$79,500) per annum for an initial term of 12 months. The appointment may be terminated by either party giving not less than three months' notice at any time after the initial period.

Save as disclosed above, there are no service contracts in existence between any Director and the Company or any company in the Group which cannot be terminated by the relevant Company without payment of compensation (other than statutory compensation) within one year. None of the service contracts referred to in this paragraph have been amended in the last six months.

The following table sets forth the remuneration (including bonuses) of key members of management, except for those persons who are simultaneously a member of the Board of the Directors, during the years ended 31 December 2006, 2005 and 2004, respectively:

Key Member of Management	Aggregate Remuneration (including bonuses) as at 31 December		
	2006	2005 U.S. \$	2004
Veronique Holbrook* .....	256,570	202,342	176,098
Maryia Tarhonskaya .....	56,942	29,800	28,106
Yuri Ulasovich .....	110,955	93,103	-
Yuri Antoshkin .....	77,686	54,300	7,885
Geert van Dijk .....	137,832	138,047	122,491
Daphne Su (Su-Shu Min) .....	220,591	190,046	84,689
Patrick van den Bovenkamp .....	36,556	-	-

\*Veronique Holbrook was a director of the Company until April 2007.

In the last three financial years and in the current year until the approval of this Prospectus, neither Directors nor any other member of Management has received any remuneration in kind.

Each key employee's employment agreement (except for those persons who are simultaneously a member of the Board of the Directors ) provides as follows:

- On 23 April 2007, Veronique Holbrook, as Logistics Manager, entered into an employment service agreement with the Company, under which she is entitled to a salary of U.S. \$120,000 per annum. She is also entitled to a management bonus of up to U.S. \$2,000 per quarter payable at the Company's discretion, subject to achievement of certain performance criteria. Veronique Holbrook is also entitled to receive, at the Company's discretion, a maximum bonus payable quarterly of an amount equal to 0.88 per cent. of the Company's consolidated net profit, if 110 per cent. of the Company's consolidated net profit target, as established by the Company from time to time, is achieved. If the consolidated net profit is less than 70 per cent. of the target, no bonus will be payable.
- On 1 January 2006, Maryia Tarhonskaya entered into an employment agreement with the Company, pursuant to which she was appointed Finance Control Administration Director. The agreement shall terminate on 31 December 2007, unless renewed for a further year. The agreement will be automatically renewed unless either of the parties gives the other two months' prior written notice, or the Company pays Maryia two months' salary in lieu of notice together with any bonus that she may be entitled to. The agreement provides that Maryia is paid a monthly salary of U.S. \$3,500 in arrears and is entitled, at the Company's discretion, to a monthly bonus of up to U.S. \$1,000 (payable quarterly). The bonus is based on the extent to which up to three objectives are achieved, as determined by the Chief Executive Officer within 15 days of the quarter end on the following basis: U.S. \$1,000 multiplied by the percentage of each objective that has been achieved, divided by the number of objectives per quarter.
- On 1 January 2006, Yuri Ulasovich entered into an employment agreement with the Company dated 1 January 2006, pursuant to which he was appointed Vice-President, Product Marketing. The agreement shall terminate on 31 December 2007, unless renewed for a further year. The agreement will be automatically renewed unless either of the parties gives the other two months' prior written notice, or the Company pays Yuri Ulasovich two months' salary in lieu of notice together with any bonus that he may be entitled to. The agreement as amended provides that Yuri Ulasovich is paid a monthly salary of €8,000 (U.S. \$10,700) in arrears as of 1 May 2006.
- On 15 November 2004, Yuri Antoshkin entered into an employment agreement with the Company, pursuant to which he was appointed PLN and subsequently appointed as Chief Operating Officer of Prestigio Operations. The agreement shall terminate on 15 November 2007, unless renewed for a further year. The agreement will be automatically renewed unless either of the parties gives the other two months' prior written notice, or the Company pays Yuri Antoshkin two months' salary in lieu of notice together with any bonus that he may be entitled to. The agreement provides that Yuri Antoshkin is paid a monthly salary of U.S. \$4,000 in arrears and is entitled, at the Company's discretion, to a monthly bonus of up to U.S. \$1,000 (payable quarterly). The bonus is based on the extent to which up to three objectives are achieved, as determined by the Chief Executive Officer within 15 days of



the quarter end on the following basis: U.S. \$1,000 multiplied by the percentage of each objective that has been achieved, divided by the number of objectives per quarter.

- On 1 July 2006, Geert Van Dijk entered into an employment agreement with the Company, pursuant to which he was appointed Chief Sales and Marketing Officer of Canyon. The agreement shall terminate on 1 July 2008, unless renewed for a further year. The agreement will be automatically renewed unless either of the parties gives the other two months' prior written notice, or the Company pays Geert Van Dijk two months' salary in lieu of notice together with any bonus that he may be entitled to. The agreement provides that Geert Van Dijk is paid a monthly salary of U.S. \$10,000 in arrears.
- On 20 July 2005, Daphne Su (Su-Shu Min) entered into an employment agreement with the Company pursuant to which she was appointed Managing Director of the Canyon Group. The agreement shall terminate on 20 July 2008, unless renewed for a further year. The agreement will be automatically renewed unless either of the parties gives the other two months' prior written notice, or the Company pays Daphne Su (Su-Shu Min) two months' salary in lieu of notice together with any bonus that she may be entitled to. The agreement provides that Daphne Su (Su-Shu Min) is paid a monthly salary of U.S. \$6,300 in arrears, and Daphne Su (Su-Shu Min) is also entitled, at the Company's discretion, to a maximum bonus payable monthly of U.S. \$6,575.
- On 1 October 2006, Patrick van de Bovenkamp entered into an employment agreement with the Company, pursuant to which he was appointed Chief Sales and Marketing Officer of the Prestigio brand. The agreement shall terminate on 1 October 2008, unless renewed for a further year. The agreement will be automatically renewed unless either of the parties gives the other two months' prior written notice or the Company pays Patrick van de Bovenkamp two months' salary in lieu of notice together with any bonus to which he may be entitled. The agreement provides that Patrick vand de Bovenkamp is paid a monthly salary of U.S. \$12,000 in arrears.

#### **Share Option Plan**

The Company has adopted an employee share option plan (the "**Plan**"), covering all employees and self-employed consultants, including executive Directors. Each eligible employee is entitled to receive options to purchase ordinary shares at a price and in an amount, and subject to any performance conditions, as determined by the Remuneration Committee; provided that the exercise price for such options granted may not exceed the market price of the shares to which they relate, and no such grant may cause the eligible employee's interest in the Company's share capital to exceed 2.9 per cent. Options granted under the Plan vest at a rate of 33.3% per annum, and the right to exercise such options typically expires on the tenth anniversary of the date of grant. An eligible employee's entitlement to receive options will lapse upon the termination of such employee's service with the Company for cause during the relevant performance period. Options granted under the Plan are non-transferable and may only be exercised by the grantees or their personal representatives. The Plan has not yet been offered to employees or to self-employed consultants, including executive Directors.

While the Remuneration Committee may amend the Plan, the provisions governing eligibility, equity dilution, participation limits and adjustments for variations in share capital require approval of the shareholders at the annual general meeting. As at the date of the approval of this Prospectus, no options have been granted nor have any terms defined for such options.

## Other Directorships

In addition to their directorships of the Company (in the case of the Directors), the Directors and Senior Managers hold or have held the following directorships, including subsidiaries of the Company, and are or were members of the following partnerships, within the past five years.

<u>Name</u>	<u>Directorships or partnerships as of approval of this Prospectus</u>	<u>Directorships or partnerships within the past five years before the date of the approval of this Prospectus</u>
Siarhei Kostevitch	KS Holdings Limited	Asbis Europe BV
	Alfo Administration Ltd	Asbis - Baltik AS
	Asbis Netherlands BV	
Marios Christou	Asbis Romania SRL	—
	Asbis Morocco SARL	
	Asbis Nordic	
Laurent Journoud	—	Ingram Micro Europe
Paul Swigart	Steep Rock Capital LLP	United Financial Group
		UFG (UK) Limited
		Scudder Kemper
John Hirst	Hammerson Plc	Premier Farnell Plc
		Farnell Electronic Components Pty Limited
		Farnell Danmark AS
		Premier Farnell (France) SAS
		Premier Farnell Asia Pte Limited
		Farnell Components Pte Limited
Constantinos Tziamalis	ISA Hardware Ltd.	Farnell Components (M) SDN BHD
	Microval Commercial Ltd.	Farnell Components SL
	Proteas Asset Management Ltd.	

Other than the persons listed above, Directors and members of the Company's Management did not hold offices in any management, supervisory or administrative bodies and were not, in the period of the last five years, members of any partnerships.

Within the period of five years preceding the date of this Prospectus none of the Directors or Senior Managers:

- has had any convictions in relation to fraudulent offences;
- has been a director or senior manager of any company at the time of its bankruptcy, receivership or liquidation; or
- has received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional authorities) or has been disqualified by a court from acting as director of a company or from acting in the management or conduct of the affairs of a company.

None of the Directors or Senior Managers has any potential conflict of interests between their duties to the Company and their private interests or other duties.

## Directors' and Senior Managers' interests

The table below sets out beneficial interests of Directors and/or Senior Managers in the Company's issued share capital as at the date of this Prospectus and as adjusted to reflect the Offer.

	Prior to the Offer		After the Offer			
	Number of Shares	% of issued share capital	Assuming no exercise of the Over-allotment Option		Assuming full exercise of the Over-allotment Option	
			Number of Shares <sup>(1)</sup>	% of issued share capital <sup>(1)</sup>	Number of Shares	% of issued share capital
Siarhei Kostevitch <sup>(1)</sup>	25,676,361	53.49%	23,676,361	42.66%	20,910,473	37.67%
Yuri Ulasovich <sup>(2)</sup>	1,400,000	2.92%	1,330,000	2.39	1,330,000	2.39
Maryia Tarhonskaya	1,200,000	2.50%	1,080,000	1.95	1,080,000	1.94
Veronique Holbrook	421,940	0.88%	421,940	0.76	421,940	0.76
Laurent Journoud	400,000	0.83%	360,000	0.65	360,000	0.65
Marios Christou	400,000	0.83%	360,000	0.65	360,000	0.65
Daphne Su (Su-Shu Min)	100,000	0.21%	100,000	0.18	100,000	0.18
John Hirst	75,600	0.15%	75,600	0.13	75,600	0.14
Yuri Antoshkin	41,100	0.08%	41,000	0.07	41,000	0.07
Constantinos Tziamalis	35,000	0.07%	31,500	0.05	31,500	0.05

Notes:

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

(2) Yuri Ulasovich holds shares as an ultimate beneficial owner of 50% of the shares of Sangita Enterprises Ltd. The remaining 50% of the shares of Sangita Enterprises Ltd belong to his wife Natalia Ulasovich.

## Corporate Governance and Board Practices

Since the Company is incorporated in Cyprus, it has to comply with Cypriot law, as well as with provisions relating to corporate governance issues in the Company's certificate of incorporation based on Cypriot law. However, as the Company is not listed in Cyprus it does not have to comply with the Cypriot stock exchange's corporate governance rules. In addition, shares of the Company are listed on AIM, with the consequence that the Company has to comply with a number of legal obligations and rules resulting from such listing, including rules which cover corporate governance provisions. Currently, the Company believes that it is in full compliance with the corporate governance requirements for entities listed on AIM, and it plans to comply with such rules as long as its shares are listed on AIM. The Directors recognise the importance of sound corporate governance and will, in so far as is practicable given the Company's size and the constitution of the Board, comply with the main provisions of the Combined Code: Principles of Corporate Governance and Code of Best Practice.

The Company intends to apply for the listing of its common stock on the WSE. Pursuant to the WSE Rules, the Company is required to agree to comply with the Polish principles of corporate governance contained in "Best Practices in Public Companies in 2005" (the "**Corporate Governance Rules of the WSE**"). When making its application for the admission of its shares to the WSE, the Company will make a statement as to its compliance with the Corporate Governance Rules of the WSE.

The Company intends to abide by those principles to the fullest extent possible, and will specify which principles it does not intend to comply with, as well as provide the reasons for such non-compliance. Certain principles of the Corporate Governance Rules of the WSE will apply to the Company only to the extent permitted by Cypriot law and subject to the Company's corporate structure. In particular, the Company will not have two separate governing bodies (supervisory board and management board), which are obligatory in Polish joint stock companies. Instead, the Company's Board of Directors, comprising both executive and non-executive Directors, will perform the combined roles of a supervisory board and a management board in a Polish company. As a result, the Company will apply those principles of the Corporate Governance Rules of the WSE which refer to the relationship between the supervisory and management boards not directly, but generally in seeking to adhere to their spirit. In addition, the Company's compliance with certain rules will be limited by the provisions of Cypriot law, the many differences between Polish and Cypriot law systems, the Company's bylaws, procedures and accepted practice.

In particular, the Company will not comply with (or will comply only with) the rules set forth in the following items of the Corporate Governance Rules of the WSE:

- Rule No. 2: "A request made by entitled parties for a general meeting to be convened and certain issues to be put on the agenda shall be justified. Draft resolutions proposed for adoption and other key documents should be presented to all shareholders with a justification and supervisory board opinion sufficiently before the general meeting to allow the same to be reviewed and evaluated.";
- Rule No. 6: "The general meeting should have by-laws setting forth how meetings are conducted and resolutions adopted. The by-laws should, in particular, contain provisions on elections, including elections to the supervisory board, by voting in separate groups. They should not be subject to frequent changes, and any changes should enter into force from the following general meeting.";
- Rule No. 18: "The supervisory board submits a concise evaluation of the company's standing to the general meeting every year. The evaluation should be made available to all shareholders early enough to allow them to become acquainted with the contents before the annual general meeting.";
- Rule No. 20: "(a) At least half the members of the supervisory board should be independent members, subject to point (d) below. Independent members of the supervisory board should not have relations with the company and its shareholders or employees which could significantly affect the independent member's ability to make impartial decisions.
  - (b) Detailed independence criteria should be laid down in the company's statutes.
  - (c) Without the consent of the majority of independent supervisory board members, no resolutions should be adopted on the following issues:
    - performances of any kind by the company and any entities associated with the company in favour of management board members;
    - consent to the execution by the company or a subsidiary of a key agreement with an entity associated with the company, a member of the supervisory board or management board, or with their associated entities; and
    - appointment of an auditor to audit the company's financial statements.
  - (d) In companies where one shareholder holds a block of shares carrying over 50% of all voting rights, the supervisory board should consist of at least two independent members, including an independent chairman of the audit committee, should such a committee be set up.";
- Rule No. 22: "Supervisory board members should take the relevant action to receive from the management board regular and complete information on any and all significant issues concerning the company's operations and on any risks related to the business and ways of managing such risks.";
- Rule No. 23: "A supervisory board member should inform the other members of the board of any conflict of interest that arises, and should refrain from participating in discussions and from voting on any resolution on the issue in respect of which the conflict of interest has arisen.";
- Rule No. 25: "Supervisory board meetings should be open to management board members, except for issues which directly concern the management board or its members, especially their removal, liability and remuneration.";
- Rule No. 26: "A supervisory board member should make it possible for the management board to present publicly and in an appropriate manner information on the transfer or acquisition of shares in the company or in its dominant company or subsidiary and of transactions with such companies, provided that such information is relevant to his financial standing.";
- Rule No. 29: "The agenda of a supervisory board meeting should not be amended or supplemented during the meeting to which it relates. This requirement does not apply if all the supervisory board members are present and agree to the amendment or supplementation, and if certain actions have to be taken by the supervisory board to protect the company against damage and in the case of a resolution assessing whether there is a conflict of interests between a supervisory board member and the company;"

- Rule No. 30: "A supervisory board member delegated by a group of shareholders to exercise supervision shall submit relevant detailed reports to the supervisory board.";
- Rule No. 37: "Management board members should inform the supervisory board whenever a conflict of interests arises, or if there is a risk of a conflict of interests arising in connection with the function performed.";
- Rule No. 40: "The management board should set forth in its by-laws clear and generally available principles and procedures for operating and allocating powers."; and
- Rule No. 43: "The auditor should be selected by the supervisory board on the recommendation of the audit committee, or by the general meeting on the recommendation of the supervisory board containing the audit committee recommendation. If an auditor other than the one recommended by the audit committee is chosen by either the board or the general meeting, detailed reasons should be given. Information on the selection of an auditing entity together with the relevant justification should be disclosed in the annual report."

The rule set forth in item 20 of the Corporate Governance Rules of the WSE that concerns the independent members of the supervisory board will apply to the Company only partially.

The provisions of Polish law do not directly specify the requirement of independence in respect of members of supervisory bodies of public companies. However, the requirement of appointing independent members to serve on supervisory bodies of public companies results from the Rule 20 of the Corporate Governance Rules of the WSE, which requires that at least a half of supervisory body members should be independent members (in companies in which one shareholder holds more than 50% of shares, the supervisory body should include at least two independent members). In keeping with Rule 20, an independent supervisory body member should not have any relations with the company and its shareholders or employees which could significantly affect such member's ability to make impartial decisions. The detailed scope of independence required of a member of a company's supervisory body should be specified in the company's charter, as stipulated by Rule 20, ideally on the basis of the Recommendation of the European Commission 2005/162/EC of February 15, 2005 (the "**EC Recommendation**"), although it is not a law enforceable in the territory of Poland. Pursuant to the EC Recommendation, a supervisory body member (non-executive director) should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either. In addition, pursuant to a detailed profile of an independent member of a supervisory body (non-executive director) set forth by the EC Recommendation, such a person: (i) may not be an executive or managing director of the company or an associated company, or have been in such a position during the previous five years; (ii) may not be an employee of the company or an associated company, or have been in such a position during the previous three years; (iii) may not receive, or have received, significant additional remuneration from the company or an associated company apart from a fee received as a member of a supervisory body (non-executive director) – this applying in particular to participation in a share option or any other performance-related pay scheme (this does not apply, however, to the receipt of fixed amounts of compensation under a retirement plan); (iv) may not have, or have had within the last year, a significant business relationship with the company or an associated company, either directly or as a partner, shareholder or senior employee (including financial or legal consulting services); (v) may not be, or have been within the last three years, a partner or employee of the present or former external auditor of the company; (vi) may not have significant ties to another member of a management body (executive director) of the company (this concerns, for example, being under the supervision of such person in another company); (vii) may not have served on a supervisory body (as non-executive director) for more than three terms (or more than 12 years); and (viii) may not be a close family member of an executive body member (managing director) of the company or another supervisory body member (non-executive director) who does not meet any of the above criteria of independence.

Detailed information regarding noncompliance, as well as additional explanations regarding partial compliance with the Corporate Governance Rules of the WSE due to incompatibilities with Cypriot law, will be included in the full text of the Company's declaration regarding the Corporate Governance Rules of the WSE, which will be filed with the WSE simultaneously with the Company's application for listing and will be available on the WSE's web site ([www.gpw.com.pl](http://www.gpw.com.pl)).

In the future the Company intends to follow any corporate governance rules adopted by the WSE or applicable to companies listed on the WSE, provided that such rules will not conflict with the provisions of Cypriot law or any rules and regulations of any other market where the shares in the Company are or will be listed.

## **Committees**

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

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

## INDUSTRY OVERVIEW AND COMPETITION

### European market characteristics

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

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

This is particularly true of the European market, where a diversity of national business practices, as well as cultural and language differences make it difficult to pursue efficient hardware distribution models without having strong local presence. In the Central and Eastern European and former Soviet Union markets, different currencies, varying levels of economic development, import regulations and periodic episodes of political and economic instability create additional impediments to IT distribution not found in Western Europe.

The European IT components distribution market is characterised by a three-tier structure: pan-European, regional and local distributors who buy directly from manufacturers and sell mainly to local Original Equipment Manufacturers ("OEMs"), value-added resellers ("VARs"), other resellers and local distributors, as well as to retailers and e-tailers that in turn resell to end users. Historically European OEMs have relied on distribution companies to serve the Small and Medium Business ("SME") segment of the IT clientele since the SME sector has been too small for OEMs to dedicate their selling efforts. At the same time the SME sector does not have the purchasing power to buy directly from large vendors. For instance, according to IDC, a subsidiary of IDG, which is a world leading IT market research house, SMEs accounted for 48 per cent. of IT spending in the EU in 2005, compared to 42 per cent. by large businesses and government institutions and only 10 per cent. by households.

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

### Market growth trends

The IT distribution sector growth prospects depend on the overall IT spending, which is highly correlated to GDP growth, and the level of saturation of a particular market, i.e. PC ownership and internet/broadband technology usage. New products, such as hand-held devices and MP3 players, and desktop-notebook substitution provide an additional boost to the sector's development.

While Western European countries remain one of the biggest IT markets in the world, with a total IT spending of U.S. \$342 billion in 2005, according to IDC, the fastest growing markets are Central and Eastern European ("CEE") countries with the projected cumulative annual growth rate ("CAGR") for 2005 to 2010 of 13.6 per cent. (measured by the value of shipments of personal computers), according to IDC. Using the same market growth indicator, the CEE's fast growing markets are Ukraine (CAGR of 19.7 per cent.), Bulgaria (CAGR of 14.9 per cent.), Romania (CAGR of 13.7 per cent.) and Russia (CAGR of 13.6 per cent.). IDC estimates that with 6,300,000 personal computers worth U.S. \$5.3 billion shipped in 2005, Russia is the largest CEE personal computer market. Russia accounted for 48.6 per cent. of total until sales in the CEE in 2005. Poland was the second largest market with a total of 1,800,000 units worth U.S. \$1.8 billion shipped in 2005. The third largest market was Ukraine with a total of 1,100,000 units worth U.S. \$823.6 million shipped in 2005. Sales in Russia, Poland and Ukraine constituted 45 per cent. of the Group's sales in 2005.

In the coming years, IT spending trends in CEE and the former Soviet Union, which are the key markets of the Group's operations are expected to remain positive for the distribution industry. These countries have lagged behind the U.S. and Western Europe in terms of IT spending, while globalisation and privatisation necessitate increasing focus on IT infrastructure to increase competitiveness. According to Gartner, in 2005 end-users from CEE countries spent U.S. 11.4

billion while end-users in Western Europe spend U.S. \$52.1 billion, almost five times higher. In order to compete effectively in the global arena, these countries will require increased IT spending, which leaves considerable room for growth in the countries in which the Group operates. Factors such as expected GDP growth, improving consumer and business confidence and growing public sector demand will support the market growth in the region.

Western European IT markets are characterised by a high level of PC penetration, hence growth is largely driven by replacement and desktop-to-portable substitution and is expected to be flat or slightly negative. In 2005 in Central and Eastern Europe and the former Soviet Union only an average 12.0 per cent. of the population owned PCs, compared to the European average of 30.0 per cent. and 79.0 per cent. in the U.S., according to Gartner. Low levels of PC ownership, combined with strong position of local PC manufacturers in these markets are expected to fuel sector's growth. IDC expects the CEE PC market to have a CAGR of 14.0 per cent. in volume and 13.6 per cent. in value over the five-year forecasted period to reach 24,700,000 units worth U.S. \$21.7 billion in 2010.

### **Competitive Landscape**

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

In the opinion of the Company, in Europe, Middle East and Africa, considered as one market, there are no companies which could constitute a strong competition towards the Group. In 2005, the total desktop PC market size in Central and Eastern Europe and the former Soviet Union was estimated by Gartner to be 14.1 million units, into which the Group sold 3.1 million CPUs and 3.0 million hard drives. The Directors consider that the Group is widely recognised as the number one regional IT distributor in Central and Eastern Europe.

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

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

- Elko (Riga) in the Baltic States, Adriatic region, Russia and Ukraine;
- Kvazar Micro and Millennium Distribution in the former Soviet Union;
- ABC Data (a subsidiary of Actebis) and Action in Poland;
- ATC and BGS Levi in the Czech Republic and Slovakia; and
- CT Group and MSAN in the Balkans and Adriatic region.



## **DESCRIPTION OF THE OFFER SHARES AND APPLICABLE CYPRIOT AND POLISH LEGISLATION**

The Company was incorporated and registered in a register kept by the Ministry of Trade, Industry and Tourism of the Republic of Cyprus, as a private limited company on 9 November 1995 under the name ASBISc Enterprises Limited with registered number 75069. It changed its legal status to a joint-stock company and name to ASBISc Enterprises Plc on 4 September 2006.

The following is an overview of the key issues relating to the Company in light of its Articles of Association and the applicable provisions of Cypriot law. In the Company's judgment, there are significant differences between the provisions of Cypriot and Polish laws applicable to joint stock companies, and given their scale and the large disparities between the legal systems of the two countries, it is inadvisable to discuss those differences in detail in this Prospectus. Therefore, the information provided below is the information which the Company considers to be essential. However, any potential investor, on its own, must consider the risk involved in investing in the securities issued by the Company, governed by Cypriot law. Investors should consult relevant advisors and individually assess the risk related to an investment in shares of the Company. Descriptions provided in the Prospectus should not be treated as a precise legal/comparative analysis of the provisions of Polish and Cypriot laws. In particular conclusions derived based on the description below may not fully reflect a proper interpretation of the laws of the Company's home country.

### **Articles of Association and Company's Objectives**

The Company's principal objective is to carry on the business of trading in and distributing computer hardware and software. The Company's business is conducted pursuant to its Articles of Association (Article 3) and Memorandum of Association (Article 3). The objectives of the Company are set out in full in its Memorandum of Association, which is attached as Annex A. Except for the Articles and Memorandum of Association there are no additional by-laws or regulations relating to the Company.

### **Share capital**

As at 1 January 2004 and 2005 and as at 31 December 2004 and 2005 the authorised, issued and fully paid share capital of the Company consisted of 40,000,000 shares each having a nominal value of U.S. \$0.20 and 8,000,000 preference shares with a nominal value of U.S. \$0.20 per preference share. On 4 September 2006 by a special resolution passed at an extraordinary general meeting of the shareholders of the Company the 8,000,000 preference shares were converted to 8,000,000 ordinary shares with a nominal value of U.S. \$0.20 each. The shares subject to the conversion were preferred as to the distribution of capital in the event of liquidation of the Company. Therefore, as at 31 December 2006, the issued and fully paid share capital of the Company consisted of 48,000,000 shares each having a nominal value of U.S. \$0.20.

As at the date of this Prospectus, the Company's authorised share capital amounted to U.S. \$12,600,000, divided into 63,000,000 shares each having a nominal value of U.S. \$0.20 per Share, and the Company's issued share capital amounted to US \$9,600,000, divided into 48,000,000 fully paid shares. Since 2004, none of the shares in the share capital of the Company have been paid in any form of asset other than cash.

The Offer Shares, in particular the New Shares, to be issued and made available pursuant to the Offer will, following the Closing Date, rank *pari passu* in all respects with the other issued shares of the Company and will carry the right to receive all dividends and distributions declared, made or paid on, or in respect of, all the Company's.

### **Convertible and exchangeable securities or securities bearing warrants, and information regarding the principles and procedures for their exchange, conversion or subscription**

Other than described in this Prospectus, the Company has not issued any convertible or exchangeable securities or securities bearing warrants, bonds convertible to shares or senior bonds.

### **Any subscription rights and obligations relating to authorized capital or obligations to increase share capital**

The Company's Charter envisages the possibility of increasing the Company's share capital within the boundaries of authorized capital by a decision of the Board of Directors (Article 4.1. of the Articles of Association). If the ceiling of authorized capital is reached, a shareholders' resolution passed by the qualified three-fourths majority shall be required for increasing the Company's authorized share capital. No rights nor obligations exist in relation to the authorized share

capital. Within the authorized share capital the Board of Directors may, at any time, issue additional shares. Any such additional shares issued within the authorized capital are subject to the pre-emption rights of the existing shareholders, which may be waived in a General Meeting.

### ***Form of shares***

The shares are registered shares. The shares have been issued under, and are governed by, the laws of Cyprus. The Company maintains a register in which the names and addresses of all shareholders are recorded, showing the date on which they acquired the shares, the date of the acknowledgement or notification and the amount paid on each share. The names and addresses of those with a right of usufruct or a pledge on shares are also registered. Extracts from the register are made free of charge upon the application of a shareholder, a holder of a right of usufruct or a pledgee. After the listing of the Company's shares on the WSE the shares will remain in registered form and the Company will continue to maintain a share register. In order to be entered into the share register, the Company's shareholders holding their shares in dematerialized form through securities accounts with participants of the NDS shall present to the Company depository certificates issued in accordance with the relevant provisions of the Act on Trading, accompanied by a sworn English translation as evidence of shareholding. In order to maintain their entry on the share register the relevant shareholder should present to the Company depository certificates issued in accordance with the relevant provisions of the Act on Trading, accompanied by a sworn translation every year by end of February of the relevant year. However, in case the shareholder does not apply to the Company to be entered into the share register, this will not effect the shareholder's ability to exercise any of its corporate rights attaching to its shares.

In particular, pursuant to Article 11.5(b) of the Company's Articles of Association with regards to any share which is being held in uncertificated form, any provision in the Company's Articles of Association which is inconsistent with (1) the holding of and transfer of title to that share in uncertificated form by means of a relevant system; (2) the exercise of any powers or functions by the Company or the effecting by the Company of any actions by means of a relevant system; or (3) any other provisions of the law or any law relating to the shares held in uncertificated form, shall not apply. For example, Section 28 of the Company Law which provides that the Board of Directors must refuse to recognize the transfer of shares if the instrument of transfer is not lodged, duly stamped at the office accompanied by the certificate of the shares to which it relates will not be applicable to dematerialized shares as the validity of the transfer will depend on the settlement of the transfer within the NDS depository system (Please see "Dematerialization of shares for the purposes of trading on the WSE" below). In addition, Article 73 of the Company's Articles of Association which provides that the register of transfer will be closed for a stated period for determining which shareholders are entitled to notice or to vote at a general meeting shall not apply to holders of dematerialized shares since their eligibility to vote and exercise other such rights will be evidenced by a certificate issued by participants of the NDS. It should be emphasized that due to the planned listing of the Company's shares on the WSE and the existing listing of a portion of such shares on the AIM market, it is impossible for the Articles of Association to define the terms for exercising the rights attached to dematerialized shares in more detail. This is specifically due to the need to comply with the requirements imposed on listed companies both on AIM and on the WSE, as well as the need to avoid a potential conflict of standards, which might occur.

### **Dematerialization of shares for the purposes of trading on the WSE**

Pursuant to the Polish Act on Public Offering, securities which are offered in a public offering or admitted to trading on the WSE, must exist in uncertificated form as of the date of their registration under the relevant depository agreement (dematerialization). In particular, before the commencement of a public offering or trading on a regulated market, an issuer of securities is obliged to conclude an agreement to register the securities offered in a public offering or to be listed and traded on a regulated market with the National Depository for Securities (with its registered seat at ul. Książęca 4 in Warsaw). Therefore, no shares of the Company in physical form will be issued to their holders in Poland, however, share deposit certificates evidencing the shares may be issued at the request of the holder.

Pursuant to Article 9 of the Act on Trading, a share deposit certificate confirms the title to exercise all rights arising from the securities, which are not or cannot be exercised purely on the basis of entries in a securities account. At the same time, investors should note that the rights vested by the Company's shares are not executed with the use of a share deposit certificate. In particular, the provisions of the Act on Trading referred to above, which authorizes a shareholder to exercise certain of its rights with the use of a deposit certificate is a Polish corporate law regulation. However, the Company will accept such a deposit certificate as evidence of shareholding for the purposes of voting at general meetings.

The rights attached to dematerialized securities under Polish law accrue as of the moment such securities are first registered in a securities account and inure to the benefit of the account holder. Under an agreement on the transfer of

dematerialized securities, such securities shall be transferred as of the moment the relevant entry is made in the securities account. If the record date as at which the holders of rights to benefits from dematerialized securities are determined falls on or after the date on which the transaction should be settled at the depository of securities, and the securities continue to be registered in the transferor's account, the benefits inure to the benefit of the transferee and accrue as of the moment the securities are registered in the securities account of the transferee. If the dematerialized securities are acquired by virtue of a legal event which results in the transfer of such securities by operation of the Polish Act on Public Offering, such securities shall be registered in the transferee's account at the request of the transferee. The registration of securities in a securities account is effected after the registration of the transfer of securities between the relevant deposit accounts.

### **Issue of shares and pre-emption rights**

The Board of Directors has the right, at its absolute discretion, to issue or generally dispose of any shares for the time being unissued and not allotted (i.e. the shares that can be issued within the authorized share capital of the Company), and any new shares from time to time to be created, to such persons, at such times and under such terms, conditions and restrictions which it deems to be most beneficial to the Company.

Under the Cypriot Companies Law, Cap. 113 (the "**Cypriot Companies Law**") all new shares in the Company issued in consideration of cash must be offered in the first instance to the existing shareholders on a certain date as determined by the Directors and in proportion to their participation in the share capital of the Company. Each shareholder will have no less than 14 days following its receipt of the notice of the offer, which notice will identify the proposed terms and conditions of the offer, to notify the Company of its desire to exercise its pre-emption right on the same terms and conditions proposed in the notice. The Company may by ordinary resolution of a general meeting, before the issue of such new shares, disapply the shareholders' pre-emption rights as to the issue of such new shares.

The pre-emption rights with respect to the New Shares were waived pursuant to the resolution of the general shareholders meeting of 23 April 2007.

As a result of listing of the shares in the Company on the WSE, the Company will also be obligated to comply with certain regulations of the NDS regarding the exercise of pre-emptive rights. In particular, pursuant to NDS regulations as of the date of the Prospectus, the Company will be obliged to immediately notify the NDS if the Company passes a resolution increasing the share capital and pre-emptive rights of the existing shareholders are not waived. In particular, the Company will have to agree with the NDS the detailed procedure by which the shareholders will exercise their respective pre-emptive rights and deliver all required information and documents, subject to Article 4.2 of the Company's Articles of Association, which require that the shareholders be given at least 14 days to decide whether or not to exercise their respective pre-emptive rights.

### **Alteration of capital**

- (a) The Company may from time to time by ordinary resolution:
  - (i) increase the share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe;
  - (ii) consolidate and/or split all or any of its shares into different denominations than existing shares in accordance with the relevant provisions of the Cypriot Companies Law; and/or
  - (iii) cancel any shares which, at the date of the passing of the resolution, have not been subscribed.
- (b) The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner and with, and subject to, any incident authorized, and consent, required by the Cypriot Companies Law.

### **Transfer of shares**

In accordance with the articles of association, any shareholder may transfer all or any of its shares by instrument in writing in any usual or common form, or any other form, including electronic form, which the Directors may approve.

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

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

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

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

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

In relation to any share which is in uncertificated form (including the Company's Shares, which will be dematerialized due to their admission to trading on the WSE), these rules shall have effect subject to the following provisions:

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

### **Reserves**

The Company's articles of association do not require the formation or maintenance of reserves.

Under Cypriot law, statutory reserves are required in certain cases. If a legal person revalues an asset at a higher amount, such legal person shall include in its balance sheet a revaluation reserve equal to the difference in the book value before and after the revaluation. Revaluation reserves may be converted into share capital.

### **Board of Directors**

The management of the business and the conduct of the affairs of the Company are vested in the Directors who act as a board. The decisions of the Board of Directors are made by majority voting. In case of an equality of votes, the Chairman shall have a casting vote. The Board of Directors may delegate any of its powers to individual Directors or committees. See Articles 104 - 107 of the Articles of Association attached as Annex A for further detail regarding the Board of Directors of the Company.

There shall be a minimum of three Directors and there shall be no maximum number of Directors, some of whom will be independent non-executive Directors. The Company may by ordinary resolution increase or decrease the number of Directors from time to time. An alternate Director is not counted in determining the number of Directors. Currently there are six Directors, of which two are non-executive Directors. Executive Directors are employees of the Company whereas non-executive Directors are independent.

The Company may by ordinary resolution appoint a person who is willing to act as a Director. In addition, the Board of Directors shall have power at any time to appoint any person who is willing to act as a Director. At each annual general meeting, one-third of the Directors who are subject to retirement shall retire by rotation but are eligible for re-election. The Company may by ordinary resolution remove a Director from office before his or her retirement.

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

Each Director shall have the power from time to time to nominate another Director or any person, not being a Director, to act as his or her alternate Director and shall, at his or her discretion, remove such alternate Director.

Under section 191 of the Cypriot Companies Law every director who has an interest in an agreement must declare his interest in writing at the meeting of the board at which the agreement is to be discussed. Failure by a director to disclose his interest is a criminal offence. In addition article 110 of the Articles provides as follows:

- (a) A Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall declare the nature of his interest at a meeting of the Directors in accordance with section 191 of the Law.
- (b) Any decision in respect of a contract or arrangement in which any of the Company's Directors are interested shall be approved at a meeting of Directors provided that at least one of the independent non-executive Directors is present at such meeting.
- (c) A Director, notwithstanding his interest in the Company, may be counted in the quorum present at any meeting at which he or any other Director is appointed to act as a Director or to hold any such office or place of profit under the Company or at which the terms of any such appointment are arranged, and each of the Directors concerned will be entitled to vote and be counted in the quorum except as regards his own appointment.

### **General meeting**

The Company is required each year to hold a meeting as its annual general meeting, in addition to any other meetings in that year, and shall specify the meeting as such in the notices calling it. Not more than fifteen months shall elapse between the date of one annual general meeting of the Company and that of the next.

An annual general meeting, and a meeting for the passing of a special resolution, shall be called by at least twenty one days' notice in writing, and all other meetings shall be called by at least fourteen days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given. It shall specify the place, the day and the hour of meeting and in cases of special business, the general nature of that business.

The Company shall publish in Poland information of any general meeting to be convened within the time periods described above through a Current Report. The Current Report shall contain the proposed date, place and the agenda of the meeting, as well as information regarding the Record Date (as defined below) and other details relating to the general meeting resulting from applicable Cypriot and Polish regulations.

Under Cypriot law, the accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice, shall not invalidate the proceedings at that meeting.

A meeting of the Company shall, notwithstanding that it is called by a shorter notice period than that specified in the articles of association, be deemed to have been duly called if, in the case of a meeting called as the annual general meeting, such is agreed by all the shareholders entitled to attend and vote, or, in the case of any other meeting, such is agreed by a majority of the shareholders having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

As at the date of the approval of this Prospectus, the Company's articles of association do not provide for general meetings to be held outside Cyprus. After the completion of the Offer, the Company may consider amending its articles of association to allow for general meetings to be held outside of Cyprus and in particular to be held in Poland.

General meetings are held in English.

## Voting rights

Each share confers the right to cast one vote.

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

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

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

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

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

As at the date of the approval of this Prospectus, all shares have equal rights.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Adoption of resolutions by the general meeting**

To the extent that the law or the Company's articles of association do not require a qualified majority, all resolutions of the shareholders are adopted by a simple majority of more than half of the votes cast.

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

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

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

If a poll is duly demanded, it shall be taken in such manner as the chairman of the meeting directs, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

In the case of an equality of votes, whether on a show of hands or by an oral declaration or on a poll, the chairman of the meeting shall have the casting vote. If there is no necessary majority of votes on a resolution, the resolution will stand defeated.

No voting rights may be exercised for any share held by the Company or a subsidiary of the Company.

### **Adoption of annual accounts**

The Company's fiscal year is the calendar year. The Directors shall from time to time, in accordance with sections 142, 149, 151 and 152 of the Cypriot Companies Law, cause to be prepared and to be laid before the Company in a general meeting such complete sets of financial statements and Group financial statements (if any) according to the International Accounting Standards and reports as are referred to in those sections.



A copy of every set of financial statements (including every document required by Cypriot Companies Law to be annexed thereto) which is to be laid before the Company in a general meeting, together with a copy of the Directors' and Auditors' report, shall be sent to every shareholder and every holder of debentures of the Company not less than twenty-one days before the date of the meeting.

The annual accounts are signed by the Board of Directors and must be approved at the general meeting. The annual accounts will be available at the Company's seat for inspection by the shareholders. For the holders of dematerialized shares who are not listed on the Company's share register, the annual accounts of the Company will be available for inspection at the Company's subsidiary in Poland, at Platan Park II, Ul. Poleczki 23, 02-822 Warsaw, upon presentation of a certificate evidencing their shareholding.

### **Legal Challenge of Resolutions adopted by the General Meeting**

A Shareholder can challenge the validity of a resolution in a court of competent jurisdiction if the resolution is contrary to applicable legislation, regulations, the articles of association or amounts to oppression on the minority.

For the purposes of the Company, the District Court of Limassol, Cyprus, where the Company has its seat, is deemed a court of competent jurisdiction.

The application to the court should be made in the Greek language. The shareholder may decide to use a Cyprus registered lawyer for the purposes of his application, or he may choose to represent himself.

If the court finds in favor of the petitioner/shareholder, the resolution will be nullified and the legal costs will usually be borne by the Company. Otherwise the legal costs will be borne by the petitioner/shareholder.

### **Dividends**

Allocation of profits accrued in a fiscal year is determined at the general meeting. Distribution of profits may follow the adoption of the annual accounts, if legally permissible. Shareholders at the general meeting may resolve to make interim distributions and/or to make distributions at the expense of any reserves of the Company. The Board of Directors may also decide to make a distribution of such interim dividends as appear to the Directors to be justified by the profits of the Company. Interim dividends can only be based upon profit for the current trading year.

Cypriot law does not limit distributions of profits. The Company may however decide to capitalize profits in which case profits cannot be distributed.

The Company may declare dividends at general meetings, but no dividend shall exceed the amount recommended by the Board of Directors. No dividend shall bear interest against the Company. Any dividend unclaimed after a period of twelve (12) years from the date the dividend became due for payment shall be forfeited and shall revert to the Company. All unclaimed dividends or other monies payable by the Company in respect of a share may be invested or otherwise made use of by the Board of Directors for the benefit of the Company until claimed. The payment of any unclaimed dividend or other amount payable by the Company in respect of a share into a separate account shall not constitute the Company a trustee in respect of it.

If, in respect of a dividend or other amount payable in respect of a share:

- a. a cheque, warrant or money order is returned undelivered or left uncashed; or
- b. a transfer made by or through a bank transfer system and/or other funds transfer system(s) (including, without limitation, the Uncertificated System in relation to any uncertificated shares) fails or is not accepted,

on two consecutive occasions, or one occasion and reasonable enquiries have failed to establish another address or account of the person entitled to the payment, the Company shall not be obliged to send or transfer a dividend or other amount payable in respect of such share to such person until he notifies the Company of an address or account to be used for such purpose.

The policy of the Company is to announce its intention to pay dividends and set a day (the ex-dividend day) which will be used to ascertain which shareholders are entitled to be paid a dividend (the "**Determination Date**"). The Determination Date is usually 6 days after the announcement of the intention to pay a dividend. The dividend should then be paid within 20 days of the associated record date, which is 2 days after the Determination Date.

After the shares are listed on the WSE the Company will also comply with the relevant provisions of the NDS regulations. In particular, pursuant to NDS regulations as of the date of the Prospectus, the Company will be obliged to notify the NDS of the amount of the dividend for each share, the Determination Date and the date of payment of the dividend (the "Payment Date") by providing the NDS with an appropriately adopted resolution, not later than 10 working days before the Determination Date. In addition, the Payment Date has to be at least 10 working days after the Determination Date. The Company intends to comply with all relevant provisions of the NDS regulations and, in particular, the Company will agree with the NDS on the Determination and Payment Dates before any dividend payment is declared by the general meeting.

Dividends will only be forwarded to the shareholders who (i) hold certificated shares and (ii) are listed on the share register of the Company. With respect to shareholders holding their shares in dematerialized form through securities accounts with participants of the NDS, the dividend will be paid through the facilities of the NDS in accordance with its standard regulations, regardless the fact whether such shareholders were entered into the share register held by the Company.

In general, the Company will forward to the NDS the aggregate amount of the dividend corresponding to the total number of shares being held in dematerialized form through securities accounts with participants of the NDS. The NDS will then transfer the dividends to its participants who, in turn, will credit cash accounts of their clients.

Dividends are paid once a year with the exception of any interim dividends that may be declared.

For more information regarding the Company's policy with respect to dividends, see "*Dividends and Dividend Policy*".

#### **Purchase of own shares**

Subject to law and to any rights attached to any shares, the Company may purchase, or enter into a contract under which it will or may purchase, any of its own shares of any class by way of a special resolution.

- The special resolution must specify the terms, the manner and the maximum number of shares to be acquired.
- The total nominal value of the shares held at any one time by the Company must not exceed 10% of the Company's issued share capital or the amount representing 25% of the average value of the price of the Company's shares for the 30 days preceding such purchase.
- The consideration for acquiring the shares must be paid out of undistributed profits.
- The shares cannot be held by the Company for more than a period of two years commencing on the date of such purchase.

Any shares purchased by the Company shall have their voting and dividend rights suspended. In case the Company sells such shares, the shares will regain their voting and dividend rights, however the dividend rights will not be retroactive and the acquirer of such shares will not be entitled to the dividend declared during the time the shares were held by the Company as a treasury shares.

#### **Amendment of the Company's Articles of Association**

The shareholders may resolve at a general meeting to amend the company's articles of association by a special resolution.

#### **Reduction of Capital**

The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account, in any manner and with, and subject to, any incident authorised, consented or required by Cypriot law.

Following the adoption of a special resolution for the reduction of capital, the Company must apply to the Cypriot courts for ratification of the special resolution. The Court must take into account the position of the creditors of the Company in deciding whether to ratify the resolution. Once the Court ratifies the resolution, the court order, together with the special resolution, are filed with the Cypriot Companies Registrar.

## **Liquidation**

The Company may be dissolved pursuant to a special resolution passed by the shareholders at a general meeting. A proposal to dissolve the Company at a general meeting must be stated in the notice of such meeting. The balance remaining after payment of the debts of the dissolved Company following dissolution shall be transferred to the shareholders in proportion to the aggregate nominal value of the shares held by each. Cypriot laws on liquidation would also be applicable.

If the Company is wound up and the assets available for distribution are of an amount insufficient to repay the whole of the paid up capital, the assets shall be distributed so that, as nearly as may be, the losses shall be borne by the shareholders in proportion to the capital paid up, or which ought to have been paid up at the commencement of the winding up, on the shares held by them respectively.

If, in a winding up, the assets available for distribution among the shareholders are more than that required to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed among the shareholders in proportion to the capital paid up, or which ought to have been paid up at the commencement of the winding up, on the shares held by them respectively.

## **Dominant Position under Cypriot Law**

Dominant position in accordance with Law 207.1989 as amended from time to time, in relation to an enterprise means the position of economic power that the enterprise enjoys, that makes it capable of preventing the maintenance of effective competition in the market of a specific product and it enables it to act, in a significant degree, independently of its competitors and its clients and ultimately independently of the consumers.

## **Significant Ownership of Shares and other relevant provisions under Polish law**

The Company is incorporated under the laws of Cyprus and is therefore subject to the provisions of Cypriot laws. As a consequence, all legal matters regarding the Company as a corporate entity, and in particular its valid existence as a legal entity, its legal capacity and authority to take action, authority to issue and validity of shares, internal organization and operational rules, are governed by the laws of Cyprus. Matters relating to the Company's status as a company and its relationship with stockholders also are generally governed by the Cypriot securities laws.

The Company's Shares will be listed on the WSE and certain Polish laws and regulations also will be applicable to some of these matters. Investors should be aware that, in connection with certain Polish regulations, in particular those on the trading of securities admitted to trading on the organized market in Poland and international private law regulations, controversies may arise regarding the possible application of Polish legal regulations to the Company and its stockholders in respect of exercising rights and performing obligations under Polish law. Because the Act of Public Offering contains regulations of an administrative as well as a corporate nature, only certain of these provisions will apply to the Company's stockholders, and, at the same time, a case by case assessment will be required to determine the possible consequences of the respective regulations on the Company and its stockholders. The interaction of Cypriot and Polish legal considerations relating to the Company and its shareholders may be complex and in many instances an unambiguous answer may not be available. Accordingly, potential investors are urged to consult their own legal advisors before making an investment decision in respect of the Company's shares.

The following description of Polish laws, and the rights and obligations of stockholders arising thereto is a summary of the material provisions of these matters and does not purport to be complete statement of the rights and obligations of holders of the shares under the applicable provisions of Polish law.

## **Rights and obligations attached to the shares as provided in the Polish Act on Public Offering**

Trading in shares in Poland is subject to the regulations contained in the Polish Act on Public Offering, and secondary regulations. A general overview of these regulations is presented in this section. The main obligations related to the holding and acquisition of large blocks of shares in a public company as defined in the Polish Act on Public Offering are described below. Investors are urged to seek legal advice prior to acquiring any significant block of shares or entering into any agreement with other stockholders with respect to exercising voting rights vested by a significant blocks of shares.

### *The entities subject to obligations relating to the acquisition of significant blocks of shares*

The obligations set forth in the Act on Public Offering relating to the acquisition of significant blocks of shares are imposed on any entity that acquires or intends to acquire or dispose of shares in a public company and certain other entities enumerated in the Art. 87 of the Act on Public Offering. The obligations specified in the provisions of the Act on Public Offering arise also if the voting rights are attached to: (1) securities comprising collateral; unless the entity for the benefit of which the collateral is established has the right to exercise the voting rights and has declared its intention to do so, in which case the voting rights are deemed to be held by the entity for the benefit of which the collateral was established; (2) shares which confer voting rights on a given individual personally and for life; (3) securities deposited or registered with an entity which may dispose of them at its own discretion.

### *Calculation of ownership percentages*

For the purpose of calculating a large shareholding the Act on Public Offering refers to the voting rights held by each shareholder (i.e., the number of votes held in relation to the total number of votes at the shareholders' meeting), and not to the share percentage held in the listed company's share capital. Voting shares of all classes are aggregated. For the purposes of calculating the number of votes, it is assumed that all shares give full voting rights, even if such voting rights are restricted or excluded by an agreement, or by the articles of association of a listed company or by applicable laws.

### *Mandatory disclosure of changes in the ownership of shares in public company*

Pursuant to the Act on Public Offering, an entity that (a) achieves or exceeds 5%, 10%, 20%, 25%, 33%, 50% or 75% of the total votes in a public company, or (b) holds at least 5%, 10%, 20%, 25%, 33%, 50% or 75% of the total vote in a public company, and as a result of a reduction of its equity interest, holds 5%, 10%, 20%, 25%, 33%, 50% or 75% or less of the total votes, respectively, should notify the Polish Commission and the company of such fact within four days from the date of a change in such stockholder's share in the total votes, or from the date on which the stockholder becomes, or by exercising due care could have become, aware of such change.

A notification requirement also arises with respect to an entity that: (a) held over 10% of the total votes and this share changes by at least (I) 2% of the total vote (in the case of a public company whose shares have been admitted to trading on the official stock-exchange listing market); or (ii) 5% of the total votes (in the case of a public company whose shares have been admitted to trading on a regulated market (other than the official stock exchange market)); (b) held over 33% of the total votes and this share changes by at least 1%.

The notification requirements referred to above do not apply if upon the settlement in the depository for securities of a number of transactions executed on the regulated market on a single day, the change in the stockholder's share in the total votes at the end of the settlement day does not result in reaching or exceeding any threshold which triggers the notification requirement. The Act on Public Offering sets forth details on the required scope of information to be included in a notification addressed to the Polish Commission and the public company affected.

### *Obligation to acquire shares by way of a public tender offer for sale or exchange of shares in a public company under the Polish Act on Public Offering*

Tender pursuant to Art. 72 of the Polish Act on Public Offering:

According to the Polish Act on Public Offering, an acquisition of shares in a public company in a number resulting in increasing the aggregate number of votes by more than: (i) 10% of the total number of votes within less than 60 days by an entity whose share in the total number of votes was lower than 33%; (ii) 5% of the total number of votes within less than 12 months by an entity whose share in the total number of votes was lower than 33%, may only be effected by announcing a tender for the sale or exchange of such shares.

At the same time, the Polish Act on Public Offering stipulates that if in the periods shorter than 60 days or 12 months, an increase of the share in the total number of votes by, respectively, more than 10% or 5% occurred as a result of a legal occurrence other than a legal transaction, the stockholder is obligated to effect, within three months of such occurrence, the disposal of such number of shares as will reduce the increase below, respectively, 10% or 5% of the number of votes.

*Tender based on Art. 73 of the Polish Act on Public Offering:*

Pursuant to Art. 73 of the Polish Act on Public Offering, as a general rule, a stockholder may exceed 33% of the total votes in a public company only as a result of a tender offer to sell or exchange shares in such company, concerning a number of shares which confers the right to at least 66% of the total vote, unless the 33% threshold is to be exceeded as a result of a tender offer for the sale or exchange of all remaining shares, in excess of 66% of the total number of votes.

If a stockholder exceeds the 33% threshold as a result of an acquisition of shares in a public offering, a non-cash contribution to the company, merger or demerger of the company, the introduction of amendments to the company's articles of association, expiry of preference rights attached to shares, or otherwise as a result of a legal event other than a legal action, the stockholder shall, within three months from exceeding the 33% threshold: (1) announce a tender offer to sell or exchange the company's shares, concerning a number of shares conferring the right to at least 66% of the total votes; or (2) dispose of a sufficient number of shares as to hold shares conferring the right to no more than 33% of the total votes; unless within that period such stockholder's share in the total vote decreases below 33% as a result of a share capital increase, the introduction of amendments to the company's articles of association, or the expiry of preference rights attached to shares.

If a stockholder exceeds the 33% threshold as a result of inheritance, then the obligation referred to above applies only if following such an acquisition the stockholder's share in the total votes increases further. The time to perform the obligation commences on the day of the event leading to an increase in the stockholder's share in the total vote.

*Tender pursuant to Art. 74 of the Polish Act on Public Offering:*

Pursuant to the Polish Act on Public Offering, as a general rule, a stockholder may exceed 66% of the total vote in a public company only as a result of a tender offer to sell or exchange the remaining shares in the company.

If the threshold of 66% of the total number of votes is exceeded as a result of an acquisition of shares in a public offering, non-cash contribution to the company, merger or de-merger of the company, the introduction of amendments to the company's charter, expiry of preference rights attached to shares, or otherwise as a result of a legal event other than a legal action, the stockholder shall, within three months from exceeding the 66% threshold: (1) announce a tender offer to for sale or exchange the remaining shares in the company; or (2) dispose of a such number of shares as to hold shares conferring the right to no more than 66% of the total votes; unless within that period such stockholder's share in the total vote decreases below 66% as a result of a share capital increase, amendments to the company's articles of association, or the expiry of preference rights attached to shares.

If within six months from a tender offer for the sale or exchange of all remaining shares of a public company a stockholder acquires further shares in the company at a price higher than the price set in the tender offer other than by way of a tender offer, then the stockholder shall, within a month from such acquisition, pay the difference in the share price to all persons that sold shares by accepting the tender offer, except for certain persons who accepted the tender offer and from whom shares constituting at least 5% of all shares of the public company were acquired at a reduced price, where the entity announcing the tender and such person decided to reduce the share price.

If a stockholder exceeds the 66% threshold as a result of inheritance, then the obligation to announce a tender offer or to dispose of shares, as referred to above, shall apply only if following such acquisition the stockholder's share in the total vote increases further; the time for the performance of the obligation commences on the day of the event leading to an increase in the stockholder's share in the total votes.

*Additional regulations regarding tender offers under Art. 72-74 of the Polish Act on Public Offering*

A tender offer may be announced after collateral is created for not less than 100% of the value of the shares covered by the tender offer. The collateral should be documented with a certificate issued by a bank or another financial institution which granted, or intermediated in the granting of, the collateral. A tender offer should be announced and carried out through an entity conducting brokerage activities in the Poland. The price in the tender offer must be determined in accordance with the rules set out in detail in Art. 79 of the Polish Act on Public Offering.

Upon receipt of the notification of the intention to announce a tender offer, the Polish Commission may, not later than three business days before opening the subscription period, request that within a specified period of not less than two days, the tender offer be amended or supplemented as necessary or that clarifications of its wording be provided. The

opening of the subscription period under a tender offer shall be suspended until the entity obligated to announce the tender offer completes the actions specified in the request referred to in the preceding sentence.

A tender offer may not be abandoned, unless another entity announces a tender offer for the same shares after the first tender offer has been announced. A tender offer for the remaining shares in a given company may be abandoned only if another entity announces a tender offer for the remaining shares in the company at a price not lower than the price of the first tender offer.

In the period between the notification of the intention to announce a tender offer and the closing of the tender offer: (a) the entity obligated to announce the tender offer; (b) its subsidiaries; (c) its parent entity; or (d) parties to an agreement concluded with the entity obligated to announce the tender offer regarding the acquisition of a public company's shares by these entities, or voting in concert at the general shareholders' meeting of that company on matters significant for that company:

- (i) may acquire shares in the company whose shares are covered by the tender offer only as part of the tender offer and in a manner defined therein;
- (ii) may not dispose of shares in the company whose shares are covered by the tender offer, or enter into any agreement under which they would be obligated to dispose of the shares, during the tender offer.

After the tender offer is announced, the entity obligated to announce the tender offer and the management board of the company whose shares are covered by the tender offer, shall provide information on the tender offer, including the wording of the tender offer document, to the representatives of trade unions active at the company, and if there are no such trade unions at the company, directly to employees.

Additionally Art. 75 of the Polish Act on Public Offering sets forth certain exemptions from the obligation arising under the Arts. 72-74 thereof.

### **Regulations dealing with squeeze-out contained in Polish Act on Public Offering**

Pursuant to Art. 82 of the Polish Act on Public Offering, a stockholder in a public company that, on its own or together with its subsidiaries or parent companies or with companies with which it has entered into a verbal or written agreement on the purchase of shares or concerted voting at the general stockholders' meeting on material issues, reaches or exceeds 90% of the overall number of votes in such public company, may demand that the remaining stockholders sell all the shares held by them to such stockholder. The squeeze-out price is determined using certain provisions of the Polish Act on Public Offering concerning the determination of a share price under a tender offer. The purchase of shares in a squeeze-out takes place without the consent of the stockholder to which the demand to sell is addressed.

### **Regulations dealing with sell-out contained in the Polish Act on Public Offering**

Pursuant to Art. 83 of the Polish Act on Public Offering, a stockholder in a public company may demand that another stockholder, which has reached or exceeded 90% of the total number of votes, purchase from it the shares it holds in such company. The written demand from the selling stockholder shall be satisfied jointly by the stockholder that reached or exceeded 90% of the overall number of shares and by its subsidiaries and parent entities. The requirement to purchase the shares shall also rest jointly with any party to a verbal or written agreement on the purchase of shares in a public company by its parties or on concerted voting at a general stockholders' meeting on material issues of such company, provided the parties to such agreement command in aggregate, together with parent entities or subsidiaries, not less than 90% of the overall number of votes. The period to fulfil the demand referred to in the preceding paragraph is 30 days. The sell-out price is determined using certain provisions of the Polish Act on Public Offering, concerning the determination of the share price under a tender offer.

### **Insider Trading and Manipulation**

The Polish Act on Trading in Financial Instruments of July 29, 2005 (Dz. U. 2005.183.1538 as amended) (the "Act on Trading") prohibits the misuse of insider information. The Act on Trading defines insider information as any information of a precise nature, relating, whether directly or indirectly, to one or more issuers of financial instruments, one or more financial instruments, or acquisition or disposal of such instruments, which has not been made public and which, if made public, would be likely to have a significant effect on the prices of financial instruments or related derivative financial instruments. Pursuant to the Act on Trading an insider is any person who: (i) gains insider information by virtue of membership in the governing bodies of the company, by virtue of an interest in the capital of

the company, or as a result of having access to inside information in connection with employment, practices profession, or a mandate contract or any other contract of a similar nature (primary insider); or (ii) gains inside information through criminal activities, or (iii) gains inside information in any other manner if such person has known or, acting with due diligence, could have known such information to be insider information.

As a general rule, insiders are prohibited from: (i) buying or selling of financial instruments for one's account or for the account of a third party on the basis of inside information held by a given person, or any other legal transaction undertaken for one's own account or for the account of a third party which leads or might lead to disposal of such financial instruments; (ii) recommending or inducing the purchase or sale of the financial information concerned to third parties; and (iii) disclosing insider information to third parties unless required by law. Violation of the prohibition on the misuse of insider information is a criminal offence. Pursuant to the Act on Trading anyone who illegally discloses insider information, issues a recommendation or induces another person to acquire or dispose of financial instruments to which inside information relates may be liable to a fine of up to PLN 2,000,000 or a penalty of imprisonment for up to three years, or to both these penalties jointly. Moreover, anyone who buy or sell of financial instruments on the basis of insider information held, or undertake any other legal transaction which leads or might lead to disposal of such financial instruments; may be subject to a fine of up to PLN 5,000,000 or a penalty of imprisonment for a period from three months to five years, or to both these penalties jointly.

In addition to the abuse of inside information, the Act on Trading also prohibits market manipulation. Among others, market manipulation includes the manipulation of stock prices through real or fictive transactions and any other transactions or order or fraudulent representation or the dissemination of false or misleading information. Depending on the circumstances of a give case, a market manipulation may constitute either (i) an administrative offence penalized with a fine of up to PLN 200,000 or a pecuniary penalty of up to ten times the financial benefit gained, or both imposed on anyone who engages in the market manipulation or (ii) a criminal offence penalized with a fine of up to PLN 5,000,000 or a penalty of imprisonment for a period from three months to five years, or to both these penalties jointly.

### **Certain competencies of the Polish Commission**

Pursuant to Art. 16 of the Polish Act on Public Offering, in the event of either a violation or reasonably suspected violation of the provisions of law in connection with a public offering in the Republic of Poland by the issuer or other parties involved in this offering on the issuer's behalf or by engagement by the issuer, or a justified suspicion that such violation may occur, the Polish Commission may: (a) order that the commencement of the public offering be withheld or that the public offering be interrupted for a period up to 10 business days; or (b) prohibit the commencement of the public offering or its further continuation; or (c) publish, on the issuer's cost and expense, information on actions violating the laws in connection with the public offering.

Similarly, pursuant to Art. 17 of the Polish Act on Public Offering, in the event of either a violation or reasonably suspected violation of the provisions of law in connection with an application for securities to be admitted to trading on the regulated market in the Republic of Poland, committed by the issuer or other parties involved in the application procedure on the issuer's behalf or by engagement by the issuer, or a justified suspicion that such violation may occur, the Polish Commission may: (a) order that the admission of the securities to trading on the regulated market be withheld for a period up to 10 business days; (b) prohibit the admission of the securities to trading on the regulated market; or (c) publish, at the issuer's cost and expense, information on actions violating the laws in connection with the application for securities to be admitted to trading on the regulated market.

The measures described above may be applied by the Polish Commission also in a situation where it is inferred from the contents of the issue prospectus that: (a) the public offering of the securities or their admission to trading on the regulated market would materially breach the investors' interests; (b) the issuer was established with a material violation of law, and the consequences of such violation continue to apply; (c) the issuer's activities were or have been operated with a material violation of law, and the consequences of such violation continue to apply; or (d) the legal status of the securities does not comply with the provisions of law.

Following the discontinuation of the circumstances due to which a decision was issued by the Polish Commission, which: (a) ordered that the commencement of a public offering be withheld or that a public offering be interrupted; or (b) ordered that the admission of securities to trading on the regulated market be withheld; or (c) prohibiting the commencement of a public offering; or (d) prohibiting the admission of securities to trading on the regulated market, as well as the decisions referred to in the preceding paragraph, the respective decision may be repealed by the Polish Commission either upon the issuer's or selling shareholders application or by virtue of the Polish Commission's authority.

Pursuant to Art. 20 Section 1 of the Act on Trading, whenever required for the security of trading on the regulated market, or in the event of any threat to the investors' interests, the company operating the regulated market shall, upon the Polish Commission's request, withhold the approval for or the commencement of listing of the securities indicated by the Polish Commission for a period up to 10 days. Art. 20 Section 2 of the Act on Trading stipulates that, if the circumstances related to trading in specific securities indicate a possible threat to the proper functioning of the regulated market or to the security of trading on the regulated market or to the investors' interests, the company operating the regulated market shall, upon the Polish Commission's request, suspend the trading in such securities for a period up to one month. Under Art. 20 Section 3 of the Act on Trading, the company operating the regulated market shall, upon the Polish Commission's request, exclude securities indicated by the Polish Commission from trading if the trading in such securities materially threatens the proper functioning of the regulated market or the security of trading on the regulated market, or results in a breach of the investors' interests. At the same time, information on the suspension of trading in specific securities or their exclusion from trading is promptly published, through a news agency, by the company operating the regulated market.

### **Rights and obligations of a public company's stockholders in a merger**

#### *Antimonopoly Act*

Pursuant to the key provision of Art. 13 of the Polish Antimonopoly Act, an intention to concentrate entrepreneurs should be notified to the President of the Antimonopoly Office (the "UOKiK") if the aggregate global turnover of the participating entrepreneurs in the fiscal year preceding the year of notification exceeded the equivalent of EUR 1,000,000, or if the combined turnover of the participating entrepreneurs in the fiscal year preceding the year of notification in Poland exceeded the equivalent of EUR 50,000,000. The UOKiK President shall consent to a concentration that does not materially limit competition on the market, especially through the establishment or consolidation of a dominant market position. These turnover figures apply both to entrepreneurs directly engaged in the concentration and to other entrepreneurs in their capital groups.

The provisions of the Polish Antimonopoly Act apply not only to entrepreneurs as defined in the regulations governing the freedom of business activity, but also, pursuant to Art. 4 Clause 1 item c) of the Polish Antimonopoly Act, to natural persons exercising control, within the meaning of the provisions of the Polish Antimonopoly Act, over at least one entrepreneur, even if such natural person does not engage in business activity as defined in the regulations governing the freedom of business activity, if such a person takes further actions which are subject to concentration controls pursuant to the provisions of the Polish Antimonopoly Act. Pursuant to Art. 13 Section 2 Clause 2 thereof, the notification obligation referred to above applies, without limitation, to an intention to takeover, by way of purchasing or acquiring shares or other securities or in any other manner, direct or indirect control of one or more entrepreneurs by one or more entrepreneurs. Within the meaning of the Polish Antimonopoly Act, the taking over of control shall denote the obtainment of any form of direct or indirect rights which, individually or collectively taking into account all legal and factual circumstances, make it possible to exert a decisive influence on a certain entrepreneur or entrepreneurs.

The Polish Antimonopoly Act does not require an intended concentration to be notified if the turnover in Poland of the entrepreneur to be taken over did not exceed EUR 10,000,000 in either of the two fiscal years preceding the notification. In this case, turnover shall only be the turnover of the entrepreneur to be taken over and its subsidiaries.

Furthermore, pursuant to Art. 14 Polish Antimonopoly Act, no notification is required with regard to an intended concentration: (a) consisting in a temporary purchase or acquisition of shares by a financial institution for the purpose of their resale, if the scope of such institution's business activity includes investing in the shares of other entrepreneurs in its own name or on commission, provided such resale takes place before the end of one year from the date of purchase or acquisition, and provided that: (i) the institution does not exercise the rights vested in such shares other than the right to dividends; and (ii) it only exercises these rights for the purpose of preparing to sell all or part of the enterprise, its assets or the said shares; (b) consisting in a temporary purchase or acquisition of shares by an entrepreneur as security against receivables, provided that the entrepreneur does not exercise the rights vested in those shares, other than the right to sell them; (c) of entrepreneurs from the same capital group; (d) arising as an effect of insolvency proceedings, excluding the cases where control is to be taken over by the competitor or a participant of the capital group to which the competitors of the to-be-taken entrepreneur belong.

Art. 15 of the Polish Antimonopoly Act sets forth that a subsidiary entrepreneur effecting a concentration shall be deemed to be equivalent to the dominant entrepreneur effecting such concentration.

Pursuant to Art. 97 of Polish Antimonopoly Act, entrepreneurs whose contemplated concentration is subject to notification, are obliged to refrain from effecting the concentration pending the issuance by the UOKiK President of



a decision consenting to the concentration, or the expiry of the deadline by which such decision should be issued. The legal action based on which the concentration is to take place may be performed provided the UOKiK President has issued his consent to the concentration, or the deadlines set forth in the Polish Antimonopoly Act with regard to proceedings involving the concentration have expired. The implementation of the public offering to purchase or exchange shares, of which the UOKiK President has been notified, does not constitute a breach of the statutory obligation to refrain from effecting the concentration pending the issuance by the UOKiK President of a decision granting consent to the concentration or the expiry of the deadline by which the decision should be issued, if the purchaser does not exercise the voting rights vested in the shares purchased by them or does so solely for the purpose of preserving the full value of its capital investment or to prevent a material loss that might affect the entrepreneurs involved in the concentration.

#### *Concentration Regulations of the European Union*

A concentration of entrepreneurs operating in Poland may be directly subject to EU laws. The Concentration Regulation (EC) No 139/2004 of 20 January 2004 (OJ. L. 24.2004, referred hereinafter to as the "Concentration Regulation") applies to the concentrations that have a Community dimension, as defined in the Concentration Regulation. Pursuant to Art. 1 of the Concentration Regulation, a concentration is deemed to have a Community dimension if: (a) the combined aggregate worldwide turnover of all the undertakings concerned is more than EUR 5 billion; and (b) the aggregate Community-wide turnover of each of at least two of the undertakings concerned is more than EUR 250 million, unless each of the undertakings concerned achieves more than two-thirds of its aggregate Community-wide turnover within one and the same Member State. A concentration that does not satisfy the above criteria may still be deemed to have a Community dimension if: (a) the aggregate global turnover of all participating undertakings exceeds EUR 2.5 billion; (b) the aggregate turnover of all the participating undertakings exceeds EUR 100 million in each of at least three Member States; (c) in each of at least three Member States of the European Communities specified for the purposes indicated in item (b) above, the aggregate turnover of each of at least two of the participating undertakings exceeds EUR 25 million; and (d) the total turnover in the European Community of each of at least two of the participating entities exceeds EUR 100 million, unless each of the participating undertakings generates more than two-thirds of its aggregate intra-Community turnover in one and the same Member State.

According to Art. 3 of the Concentration Regulation, a concentration is deemed to be subject thereto where a permanent change of control occurs when: (a) two or more previously independent undertakings merge; or (b) one or more persons already controlling at least one undertaking, or one or more undertakings, acquire, whether by purchase of securities or assets or by contract or by any other means, direct or indirect control of the whole or parts of one or more other undertakings.

Pursuant to Art. 4 of the Concentration Regulation, concentrations with a Community dimension subject thereto should be notified to the Commission before they are implemented although after the conclusion of the agreement, or the announcement of the public bid, or the acquisition of a controlling interest. If the EC concludes that the concentration notified does not significantly impede competition on the common market or a substantial part of it as a result of creating or reinforcing an incumbent entity, it will decide to consider the concentration compatible with the common market.

The concentration which fall within the scope of the Concentration Regulation may not be assessed pursuant to any national competition laws. The Regulation itself, however, provides for a system of case referrals between the EC Commission and the national competition authorities.

#### **Limitation on Enforcement of Civil Liabilities**

The Company is incorporated under the laws of the Republic of Cyprus. All or a substantial portion of the assets of the Company and all members of the Board of the Directors and senior management of the Company are located outside Poland. As a result, it may not be possible for investors to:

- effect service of process within Poland upon any of the Directors or executive officers of the Company named in this Prospectus; or
- enforce, in Poland, court judgments obtained in courts of Poland against the Company or any of the Company's Directors and executive officers named in this Prospectus in any action.

In addition, it may be difficult for investors to obtain recognition of liabilities predicated upon Polish securities laws in original actions brought in courts in jurisdictions located outside Poland.

The recognition and enforcement in Cyprus of a judgment rendered by a Polish court will be subject to the provisions of Council Regulation (EC) No 44/2001 on Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters, of 22 December 2000, as amended from time to time. This regulation is binding with respect to causes of action involving jurisdiction of the courts of European Union member states (with the exception of Denmark). While the regulation provides for the automatic enforcement in any European Union member state of a judgment obtained in a court of another European Union member state, such judgments must be first registered in the country enforcement and execution is sought in order to be enforced therein.

Cyprus is also a party to the Lugano Convention of 16 September 1988 on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters. The Lugano Convention provides specific rules for the mutual enforcement of judgments among signatories. The Lugano Convention currently governs the recognition and enforcement of judgments involving Cypriot courts and courts of countries that are parties to the Lugano Convention but not members of the European Union.

Furthermore, neither the United States nor Cyprus currently has a bilateral or other treaty with the other providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. A final and conclusive judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not be automatically recognised or enforceable in Cyprus. In order to obtain a judgment which is enforceable in Cyprus, the party in whose favour a final and conclusive judgment of a U.S. court has been rendered must file, under principles of Common Law, its claim as a fresh action with a court of competent jurisdiction of Cyprus to be adjudicated. Under current practice, this party may submit, to the Cyprus court, under the fresh action, the final judgment rendered by the U.S. court. If and to the extent that the Cypriot court finds the jurisdiction of the U.S. court to have been based on internationally acceptable grounds and that legal procedures comparable with Cypriot concepts of due process have been followed, the Cypriot court will, in principle, grant the same judgment as the judgment of the U.S. court, unless such judgment would contravene Cypriot principles of public order.

Subject to the foregoing and service of process in accordance with applicable treaties, investors may be able to enforce in Cyprus judgments in civil and commercial matters obtained from U.S. federal or state courts. However, no assurance can be given that those judgments will be enforceable. In addition, even if a Cypriot court has jurisdiction, it is uncertain whether such court will impose civil liability in an original action commenced in Cyprus and predicated solely upon U.S. federal securities laws.

### **Disclosure Obligations for Companies Listed on the WSE**

The disclosure obligations of the publicly listed companies on the WSE is regulated by Polish Act on Public Offering, the Act on Trading in Financial Instruments and secondary legislation thereto, including the Ordinance of the Minister of Finance dated October 19, 2005 regarding current and periodic information to be submitted by issuers of securities ("**Ordinance**") (Dz. U. 2005.209.1744). In general, in accordance with the Polish Act on Public Offering, the Company will be obliged to disclose to the Polish Commission, WSE and the public (through the Polish Press Agency) certain price sensitive information referred to in the Act on Public Offering as well as current and periodic information set forth in the Ordinance.

Current reports ("**Current Reports**") relate to certain events from the day-to-day activity of the public company. The public companies' periodic reports include financial statements by these entities prepared in accordance with the relevant provisions of law. In particular, the Ordinance requires issuers to publish information, in the form of Current Reports, on the following events pertaining to them or their subsidiaries: (i) a disposal of high-value assets and any significant encumbrances thereon; (ii) a loss of high-value assets due to force majeure; (iii) the execution, termination or expiration of any significant agreement; (iv) the fulfilment of a condition set forth in any significant agreement; (v) the acquisition or disposal of the issuer's securities by the issuer or its subsidiaries; (vi) granting any significant warranty, loan or guarantee; (vii) the institution of any key court or administrative proceedings; (viii) the court registration of changes in the share capitals; (ix) a change in the rights attached to the issuer's securities; (x) a bond issue by the issuer; (xi) the redemption of the issuer's securities; (xii) a merger, de-merger or restructuring involving the issuer; (xiii) the appointment or removal of the issuer's auditor; (xiv) the appointment, removal or resignation of any member of the issuer's management or supervisory bodies; (xv) any declared bankruptcy, application filed to declare bankruptcy as well as any other actions concerning bankruptcy or composition; (xvi) any execution proceedings that cease due to the lack of assets; (xvii) the prepared projection of financial results being announced to the public; (xviii) the receipt or change in the rating prepared at the issuer's request.

In addition, the Ordinance in question has introduced the obligation to make available several pieces of information, in the form of Current Reports, connected with the process of admitting the issuer's securities to trading on the regulated market and relevant activities, as well as decisions by the regulatory authorities, together with information such as dates, agendas and draft resolutions of the general meeting of an issuer incorporated as a joint-stock company and any suits to invalidate such resolutions. The Ordinance specifies in detail the contents of a Current Report as well as periodical reports (quarterly, semi-annual and annual reports) that include, in particular, financial data and reports of the issuer's management bodies.

Pursuant to the Ordinance, Current Reports should be generally submitted immediately by the issuer, in any event however not later than within 24 hours of the event in question; quarterly reports not later than 35 days after the end of a given quarter; semi-annual reports not later than three months after the end of a given half-year; and annual reports not later than six months from the balance sheet date as of which the annual financial statements were prepared for the last financial year.

In addition, as a rule, companies whose securities are listed in Poland are obliged to disclose so-called "Confidential Information". In the meaning of the Act on Trading, Confidential Information is price-sensitive information on a company or its shares, if the information has not been publicly disclosed, and when the information: (i) is precise; and (ii) may be utilized by a rational investor to make investment decisions. Such information must be disclosed simultaneously to the Polish Commission and to the WSE and, 20 minutes thereafter, also to the public through the Polish Press Agency. Such confidential information must be disclosed by companies promptly upon the occurrence of events or circumstances which require such disclosure, or promptly upon becoming aware of such events or circumstances, but not later than within 24 hours.

As at the date of this Prospectus, the Company intends to have its current and periodic reports and Confidential Information published in Polish and in English. The Company intends to disseminate current and periodic reports using the ESPI system (the electronic disclosure system for issuers listed in Poland).

Upon implementation of the Directive on the harmonization of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC in the Polish law, the Company will be performing its reporting obligations related to the admission of its shares to trading on the regulated market in Poland in a manner specified in the provisions of Polish law and Cypriot law.

## **TAXATION**

*The following summary of material Cypriot and Polish tax consequences of ownership of shares is of a general nature and based upon laws, regulations, decrees, rulings, double taxation conventions, agreements and arrangements, administrative practice and judicial decisions in effect as at the date of this Prospectus. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth in this Prospectus. Any such changes or interpretations may be retroactive and could affect the tax consequences to holders of the shares.*

*The following is intended only as a general guide and is not intended to be, nor should it be considered, legal or tax advice to any particular holder of shares. It is not intended to address all tax aspects that may be relevant to a holder of shares. Accordingly, potential investors should satisfy themselves as to the overall tax consequences in their own particular circumstances of their acquisition, ownership and disposal of shares, including any pending or proposed changes in relevant tax laws as at the date of this Prospectus and any actual changes in relevant tax laws after such date, by consulting their own tax advisers in all relevant jurisdictions.*

### **Certain Cypriot Tax Considerations**

#### ***Cyprus Resident Company***

It is anticipated that the Company will be resident in Cyprus for taxation purposes. Under current legislation the Company's profits are taxed at the rate of 10%.

#### ***Taxation of dividends and distributions***

Under Cyprus legislation there is no withholding tax on dividends paid to non-residents of Cyprus. The dividend will be paid free of any tax to the shareholder who will be taxed according to the laws of the country of residence or domicile of the shareholder. Shareholders must consult their tax advisors on the consequences of their domicile or residence in relation to the payment of dividends.

Residents of Cyprus are subject to a defense contribution on dividends at the rate of 15%. The tax is withheld by the Company prior to payment by the Company to the shareholder. In order to avoid deducting this tax from the dividend, a shareholder who is not a Cypriot resident should send a tax residence certificate issued by the relevant tax authority of the country of residence confirming the shareholder's tax status together with a certificate issued by the NDS's participant setting forth the number of shares held by such shareholder to the Company directly, or through an NDS member keeping the securities account for the investor. Both documents should be in English or accompanied by a sworn English translation. In the light of professional secrecy regulations binding in Poland, at the time of remitting such documents the investor should give consent to the NDS member keeping the investors securities account, and to the NDS itself allowing them to disclose the investor's data to the Company.

#### ***Taxation of Capital Gains***

Cyprus Capital Gains Tax is imposed at the rate of 20% on gains from the disposal of immovable property situated in Cyprus including gains from the disposal of shares in companies which own such immovable property excluding shares listed in any recognized stock exchange. The Warsaw Stock Exchange is considered as a recognized stock exchange.

#### ***Inheritance Tax***

Cyprus Inheritance Tax has been abolished with effect from 1st January 2000 by virtue of Law N.74(I)/2000.

#### ***Deemed Distributions***

Beginning on 1 January 2006, the Company will be subject to deemed distribution treatment. Therefore, if at least 70% of the Company's profits arising in 2006 and onwards are not distributed to investors within two years of each year end, the Company will have deemed to have distributed 70% of its profits and the Company would have to pay a 15% withholding tax on such deemed distribution. This deemed distribution provision and the payment of tax thereon applies only with regards to the Company's Cypriot shareholders.

## **Certain Polish Tax Considerations**

This Section provides information regarding the taxation of income related to holding and trading in shares admitted to trading on the regulated market. For the avoidance of doubt, all references to shares presented in this Section also pertain to the Offer Shares offered under this Prospectus.

THE INFORMATION PRESENTED BELOW IS OF A GENERAL NATURE AND SHOULD NOT CONSTITUTE THE SOLE BASIS FOR EVALUATING THE TAX CONSEQUENCES OF MAKING ANY INVESTMENT DECISIONS. POTENTIAL POLISH INVESTORS ARE URGED TO CONSULT THEIR POLISH TAX ADVISORS. PLEASE NOTE THAT THE INFORMATION PRESENTED BELOW HAS BEEN PREPARED BASED ON THE LEGAL STATUTES AS OF THE DATE OF THE PROSPECTUS.

### ***Taxation of Income Relating to Holding Shares***

#### *Polish Corporate Shareholders*

Dividends and other income (revenue) actually earned on holding shares by legal persons and capital companies in organization, as well as other unincorporated entities (except civil, general, limited partnerships, professional partnerships, and limited joint-stock partnerships) with their registered office or place of management in Poland, shall be subject to taxation on the general rules under the Corporate Income Tax ("CIT") Act. They are taxed at the basic 19% rate, together with other income earned during the given fiscal year.

Pursuant to Art. 20 Section 3 of the CIT Act, an income tax exemption applies to dividends and other revenue earned on the holding of shares in legal persons whose seat or management office is outside Poland by Polish corporate shareholders whose entire income is subject to income tax in Poland, regardless of where the income is earned, if all of the following conditions are met:

- (i) the entity which disburses the dividends and other revenue earned on shares is a company whose entire income is subject to income tax in a European Union Member State other than Poland, or in a Member State of the European Economic Area, regardless of where the income is earned;
- (ii) the income (revenue) from dividends and other revenues earned on shares specified in item (1) above is earned by a company which is an income tax payer, with its registered office or place of management in Poland;
- (iii) the company referred to in item (2) above holds directly not less than 15% of shares (from January 1, 2009 this threshold will be lowered to 10%) in the capital of the company referred to in item (1) above.

#### *Polish Individual Shareholders*

Pursuant to Art. 30a of the Personal Income Tax Act ("PIT"), dividends earned by individuals domiciled in Poland on holding shares is taxable at a flat 19% rate. Dividend income is not combined with other income taxable pursuant to general Polish income tax rules.

Pursuant to Art. 41 Section 4 of the PIT Act, the tax on dividends is collected by an entity which disburses dividends or makes them available to the taxpayer (the tax remitter).

With respect to the shares however, any distributions will be made by a foreign entity which does not have its registered office in Poland, and, therefore, Polish regulations cannot impose any obligation on us to withhold Polish tax as a tax remitter. Therefore, unless the Polish tax authorities conclude that the tax should be withheld by a Polish resident acting as an intermediary for the purpose of dividend distributions (if any), the Company will not be obligated to withhold Polish tax.

In this situation the flat rate income tax should be paid by the taxpayers themselves by April 30 of the year following the given fiscal year.

Taxpayers may also be required to pay tax advances during the fiscal year. Pursuant to Art. 40 of the PIT Act, the taxpayers referred to in Arts. 31, 33, 34 and 35 thereof (which are mostly persons that obtain income from employment or pensions) that obtain other income on which tax remitters are not obliged to collect tax advances, are obliged to pay advances against the tax payable on such income under the principles set forth in Art. 44 Section 3a of the PIT Act. Pursuant to this regulation, monthly advances are paid at 19% for the months in which the income was generated, by the

20th day of the following month and, with respect to income for December, by the final deadline for the submission of the annual tax return. The significance and scope of application of Art. 40 of the PIT Act is not, however, quite clear; therefore a tax advisor should be consulted in this respect.

### ***Taxation of Income From a Disposal of Shares***

#### *Polish Corporate Shareholders*

Income on the disposal of shares against consideration earned by legal persons and companies in organization, as well as other unincorporated entities (except civil, general, limited partnerships, professional partnerships, and limited joint-stock partnerships) with their registered office or place of management in Poland will be subject to taxation on the general rules under the CIT Act. They are taxed at the basic 19% rate, together with other income earned during the given fiscal year.

Revenue shall be understood as the value of the shares represented by their selling price. However, it should be noted that if the value expressed in the price specified in the agreement on the disposal of shares against consideration differs materially, without a legitimate reason, from the market value of the shares, this may be challenged by the tax authorities. With respect to a disposal against consideration, the expenditures incurred to acquire the shares are deducted as the tax-deductible costs of such disposal.

#### *Polish Individual Shareholders*

Art. 30b of the PIT Act provides for the possibility of applying the flat 19% tax rate to income from the disposal of securities against consideration. However, the provisions of Art. 30b of the PIT Act shall not apply if a disposal of shares takes place within the framework of the taxpayer's business activity. In such case, income tax shall be paid at the progressive tax rates, i.e. 19%, 30% or 40% depending on the amount of income.

With regard to natural persons, income on a disposal of shares against consideration is determined as the balance between the sum total of revenues in that account (the value of shares represented by the selling price reduced by selling costs), and the tax-deductible costs, understood as the expenditures incurred to acquire the shares. However, it should be noted that if the value expressed in the price specified in the agreement for disposal against consideration differs materially from the arm's-length value of the shares for no legitimate reason, this can be challenged by the tax authorities. Pursuant to Art. 30b Section 7 of the PIT Act, if it is not possible to identify the shares being sold, it shall be assumed that they are the earliest acquired shares.

Pursuant to Art. 45 Section 1a of the PIT Act, after the end of a tax year, taxpayers are obliged to disclose, in a separate tax return, the income earned during the given year from the disposal of shares against consideration (revenue on the sale of shares is revenue due, even if not earned, which affects the cut-off date for the income's classification), and calculate the income tax due. This tax return must be filed no later than by April 30 of the year following the given fiscal year (this also being the deadline for paying the tax thus calculated). No obligation exists to pay tax advances during the tax year.

It should also be noted that pursuant to Art. 9 Section 6 of the PIT Act, losses sustained during a tax year on account of the disposal of shares against consideration can be deducted from the income from that source over five successive fiscal years, provided that the amount of the deduction does not exceed 50% of the amount of that loss in any single year of the five-year period.

#### ***Foreign shareholders***

Foreign shareholders whose registered office (place of management) or domicile is not in Poland are subject to taxation on the disposal of shares only with respect to income earned in Poland (Art. 3 Section 2a of the PIT Act and Art. 3 Section 2 of the CIT Act). For example, income from the sale of shares on the WSE shall be considered as income earned in Poland. However, in addition to the above regulations, the taxation principles regarding foreign shareholders will be based on the respective double tax treaties signed by Poland with the state in which the shareholder has its registered office (place of management) or domicile. Typically, double tax treaties provide that income on a sale of securities may only be taxed in the country in which the seller has its registered office or is domiciled.

### ***Tax on civil law transactions charged in Poland***

The tax on civil law transactions is levied on agreements providing for a sale or exchange of rights, provided that these rights are executed in Poland or, if executed abroad, that the transferee is a Polish tax resident and the transaction is effected in Poland.

The tax rate on the sale of shares is 1% and should be paid within 14 days of the date on which the tax obligation arose; that is, the date the share or exchange agreement was concluded. The purchaser of shares is liable for paying the due tax on civil law transactions. In the case of an exchange of shares, the liability to settle tax shall be borne jointly and severally by the parties to the transaction.

Exemptions from the tax on civil law transactions apply, without limitation, to transactions concerning the sale of brokers' financial instruments (including shares) to investment companies or, through them, selling such instruments within the boundaries of a regulated market, as defined in the Polish Act on Trading in Financial Instruments.

## TERMS AND CONDITIONS OF THE OFFER AND PLAN OF DISTRIBUTION

### The Offer

In the Offer, the Company is offering for subscription 7,500,000 New Shares. In addition, the Selling Shareholders are offering for sale 13,705,144 existing Sale Shares including up to 2,765,888 Sale Shares offered pursuant to the Over-Allotment Option, or up to 10,939,256 Sale Shares, excluding the Over-Allotment Option. The Offer Shares are being offered at the Offer Price which shall be determined through a book-building process. See also "*Placing and Underwriting - Over-allotment and Stabilisation*".

The Offer constitutes a public offering in Poland and in total consists of 21,205,144 Offer Shares. Subscriptions for the Offer Shares may also be placed by selected investors with registered offices in certain jurisdictions outside Poland. See: "*Transfer Restrictions for the Offer Shares*".

No public offering in Cyprus will take place based on the Prospectus. The Polish Commission agreed to review an application and to approve this Prospectus in connection with the Offer pursuant to an arrangement between the Cyprus Securities and Exchange Commission and the Polish Commission.

On 7 May 2007, the Board of Directors of the Company approved the issue of the New Shares and the General Meeting of Shareholders of the Company waived pre-emption rights on 23 April 2007. The Board of Directors further approved the required application to the Polish Commission for approval of this Prospectus, the entering into by the Company, the Selling Shareholders and the Managers of an Underwriting Agreement in respect of the Offer; the listing of all of the shares, including the Offer Shares on the WSE; and the making of all other filings necessary or desirable in connection with this Offer.

The Board of Directors further selected a pricing committee consisting of Paul Swigart, Siarhei Kostevitch and Marios Christou and delegated to it authority to determine, jointly with the Selling Shareholders, the final terms on which the Offer Shares will be offered, including: (i) the final Offer Price and (ii) the terms and conditions of the Underwriting Agreement.

For information on applicable selling restrictions in respect of the Offer Shares, please refer to "Placement and Underwriting - Selling Restrictions" and for information regarding the rights pertaining to the shares, please refer to "Description of the Offer Shares and applicable Polish and Cypriot Legislation".

### Timetable of the Offer

The timetable below lists key planned dates relating to the Offer. All times and dates referred to in this timetable are based on Warsaw local time and may be adjusted by the Company and the Selling Shareholders acting jointly. Should any of the dates or times set out in the timetable be adjusted, a supplement to the Prospectus will be prepared by the Company and published, upon approval by the Polish Commission, in the same manner as the Prospectus. See "Terms and conditions of the Offer and Plan Distributions – Supplements to the Prospectus".

Announcement of the Price Range, if any .....	Not later than 10 October 2007
Subscription and Book-building Period <sup>(1)</sup> .....	From 10 October 2007 to 18 October 2007
Offer Allotment and Pricing Date (including announcement of the Offer Price and the number of Offer Shares allotted to investors) - "Allotment and Pricing Date" .....	Not later than 19 October 2007
Settlement and Payment Date - Closing Date <sup>(2)</sup> .....	24 October 2007
Listing Date (listing of, and start of trading in, the Shares, including the Offer Shares, on the WSE).....	On or about 30 October 2007

#### Notes:

(1) Retail subscriptions will be accepted on the last day until 17.00 Warsaw time. Institutional subscriptions will be accepted and book-building will finish on the same day at 18.00 Warsaw time.

(2) Payment by Institutional Investors for and issuance by the Company of the New Shares, as well as the sale of the Sale Shares by the Selling Shareholders.



### **Eligible Investors, Division into Tranches of the Offer and Shifts between Tranches.**

The Offer Shares may be acquired in the Offer within the territory of Poland by individuals ("Retail Investors") and by corporate entities (legal persons) and non-corporate entities, other than individuals, having their registered office within the territory of Poland ("Polish institutions").

In addition, the Offer Shares may be placed by subscribed investors having registered offices in certain jurisdictions outside Poland, where such an offering may be lawfully conducted (together with the Polish institutions, the "Institutional Investors").

The Offer Shares are divided into two tranches:

- the Retail Tranche of 2,650,000 Offer Shares, intended for Retail Investors; and
- the Institutional Tranche containing all the remaining 18,555,144 Offer Shares, including 2,765,888 Sale Shares offered in the Over-allotment Option, and intended for Institutional Investors.

Upon consultation with the Managers, the Company and the Selling Shareholders, after closing the Subscription Period, but prior to announcing the Offer Price and the number of the Offer Shares, may shift the Offer Shares between tranches, provided that the Offer Shares are not covered by subscriptions under the given tranche at a price equal or higher than the Offer Price. The information on any such shift of the Offer Shares between the tranches shall be made public in the same manner as the Prospectus itself, and additionally in the manner prescribed in Article 54, Section 3 of the Polish Act on Public Offering.

All investors that intend to acquire any of the Offer Shares should acquaint themselves with the relevant laws of their countries of residence prior to making a decision to subscribe for the Offer Shares.

### **Maximum Offer Price**

The Maximum Price for one Offer Share issued or sold in the Offer is PLN 11.05. The Maximum Price does not necessarily reflect what the final Offer Price will be in the Offer.

### **Currency of the Offer**

All monetary amounts used in the Offer will be expressed in Polish Zloty. In particular, the Offer Price and the price range (if any) will be set and the book-building process will be carried out in Polish Zloty.

### **Price Range and Determination of the Offer Price**

Prior to the Subscription Period, the Company may announce, after consulting with the Selling Shareholders and the Managers, an indicative price range for the Offer (the "Price Range"). The Price Range, if such is announced, will be announced in the same manner as the Prospectus was published. The Price Range, if announced, will be expressed in Polish Zloty.

During the Subscription Period, a book-building process will take place, during which Institutional Investors, selected by the Managers, will be able to indicate, in a manner agreed between them and the Managers, a number of the Offer Shares they will be willing to acquire and a price they will be prepared to pay. Retail Investors will not participate in the book-building process. The results of the book-building process shall be used to determine the Offer Price and serve as the basis for the allotment of the Offer Shares in the Institutional Tranche. See: "*Share Allotment*" below.

No Retail Investors will take part in the book-building process.

The Offer Price will be determined jointly by the Company and the Selling Shareholders and will take into account results of the book-building amongst the Institutional Investors. In particular, the following considerations will be taken into account: (i) size and price sensitivity of demand indicated in the book-building process, (ii) current and anticipated sentiment on the capital markets in Poland, European Union and globally and (iii) assessment by investors of Company's business perspectives, risk factors and other information contained in this Prospectus or available elsewhere. The Offer Price will not be higher than the Maximum Price and will be set in Polish Zloty.

The Company will publicize the Offer Price promptly upon allotment of the Offer Shares in the same manner as this Prospectus was published. In addition, this information will be disclosed in accordance with the art. 54 Clause 3 of the Polish Act on Public Offering.

The number of the Offer Shares in this Offering will not be higher than 21,205,144 shares. When determining the number of the Offer Shares ultimately allotted to the investors, the Company and the Selling Shareholders will first seek to ensure that the placement of all New Shares yields approximately PLN 62.2 million (approximately U.S. \$22.5 million) in order for the Company to fulfill its strategic objectives. Then the Selling Shareholders will sell the remaining Sale Shares pro-rata to the initial numbers of the Sale Shares indicated in this Prospectus, subject to there being a sufficient demand for the Offer Shares at the level of the Offer Price which shall be satisfactory to the Selling Shareholders, each acting separately. See also "Purpose of Offer and Use of Proceeds".

Until completion of the book-building process the Company and the Selling Shareholders reserve the right to allocate in total a smaller number of the Offer Shares than 21,205,144. This may happen, for instance, as a result of insufficient demand at a price level satisfactory to the Company or the Selling Shareholders. In such case, the Company will disclose information in relation thereto as specified in art. 54 of the Polish Act on Public Offering and investors will have the right to rescind legal consequences resulting from their subscription orders, in accordance with art. 54 sec. 1 item 2 of the Polish Act on Public Offering.

The Company will publicize the number of allotted Offer Shares in the same manner as this Prospectus was published. In addition this information will be disclosed in accordance with the art. 54 Clause 3 of the Polish Act on Public Offering.

#### **Closing of the Offer; Conditions for the Closing of the Offer**

The Offer will close on the Settlement Date, upon payment for the Offer Shares and issuance by the Company of the New Shares and the sale by the Selling Shareholders of the Sale Shares. The earliest date when the Offer may close is 24 October 2007. The Underwriting Agreement will include conditions to the closing of this Offer. See "*Placing and Underwriting - Conditions of the Underwriting Commitments*".

#### **Purchase by Directors, Executive Officers and Major Shareholders**

No members of the Board of Directors or any of the Company's senior management intend to purchase any shares in this Offer. The Company is not in possession of any information whether its any of its major shareholders intend to participate in the subscription or whether anyone intends to subscribe for more than 5% of the Offer Shares in this Offer.

#### **Supplements to the Prospectus**

In accordance with the Polish Act of Public Offering applicable to public share offerings within the territory of the Republic of Poland, any significant change to this Prospectus which may in a significant way affect assessment of the Offer Shares will be communicated through a supplement. In case such supplement is published after commencement of the Subscription Period and relates to events or circumstances which occurred prior to the Allotment and Pricing Date and about which the Company or the Selling Shareholders have learnt prior to the Allotment and Pricing Date, investors who have placed their subscription orders before publication of the supplement will have a right to withdraw their subscriptions within two business days from the publication of the supplement. In such a case and if necessary the Settlement Date will be changed in order to enable the investors to withdraw their subscriptions.

#### **Number of Shares that may be Covered in One Subscription Order**

Each eligible investor has a right to place a subscription order for not less than one and not more than all Offer Shares in a given tranche (i.e. not more than 2,650,000 Offer Shares in the Retail Tranche and not more than 18,555,144 Offer Shares in the Institutional Tranche). Subscriptions placed for more shares than offered in a given tranche will be deemed to have been placed for the maximum number of shares in that tranche. For avoidance of any doubt, this does not imply that each investor who placed the order will be allocated any shares.

#### **Share Allotments**

Neither the Company, nor the Selling Shareholders, will give preferential treatment to or discriminate against in allotting the Offer Shares to investors in the Retail Tranche. Should there be an excess demand indicated by the Retail Investors compared to the number of the Offer Shares allotted to this category of investors, their allocations will be

reduced pro-rata, regardless of the price proposed by each of them, as long as such price is not lower than the Offer Price.

All Retail Investors should note that subscription orders placed at a price lower than the Offer Price will be disregarded and fractional allocations (after the proportional reduction, if any) will be rounded down. Any unallocated shares will then be allocated to the orders placed, from the largest to the smallest order, with any remaining shares allocated by the Managers at their discretion.

When allotting the Offer Shares in the Institutional Tranche, the Company and the Selling Shareholders will allot the Offer Shares in the first instance to those Institutional Investors who: (i) will be invited by the Managers to participate in the book building, (ii) will subscribe for the Offer Shares for a price not lower than the Offer Price, and (iii) will be included in the allotment list. The allocation to Institutional Investors will be made in the Company's and the Selling Shareholders absolute discretion, but upon the consultation with the Managers.

Institutional investors will be notified about their allocations by the Managers. Retail investors will receive relevant notifications in accordance with the regulations of their brokerage accounts.

### **Subscription and Payment of the Offer Price**

Retail Investors will be required to pay in an amount of money in Polish Zloty (either in cash or by wire transfer to the account indicated by the entity taking such a subscription order), equal to the product of the number of the Offer Shares they wish to buy and the price they are prepared to pay at the same time they will place their subscription orders; if money is paid by wire transfer, the account should be credited on subscription date. Any overpayments (either as a result of the Offer Price being lower than the price proposed, or as a result of any proportional reduction) will be returned to the account specified by the Retail Investor within seven business days following the Settlement Date, without any interest or any other compensation.

Institutional Investors, which will be included on the allotment list, will be required to pay amounts in Polish Zloty (by wire transfer to the account indicated by the Manager taking the subscription order), corresponding with the number of the Offer Shares that were allocated to them and the Offer Price not later than the Settlement Date, unless an alternative method of payment is agreed with the Managers.

All investors have a right to place multiple subscriptions (also at various price levels). Until the end of the Subscription Period, orders may be withdrawn.

Retail Investors may place their subscription orders for the Offer Shares in the Polish Manager's customer service points as well as other customer service points (provided that such customer service points are specified) the information of which will be publicized by the Polish Manager before terminating the Retail Subscription Period, and are required, when placing subscription, to indicate the securities account on which the allotted shares would be deposited. Retail Investors who, at the time of this Offer, will have a brokerage and cash account open with the Polish Manager, may place their orders by telephone or fax, provided that their agreements for provision of brokerage services so permit, and pursuant to the terms of such agreements.

Institutional Investors should contact the Managers to discuss technical details for placing their subscription orders.

By placing subscription orders, each of the prospective investors will be deemed to have read this Prospectus, accepted the terms of this Offer, consented to being awarded a lower number of the Offer Shares than the number specified in such investor's orders, or to not being awarded any Offer Shares at all, pursuant to the terms and conditions set forth in the Prospectus.

### **Cancellation of this Offer**

The Company and the Selling Shareholders may cancel this Offer, upon the recommendation of the Managers or at their own initiative, at any time prior to the commencement of the Subscription Period. They may also change the dates of opening and closing of the Subscription Period, or decide that this Offer will be postponed and that new dates will be provided later. Should a decision to change these dates or postpone this Offer be taken, the Company will prepare a supplement to this Prospectus as required under the Polish Act on Public Offering and publish it in the same manner as this Prospectus was publicized in Poland. See "Terms and conditions of the offer and Plan Distribution – Supplements to the Prospectus".

The Company and the Selling Shareholders may cancel this Offer, upon the recommendation of the Managers or at their own initiative, at any time after opening of the Subscription Period, but not later than on the Allotment and Pricing Date, when they will enter into an Underwriting Agreement, if they consider it impracticable or inadvisable to proceed with this Offer. Such reasons include, but are not limited to: (i) suspension or material limitation in trading in securities generally on the WSE or any official stock exchange in the United States or the EU; (ii) sudden and material adverse change in the economic or political situation in Poland, any EU country, the United States, any country in which the Group operates or worldwide; (iii) a material loss or interference with the Group's business; or (iv) any material change or development in or affecting the general affairs, management, financial position, shareholders' equity or results of the Company operations or the operations of any of its subsidiaries. In such event, subscriptions for the Offer Shares that have been made will be disregarded, and any subscription payments made will be returned without interest or any other compensation within seven business days of the cancellation of this Offer.

All dealings involving the Offer Shares prior to the listing on the WSE are at the sole risk of the parties to such a transaction.

Should the Offer be cancelled, the Company will prepare a supplement to this Prospectus as required under the Polish Act on Public Offering and publish it in the same manner as this Prospectus was publicized. See "Terms and conditions of the Offer and Plan Distribution – Supplements to the Prospectus".

### **Listing and Trading**

The Company intends to apply for the admission of all of its shares, including the Offer Shares to trading on the WSE. The admission and introduction of the shares to trading on the WSE requires, inter alia: (a) an approval of the Prospectus by the Polish Commission, (b) execution by the Company of an agreement with the NDS to register the shares, including the Offer Shares; (c) resolutions of the WSE's Management Board to admit and introduce the shares to trading on the WSE, which includes determination of the listing market and of the first day of trading. The Company's shares will be quoted on the WSE in PLN.

The Company believes that the approval for the admission to listing and trading of its shares on the WSE will commence on or about 30 October 2007, or as soon as possible thereafter, barring unforeseeable circumstances.

Investors should consider that since the Company is a Cypriot company, no court registration process is needed in order for it to validly issue the New Shares under the Offer. Specifically, an issuance of shares requires a notification of the issuance to the companies register and the failure to file or a delay in filing such notification does not affect the validity of the issue. Consequently, all the Offer Shares, including the New Shares, will be eligible for a listing application to the WSE promptly upon payment by investors, subject to completion of necessary registration procedures at the NDS. Consequently, the Company will not be seeking to apply for listing of any temporary share receipts, such as "rights to shares" (*prawa do akcji*) within the meaning of the Act on Trading.

### **Offeror and Listing Agent for the Purposes of Listing the Shares on the WSE**

ING Securities S.A. will act as the offeror and the listing agent with respect to the shares for the purposes of admission to and trading on the main market of the WSE.

Neither ING Securities S.A., nor any other party has committed to provide liquidity for the Company's shares on the WSE through bid and offer rates or otherwise.

### **Deposit of Shares**

As of the date of this Prospectus 24,752 shares of the Company are deposited with Capita IRG Trustees Limited ("**Capita Trustees**"), with its seat at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, England for the purposes of trading on AIM. Trading in these shares on AIM is cleared through CrestCo Limited ("**Crest**"), with its seat at 33 Common Street, London EC4M 5SB, United Kingdom, which acts as a central clearing house for AIM.

All the remaining issued shares of the Company, being 47,975,248 shares, and all New Shares will be registered with and cleared through the NDS which is the central settlement and depository institution for the WSE and has its seat at ul. Książęca 4, 00-498 Warsaw, Poland.

Investors should be aware that following the closing of the Offer and listing of the Offer Shares on the WSE there will be no link in place that will enable the electronic transfer of the Company's shares between AIM and the WSE in either

direction. Any such transfer will require removing shares from the relevant depository and lodging (registering) them with another depository. This procedure is likely to be a lengthy one and may involve the necessity of complying with additional formal requirements. The investors will have to bear all associated costs.

After the Closing Date and the listing of the Company's shares on the WSE, the Company shall consider delisting its shares from AIM. In such case, the shares in the Company, at of the date of approval the Prospectus, deposited with Capita Trustees may be admitted to trading and listed on the WSE.

As of the date of publication of the Prospectus, all of the Company's existing shares have been assigned ISIN code CY1000031710. Whilst the ISIN code for the New Shares has not been assigned yet, the Company will submit a relevant application as soon as practicable. The Company believes that the New Shares will be assigned the same ISIN code as its existing shares, that is: CY1000031710.

### **Delivery of the Offer Shares**

Delivery of the Offer Shares will be made by way of recording such Offer Shares in investors' securities accounts on or about 24 October 2007 or as soon as practicable thereafter (the "**Closing Date**") through the facilities of the NDS in accordance with NDS's procedures for settlement of the first public offering of shares.

## PLACING AND UNDERWRITING

On the Allotment and Pricing Date, the Company and the Selling Shareholders intend to enter into an Underwriting Agreement governed by English law in respect of this Offer with the Managers, in which ING Bank N.V., London Branch, as the Global Coordinator and bookrunner for this Offer, will commit to procure subscribers for, or failing that, to subscribe in its own name and pay for, the offered shares at the Offer Price. The Polish Manager will not underwrite any portion of this Offer. The underwriting commitment is summarized below:

ING Bank N.V., London Branch of 60 London Wall, London EC2M 5TQ, England .....	100%
<b>Total</b> .....	<b>100%</b>

### Over-allotment and Stabilisation

In connection with the Offer, the Global Coordinator as stabilization manager or its affiliates or agents (the “**Stabilization Manager**”) may engage in transactions on the WSE with the aim of supporting the market price of the shares at a level higher than would otherwise prevail. Such stabilization, if conducted, shall be conducted in accordance with the rules set out in the Stabilization Regulation.

No assurance can be given that stabilization transactions will actually be effected. If such stabilization is commenced, however, it may be discontinued at any time without prior notice. The stabilizing actions, if any, will be undertaken, between the first day of trading in the Company's shares on the WSE and no later than thirty days after the Listing Date and may result in a market price of the Company's shares that is higher than the price that would otherwise prevail. Stabilization of the shares will not, in any circumstance, be executed above the Offer Price.

The Global Coordinator will disclose all details of any stabilization transactions effected by it to the Polish Commission no later than the end of the seventh daily market session following the date of execution of such transactions. Within one week of the end of the stabilization period the Global Coordinator will disclose to the public in a manner compliant with regulations specified in art. 9 of the Commission Regulation (EC) No 2273/2003 of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemptions for buy-back programmes and stabilisation of financial instruments (i) whether or not stabilization was undertaken, (ii) the date on which stabilization started, (iii) the date on which stabilization last occurred and (iv) the price range within which stabilization was carried out, for each of the dates during which stabilization transactions were carried out.

For the purpose of the aforementioned stabilization, additional shares up to the number of the Over-allotment Shares may be over-allocated to investors by the Global Coordinator on the Allotment and Pricing Date at the Offer Price. Should a short position arise as a result of such over-allocation, the Global Coordinator may close such short position by exercising the Over-allotment Option (in whole or in part) or by open-market purchases or by a combination of both. The exercise of the Over-allotment Option will be promptly disclosed to the public by the Company, in accordance with art. 56 of the Polish Act on Public Offering. This disclosure will contain all appropriate details, including the date of exercise and the number of the Over-allotment Shares exercised.

### Lock-up Agreements

Except for the issue of the New Shares in connection with the Offer, the Company has agreed that in the period of 12 months from the Closing Date, it will not, without the prior written consent of the Global Coordinator, which consent shall not be unreasonably withheld, propose or otherwise support an offering of any of its shares, announce any intention to offer new shares and/or to issue any securities convertible into its shares or securities that in any other manner represent the right to acquire its shares, or conclude any transaction (including any transaction involving derivatives) whose economic effect would be similar to the effect of selling its shares.

The lock-up agreements described below are binding on Selling Shareholders that hold in aggregate 90.6 percent. of the Company's Shares (before the diluting effect of the New Shares issuance).

Except for Maizuri Enterprises Ltd. and Alpha Ventures SA, each Selling Shareholder who owns more than 1% of the Company's shares (who, excluding the New Shares and as of the date hereof, jointly hold 73,9% of the Company's shares) have severally agreed that each of them, save for the sale of the Offer Shares in the Offer, in the period of 12 months from the Closing Date, it shall not: (i) sell or announce an intention to sell any of the Company's shares it will hold as of the Settlement Date (excluding the Sale Shares), (ii) issue any securities exchangeable into Company's shares, (iii) issue any securities that in any other manner represent the right to acquire the shares, as well as not (iv) conclude

any transaction (including any transaction involving derivatives) whose economic effect would be similar to the effect of selling the Company's shares, without the prior consent of the Global Coordinator, which consent shall not be unreasonably withheld. In addition, each Selling Shareholder who owns more than 1% of the Company's shares undertook not to propose, vote in favor of or otherwise support: (v) any increase of the Company's share capital, (vi) any issuance of securities convertible into Company's shares or (vii) any issuance of any other securities that in any other manner represent the right to acquire such shares, or (viii) to conclude any transaction (including any transaction involving derivatives) whose economic effect would be similar to the effect of causing the Company to issue such instruments.

Maizuri Enterprises Ltd. and Alpha Ventures SA which, as of the date of this Prospectus, hold 4,800,000 and 3,200,000 of the Sale Shares, respectively, (constituting 16.7% in total of the Company's share capital), are offering all of their Sale Shares for sale. With respect to these entities, the lock-up undertaking described in the preceding paragraph shall remain in force for six months from the Closing Date and shall apply only if the number of the Sale Shares held by each Maizuri Enterprises Ltd and Alpha Ventures SA, respectively, after completing the Offer were to exceed 20% of the overall number of Sale Shares held by those entities before commencing the Offer, that is 960,000 and 640,000 shares, respectively.

### **Fees**

The Company and the Selling Shareholders have agreed to pay the Managers a combined management, underwriting and placing commission of:

- (i) a base rate of 2.75% of the gross proceeds from the Offering, pro rata to the number of the Sale Shares and New Shares sold through the Offering; and
- (ii) an additional fee of 6.0% of the gross proceeds from the Offering, above a certain price limit agreed by the Company and the Global Coordinator, pro rata to the number of the Sale Shares and New Shares sold through the Offering;

The additional fee will apply if the pre-money valuation of all of the Company Shares on the Pricing Date (i.e. the product of the number of all of the Company Shares, excluding any New Shares to be issued in the Offer multiplied by the Offer Price) is equal or greater than a PLN equivalent of U.S. \$150 million, calculated based on the official exchange rate of Polish Zloty to U.S. dollar as reported by the National Bank of Poland on the Pricing Date.

Additionally, the Company and the Selling Shareholders, may, at their sole discretion, pay to the Managers an additional amount of up to 0.75% of the gross proceeds from the Offering based on terms agreed by the Company and the Global Coordinator.

The managers will not charge any commission on subscription orders placed in this Offer.

The Company has agreed to pay the expenses in connection with this Offer, listing the WSE and the placement of the Offer Shares. However, investors will bear their own costs connected with the evaluation and participation in this Offer.

### **Key terms of the underwriting commitment**

The underwriting agreement will provide that the obligations of the Managers, and of the Global Coordinator in particular, are subject to customary conditions precedent. If any or all of these conditions precedent, such as delivery of legal opinions and comfort letters are not met or waived or a breach of the Company's and the Selling Shareholders' representations and warranties occurs, or if any of the circumstances, which will be referred to in the underwriting agreement occur prior to payment for and delivery of the Offer Shares, the Global Coordinator may, at its sole discretion, terminate the underwriting agreement and its obligation to subscribe for any Offer Shares will lapse.

In particular, it is expected that the Global Coordinator will agree to subscribe only for those of the Offer Shares offered in this Offer, allocated to the Institutional Investors, which are not paid for by them by the Closing Date, provided *inter alia* that no material adverse change will occur in the Company's financial and/or legal standing from the date when this Prospectus is published until the Closing Date. The Company and the Selling Shareholders will agree that the Offer Shares subscribed and paid for by the Global Coordinator through the Underwriting Agreement may be transferred at any time, without any restrictions whatsoever, on the terms and conditions set forth by the applicable laws.

The Company will also undertake to: (i) take all actions necessary to list all its shares on the main market of the WSE, and in particular to file relevant applications, (ii) not to enter into any other Underwriting Agreement in respect of the Offer Shares and (iii) to use the proceeds from the New Shares sold in this Offer for the purposes indicated herein.

If in the Company's and Managers' view, an amendment to the terms of the Underwriting Agreement could significantly affect the assessment of the Offer Shares by prospective investors, such information, if required by law, shall be made public in the form of an annex to this Prospectus, in keeping with the provisions of the Offering Act, if the said provisions so require. The annex will be published in the same manner as this Prospectus was publicized in Poland. See "*Terms and Conditions of the Offer and Plan of Distribution - Supplements to the Prospectus*".

### **Other Relationships with the Managers**

Apart from their involvement in this Offer, for which they will receive success-based compensation, the Managers and their respective affiliates have not engaged in (except for as described in this Prospectus), but may in the future engage in, investment banking and other commercial dealings with the Group or the Selling Shareholders in the ordinary course of business.



## REPRESENTATIONS BASED ON COMMISSION REGULATION 809/2004 EC

The Company accepts responsibility for the information contained in this prospectus. To the best of the knowledge and belief of the Company, which has taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts, true and fair and contains no omission likely to affect the importance of such information.

For the Company (acting as the Issuer), Diamond Court, 43 Kolonakiou Street, Ayios Athanasios 4103, Limassol, Cyprus:

Siarhei Kostevitch  
Chief Executive Officer  
ASBISc Enterprises PLC

The persons listed below are responsible for the information provided in this Prospectus with respect to the Selling Shareholders and the offer of the Sale Shares:

Maizuri Enterprises Ltd  
Alpha Ventures S.A.  
KS Holdings Limited  
Richard Coasby  
Sangita Enterprises Limited  
Maryia Tarhonskaya  
Christopher Mark Hayes  
Alexandros and Photini Tsirides  
Itaimbe Management Ltd  
Andrey Kostevitch  
Owen Gyax  
Marios Christou  
Laurent Journoud  
Berend Andre Nagelhout  
Jozef Hegyi  
Franc Mulhern  
Patricia Sweeney  
Constantinos Tziamalis

To the best of the knowledge and belief of the undersigned, who have taken all reasonable care to ensure that such is the case, the information contained in this Prospectus regarding the Selling Shareholders and the offer of the Sale Shares is in accordance with the facts, true and fair and contains no omission likely to affect the relevance of such information.

For the Selling Shareholders:

Attorney for the Selling Shareholders  
Siarhei Kostevitch

## GENERAL INFORMATION

### Corporate Information

The Company was incorporated for an unlimited period on 9 November 1995 under the name ASBISc Enterprises Limited and registered in a register kept by the Ministry of Trade, Industry and Tourism of the Republic of Cyprus, as a private limited company with registered number 75069. It changed its legal status to a public limited joint-stock company and name to ASBISc Enterprises Plc on 4 September 2006.

The Company's statutory seat is in Cyprus, and its registered office is at Diamond Court, 43 Kolonakiou Street, Ayios Athanasios, 4103 Limassol, Cyprus (which is where the register of members may be inspected), Tel. No. + 357 25 857 000.

The Company operates only under Cypriot national law with the exception of the representative offices in Prague, Minsk and Alma-Aty, which are registered and operate under the local laws of the countries where they are registered.

As of the date of its incorporation, the Company's auditors are Deloitte & Touche Limited, whose address is 319, 28th October Street, Kanika Business Center, 2nd Floor, P.O. Box 58466, CY-3105 Limassol, Cyprus. Deloitte & Touche Limited is a member of the Institute of Certified Public Accountants of Cyprus (ICPAC) and is recorded in the local register of certified audit companies under No. E047/004. The Managing Partner of the Limassol office of Deloitte & Touche is Nicos S. Kyriakides, fellow of the Institute of Chartered Accountants in England & Wales (ICAEW) and is recorded in the register of certified accountants under No. 293/274. Deloitte & Touche Limited does not have a material interest in the Company.

### Consents

ING Bank N.V., London Branch and ING Securities SA have each given and have not withdrawn their written consent to the inclusion in this Prospectus of their names and the references thereto in the form and context in which they appear.

### Experts

Deloitte & Touche Limited of Limassol has accepted responsibility and has given and has not withdrawn its written consent to the inclusion of its accountant's reports included in the Financial Statements starting on page F-1 of this Prospectus in the form and context in which they are included, and has declared that it has taken all reasonable care to ensure that the information contained in these reports is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import, and has authorized the contents of its reports for the purposes of item 23.1 of Annex I of the Commission Regulation (EC) 809/2004. The right to provide professional expert services is granted by the Institute of Certified Public Accountants of Cyprus - ICPAC. For more information regarding experts see "*General Information - Corporate Information*". In relation to making the above report Deloitte & Touche Limited received a fixed fee from the Company, not contingent on the success of the Offer.

### Advisors involved in the Offer

#### Managers

ING Bank London Branch, with its registered office in London, 60 London Wall, London EC2M 5TQ, England and ING Securities S.A., with its registered office in Warsaw, at Plac Trzech Krzyży 10/14, 00-499 Warsaw, Poland act as Managers for the Offer and advised the Company on the preparation and conduct thereof. See also "*Placing and Underwriting*".

#### Company's legal counsels

Dewey & LeBoeuf, with offices in London at One London Wall, London EC2Y 5EZ, United Kingdom has advised the Company on certain legal matters under English law relating to this Offer. Dewey Ballantine Grzesiak Sp. k., with its registered office in Warsaw at ul. Książęca 4, Warsaw, Poland has advised the Company on certain Polish legal issues related to this Offer. Costas Tsirides & Co with its seat at 1, Chrysanthou Mylona, 3030 Limassol, Cyprus has advised the Company on certain Cypriot legal issues related to this Offer. The above entities have received or will receive a fixed fee, irrespective of results of the Offer.

### **Managers' legal counsel**

The law office of Allen & Overy, A. Pędzich Sp.k. with its registered office in Warsaw, at Rondo ONZ 1, 00-124 Warsaw, Poland, has advised the Managers on the legal issues relating to this Offer in respect of Polish law. The law office of Allen & Overy, Praha, Advokátní kancelář with its registered office in Prague, Czech Republic, V Celnici 4 5th Floor 110 00 Prague 1, has advised the Managers on legal issues relating to this Offer in respect of the laws of England. The above entities have received or will receive a fixed fee, irrespective of results of the Offer.

### **Documents For Inspection**

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturday, Sundays and public holidays excepted) at the offices of the Company's subsidiary in Poland at Platan Park II, Ul. Poleczki 23, 02-822 Warsaw :

- the Articles of Association of the Company;
- the Auditors' Reports of Deloitte & Touche Limited on the Company's Financial Statements set out on the F-pages in this Prospectus;
- the Financial Statements of the Company for the three years ended 31 December 2004, 2005 and 2006 and for the six months ended 30 June 2006 and 2007; and
- this Prospectus.

## DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

"Act on Trading"	The Polish Act on Trading in Financial Instruments of July 29, 2005 (Dz. U. 2005.183.1539, as amended)
"AMD"	Advanced Micro Devices
"Articles of Association" or "Articles"	the articles of association of the Company
"BRIBOR"	Bratislava Interbank Offered Rate
"C£" or the "Cypriot pound"	lawful currency of the Republic of Cyprus
"Central and Eastern Europe"	Poland, Czech, Slovakia, Hungary, Romania, Croatia, Serbia, Slovenia
"CIT Act"	the Corporate Income Tax Act
"Company"	ASBISc Enterprises PLC
"Corporate Governance rules of the WSE"	the Polish principles of corporate governance contained in the "Best Practices in Public Companies in 2005"
"Current Reports"	events from the day-to-day activities of the public company
"Cypriot Companies Law"	the Cypriot act, the Companies Law, Cap. 113
"CySec"	Cyprus Securities and Exchange Commission
"Directors"	the Company's Board of Directors are John Hirst, Siarhei Kostevitch, Marios Christou, Constantinos Tziamalis, Laurent Journoud, Paul Swigart
"€" or the "Euro"	lawful currency of the member states of the European Union that adopt the single currency in accordance with the EC Treaty
"EEA"	the European Economic Area
"EMEA"	Europe, the Middle East and Africa
"Former Soviet Union"	Russia, Ukraine, Estonia, Lithuania, Belarus and Kazakhstan
"FSMA"	Financial Services and Markets Act 2000
"FSU"	former Soviet Union
"Gartner"	Gartner, Inc., an IT consulting firm
"Global Coordinator"	ING Bank N.V., London Branch
"Group"	the Company together with its consolidated subsidiaries
"IFRS"	International Financial Reporting Standards
"Managers"	ING Bank N.V., London Branch and ING Securities SA
"Maximum Price"	the maximum offer price for one Offer Share
"NDS"	National Deposit of Securities
"New Shares"	7,500,000 new shares to be issued and offered by the Company
"Offer Shares"	18,439,256 ordinary shares each with a nominal value of U.S. \$0.20 per share and up to 2,765,888 additional shares that may be acquired by the Stabilizing Manager pursuant to the Over-allotment Option

<b>"Order"</b>	Financial Services and Markets Act 2000 (Financial Promotion) Order 2005
<b>"Ordinance"</b>	the Ordinance of the Minister of Finance of October 19, 2005, on current and periodic information to be published by issuers of securities
<b>"Over-allotment Option"</b>	the arrangement pursuant to which the Global Coordinator may, acting as principal, acquire a number of additional shares made available by the principal Selling Shareholder to cover over-allotments, if any, made in connection with the Offer and to cover short positions resulting from stabilization transactions.
<b>"Over-allotment Shares"</b>	up to 2,765,888 additional shares that may be acquired by the Stabilizing Manager pursuant to the Over-allotment Option
<b>"PIT Act"</b>	the Personal Income Tax Act
<b>"PLN" or "Polish Zloty"</b>	lawful currency of the Republic of Poland
<b>"Polish Act on Public Offering"</b>	the Polish Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies of July 29, 2005 (Dz. U. 2005.184.1539, as amended)
<b>"Polish Commission"</b>	Polish Commission for Financial Supervision
<b>"PRIBOR"</b>	Prague Interbank Offered Rate
<b>"Prospective Directive"</b>	Directive 2003/71/EC
<b>"Qualified Investors"</b>	within the meaning of Article 2(1)(e) of the Prospectus Directive
<b>"Regulation S"</b>	Regulation S under the U.S. Securities Act
<b>"Regulation 809/2004"</b>	Commission Regulation of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements
<b>"Relevant Member State"</b>	the relevant member state of the European Economic Area which has implemented the Prospectus Directive 2003/71/EC
<b>"Sale Shares"</b>	10,939,256 existing shares to be offered by the Selling Shareholders and up to 2,765,888 additional shares that may be acquired by the Stabilizing Manager pursuant to the Over-allotment Option
<b>"SEC"</b>	U.S. Securities and Exchange Commission
<b>"Stabilization Regulation"</b>	the European Commission Regulation (EC) No. 2273/2003 of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council
<b>"U.S. \$" or "U.S. dollars"</b>	lawful currency of the United States
<b>"U.S. Securities Act"</b>	the U.S. Securities Act of 1933, as amended
<b>"Underwriting Agreement"</b>	the underwriting agreement described in the "Placing and Underwriting" section
<b>"UOKiK"</b>	Poland's Office of Competition and Consumer Protection
<b>"WIBOR"</b>	Warsaw Interbank Offered Rate
<b>"WSE"</b>	Warsaw Stock Exchange

## GLOSSARY

The following definitions apply throughout this document, unless the context requires otherwise:

<b>"block"</b>	a collection of IT components that form part of a PC, for example, a 'barebone'
<b>"B2B"</b>	business to business
<b>"B2C"</b>	business to customer
<b>"CAGR"</b>	cumulative annual growth rate
<b>"CPU"</b>	central processing unit
<b>"DRAM"</b>	dynamic random access memory
<b>"EMEA"</b>	Europe, Middle East and Africa
<b>"ESPI System"</b>	electronic disclosure system for issuers listed in Poland
<b>"e-tailers"</b>	retailer that primarily uses the internet as a medium for customers to shop for the goods or services provided
<b>"display products"</b>	computer outputs to the user like LCD (liquid crystal display), CRT (cathode ray tube), gas plasma, and/or other image projection technology
<b>"flash drive"</b>	a small, lightweight, removable data storage device
<b>"flash memory"</b>	a type of constantly-powered nonvolatile memory that can be erased and reprogrammed in units of memory
<b>"GPS"</b>	global positioning system
<b>"HDD"</b>	hard disk drive
<b>"IT"</b>	information technology
<b>"IT4Profit platform"</b>	an online purchasing platform for electronic dealing with customers (B2B)
<b>"JIT"</b>	just-in-time
<b>"LCD"</b>	liquid crystal display
<b>"mainboards"</b>	the central or primary circuit board making up a complex electronic system.
<b>"memory modules"</b>	includes random access memory (RAM) and flash memory modules
<b>"MMS"</b>	multi media messaging service
<b>"motherboards"</b>	main circuit board of a computer, containing the central processing unit and main system memory as well as circuitry that controls several peripheral devices
<b>"networking products"</b>	external and /or internal devices that allow two or more computers to communicate with each other
<b>"ODD"</b>	optical disk drive
<b>"ODM"</b>	original design manufacturer

<b>"OEM"</b>	original equipment manufacturer meaning the manufacturer of computer hardware and accessories sold under its own brand
<b>"optical and floppy drives"</b>	these include DVD drives
<b>"PC"</b>	personal computer
<b>"PC-mobile"</b>	mainly laptops
<b>"Peripheral"</b>	an external or internal device attached to a computer for added functionality, such as a scanner
<b>"PLM"</b>	Product Line Manager
<b>"PLSM"</b>	Product Line Sales Manager – a specialist in the sale of specific product lines
<b>"RAM"</b>	random access memory
<b>"RMA"</b>	Return Material Authorization Policy - subject to the specific provisions of each suppliers' RMA policy, the Group has the flexibility to return defective items to its suppliers in return for either credit, replacements or refurbished products
<b>"SCRAM"</b>	synchronous dynamic random access memory
<b>"servers and server blocks"</b>	a computer on a LAN (Local Area Network) acting as a service or resource provider to client computers, by sharing the resources within the network infrastructure. Server blocks are hardware components that contribute to the server.
<b>"SKU"</b>	stock keeping unit, that is, a unique identifying number attributed to a particular product
<b>"SME"</b>	Small and Medium Business
<b>"software"</b>	consists of programs, enables a computer to perform specific tasks
<b>"USB"</b>	universal serial bus, that is a port that can connect peripheral devices to a PC
<b>"VAR"</b>	value added reseller
<b>"VGA"</b>	video graphics adaptor
<b>"white label"</b>	a product that is manufactured through the Group and branded with another party's own brand
<b>"WMS"</b>	warehousing management system

**ASBISC ENTERPRISES PLC**

**CHARTERED ACCOUNTANT'S REPORT  
ON THE AUDIT OF THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2004, 2005 AND 2006**

**AND**

**REPORT ON THE UNAUDITED ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS  
OF THE COMPANY  
FOR THE SIX MONTHS ENDED 30 JUNE 2007**





Deloitte & Touche Limited  
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## AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF ASBISC ENTERPRISES PLC

### Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of Asbisc Enterprises Plc (the "Company") and its subsidiaries (the "Group") on pages F-2 to F-27, which comprise the balance sheets of the Group as at 31 December 2004, 2005 and 2006, and the income statements, statements of changes in equity and cash flow statements of the Group for the years then ended, and a summary of significant accounting policies and other explanatory notes, the ("financial information").

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

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

#### *Auditors' Responsibility*

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

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

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

.../2

### Audit.Tax.Consulting.Financial Advisory.

**Board Members:** Christis M. Christoforou (Chief Executive Officer), Eleftherios N. Philippou, Nicos S. Kyriakides, Nicos D. Papakyriacou, Athos Chrysanthou, Costas Georgiadis, Antonis Tallotis, Panos Papadopoulos, PIERIS M. Markou, Nicos Charalambous, Nicos Spanoudis, Maria Paschalis, Christos Michael, Michael Christoforou (Chairman Emeritus)  
**Associates:** Tasos Anastassiou, Haris Constantinou

Offices: Nicosia, Limassol, Larnaca

Deloitte & Touche Limited is a private company, registered in Cyprus (Reg. No. 162812)

Member of  
Deloitte Touche Tohmatsu

*Opinion*

In our opinion, the financial information, gives for the purposes of the Prospectus, to be filed with the Polish Commission for Financial Supervision a true and fair view of the financial position of the Group as of 31 December 2004, 2005 and 2006, and of the financial performance and the cash flows of the Group for the years then ended in accordance with International Financial Reporting Standards as adopted by the EU and International Financial Reporting Standards as issued by the IASB.



**DELOITTE & TOUCHE LIMITED**  
Certified Public Accountants (Cyprus)

Limassol, 21 August 2007



Deloitte & Touche Limited  
Kanika Business Centre  
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**ACCOUNTANTS' REPORT  
TO THE BOARD OF DIRECTORS OF  
ASBISC ENTERPRISES PLC**

*Introduction*

We have reviewed the unaudited condensed consolidated financial statements of Asbisc Enterprises PLC on pages F-29 to F-40 which comprise the balance sheet as at 30 June 2007 and the income statement, statement of changes in equity and cash flow statement for the period from 1 January 2007 to 30 June 2007 and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards for preparation of interim financial statements. Our responsibility is to express a conclusion on this interim financial information based on our review.

*Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unaudited condensed consolidated financial statements do not present fairly, in all material respects, the financial position of the entity as at 30 June 2007, and of its financial performance and its cash flows for the six month period ended in accordance with International Financial Reporting Standards for preparation of interim financial statements.

**DELOITTE & TOUCHE LIMITED**  
**Certified Public Accountants (Cyprus)**

Limassol, 21 August 2007

**Audit, Tax, Consulting, Financial Advisory.**

**Board Members:** Christis M. Christoforou (Chief Executive Officer), Eleftherios N. Philippou, Nicos S. Kyriakides, Nicos D. Papakyriaceu, Athos Chrysanthou, Costas Georgiadis, Antonis Taliotis, Panos Papadopoulos, Piers M. Markou, Nicos Charalambous, Nicos Spanoudis, Maria Paschalis, Christos Michael, Michael Christoforou (Chairman Emeritus)  
**Associates:** Tasos Anastasiou, Haris Constantinou

**Offices:** Nicosia, Limassol, Larnaca

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Member of  
**Deloitte Touche Tohmatsu**

**ASBISC ENTERPRISES PLC**  
**ACCOUNTANTS’ REPORT**  
**FOR THE THREE YEARS ENDED**  
**31 DECEMBER 2004, 2005 AND 2006**

**C o n t e n t s**

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Consolidated balance sheet .....	F-3
Consolidated statement of changes in equity .....	F-4
Consolidated cash flow statement .....	F-5
Notes to the financial information .....	F-6 – F-27

	Notes	2 0 0 4 US\$	2 0 0 5 US\$	2 0 0 6 US\$
<b>Revenue</b>	2	755.719.777	930.389.282	1.008.794.597
Cost of sales		<u>(728.773.519)</u>	<u>(892.020.384)</u>	<u>(961.101.730)</u>
<b>Gross profit</b>		26.946.258	38.368.898	47.692.867
Selling expenses		(10.369.395)	(13.225.005)	(17.290.825)
Administrative expenses		<u>(11.392.565)</u>	<u>(12.839.668)</u>	<u>(14.318.319)</u>
<b>Profit from operations before amortization and write-off of goodwill</b>		5.184.298	12.304.225	16.083.723
Other expenses-amortisation of goodwill	12	<u>(64.425)</u>	<u>(13.620)</u>	<u>-</u>
<b>Operating profit</b>		5.119.873	12.290.605	16.083.723
Financial income	3	203.757	226.636	142.271
Financial expenses	3	(2.485.417)	(3.558.489)	(3.850.106)
Other income	4	252.612	340.542	383.238
Profit on disposal of subsidiary	14	<u>-</u>	<u>18.349</u>	<u>-</u>
<b>Profit before taxation</b>	6	3.090.825	9.317.643	12.759.126
Taxation	7	<u>(841.508)</u>	<u>(939.380)</u>	<u>(1.688.816)</u>
<b>Profit after taxation</b>		2.249.317	8.378.263	11.070.310
Listing expenses written off	5	-	-	(1.597.310)
Minority interest	22	<u>(59.922)</u>	<u>(55.959)</u>	<u>-</u>
<b>Profit attributable to members</b>		<u>2.189.395</u>	<u>8.322.304</u>	<u>9.473.000</u>
		<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
<b>Earnings per share</b>				
Basic and diluted from continuing operations	<b>28</b>	<u>4,56</u>	<u>17,3</u>	<u>19,7</u>

<b>ASSETS</b>	<b>Notes</b>	<b>2004 US\$</b>	<b>2005 US\$</b>	<b>2006 US\$</b>
<b>Current assets</b>				
Inventories	2	46.425.946	58.701.878	46.177.803
Trade receivables	8	84.442.031	110.971.092	148.790.371
Other current assets	9	4.256.457	4.020.441	4.726.356
Current taxation	7	-	76.446	-
Cash and cash equivalents	23	25.868.258	25.106.038	27.927.606
<b>Total current assets</b>		<u>160.992.692</u>	<u>198.875.895</u>	<u>227.622.136</u>
<b>Non-current assets</b>				
Property, plant and equipment	10	6.754.261	6.663.640	7.161.929
Investments	16	90.000	90.000	99.580
Intangible assets	11	1.651.540	1.443.225	1.268.250
Goodwill	12	13.620	-	-
<b>Total non-current assets</b>		<u>8.509.421</u>	<u>8.196.865</u>	<u>8.529.759</u>
<b>Total assets</b>		<u>169.502.113</u>	<u>207.072.760</u>	<u>236.151.895</u>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade payables		86.754.132	114.276.334	117.453.360
Other current liabilities	17	18.933.439	20.532.449	22.960.319
Current taxation	7	158.611	-	278.181
Short-term obligations under finance lease	20	119.617	87.446	144.527
Bank overdrafts and short term loans	18	19.130.751	20.315.429	34.377.172
<b>Total current liabilities</b>		<u>125.096.550</u>	<u>155.211.658</u>	<u>175.213.559</u>
<b>Non-current liabilities</b>				
Long term liabilities	19	961.680	746.556	666.058
Long term obligations under finance lease	20	158.158	146.614	74.715
Deferred tax liability	7	3.992	8.295	44.997
<b>Total non-current liabilities</b>		<u>1.123.830</u>	<u>901.465</u>	<u>785.770</u>
<b>Total liabilities</b>		<u>126.220.380</u>	<u>156.113.123</u>	<u>175.999.329</u>
<b>Equity</b>				
Share capital	21	9.600.000	9.600.000	9.600.000
Share premium		8.138.039	8.138.039	8.138.039
Reserves		25.494.544	33.221.598	42.414.527
<b>Total equity</b>		<u>43.232.583</u>	<u>50.959.637</u>	<u>60.152.566</u>
<b>Minority interest</b>	22	49.150	-	-
<b>Total liabilities and equity</b>		<u>169.502.113</u>	<u>207.072.760</u>	<u>236.151.895</u>

**ASBISC ENTERPRISES PLC – ACCOUNTANTS’ REPORT**  
 FOR THE THREE YEARS ENDED 31 DECEMBER 2004, 2005 AND 2006 (Expressed in United States Dollars)

	Share capital US\$	Share premium account US\$	Treasury stock US\$	Retained earnings US\$	Foreign exchange reserve US\$	Total US\$
<b>Balance at 1 January 2004</b>	9.600.000	8.138.039	(586.497)	22.019.848	760.553	39.931.943
Sale of treasury stock	-	-	586.497	-	-	586.497
Profit for the year after minority interest	-	-	-	2.189.395	-	2.189.395
Exchange difference arising on consolidation	-	-	-	-	524.748	524.748
<b>Balance 31 December 2004 and 1 January 2005</b>	9.600.000	8.138.039	-	24.209.243	1.285.301	43.232.583
Profit for the year after minority interest	-	-	-	8.322.304	-	8.322.304
Exchange difference arising on consolidation	-	-	-	-	(595.250)	(595.250)
<b>Balance 31 December 2005 and 1 January 2006</b>	9.600.000	8.138.039	-	32.531.547	690.051	50.959.637
Profit for the year after minority interest	-	-	-	9.473.000	-	9.473.000
Excess of net assets transferred to the group compared to the purchase consideration paid for the acquisition of subsidiary companies (note 15)	-	-	-	37.681	-	37.681
Payment of dividend	-	-	-	(960.000)	-	(960.000)
Exchange difference arising on consolidation	-	-	-	-	642.248	642.248
<b>Balance 31 December 2006</b>	<u>9.600.000</u>	<u>8.138.039</u>	<u>-</u>	<u>41.082.228</u>	<u>1.332.299</u>	<u>60.152.566</u>

The reserves shown above at 31 December 2006 were readily distributable up to the amount of US\$29.939.460 which represents the retained earnings of the company. The remaining amount of US\$11.142.768 represents the earnings retained by the subsidiary companies of the group. The share premium account is available for distribution only in the form of issue of bonus shares.

	Notes	2004 US\$	2005 US\$	2006 US\$
Profit for the year before tax and minority interest		3.090.825	9.317.643	12.759.126
Adjustments for:				
Exchange difference arising on consolidation		54.408	(194.627)	117.254
Listing expenses written off	5	-	-	(1.597.310)
Depreciation	10	1.112.558	1.097.413	1.133.232
Amortisation of intangible assets	11	599.056	602.464	710.085
Amortisation of goodwill	12	64.425	-	-
Impairment of goodwill	12	-	13.620	-
Interest received	3	(49.998)	(131.672)	(115.831)
Bank interest paid	3	1.017.544	1.209.602	1.620.161
Profit from disposal of subsidiary company	14	-	(18.349)	-
Profit from the sale of property, plant and equipment and intangible assets	4	(48.169)	(28.969)	(11.546)
<b>Operating profit before working capital changes</b>		<u>5.840.649</u>	<u>11.867.125</u>	<u>14.615.171</u>
(Increase)/decrease in inventories		(378.049)	(13.367.497)	13.284.743
Increase in trade receivables		(12.718.092)	(27.000.766)	(37.604.098)
Decrease/(increase) in other current assets		346.326	185.182	(558.828)
Increase/(decrease) in trade payables		(1.626.596)	29.089.280	1.949.308
Increase in other current liabilities		5.166.948	1.620.669	2.427.870
<b>Cash (outflows)/inflows from operations</b>		<u>(3.368.814)</u>	<u>2.393.993</u>	<u>(5.885.834)</u>
Taxation paid, net	7	(249.326)	(1.170.817)	(1.272.515)
Bank interest paid	3	(1.017.544)	(1.209.602)	(1.620.161)
<b>Net cash (outflows)/inflows from operating activities</b>		<u>(4.635.684)</u>	<u>13.574</u>	<u>(8.778.510)</u>
<b>Cash flows from investing activities</b>				
Interest received	3	49.998	131.672	115.831
Purchase of property, plant and equipment	10	(1.211.887)	(1.461.008)	(1.104.675)
Purchase of intangible assets	11	(609.705)	(457.677)	(526.349)
Net cash outflow from sale of subsidiary company	14	-	(43.900)	-
Payments to acquire investments in subsidiaries	15	-	-	(21.047)
Increase in investments	16	-	-	(9.580)
Net cash acquired from acquisition of subsidiaries	15	-	-	430.963
Proceeds from sale of property, plant and equipment and intangible assets		184.822	129.280	54.435
<b>Net cash outflows from investing activities</b>		<u>(1.586.772)</u>	<u>(1.701.633)</u>	<u>(1.060.422)</u>
<b>Cash flows from financing activities</b>				
(Repayments)/proceeds of long term loans and long term obligations under finance lease		85.357	(226.668)	(152.397)
Proceeds/(repayments) of short term loans and short-term obligations under finance lease		4.321.472	(1.420.286)	12.023.147
Final dividends paid		-	-	(960.000)
Proceeds from sale of treasury stock		586.497	-	-
<b>Net cash inflows/(outflows) from financing activities</b>		<u>4.993.326</u>	<u>(1.646.954)</u>	<u>10.910.750</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>(1.229.130)</u>	<u>(3.335.013)</u>	<u>1.071.818</u>
<b>Cash and cash equivalents at beginning of the year</b>		<u>16.742.766</u>	<u>15.513.636</u>	<u>12.178.623</u>
<b>Cash and cash equivalents at end of year</b>	23	<u>15.513.636</u>	<u>12.178.623</u>	<u>13.250.441</u>



**1. Incorporation and principal activities**

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

On 4<sup>th</sup> September 2006 by a special resolution passed at an extraordinary general meeting of the shareholders of the company, the company’s name was changed from Asbisc Enterprises Limited to Asbisc Enterprises Plc.

On 25<sup>th</sup> October 2006 the company was listed at the Alternative Investment Market (AIM) of the London Stock Exchange (LSE).

**2. Summary of significant accounting policies**

**Basis of preparation**

The accompanying financial information has been prepared from the audited consolidated financial statements of Asbisc Enterprises Plc for the three years ended 31 December 2006.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The consolidated financial statements comply with both these reporting frameworks because at the time of their preparation all applicable IFRSs issued by the IASB have been adopted by the EU through the endorsement procedure established by the European Commission. In addition, the consolidated financial statements have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap.113.

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

The group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods covered by these financial statements. The adoption of these new and revised Standards and Interpretations has resulted in no significant changes to the group’s accounting policies.

At the date of authorisation of the 2006 financial statements, the following Standards and Interpretations were in issue but not yet effective:

•	<i>Amendment to IAS1</i>	<i>Presentation of Financial Statements – Capital Disclosures</i>	<i>Effective for annual periods beginning on or after 1 January 2007</i>
•	<i>IFRS 7</i>	<i>Financial Instruments Disclosures</i>	<i>Effective for annual period beginning on or after 1 January 2007</i>
•	<i>IFRS 8</i>	<i>Operating Segments</i>	<i>Effective for annual periods beginning on or after 1 January 2009</i>
•	<i>IFRIC7</i>	<i>Applying the Restatement Approach under IAS29 Financial Reporting in Hyperinflationary Economies</i>	<i>Effective for annual periods beginning on or after 1 March 2006</i>
•	<i>IFRIC 8</i>	<i>Scope of IFRS 2</i>	<i>Effective for annual periods beginning on or after 1 May 2006</i>
•	<i>IFRIC 9</i>	<i>Reassessment of Embedded Derivatives</i>	<i>Effective for annual periods beginning on or after 1 June 2006</i>
•	<i>IFRIC 10</i>	<i>Interim Financial Reporting and Impairment</i>	<i>Effective for annual periods beginning on or after 1 November 2006</i>
•	<i>IFRIC11</i>	<i>Group and Treasury Share Transactions</i>	<i>Effective for annual periods beginning on or after 1 March 2007</i>
•	<i>IFRS2</i>		
•	<i>IFRIC12</i>	<i>Service Concession Arrangements</i>	<i>Effective for annual periods beginning on or after 1 January 2008</i>

## 2. Accounting policies (continued)

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

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the group except IFRIC 8 – Scope of IFRS2. The Board of Directors are currently considering the implementation of a share option scheme. The intended scheme has not yet been approved by the Board of Directors. The Board of Directors are currently considering the possible impact on the financial statements of the group.

### **Accounting convention**

The financial information has been prepared under the historical cost convention and a summary of the significant accounting policies adopted by the group is as follows:

#### **Basis of consolidation**

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

The results of the subsidiary companies that are acquired during the year are included in the consolidated Income Statement from the date of acquisition and cease to be consolidated from the date control ceases, or to the extent that their disposal is foreseeable such that they will be held for less than one year from the balance sheet date.

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

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

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

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

#### **Business combinations**

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

**2. Accounting policies (continued)**  
**Business combinations (continued)**

**Goodwill**

IFRS3 has been adopted for business combinations for which the agreement date is on or after 31 March 2004. The option of limited retrospective application of the Standard has not been taken up, thus avoiding the need to restate past business combinations.

After initial recognition, IFRS3 requires goodwill acquired in a business combination to be carried at cost less any accumulated impairment losses. Under IAS36 Impairment of Assets (as revised in 2004), impairment reviews are required annually, or more frequently if there are indications that goodwill might be impaired. IFRS3 prohibits the amortisation of goodwill.

Previously, under IAS22, the group carried goodwill in its balance sheet at cost less accumulated amortisation and accumulated impairment losses. Amortisation was charged over the estimated useful life of the goodwill, subject to the rebuttable presumption that the maximum useful life of goodwill was 20 years. Negative goodwill on consolidation which arose when the fair value of the identifiable assets less liabilities acquired exceeded the cost of acquisition, was presented as a deduction from the assets in the consolidated balance sheet, in the same balance sheet classification as goodwill. The negative goodwill which appeared in the group’s balance sheet did not exceed the fair value of acquired identifiable non-monetary assets and was therefore recognised as income over the remaining useful life which was estimated to be five years.

In accordance with the transitional rules of IFRS3, the group has applied the revised accounting policy for goodwill prospectively from the beginning of its first annual period beginning on or after 31 March 2004, i.e. 1 January 2005. Therefore, from 1 January 2005, the group has discontinued amortising such goodwill and has tested the goodwill for impairment in accordance with IAS 36.

At 1 January 2005 the carrying amount of amortisation accumulated before that date of US\$574.565 has been eliminated with a corresponding decrease in goodwill.

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for prior periods.

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

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

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

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

**Business combinations involving entities under common control**

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

## 2. Accounting policies (continued)

### **Business combinations involving entities under common control (continued)**

Therefore, a business combination is outside the scope of IFRS3 when the same group of individuals has, as a result of contractual arrangements, ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory.

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

### **Investments**

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

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

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost less the estimated residual value of property, plant and equipment on a straight-line basis over their estimated useful economic lives as follows:

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

Depreciation is not provided on land.

### **Intangible assets**

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

Computer software	3 - 5 years
Patents and licences	3 years

### **Repairs and maintenance**

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

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

At each balance sheet date, the group reviews the carrying amounts of its 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 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.

**2. Accounting policies (continued)**

**Impairment of tangible and intangible assets excluding goodwill (continued)**

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

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

**Accounting for financial guarantee contracts**

The IASB has also amended IAS39 *Financial Instruments: Recognition and Measurement* to require certain financial guarantee contracts issued by the group to be accounted for in accordance with that Standard. Financial guarantee contracts that are accounted for in accordance with IAS39 are 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 IAS37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies as set out below.

The Directors of the group have considered the amendments of IAS 39 *Financial Instruments: Recognition and Measurement* and have assessed the impact on the financial statements. The possibility of having to exercise their obligation under the guarantee contracts is remote and thus does not meet the initial recognition criteria in accordance with IAS37.

**Taxation**

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

*Current tax*

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

*Deferred tax*

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

## 2. Accounting policies (continued)

### **Taxation (continued)**

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

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

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

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

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

### **Foreign currencies**

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

In preparing the financial statements of the individual entities, transactions in currencies other than the entity’s functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items are measured in terms of historical costs in a foreign currency 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 balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the date of the transactions are used.

**2. Accounting policies (continued)**

**Foreign currencies (continued)**

Exchange differences arising, if any, are classified as equity and transferred to the group's translation reserve. Exchange differences arising on the retranslation of the opening net assets of the group's foreign operations are shown as a movement in the foreign exchange reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

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

**Bank borrowings**

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the profit and loss account using 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.

**Inventories**

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

**Trade and other receivables**

Trade and other receivables are stated at nominal value less provision for any amounts that are considered to be irrecoverable.

**Trade payables**

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

**Provisions**

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

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

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

*Warranties*

Provisions for warranty costs are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the group's obligation.

**Borrowing costs**

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

**Cash and cash equivalents**

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

## 2. Accounting policies (continued)

### Revenue recognition

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

#### *Sale of goods*

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

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

#### *Dividend and interest revenue*

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

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

### Leasing

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

#### *Finance Leases*

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

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

#### *Operating leases*

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

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

### Comparative figures

Where necessary, financial figures for 2004 and 2005 have been restated to coincide with the 2006 financial information.

### Critical judgements in applying the entity’s accounting policies

#### Revenue recognition

In making its judgment, management considered the detailed criteria for the recognition of revenue from the sale of goods as set out in *IAS18 Revenue* and, in particular, whether the group had transferred to the buyer the significant risks and rewards of ownership of the goods.

The management are satisfied that the significant risks and rewards have been transferred and the recognition of the revenue is appropriate.



**2. Accounting policies (continued)**

**Critical judgements in applying the entity’s accounting policies (continued)**

**Warranty provisions**

Warranty provisions represent the 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.

<b>3. Financial income/(expense), net</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Interest income	49.998	131.672	115.831
Interest on taxation	-	65.578	-
Other financial income	-	29.386	6.629
Exchange gain	153.759	-	19.811
	<u>203.757</u>	<u>226.636</u>	<u>142.271</u>
Bank interest	1.017.544	1.209.602	1.620.161
Bank charges	593.321	590.544	609.832
Interest to suppliers	-	-	228.212
Factoring charges and interest	669.503	950.165	1.125.496
Other financial expenses	34.863	31.420	22.998
Other interest	170.186	216.257	241.471
Exchange loss	-	557.887	-
Interest on taxation	-	2.614	1.936
	<u>(2.485.417)</u>	<u>(3.558.489)</u>	<u>(3.850.106)</u>
Net	<u>(2.281.660)</u>	<u>(3.331.853)</u>	<u>(3.707.835)</u>

<b>4. Other income</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Profit on disposal of property, plant and equipment	48.169	28.969	11.546
Bad debts recovered	88.592	46.422	77.360
Other income	115.851	265.151	294.332
	<u>252.612</u>	<u>340.542</u>	<u>383.238</u>

**5. Listing expenses written off**

On 25<sup>th</sup> October 2006, the company was listed on the Alternative Investment Market of the London Stock Exchange. In the process of listing the company’s shares on the Alternative Investment Market, certain costs were incurred which have been expensed to the income statement. These expenses are of a non-recurring nature and are costs incurred which are directly attributable to the company’s listing.

<b>6. Profit before taxation</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Profit before taxation is stated after charging:			
(a) Depreciation	1,112,558	1,097,413	1,133,232
(b) Amortisation/write off of intangible assets and goodwill	663,481	616,084	710,085
(c) Auditors’ remuneration	563,447	573,307	630,681
(d) Bad debt expense	<u>368,160</u>	<u>442,393</u>	<u>858,339</u>

<b>7. Taxation</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
(Debit)/credit balance 1 January	(458,931)	158,611	(76,446)
Provision for the year	866,868	932,416	1,622,736
Underprovision of prior years	-	3,344	4,406
Amounts paid, net	<u>(249,326)</u>	<u>(1,170,817)</u>	<u>(1,272,515)</u>
Credit/(debit) balance 31 December	<u>158,611</u>	<u>(76,446)</u>	<u>278,181</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 results of the foreign subsidiary companies.

Until 31 December 2002, International Business Companies (“IBCs”) in Cyprus were taxed at 4,25% on their taxable income. In July 2002 the House of Representatives in Cyprus enacted a new tax legislation that came into effect from 1 January 2003. According to this new tax law, there will no longer be a distinction between local companies and International Business Companies. The taxable profits of all Cyprus companies will be taxed at the rate of 10%. IBCs which had income from their activities during the year ended 31 December 2001 could elect to be taxed in accordance with the transitional provisions of taxation. These provisions state that such companies may elect to be taxed at 4,25% on their taxable income until 31 December 2005 but they will not enjoy certain tax exemptions offered by the new law. In addition, such companies will not be subject to defence contribution.

The directors had elected for the company to be taxed under the transitional rules at the rate of 4,25% until 31 December 2005. However, the other Cyprus resident companies of the group were taxed at the rate of 10%. In the year 2006 all Cyprus resident companies of the group are taxed at 10%.

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

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

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

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

**7. Taxation (continued)**

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

	<b>2004</b>	<b>2005</b>	<b>2006</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Provision for the year	866.868	932.416	1.622.736
Underprovision of prior years	-	3.344	4.406
Deferred tax (credit)/charge	<u>(25.360)</u>	<u>3.620</u>	<u>61.674</u>
Charge for the year	<u>841.508</u>	<u>939.380</u>	<u>1.688.816</u>

The charge for taxation is based on the group’s profits for the year as adjusted for tax purposes. The reconciliation of the charge for the year is as follows:

	<b>2004</b>	<b>2005</b>	<b>2006</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Income assessed to tax in Cyprus at 10%	1.026.982	1.786.130	8.320.449
Income assessed to tax in Cyprus at 4,25%	413.257	5.762.043	-
Income subject to overseas tax	<u>3.090.825</u>	<u>1.769.470</u>	<u>2.841.367</u>
Accounting profit	<u>4.531.064</u>	<u>9.317.643</u>	<u>11.161.816</u>

Corporation tax thereon at the applicable rate of 10%	102.698	178.613	832.045
Corporation tax thereon at the applicable rate of 4,25%	17.564	244.887	-
Tax on income not taxable in determining taxable profit	(19.440)	(9.302)	(9.427)
Temporary differences	(5.682)	683	7.887
Tax effect of losses brought forward	(1.681)	-	-
Tax on non-allowable expenses	43.710	29.051	179.458
Additional tax 10%	<u>10.081</u>	<u>12.547</u>	<u>31.486</u>
	147.250	456.479	1.041.449

Special contribution to defence fund	-	6.558	35.631
Underprovision of prior years	-	3.344	4.406
Deferred tax (credit)/charge	(25.360)	3.620	61.674
Tax on income subject to overseas tax	<u>719.618</u>	<u>469.379</u>	<u>545.657</u>
Taxation charge for the year	<u>841.508</u>	<u>939.380</u>	<u>1.688.817</u>

<b>Deferred tax</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Deferred tax liability:	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
The deferred tax liability relates to excess of capital allowances over depreciation	<u>3.992</u>	<u>8.295</u>	<u>44.997</u>

**8. Trade receivables**

	<b>2004</b>	<b>2005</b>	<b>2006</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Trade receivables	85.825.277	112.407.759	150.948.946
Allowance for doubtful debts	<u>(1.383.246)</u>	<u>(1.436.667)</u>	<u>(2.158.575)</u>
	<u>84.442.031</u>	<u>110.971.092</u>	<u>148.790.371</u>

**9. Other current assets**

	<b>2004</b>	<b>2005</b>	<b>2006</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Other debtors and prepayments	1.334.448	1.823.852	2.070.308
VAT and other taxes refundable	548.000	1.115.769	1.878.527
Loan due from fellow subsidiary company	110.000	110.000	118.096
Loans advanced	171.286	164.120	24.165
Advances to suppliers	1.780.987	404.416	114.802
Employee floats	101.618	74.427	137.511
Deposits	210.118	327.857	199.612
Amount due from ultimate holding company	-	-	63.205
Amount due from executive directors	-	-	120.130
	<u>4.256.457</u>	<u>4.020.441</u>	<u>4.726.356</u>

**9. Other current assets (continued)**

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

**10. Property, plant and equipment**

	Land and buildings US\$	Warehouse machinery US\$	Furniture and fittings US\$	Office equipment US\$	Motor vehicles US\$	Computer hardware US\$	Total US\$
<b>Cost</b>							
At 1 January 2004	3.858.192	84.911	522.193	886.354	1.334.321	2.233.632	8.919.603
Foreign exchange difference on opening balances	274.372	7.669	23.175	81.340	109.396	135.644	631.596
Additions	219.133	5.677	70.548	191.139	296.228	429.162	1.211.887
Disposals	-	-	(12.755)	(204.843)	(245.366)	(120.941)	(583.905)
At 1 January 2005	4.351.697	98.257	603.161	953.990	1.494.579	2.677.497	10.179.181
Foreign exchange difference on opening balances	(170.674)	(12.638)	(28.375)	(80.102)	(126.640)	(174.379)	(592.808)
Additions	553.851	-	100.008	183.741	289.434	333.974	1.461.008
Disposals	-	-	(8.379)	(17.561)	(205.065)	(65.763)	(296.768)
Disposal of subsidiary	-	-	(3.950)	(5.706)	(10.807)	(16.973)	(37.436)
At 1 January 2006	4.734.874	85.619	662.465	1.034.362	1.441.501	2.754.356	10.713.177
Foreign exchange difference on opening balances	349.604	13.544	49.217	89.571	154.027	194.770	850.733
Additions from the acquisition of subsidiary	-	44.427	1.601	1.194	61.314	4.488	113.024
Additions	63.544	-	251.445	138.828	265.711	385.147	1.104.675
Disposals	-	-	(1.955)	(33.631)	(158.180)	(113.950)	(307.716)
At 31 December 2006	5.148.022	143.590	962.773	1.230.324	1.764.373	3.224.811	12.473.893
<b>Accumulated depreciation</b>							
At 1 January 2004	199.477	4.533	198.243	412.615	716.732	1.036.269	2.567.869
Foreign exchange difference on opening balances	(336)	408	11.184	45.636	59.681	75.788	192.361
Charge for the year	130.299	22.389	63.825	171.182	234.959	489.904	1.112.558
Disposals	-	-	(4.134)	(164.830)	(192.908)	(85.996)	(447.868)
At 1 January 2005	329.440	27.330	269.118	464.603	818.464	1.515.965	3.424.920
Foreign exchange difference on opening balances	(12.187)	(3.514)	(14.757)	(39.763)	(47.424)	(116.026)	(233.671)
Charge for the year	145.234	20.021	70.021	130.368	248.456	483.313	1.097.413
Disposals	-	-	(3.036)	(7.303)	(174.119)	(36.742)	(221.200)
Elimination on disposal of subsidiary	-	-	(2.211)	(1.567)	(9.339)	(4.808)	(17.925)
At 1 January 2006	462.487	43.837	319.135	546.338	836.038	1.841.702	4.049.537
Foreign exchange difference on opening balances	34.037	6.400	23.474	64.590	83.092	147.882	359.475
Charge for the year	142.418	31.545	85.436	131.714	243.163	498.956	1.133.232
On acquisition of subsidiary	-	14.068	114	131	19.149	1.085	34.547
Disposals	-	-	(1.822)	(31.513)	(123.861)	(107.631)	(264.827)
At 31 December 2006	638.942	95.850	426.337	711.260	1.057.581	2.381.994	5.311.964
<b>Net book value</b>							
31 December 2006	4.509.080	47.740	536.436	519.064	706.792	842.817	7.161.929
31 December 2005	4.272.387	41.782	343.330	488.024	605.463	912.654	6.663.640
31 December 2004	4.022.257	70.927	334.043	489.387	676.115	1.161.532	6.754.261

**11. Intangible assets**

The Group	Computer software under development US\$	Computer software US\$	Patents & licences US\$	Total US\$
<b>Cost</b>				
At 1 January 2004	757.544	2.136.611	605	2.894.760
Foreign exchange difference on opening balances	-	70.631	-	70.631
Additions	-	463.543	146.162	609.705
Disposals	-	(20.264)	-	(20.264)
Transfer to computer software	(757.544)	757.544	-	-
At 1 January 2005	-	3.408.065	146.767	3.554.832
Foreign exchange difference on opening balances	-	(120.615)	-	(120.615)
Additions	-	383.790	73.887	457.677
Disposals	-	(74.072)	-	(74.072)
Disposal of subsidiary	-	(3.080)	-	(3.080)
At 1 January 2006	-	3.594.088	220.654	3.814.742
Foreign exchange difference on opening balances	-	94.014	-	94.014
Additions	-	415.402	110.947	526.349
Disposals	-	(5.821)	-	(5.821)
At 31 December 2006	-	4.097.683	331.601	4.429.284
<b>Accumulated amortisation</b>				
At 1 January 2004	-	1.272.789	452	1.273.241
Foreign exchange difference on opening balances	-	50.643	-	50.643
Charge for the year	-	592.419	6.637	599.056
Disposals	-	(19.648)	-	(19.648)
At 1 January 2005	-	1.896.203	7.089	1.903.292
Foreign exchange difference on opening balances	-	(84.004)	-	(84.004)
Charge for the year	-	553.607	48.857	602.464
Disposals	-	(49.328)	-	(49.328)
Elimination on disposal of subsidiary	-	(907)	-	(907)
At 1 January 2006	-	2.315.571	55.946	2.371.517
Foreign exchange difference on opening balances	-	85.253	-	85.253
Charge for the year	-	560.638	149.447	710.085
Disposals	-	(5.821)	-	(5.821)
At 31 December 2006	-	2.955.641	205.393	3.161.034
<b>Net book value</b>				
31 December 2006	-	1.142.042	126.208	1.268.250
31 December 2005	-	1.278.517	164.708	1.443.225
31 December 2004	-	1.511.862	139.678	1.651.540

The cost of computer software includes an amount of US\$1,347,544 for two computer software programmes for which the useful economic life is estimated to be five years and its amortisation is calculated on a straight line basis over five years.

**12. Goodwill on consolidation**

	<b>G o o d w i l l</b>		
	<b>Positive US\$</b>	<b>Negative US\$</b>	<b>Net US\$</b>
<b>Cost</b>			
At 1 January 2004	588.185	(260.987)	327.198
Additions	-	-	-
At 1 January 2005	588.185	(260.987)	327.198
Elimination of amortisation accumulated prior to the adoption of IFRS3	(574.565)	-	(574.565)
At 31 December 2005	13.620	(260.987)	(247.367)
<b>Accumulated amortisation</b>			
At 1 January 2004	(456.928)	207.775	(249.153)
Charge for the year	(117.637)	53.212	(64.425)
At 1 January 2005	(574.565)	260.987	(313.578)
Elimination of amortisation accumulated prior to adoption of IFRS3	574.565	-	574.565
At 31 December 2005	-	260.987	260.987
<b>Impairment /write off</b>			
Impairment loss recognised in the year ended 31 December 2005	(13.620)	-	(13.620)
Goodwill written off, net	(13.620)	-	(13.620)
<b>Net book value</b>			
31 December 2005	-	-	-
31 December 2004	13.620	-	13.620

**13. Investment in subsidiary companies**

The principal subsidiary undertakings of the Group are summarised as follows:

		<b>Percentage of participation</b>			
<b>Subsidiary Company</b>	<b>Country of incorporation</b>	<b>%</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Asbis Ukraine Limited	Ukraine	100	√	√	√
ISA Hardware Limited *	Ukraine	100	√	√	√
Asbis PL Sp.zo.o.	Poland	100	√	√	√
AS Asbis Baltic	Estonia	100	√	√	√
Asbis Romania S.R.L.	Romania	100	√	√	√
Asbis Cr d.o.o.	Croatia	100	√	√	√
Asbis YU d.o.o.	Serbia	100	√	√	√
Asbis Hungary Limited	Hungary	100	√	√	√
Asbis Bulgaria Limited	Bulgaria	100	√	√	√
Asbis CZ, spol.s.r.o.	Czech Republic	100	√	√	√
UAB Asbis Vilnius	Lithuania	100	√	√	√
Asbis Slovenia d.o.o.	Slovenia	100	√	√	√
Asbis Middle East FZE	United Arab Emirates	100	√	√	√
Asbis SK sp.l sr.o.	Slovakia	100	√	√	√
Asbis Europe BV	Netherlands	100	√	√	√
Asbis Limited	Ireland	100	√	√	√
ZAO Automatic Systems of Business Control-Minsk	Belarus	100	√	√	√
ISA Hardware Limited – Group (Note a)	Cyprus	100	√	√	√
OOO ‘Elko Computers’- Minsk	Belarus	60	√	-	-
OOO ‘Asbis’ –Moscow	Russia	100	√	√	√
Asbis Nordic AB	Sweden	100	√	√	√
Asbis Fin OY	Finland	100	√	√	-
Asbis Morocco Limited	Morocco	100	√	√	√

\* held by Asbis Ukraine Limited

**13. Investment in subsidiary companies (continued)**

Note a: The ISA Hardware Limited Group held a direct or indirect participation in the following subsidiaries:

Subsidiary Company	Country of incorporation	Percentage of participation %	2004	2005	2006
Warranty RU Limited	Russia	100	√	√	√
Comptizon Ltd	British Virgin Islands	100	√	√	√
ISA Hardware s.r.o.	Czech Republic	100	-	√	√
ISA Hardware d.o.o.	Croatia	100	-	√	√
ISA Hardware Hungary Commercial Limited Liability Co	Hungary	100	-	√	√
ISA Hardware International S.R.L.	Romania	100	-	√	√
ISA Hardware s.r.o. Slovakia	Slovakia	100	-	√	√
ISA Hardware d.o.o. Beograd	Serbia	100	-	-	√
ISA Hardware s.r.o. Slovenia	Slovenia	100	-	√	√
ISA Hardware SP.Z.O.O.	Poland	100	-	√	√
Prestigio Technologies (Cyprus) Ltd	Cyprus	100	-	√	√
Prestigio Europe s.r.o.	Czech Republic	100	-	-	√
Prestigio Limited	Russia	100	-	-	√
Prestigio Ukraine Limited	Ukraine	100	-	-	√
Canyon Technology Ltd	Hong Kong	100	√	√	√
Canyon Technology B.V.	Netherlands	100	√	√	√

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

**14. Disposal of subsidiary company**

During 2005, the subsidiary OOO “ Elko Computers” – Minsk was disposed. The net assets of OOO “Elko Computers” – Minsk at the date of disposal and at 31 December 2004 were as follows:

	31/12/2004	31/8/2005
	US\$	US\$
Inventories	1.008.600	1.091.565
Trade receivables	111.108	471.705
Other debtors and prepayments	126.242	50.834
Cash and cash equivalents	163.626	220.698
Property, plant and equipment	19.514	16.220
Intangible assets	2.174	1.798
Trade payables	(1.292.396)	(1.567.078)
Other creditors and accruals	(10.569)	(21.659)
Taxation	(5.421)	-
<b>Net asset value</b>	122.878	264.083
Minority interest share of Net Assets (40%)	(49.150)	(105.634)
Group share of net asset value	73.728	158.449
Profit on disposal		18.349
Total cash consideration received		176.798
Net cash outflow arising on disposal:		
Cash consideration received		176.798
Cash and cash equivalents disposed of		(220.698)
		(43.900)

**15. Acquisitions**

During the year 2006 a subsidiary company acquired 100% of the share capital of Prestigio Europe spol s.r.o. and Prestigio LLC Russia. As this transaction was considered by the directors a business combination of entities under common control, the provisions of *IFRS 3 “Business Combinations”* have not been applied. Instead the assets and liabilities of the entities acquired have been recorded in the group’s consolidated financial statements at their carrying values. The excess between the carrying value of the net assets transferred and the consideration paid, which relates to the profits generated by the above subsidiaries prior to the date of acquisition of US\$37,681 has been transferred directly to equity.

The net carrying value of underlying separately identifiable assets and liabilities transferred to the group during the year were as follows:

	<b>2006 US\$</b>
Tangible assets	78.474
Inventories	760.668
Receivables	215.181
Other receivables	147.087
Payables and accruals	(1.227.718)
Loans payable	(345.927)
Cash and cash equivalents	430.963
Net identifiable assets and liabilities	58.728
Excess of group’s interest in net assets acquired	(37.681)
Total purchase consideration	21.047
Net cash inflow arising on transfer:	
Total purchase consideration	(21.047)
Cash and cash equivalents transferred	430.963
Net cash inflow	409.916

The excess between the carrying value of the net assets transferred to the group and the consideration paid is analysed as follows:

	<b>US\$</b>
Acquisition of:	
Prestigio Europe spol s.r.o.	11.062
Prestigio LLC Russia	26.619
	37.681

**16. Investments**

	<i>Country of incorporation</i>	<i>Percentage of participation</i>	<b>2004 US\$</b>	<b>2005 US\$</b>	<b>2006 US\$</b>
Shares at cost of acquisition					
<i>Investments held in fellow subsidiaries</i>					
E-Vision Limited	Cyprus	18% (Note a)	90.000	90.000	90.000
<i>Other Investments</i>					
Asekol s.r.o	Czech Republic	9,09%	-	-	9.580
			90.000	90.000	99.580

Note a: The remaining 82% is held by the ultimate holding company K.S. Holdings Limited.



<b>17. Other current liabilities</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Factoring creditors (Note α)	8.105.650	9.450.317	9.670.740
Salaries payable and related costs	446.473	625.255	605.448
VAT payable	3.559.331	3.899.737	4.265.374
Amounts due to directors - executive	107.228	66.217	53.366
Amounts due to directors – non executive	-	-	21.000
Non-trade accounts payable	2.916.120	2.964.343	3.228.154
Accruals and deferred income	3.798.637	3.526.580	5.116.237
	<u>18.933.439</u>	<u>20.532.449</u>	<u>22.960.319</u>

Note α: The group enjoyed as at 31 December 2006 factoring facilities of US\$25.030.728 (2005: US\$19.436.440, 2004: US\$15.277.639). These factoring facilities are secured as mentioned in note 18.

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

<b>18. Bank overdrafts and short-term loans</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Bank overdrafts – Note 23	10.354.622	12.927.415	14.677.165
Bank short term loans	8.584.258	7.213.490	19.494.450
Current portion of long term loans	191.871	174.524	205.557
	<u>19.130.751</u>	<u>20.315.429</u>	<u>34.377.172</u>

The group, enjoyed the following financing facilities with banks in the countries that the company and its subsidiaries are operating:

	<b>2004</b>	<b>2005</b>	<b>2006</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Overdraft facilities	14.936.345	15.042.755	16.590.934
Short term loans/revolving facilities	12.170.000	8.651.758	19.819.699
Bank guarantee facilities	4.374.365	4.656.030	4.210.843
	<u>31.480.710</u>	<u>28.350.543</u>	<u>40.621.476</u>

The group had for the three years ended 31 December 2006 cash lines (overdrafts, loans and revolving facilities) and factoring lines. The Weighted Average Cost of Debt (cash lines and factoring lines) for 2006 was 9,0% (2005: 8,1%, 2004: 8,6%)

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

- First floating charge over all assets of the company for a total amount of US\$4.000.000
- Second floating charge on the whole undertaking including the company’s uncalled capital, goodwill and book debts for US\$2.000.000 plus interest
- Mortgage on ¼ of the property registered in the name of Diamond Properties Ltd (Vendor of the property for the company’s head office premises acquired in Limassol) for the amount of US\$1.800.000 and assignment of the sales contract between Diamond Properties Ltd and the company
- Mortgage on land and buildings that the group owns in the Czech Republic and Belarus for the amount of US\$1.100.000
- Charge over receivables and inventories
- Corporate guarantees and, in some cases, by also cross guarantees by all group companies to the extent of facilities granted
- Assignment of fire insurance policy
- Pledged deposits of US\$3.885.064 in 2006 (2005: US\$3.804.178, 2004:US\$3.756.800)
- Personal guarantees of the Chairman and Chief Executive Officer

<b>19. Long term liabilities</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Bank loans	943.403	568.596	612.602
Other long term liabilities	18.277	177.960	53.456
	<u>961.680</u>	<u>746.556</u>	<u>666.058</u>
<b>20. Finance leases</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Obligation under finance lease	277.775	234.060	219.242
Less: Amount payable within one year	(119.617)	(87.446)	(144.527)
Amount payable within 2-5 years inclusive	<u>158.158</u>	<u>146.614</u>	<u>74.715</u>
<b>21. Share capital</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
<b>Authorised</b>			
63.000.000 (2005,2004: 48.000.000) shares of US\$ 0,20 each	<u>9.600.000</u>	<u>9.600.000</u>	<u>12.600.000</u>
<b>Issued, called-up and fully paid</b>			
48.000.000 (2005,2004: 40.000.000) ordinary shares of US\$ 0,20 each	8.000.000	8.000.000	9.600.000
- (2005,2004: 8.000.000) preference shares of US\$ 0,20 each	1.600.000	1.600.000	-
	<u>9.600.000</u>	<u>9.600.000</u>	<u>9.600.000</u>

At 31 December 2005 and 2004 the authorised, issued and fully paid share capital of the company consisted of 40.000.000 ordinary shares of US\$0.20 each and 8.000.000 preference shares of US\$0.20 each.

The preference shares:

- a) had the same voting and dividend rights as the ordinary shares of the company.
- b) had priority to the ordinary shares of the company with regard to repayment of capital on liquidation, winding up or on a sale of the company.
- c) were convertible into ordinary shares on one-for-one basis at the option of the holders of preference shares.

On 4 September 2006 by a special resolution passed at an extraordinary general meeting of the shareholders of the company it was decided:

- a) to increase the authorised share capital from 48.000.000 shares of US\$0,20 each to 63.000.000 shares of US\$0,20 each
- b) to convert the 8.000.000 preference shares of US\$0,20 each to 8.000.000 ordinary shares of US\$0,20 each.

**22. Minority interest**

Minority interest represents the participation of shareholders outside the group in the subsidiary companies as follows:

	Country of incorporation	Percentage of participation		
		2004 %	2005 %	2006 %
OOO “Elko Computers” – Minsk	Belarus	40	-	-
		<b>2004</b> <b>US\$</b>	<b>2005</b> <b>US\$</b>	<b>2006</b> <b>US\$</b>
Balance at 1 January		(10.476)	49.150	-
Exchange difference arising on the conversion of foreign subsidiaries		(296)	525	-
<i>Minority interest during the year</i>				
OOO “Elko Computers” – Minsk		59.922	55.959	-
Minority interest on disposal		-	(105.634)	-
Balance at 31 December		<u>49.150</u>	<u>-</u>	<u>-</u>

**23. Cash and cash equivalents**

	2004 US\$	2005 US\$	2006 US\$
The Group			
Cash at bank	25.868.258	25.106.038	27.927.606
Bank overdrafts – Note 18	(10.354.622)	(12.927.415)	(14.677.165)
	<u>15.513.636</u>	<u>12.178.623</u>	<u>13.250.441</u>

The cash at bank balances include an amount of US\$ 3.885.064 in 2006 (2005: US\$3.804.178, 2004: US\$3.756.800) which represents pledged deposits.

**24. Commitments and contingencies**

As at 31 December 2006 the group was committed in respect of purchases of inventories of a total cost value of US\$ 13.543.819 (2005: US\$ 4.733.707, 2004: US\$6.868.474) which were in transit at 31 December 2006 and delivered in January 2007. Such inventories and the corresponding liability towards the supplier have not been included in these financial statements since, according to the terms of the purchase, title of the goods had not passed to the company as at the year end.

As at 31 December 2006 the group was contingently liable in respect of bank guarantees of US\$4.210.843 which the group had extended mainly to vendors as at 31 December 2006 (2005: US\$4.656.030, 2004: US\$4.374.365) in order to secure the group’s liabilities towards its vendors which are reflected in the financial statements under trade payables.

As at 31 December 2006 the company was contingently liable for the amount of US\$37.4 million in respect of corporate guarantees given to financial institutions as security for financing facilities granted to the subsidiary companies. The liabilities of the subsidiary companies covered by the said corporate guarantees are reflected in note 18 of the financial statements.

As at 31 December 2006 the group had no other legal commitments and contingencies.

**25. Related party transactions and balances**

The holding company of the group is K.S. Holdings Limited, a company incorporated in Cyprus. Transactions between the company and its subsidiaries have been eliminated on consolidation. In the normal course of business, the group undertook during the year on an arm’s-length basis transactions with the fellow subsidiary company E-Vision Limited and its subsidiaries as follows:

<b>The Group</b>	<b>2004</b> <b>US\$</b>	<b>2005</b> <b>US\$</b>	<b>2006</b> <b>US\$</b>
Purchase of services and computer software	459.750	587.120	570.000
Interest income	<u>5.020</u>	<u>7.190</u>	<u>8.096</u>
<b>Related party balances</b>	<b>2004</b> <b>US\$</b>	<b>2005</b> <b>US\$</b>	<b>2006</b> <b>US\$</b>
Loan due from fellow subsidiary company (note 9)			
E-Vision Limited	<u>110.000</u>	<u>110.000</u>	<u>118.096</u>
Included in Non trade accounts payable (note 17)			
E-Vision Limited	<u>3.750</u>	<u>18.500</u>	<u>-</u>

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

**Transactions and balances of key management**

	<b>2004</b> <b>US\$</b>	<b>2005</b> <b>US\$</b>	<b>2006</b> <b>US\$</b>
Directors’ remuneration - executive	366.453	400.200	562.709
Directors’ remuneration - non executive	<u>-</u>	<u>-</u>	<u>21.000</u>
	<u>366.453</u>	<u>400.200</u>	<u>583.709</u>
Amount due to directors (note 17)			
- executive	107.228	66.217	53.366
- non executive	<u>-</u>	<u>-</u>	<u>21.000</u>
	<u>107.228</u>	<u>66.217</u>	<u>74.366</u>
Amounts due from directors (note 9)	<u>-</u>	<u>-</u>	<u>120.130</u>

**26. Dividends**

	<b>2004</b> <b>US\$</b>	<b>2005</b> <b>US\$</b>	<b>2006</b> <b>US\$</b>
Final proposed dividend	<u>-</u>	<u>960.000</u>	<u>960.000</u>

The Board of Directors proposed the payment of a final dividend of US\$0,02 per share for the year ended 31 December 2006 which in total amounted to– US\$960.000. The dividend was approved on 23rd April 2007 at the company’s annual general meeting. The dividend for the year 2006 has not been recognized as a liability as at 31 December 2006 in accordance with IAS10 – Post Balance Sheet Events, which provides that in the Balance Sheet of the company dividends declared after the balance sheet date should not be recognized as a liability. The dividends will be recognized as a liability in the Company’s Balance Sheet in the year in which the dividends are approved by the Company’s Shareholders, ie 2007.

The proposed dividend for the year 2005 was approved at the 2006 annual general meeting and was recognized in 2006 when it was paid.

**27. Personnel expenses and average number of employees**

	<b>2004</b> <b>US\$</b>	<b>2005</b> <b>US\$</b>	<b>2006</b> <b>US\$</b>
Salaries and other benefits	<u>11.325.051</u>	<u>12.832.872</u>	<u>15.249.975</u>
The average number of employees was	<u>596</u>	<u>649</u>	<u>788</u>

**28. Earnings per share**

	<b>2004</b> <b>US\$</b>	<b>2005</b> <b>US\$</b>	<b>2006</b> <b>US\$</b>
Profit for the year attributable to members	<u>2.189.395</u>	<u>8.322.304</u>	<u>9.473.000</u>
Weighted average number of shares for the purposes of basic and diluted earnings per share	<u>48.000.000</u>	<u>48.000.000</u>	<u>48.000.000</u>
	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
Basic and diluted earnings per share	<u>4,56</u>	<u>17,3</u>	<u>19,7</u>

**29. Treasury Stock**

Until 31 December 2003 the company acquired in total 800.000 own shares for the total amount of US\$586.497 which had been deducted from the equity of the company and is stated in the statement of changes in equity. These shares had not been cancelled and were allotted in 2004 to existing shareholders.

**30. Segmental reporting**

The group operates in a single segment of the distribution of IT components in a number of geographical regions.

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

*Sales revenue by geographical market*

	<b>2004</b> <b>US\$</b>	<b>2005</b> <b>US\$</b>	<b>2006</b> <b>US\$</b>
Former Soviet Union	364.498.662	453.459.232	491.246.643
Eastern Europe	252.651.290	313.126.344	342.540.983
Western Europe	73.440.130	84.898.710	88.783.690
Middle East & Africa	36.186.837	54.865.258	68.656.262
Other	28.942.858	24.039.738	17.567.019
Total revenue	<u>755.719.777</u>	<u>930.389.282</u>	<u>1.008.794.597</u>

### **31. Financial risk factors**

The group’s activities expose it to interest rate risk, credit 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:

#### *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 substantially independent of changes in market interest rates. The group has no significant interest-bearing assets and it borrows at variable rates. The group’s management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

#### *Credit risk*

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. The group has no significant concentrations of credit risk. The group has credit insurance policies in place and also implemented internal policies to ensure that sales of products are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables.

#### *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 minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of credit facilities.

#### *Currency risk*

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the group’s functional currency. Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

### **32. Events after the balance sheet date**

No significant events occurred after the balance sheet date.

**ASBISC ENTERPRISES PLC**  
**UNAUDITED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED**  
**30 JUNE 2007**

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	Notes	For the six months ended 30 June 2007 US\$	For the six months ended 30 June 2006 US\$
<b>Revenue</b>		540,055,910	426,368,013
Cost of Sales		(516,276,970)	(408,829,273)
<b>Gross profit</b>		<b>23,778,940</b>	<b>17,538,740</b>
Selling expenses		(10,047,770)	(6,651,806)
Administrative expenses		(8,087,157)	(6,416,924)
<b>Profit from operations</b>		<b>5,644,013</b>	<b>4,470,010</b>
Financial expenses	5	(2,298,329)	(1,806,009)
Financial income	5	381,347	202,668
Other income	4	119,623	102,775
Goodwill written off		-	(39,031)
<b>Profit before taxation</b>	6	<b>3,846,654</b>	<b>2,930,413</b>
Taxation	7	(678,483)	(444,343)
<b>Profit after taxation</b>		<b>3,168,171</b>	<b>2,486,070</b>
		US\$ cent	US\$ cent
<b>Earnings per share</b>			
Basic and diluted from continuing operations		6.6	5.2



ASSETS	Notes	Unaudited as at 30 June 2007 US\$	Audited as at 31 December 2006 US\$
<b>Current assets</b>			
Inventories		59,534,193	46,177,803
Trade receivables	8	134,120,840	148,790,371
Other current assets	9	4,512,237	4,726,356
Cash and cash equivalents	19	28,126,814	27,927,606
<b>Total current assets</b>		<b>226,294,084</b>	<b>227,622,136</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	7,628,520	7,161,929
Investments	12	99,408	99,580
Intangible assets	11	1,124,779	1,268,250
<b>Total non-current assets</b>		<b>8,852,707</b>	<b>8,529,759</b>
<b>Total assets</b>		<b>235,146,791</b>	<b>236,151,895</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables		117,982,449	117,453,360
Other current liabilities	13	20,741,570	22,960,319
Current taxation	7	334,286	278,181
Short term obligations under finance leases	16	97,101	144,527
Bank overdrafts and short term loans	14	32,736,805	34,377,172
<b>Total current liabilities</b>		<b>171,892,211</b>	<b>175,213,559</b>
<b>Non-current liabilities</b>			
Long term liabilities	15	588,972	666,058
Long term obligations under finance leases	16	117,118	74,715
Deferred tax liability		60,174	44,997
<b>Total non-current liabilities</b>		<b>766,264</b>	<b>785,770</b>
<b>Total liabilities</b>		<b>172,658,475</b>	<b>175,999,329</b>
<b>Equity</b>			
Share capital	17	9,600,000	9,600,000
Share premium		8,138,039	8,138,039
Reserves		44,750,277	42,414,527
<b>Total equity</b>		<b>62,488,316</b>	<b>60,152,566</b>
<b>Total liabilities and equity</b>		<b>235,146,791</b>	<b>236,151,895</b>

	Share capital <i>US\$</i>	Share premium account <i>US\$</i>	Retained earnings <i>US\$</i>	Foreign exchange reserve <i>US\$</i>	Total <i>US\$</i>
<b>Balance at 1 January 2006</b>	<b>9,600,000</b>	<b>8,138,039</b>	<b>32,531,547</b>	<b>690,051</b>	<b>50,959,637</b>
Profit for the period from 1 January 2006 to 30 June 2006	-	-	2,486,070	-	2,486,070
Exchange difference arising on consolidation	-	-	-	173,954	173,954
<b>Balance at 30 June 2006</b>	<b>9,600,000</b>	<b>8,138,039</b>	<b>35,017,617</b>	<b>864,005</b>	<b>53,619,661</b>
Profit for the period from 1 July 2006 to 31 December 2006	-	-	6,986,930	-	6,986,930
Excess of net assets transferred to the group compared to the purchase consideration paid for the acquisition of subsidiary companies	-	-	37,681	-	37,681
Payment of dividend for 2005	-	-	(960,000)	-	(960,000)
Exchange difference arising on consolidation	-	-	-	468,294	468,294
<b>Balance at 31 December 2006/ 1 January 2007</b>	<b>9,600,000</b>	<b>8,138,039</b>	<b>41,082,228</b>	<b>1,332,299</b>	<b>60,152,566</b>
Profit for the period from 1 January 2007 to 30 June 2007	-	-	3,168,171	-	3,168,171
Payment of dividend for 2006	-	-	(960,000)	-	(960,000)
Exchange difference arising on consolidation	-	-	-	127,579	127,579
<b>Balance 30 June 2007</b>	<b>9,600,000</b>	<b>8,138,039</b>	<b>43,290,399</b>	<b>1,459,878</b>	<b>62,488,316</b>

	Notes	For the six months ended 30 June 2007 US\$	For the six months ended 30 June 2006 US\$
Profit for the period before tax and minority interest		3,846,654	2,930,413
Adjustments for:			
Exchange difference arising on consolidation		240,780	195,444
Depreciation	10	542,160	493,207
Amortisation of intangible assets	11	370,777	348,277
Goodwill written off		-	39,031
Profit from the sale of property, plant and equipment and intangible assets		(19,715)	(3,913)
<b>Operating profit before working capital changes</b>		<b>4,980,656</b>	<b>4,002,459</b>
Increase in inventories		(13,356,390)	(98,708)
Decrease in trade receivables		14,669,531	6,937,228
Decrease in other current assets		214,119	57,696
Increase/(decrease) in trade payables		529,089	(21,965,010)
Decrease in other current liabilities		(2,218,749)	(5,088,657)
<b>Cash inflows/(outflows) from operations</b>		<b>4,818,256</b>	<b>(16,154,992)</b>
Taxation paid, net	7	(622,378)	(209,570)
<b>Net cash inflows/(outflows) from operating activities</b>		<b>4,195,878</b>	<b>(16,364,562)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(1,152,420)	(463,735)
Purchase of intangible assets	11	(270,142)	(325,905)
Proceeds from sale of property, plant and equipment and intangible assets		108,368	25,197
<b>Net cash outflows from investing activities</b>		<b>(1,314,194)</b>	<b>(764,443)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	22	(960,000)	-
Repayments of long term loans and long term obligations under finance lease		(34,683)	(17,966)
Repayments of short term loans and short term obligations under finance lease		(199,544)	(308,718)
<b>Net cash outflows from financing activities</b>		<b>(1,194,227)</b>	<b>(326,684)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,687,457</b>	<b>(17,455,689)</b>
<b>Cash and cash equivalents at beginning of the period</b>	19	<b>13,250,441</b>	<b>12,178,623</b>
<b>Cash and cash equivalents at end of the period</b>	19	<b>14,937,898</b>	<b>(5,277,066)</b>

## 1. Incorporation and principal activities

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

## 2. Basis of preparation

These un-audited financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting.

### Significant accounting policies

The accounting policies adopted are consistent with those followed in the preparation of the group's annual financial statements for the year ended 31 December 2006.

The financial statements have been prepared under historical cost convention.

## 3. Effects of seasonality

The group's revenue and consequently its profitability is significantly lower during the first half of the year. The seasonality is driven by increased household expenditure during the Christmas period as well as the commencement of the academic period during the second half of the year resulting in a positive effect on the demand for the group's products.

## 4. Other income

	For the six months ended 30 June 2007 US\$	For the six months ended 30 June 2006 US\$
Bad debts recovered	32,654	35,126
Other income	86,969	67,649
	<u>119,623</u>	<u>102,775</u>

## 5. Financial income/(expenses), net

	For the six months ended 30 June 2007 US\$	For the six months ended 30 June 2006 US\$
Interest income	152,095	98,658
Exchange gain, net	229,252	104,010
	<u>381,347</u>	<u>202,668</u>
Bank interest	1,122,526	792,283
Bank charges	421,621	305,787
Factoring interest	358,929	213,942
Factoring charges	244,357	186,798
Other financial expenses	125,806	253,277
Other interest	25,090	53,922
	<u>(2,298,329)</u>	<u>(1,806,009)</u>
Net	<u>(1,916,982)</u>	<u>(1,603,341)</u>

**6. Profit before taxation**

	For the six months ended 30 June 2007 US\$	For the six months ended 30 June 2006 US\$
Profit before taxation is stated after crediting:		
(a) Exchange gain	229,252	104,010
and after charging:		
(b) Depreciation	542,160	493,207
(c) Amortisation of intangible assets and goodwill	370,777	348,277
(d) Bank interest and charges	1,544,147	1,098,070
(e) Auditors' remuneration	361,297	274,042
(f) Directors' remuneration – executive	343,113	325,723
(g) Directors' remuneration – non executive	75,317	-

**7. Taxation**

	For the six months ended 30 June US\$	For the year ended 31 December US\$
Credit/(debit) balance 1 January	278,181	(76,446)
Provision for the period/year	678,483	1,622,736
Underprovision of prior years	-	4,406
Amounts paid, net	(622,378)	(1,272,515)
Credit balance 30 June/31 December	334,286	278,181

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

The consolidated tax charge for the period consists of the following:

	For the six months ended 30 June 2007 US\$	For the six months ended 30 June 2006 US\$
Corporation tax for the period	673,400	442,697
Underprovision of prior years	-	1,646
Deferred tax charge	5,083	-
Provision for the period	678,483	444,343

**8. Trade receivables**

	As at 30 June 2007 US\$	As at 31 December US\$
Trade receivables	135,751,669	150,948,946
Allowance for doubtful debts	(1,630,829)	(2,158,575)
	134,120,840	148,790,371

**9. Other current assets**

	As at 30 June 2007	As at 31 December 2006
	<i>US\$</i>	<i>US\$</i>
Other debtors and prepayments	2,086,527	2,070,308
VAT and other taxes refundable	1,433,715	1,878,527
Loan due from fellow subsidiary company	110,000	118,096
Loans advanced	41,884	24,165
Advances to suppliers	565,261	114,802
Employee floats	50,857	137,511
Deposits	223,993	199,612
Amount due from ultimate holding company	-	63,205
Amount due from executive directors	-	120,130
	4,512,237	4,726,356

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

**10. Property, plant and equipment**

	Land and Buildings <i>US\$</i>	Warehouse machinery <i>US\$</i>	Furniture and fittings <i>US\$</i>	Office equipment <i>US\$</i>	Motor vehicles <i>US\$</i>	Computer hardware <i>US\$</i>	Total <i>US\$</i>
<b>Cost</b>							
At 1 January 2006	4,734,874	85,619	662,465	1,034,362	1,441,501	2,754,356	10,713,177
Foreign exchange difference on opening balances	349,604	13,544	49,217	89,571	154,027	194,770	850,733
Additions from the acquisition of subsidiary	-	44,427	1,601	1,194	61,314	4,488	113,024
Additions	63,544	-	251,445	138,828	265,711	385,147	1,104,675
Disposals	-	-	(1,955)	(33,631)	(158,180)	(113,950)	(307,716)
<b>At 1 January 2007</b>	5,148,022	143,590	962,773	1,230,324	1,764,373	3,224,811	12,473,893
Foreign exchange difference on opening balances	(38,190)	3,304	29,100	(2,186)	(15,589)	20,854	(2,707)
Additions	402,419	-	41,748	194,888	283,230	230,135	1,152,420
Disposals	-	-	(14,023)	(8,915)	(79,018)	(30,127)	(132,083)
<b>At 30 June 2007</b>	5,512,251	146,894	1,019,598	1,414,111	1,952,996	3,445,673	13,491,523
<b>Accumulated depreciation</b>							
At 1 January 2006	462,487	43,837	319,135	546,338	836,038	1,841,702	4,049,537
Foreign exchange difference on opening balances	34,037	6,400	23,474	64,590	83,092	147,882	359,475
Charge for the year	142,418	31,545	85,436	131,714	243,163	498,956	1,133,232
On acquisition of subsidiary	-	14,068	114	131	19,149	1,085	34,547
Disposals	-	-	(1,822)	(31,513)	(123,861)	(107,631)	(264,827)
<b>At 1 January 2007</b>	638,942	95,850	426,337	711,260	1,057,581	2,381,994	5,311,964
Foreign exchange difference on opening balances	275	5,211	1,753	45,672	(11,134)	58,015	99,792
Charge for the period	71,693	13,030	62,792	57,935	130,273	206,437	542,160
Disposals	-	-	(8,712)	(7,984)	(68,294)	(5,923)	(90,913)
<b>At 30 June 2007</b>	710,910	114,091	482,170	806,883	1,108,426	2,640,523	5,863,003
<b>Net book value</b>							
30 June 2007	4,801,341	32,803	537,428	607,228	844,570	805,150	7,628,520
31 December 2006	4,509,080	47,740	536,436	519,064	706,792	842,817	7,161,929

**11. Intangible assets**

	Computer software <i>US\$</i>	Patents and licences <i>US\$</i>	Total <i>US\$</i>
<b>Cost</b>			
At 1 January 2006	3,594,088	220,654	3,814,742
Foreign exchange difference on opening balances	94,014	-	94,014
Additions	415,402	110,947	526,349
Disposals	(5,821)	-	(5,821)
<b>At 1 January 2007</b>	<b>4,097,683</b>	<b>331,601</b>	<b>4,429,284</b>
Foreign exchange difference on opening balances	17,016	2,634	19,650
Additions	154,843	115,299	270,142
Disposals	(58,219)	-	(58,219)
<b>At 30 June 2007</b>	<b>4,211,323</b>	<b>449,534</b>	<b>4,660,857</b>
<b>Accumulated depreciation</b>			
At 1 January 2006	2,315,571	55,946	2,371,517
Foreign exchange difference on opening balances	85,253	-	85,253
Charge for the year	560,638	149,447	710,085
Disposals	(5,821)	-	(5,821)
<b>At 1 January 2007</b>	<b>2,955,641</b>	<b>205,393</b>	<b>3,161,034</b>
Foreign exchange difference on opening balances	14,691	312	15,003
Charge for the period	298,884	71,893	370,777
Disposals	(10,736)	-	(10,736)
<b>At 30 June 2007</b>	<b>3,258,480</b>	<b>277,598</b>	<b>3,536,078</b>
<b>Net book value</b>			
30 June 2007	<u>952,843</u>	<u>171,936</u>	<u>1,124,779</u>
31 December 2006	<u>1,142,042</u>	<u>126,208</u>	<u>1,268,250</u>

**12. Investments**

	Country of incorporation	Percentage of participation	As at 30 June 2007 <i>US\$</i>	As at 31 December 2006 <i>US\$</i>
Share at cost of acquisition				
Investments held in fellow subsidiaries				
E-Vision Limited	Cyprus	18%	90,000	90,000
Other investments				
Asekol s.r.o.	Czech Republic	9.09%	9,408	9,580
			<u>99,408</u>	<u>99,580</u>

**13. Other current liabilities**

	As at 30 June 2007 <u>US\$</u>	As at 31 December 2006 <u>US\$</u>
Factoring creditors (note a)	8,380,428	9,670,740
Salaries payable and related costs	675,840	605,448
VAT payable	4,705,900	4,265,374
Amount due to directors - executive	16,919	53,366
Amount due to directors - non-executive	29,315	21,000
Non-trade accounts payable	2,476,439	3,228,154
Accruals and deferred income	4,456,729	5,116,237
	<u>20,741,570</u>	<u>22,960,319</u>

Note a: The group enjoyed as at 30 June 2007 factoring facilities of US\$28.608.385 (2006: US\$25.030.728). These factoring facilities are secured as mentioned in note 14.

**14. Bank overdrafts and short term loans**

	As at 30 June 2007 <u>US\$</u>	As at 31 December 2006 <u>US\$</u>
Bank overdrafts	13,188,916	14,677,165
Bank short term loans	19,308,911	19,494,450
Current portion of long term loans	238,978	205,557
	<u>32,736,805</u>	<u>34,377,172</u>

The group as at 30 June 2007 had the following financial facilities with banks in the countries that the company and its subsidiaries are operating:

- overdraft lines of US\$19,009,678 (31 December 2006: US\$ 16,590,934)
- short term loans/revolving facilities US\$23,385,032 (31 December 2006: US\$ 19,819,699)
- bank guarantees US\$ 4,337,404 (31 December 2006: US\$ 4,210,843)

The group had for the period ended 30 June 2007 cash lines (overdrafts, loans and revolving facilities) and factoring lines.

The Weighted Average Cost of Debt (cash lines and factoring lines) for the period was 9.1% (2006: 9.0%).

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

- First floating charge over all assets of the company for a total amount of US\$4,000,000
- Second floating charge on the whole undertaking including the company's uncalled capital, goodwill and book debts for US\$2,000,000 plus interest
- Mortgage on ¼ of property of Diamond Properties Ltd (Vendor of the property for the company's head office premises acquired in Limassol) for the amount of US\$2,800,000 and assignment of the sales contract between Diamond Properties Ltd and the company
- Mortgage on land and buildings that the group owns in the Czech Republic, Ukraine and Belarus
- Personal guarantees of the Chairman and Chief Executive Officer for certain facilities granted to the Cyprus company
- Charge over receivables and inventories
- Corporate guarantees and, in some cases, by also cross guarantees by all group companies to the extent of facilities granted
- Assignment of insurance policies
- Pledged deposits of US\$3,949,951 (31 December 2006: US\$ 3,885,064)



**15. Long term liabilities**

	As at 30 June 2007 <i>US\$</i>	As at 31 December 2006 <i>US\$</i>
Bank loans	542,851	612,602
Other long term liabilities	46,121	53,456
	588,972	666,058

**16. Finance leases**

	As at 30 June 2007 <i>US\$</i>	As at 31 December 2006 <i>US\$</i>
Obligation under finance leases	214,219	219,242
Less: Amount payable within one year	(97,101)	(144,527)
Amount payable within 2-5 years inclusive	117,118	74,715

**17. Share capital**

	As at 30 June 2007 <i>US\$</i>	As at 31 December 2006 <i>US\$</i>
<b>Authorised</b>		
63,000,000 shares of US\$ 0.20 each	12,600,000	12,600,000
<b>Issued, called-up and fully paid</b>		
48,000,000 ordinary shares of US\$0.20 each	9,600,000	9,600,000

On 4 September 2006 by a special resolution passed at an extraordinary general meeting of the shareholders of the company it was decided:

- a) to increase the authorised share capital from 48,000,000 shares of US\$0.20 each to 63,000,000 shares of US\$0.20 each
- b) to convert the 8,000,000 preference shares of US\$0.20 each to 8,000,000 ordinary shares of US\$0.20 each.

**18. Segmental reporting**

The group operates in a single segment of the distribution of IT components in a number of geographical regions

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

	Sales revenue by geographical market	
	For the six months ended	For the six months ended
	30 June 2007 <i>US\$</i>	30 June 2006 <i>US\$</i>
Former Soviet Union	252,843,644	190,454,468
Eastern Europe	173,977,705	140,906,537
Western Europe	55,751,240	45,634,608
Middle East and Africa	42,935,066	37,556,986
Other	14,548,255	11,815,414
Total revenue	540,055,910	426,368,013

**19. Cash and cash equivalents**

	As at 30 June 2007 US\$	As at 31 December 2006 US\$
Cash at bank	28,126,814	27,927,606
Bank overdrafts - note 14	(13,188,916)	(14,677,165)
	<u>14,937,898</u>	<u>13,250,441</u>

The cash at bank balances include an amount of US\$3,949,951 (31 December 2006: US\$3,885,064) which represents pledged deposits.

**20. Related party transactions and balances**

The holding company of the group is K.S. Holdings Limited, a company incorporated in Cyprus. Transactions between the company and its subsidiaries have been eliminated on consolidation. In the normal course of business, the group undertook during the period on an arm’s-length basis transactions with the fellow subsidiary company E-Vision Limited and its subsidiaries as follows:

	For the six months ended 30 June 2007 US\$	For the six months ended 30 June 2006 US\$
Purchase of services and computer software – E-Vision Limited	250,000	319,999
Interest income	4,428	4,125
	<u>254,428</u>	<u>324,124</u>

	As at 30 June 2007 US\$	As at 31 December 2006 US\$
<b>Related party balances</b>		
Loan due from fellow subsidiary company E-Vision Limited	110,000	118,096

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

**Transactions and balances of key management**

	For the six months ended 30 June 2007 US\$	For the six months ended 30 June 2006 US\$
Directors’ remuneration – executive	343,113	325,723
Directors’ remuneration – non executive	75,317	-
	<u>418,430</u>	<u>325,723</u>

	As at 30 June 2007 US\$	As at 31 December 2006 US\$
<i>Amount due to directors</i>		
- executive	16,919	53,366
- non executive	29,315	21,000
	<u>46,234</u>	<u>74,366</u>
<i>Amount due from directors</i>	<u>-</u>	<u>120,130</u>

## **ASBISC ENTERPRISES PLC**

### **NOTES TO THE UNAUDITED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2007 (Expressed in United States Dollars)**

#### **21. Commitments and contingencies**

As at 30 June 2007 the group was committed in respect of purchases of inventories of a total cost value of US\$ 10,152,981 (31 December 2006: US\$ 13,543,819) which were in transit at 30 June 2007 and delivered in July 2007. Such inventories and the corresponding liability towards the suppliers have not been included in these financial statements since, according to the terms of the purchase, title of the goods had not passed to the company as at the period end.

As at 30 June 2007 the group was contingently liable in respect of bank guarantees of US\$ 4,337,404 (31 December 2006: US\$ 4,210,843) which the group had extended mainly to its suppliers as at 30 June 2007.

As at 30 June 2007 the group had no other legal commitments and contingencies.

#### **22. Dividends**

The Board of Directors proposed the payment of a final dividend of US\$0.02 per share for the year ended 31 December 2006 which amounted to US\$960,000. The dividend was approved on 23 April 2007 at the company’s annual general meeting and paid on 11 May 2007.

#### **23. Events after the balance sheet date**

No significant events occurred after the balance sheet date.

**ANNEX A**

**SWORN TRANSLATION OF THE MEMORANDUM  
AND ARTICLES OF ASSOCIATION OF THE COMPANY**

THE COMPANIES LAW (CAP.113)

PRIVATE COMPANY LIMITED BY SHARES

MEMORANDUM OF ASSOCIATION

OF

ASBISC ENTERPRISES PLC  
~~ASBISC ENTERPRISES LIMITED~~

ASBISC ENTERPRISES PLC

1. The name of the company is ~~ASBISC ENTERPRISES LIMITED~~.  
*Changed name by*
2. The registered office of the company will be situated in Cyprus. *Cert. of R.O.C. dated 24/10/06 see R 118*
3. The objects for which the company is established are:-
  - (1) To carry on either alone or jointly with others anywhere in the world (and whether in a "free zone area", bonded area, bonded factory or elsewhere), the business of manufacturers, processors dealers, wholesalers, retailers, importers, exporters, suppliers, distributors, buyers, sellers of any kind of goods materials, merchandise or things of any nature, as well as the business of merchants in general, carriers by any means of transportation, travel or insurance agents on commission or otherwise, forwarding agents, estate agents and agents in general.
  - (2) To perform, carry out, or offer, alone or jointly with others, through branches established in any place and country the following activities and services:
    - a) assembly, manufacture and sale of personal computers, including components and peripherals to personal computers.
    - b) servicing of personal computers
    - c) sales and manufacture of computers' software.
  - (3) To carry on either alone or jointly with others, anywhere in the world the business of insurance agents on commission and representatives and agents of reinsurers in all branches

and to act as representative or manager of any insurance company, club, association or for any personal guarantor or reinsurers or in any other branch and to make any arrangements in relation to all insurance policies (including group insurances, life insurances and investment and pension plans) and to conclude any contract in relation to the aforesaid objects with any other company, club, association, guarantors, reinsurers, trustees or with any other person.

- (4) To carry on either alone or jointly with others anywhere in the world the business of consultants and managers in relation to any kind of insurance, investment plans or pension plans or any other similar business or plans.
- (5) To carry on either alone or jointly with others, anywhere in the world the business of financiers, trustees, agents, administrators, liquidators, representatives, investment companies and as company engaging, acquiring and making available services and goods including (without prejudice to the generality of the above) the buying and selling of securities and the raising and disposal of funds.
- (6) To carry on either on their own or jointly with others any-where in the world the business of contractors, subcontractors, builders, engineers, designers, surveyors, tenderers, constructors, maintainers, repairers, managers of any kind of buildings, premises, structures, plants, projects, machinery, roads, ditches, harbours, pipelines or works of any nature independently of their volume or value, as well as the business of developers of land purchased or leased from government or other institutions for development into agricultural husbandry or other related project, earth removers suppliers of electric or other power, civil engineers architects, fitters, furnishers, decorators, assemblers of ready made or other constructions, and to acquire sell let or make available any kind of "Know-how".
- (7) To engage, hire and train professional, clerical, manual, technical and other staff and workers or their services or any of them and in any way and manner acquire possess manufacture or assemble any property of any kind or description whatsoever (including any rights over or in connection with such property) and to allocate and make available the aforesaid personnel or services or make the use of such property available on hire purchase sale exchange or in any other manner whatsoever, to those requiring or requesting the same or who have need of the same or their use and otherwise to utilise the same for the benefit

or advantage of the company to provide or procure the provision by others of every and any service, need want or requirement of any business nature required by any person firm or company in or in connection with any business carried on by them.

- (8) To carry on any other business or activity which may seem to the Directors capable of being conveniently or advantageously carried on or done in connection with any of the above objects or calculated directly or indirectly to enhance the value of or render more profitable any of the company's business property or rights.
- (9) To purchase, obtain by way of gift, take on lease or sublease or in exchange, or otherwise acquire or possess and hold any estate or interest in any lands, buildings, easements, rights, privileges, concessions, permits, licences, stock-in-trade, and movable and immovable property of any kind and description (whether mortgaged, charged or not) necessary or convenient for the purposes of or in connection with the company's business or any branch or department thereof or which may enhance the value of any other property of the company.
- (10) To erect, maintain, work, manage, construct, reconstruct, alter, enlarge, repair, improve, adapt, furnish, decorate, control, pull down, replace any shops, offices, flats, electric or water works, apartments, workshops, mills, plants, machinery, warehouses and any other works, buildings, plants, conveniences or structures whatsoever, which the company may consider desirable for the purposes of its business and to contribute to, subsidize or otherwise assist or take part in the construction, improvement, maintenance, working, management, carrying out or control thereof.
- (11) To improve, manage, control, cultivate, develop, exploit, exchange, let on lease or otherwise, mortgage, charge, sell, dispose of, grant as gift, turn to account, grant rights and privileges in respect of, or otherwise deal with all or any part of the property, assets and rights of the company or in which the company is interested and to adopt such means of making known and advertising the business and products of the company as may seem expedient.
- (12) To manufacture, repair, import, buy, sell, export, let on hire and generally trade or deal in, any kind of accessories, articles, apparatus, plant, machinery, tools, goods, properties, rights or things of any description capable of being used or dealt with by the company in

connection with any of its objects.

- (13) To deal in, utilise for building or other purposes, let on lease or sublease or on hire, to assign or grant licence over, charge or mortgage, the whole or any part or parts of the immovable property belonging to the company or any rights thereon or in which the company is interested on such terms as the company shall determine.
- (14) To purchase or otherwise acquire all or any part of the business, assets, property and liabilities of any company, society, partnership or person, formed for all or any part of the purposes within the objects of this company, or carrying on any business or intending to carry on any business which this company is authorised to carry on, or possessing property suitable for the purposes of the company and to undertake, conduct and carry on, or liquidate and wind up, any such business and in consideration for such acquisition to pay in cash, issue shares, undertake any liabilities or acquire any interest in the vendor's business.
- (15) To apply for and take out, purchase or otherwise acquire any designs, trade marks, patents, patent rights or inventions, brevets d'invention, copyright or secret processes, which may be useful for the company's objects, and to grant licences to use the same.
- (16) To pay all costs, charges, and expenses incurred or sustained in or about the promotion, formation and establishment of the company, or which the company shall consider to be in the nature of preliminary expenses or expenses incurred prior to incorporation and with a view to incorporation, including therein professional fees the cost of advertising, taxes, commissions for underwriting, brokerage, printing and stationery, salaries to employees and other similar expenses and expenses attendant upon the formation and functioning of agencies, local boards or local administration or other bodies, or expenses relating to any business or work carried on or performed prior to incorporation, which the company decides to take over or continue.
- (17) Upon any issue of shares, debentures or other securities of the company to employ brokers, commission agents and underwriters and to provide for the remuneration of such persons for their services by payment in cash or by the issue of shares debentures or other securities of the company, or by the granting of options to take the same or in any other manner allowed by law.



- (18) To borrow, raise money or secure obligations (whether of the company or any other person) in such manner and on such terms as may seem expedient, including the issue of debentures, debenture stock (perpetual or terminable), bonds, mortgages or any other securities, founded or based upon all or any of the property and rights of the company, including its uncalled capital, or without any such security, and upon such terms as to priority or otherwise, as may be through fit.
- (19) To lend and advance money or give credit to any person, firm or company; to guarantee and give guarantees or indemnities for the payment of money or the performance of contracts or obligations by any person, firm or company; to secure or undertake in any way the repayment of money lent or advanced to or the liabilities incurred by any person, firm or company; and otherwise to assist any person or company as may be through fit.
- (20) To draw, execute, issue, accept, make, indorse, discount and negotiate bills of exchange, promissory notes, bills of lading, and other negotiable or transferable instruments or securities.
- (21) To receive money on deposit, with or without allowance of interest thereon.
- (22) To advance and lend money upon such security as may be through proper, or without any security therefor.
- (23) To invest the moneys of the company not immediately required in such manner, other than in the shares of his company, as from time to time may be determined by the Directors.
- (24) To issue or guarantee the issue of or the payment of interest on, the shares, debentures, debentures stock, or other securities or obligations of any company or association, and to pay or provide for brokerage, commission, and underwriting in respect of any such issue.
- (25) To acquire by subscription, purchase or otherwise, and to accept, take, hold, deal in, convert and sell, any kind of shares, stock, debentures or other securities or interests in any other company, society or undertaking whatsoever.
- (26) To issue and allot fully or partly paid shares in the capital of the company or issue debentures or securities in payment or part payment of any movable or immovable property

purchased or otherwise acquired by the company or any services rendered to the company and to remunerate in cash or otherwise any person, firm or company rendering services to this company or grant donations to such persons.

- (27) To establish anywhere in the world, branch offices, regional offices, agencies and local boards and to regulate and to discontinue the same.
- (28) To provide for the welfare of officers or of persons in the employment of the company, or former officers or formerly in the employment of the company or its predecessors in business or officers or employees of any subsidiary or associated or allied company, of this company, and the wives, widows, dependants and families of such persons, by grants of money, pensions or other payments, (including payments of insurance premia) and to form, subscribe to, or otherwise aid, any trust, fund or scheme for the benefit of such persons, and any benevolent, religious, scientific, rational or other institution or object of any kind, which shall have any moral or other claims to support or aid, by the company by reason of the nature or the locality of its operations or otherwise.
- (29) From time to time to subscribe or contribute to any charitable, benevolent, or useful object of a public character the support of which will, in the opinion of the company, tend, to increase its repute or popularity among its employees, its customers, or the public.
- (30) To enter into and carry into effect any arrangement for joint working in business, union of interests, limiting competition, partnership or for sharing of profits, or for amalgamation, with any other company, partnership or person, carrying on business within the objects of this company.
- (31) To establish, promote and otherwise assist, any company or companies for the purpose of acquiring any of the property or furthering any of the objects of this company or for any other purpose which may seem directly calculated to benefit this company.
- (32) To apply for, promote, and obtain any Law, Order, Regulation, By-Law, Degree, Charter, concession, right, privilege, licence or permit for enabling the company to carry and of its objects into effect, or for effecting any modification of the company's constitution, or for any other purpose which may seem expedient, and to oppose any proceedings or

applications which may, calculated directly or indirectly, to prejudice the company's interest and to enter into and execute any arrangement with any Government or Authority, supreme, municipal, local or otherwise that may seem conducive to the company's objects or any of them.

- (33) To sell, dispose of, mortgage, charge, grant rights or options or transfer the business, property and undertakings of the company, or any part or parts thereof, for any consideration which the company may seem fit to accept.
- (34) To accept stock or shares in, or the debentures, mortgage debentures or other securities of any other company in payment or part payment for any services rendered or for any sale made to or debt owing from any such company.
- (35) To distribute in specie or otherwise as may be resolved any assets of the company among its members and particularly the shares, debentures or other securities of any other company belonging to this company or which this company may have the power of disposing.
- (36) To do all or any of the matters hereby authorised in any part of the world either alone or in conjunction with, or as factors, trustees, principals, sub-contractors or agents for, any other company, firm or person, or by or through any factors, trustees, sub-contractors or agents.
- (37) To procure the registration or recognition of the company in any country or place.
- (38) To act as secretary, manager, director or treasurer of any other company.
- (39) Generally to do all such other things as may appear to the company to be incidental or conducive to the attainment of the above objects or any of them.

The objects set forth in any sub-clause of this clause shall not be restrictively construed but the widest interpretation shall be given thereto, and they shall not, except when the context expressly so requires, be in any way limited to or restricted by reference to or inference from any other object or objects set forth in such sub-clause or from the terms of any other sub-clause or marginal title or by the name of the company. None of such sub-clauses or object or objects therein specified or the powers thereby conferred shall be deemed

subsidiary or ancillary to the objects or powers mentioned in any other sub-clause, but the company shall have full power to exercise all or any of the powers and to achieve or to endeavour to achieve all or any of the objects conferred by and provided in any one or more of the said sub-clauses.

4. The liability of the members is limited.

5. The share capital of the Company is Cyprus Pounds Thirteen Thousand (CYP13.000) divided into Two Hundred and sixty Shares (260) of Cyprus Pounds Fifty (CYP50) each. The shares in the original or any increased capital may be divided in different classes and any rights, or preference of other special rights, privileges, terms or restrictions with reference to return of capital dividend voting right and others may be attached to them respectively.

- 1) Increased to £ 1.000.000 by Ord. Res. dated 10/3/99 R26
- 2) Conversion to USA dollars by HC 16 R47
- 3) Sub-division of shares by HC 16 R49
- 4) Increased to \$ 8.000.000 by Ord. Res. dated 22/1/01 R27
- 5) Increased to \$ 8.960.000 by Ord. Res. dated 15/8/02 R23
- 6) Increased to \$ 9.600.000 by Ord. Res. dated 14/9/02 R72
- 7) Class conversion by Unin. Sp. Res. dated 4/9/06 R22 R
- 8) Increased to \$ 12.600.000 by Sp. Res. dated 4/9/06 R12

TRUE COPY  
*[Signature]*  
S. J. V. PAPADOPOULOU  
FOR REGISTRAR OF COMPANIES  
11/5/07

TRUE COPY  
*[Signature]*  
S. J. V. PAPADOPOULOU  
FOR REGISTRAR OF COMPANIES  
13/11/06

# THE COMPANIES LAW, CAP. 113

## PUBLIC COMPANY LIMITED BY SHARES

### ARTICLES OF ASSOCIATION

#### OF

### ASBISC ENTERPRISES PLC

#### Interpretation

1. In these regulations:

“any law” means any Cyprus law in force, other than that of the Companies Law, Cap. 113, as well as any foreign law which applies or may apply, to the Company, including the AIM Rules issued by the London Stock Exchange for companies seeking admission or admitted to the AIM Market of the of the London Stock Exchange plc, the Uncertificated Securities Regulations 2001 of the United Kingdom as amended or substituted from time to time and of any Polish law or regulations that apply to Companies that are listed on the Warsaw Stock Exchange .

“Cyprus” means the Republic of Cyprus.

“the Law” means the Companies Law, Cap. 113 or any Law substituting or amending the same.

“the seal” means the common seal of the Company.

“the Secretary” means any person appointed to perform the duties of the secretary of the Company.

“uncertificated” in relation to a share, a share to which title is recorded in the register of members as being held in uncertificated form and title to which may be transferred by means of an uncertificated system in accordance with any law

Expressions referring to “writing” shall, unless the contrary intention appears, be construed as including references to printing, lithography, photography, and other modes of representing or reproducing words in a visible form.

Unless the context otherwise requires, words or expressions contained in these Regulations shall bear the same meaning as in the Law or any statutory modification thereof in force at the date at which these Regulations become binding on the Company.

#### TABLE “A” EXCLUDED

2. The Regulations contained in Table “A” in the First Schedule to the Law shall not apply except so far as the same are repeated or contained in these Regulations.

#### BUSINESS

3. The Company shall enter into, adopt, carry into effect, take over or continue (with such modifications, if any, as the contracting parties shall agree and the Board of Directors shall approve), any agreement or business or work for which there is express or implied authorisation in the Memorandum of Association or the present Regulations to be carried out or undertaken by the Company at the time or times that the Board of Directors of the company may deem appropriate.

## SHARE CAPITAL AND VARIATION OF RIGHTS

- 4.1 Any original shares for the time being unissued and not allotted and any new shares from time to time to be created shall be at the disposal of the Board of Directors which has the right, at its absolute discretion, to issue or generally dispose of the same to such persons, at such times and under such terms, conditions and restrictions which it deems to be most beneficial to the Company.
- 4.2 Under the Law, all new shares in the Company issued in consideration of cash must be offered in the first instance to the Members on a date certain as determined by the Directors and in proportion to their participation in the share capital of the Company. Each member will have no less than 14 days following its receipt of the notice of the offer, which notice will identify the proposed terms and conditions of the offer, to notify the Company of its desire to exercise its pre-emption right on the same terms and conditions proposed in the notice. The Company may by ordinary resolution of a general meeting, before the issue of such new shares, disapply the Members' pre-emption rights as to the issue of such new shares
5. Subject to the provisions of section 57 of the Law, any preference shares may, with the sanction of an ordinary resolution, be issued on the terms that they are or at the option of the Company are liable, to be redeemed on such terms and in such manner as the Company before the issue of the shares may by special resolution determine.
6. If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issues of shares of that class) may not, whether or not the Company is being wound up, be varied without the sanction of an extraordinary resolution passed at a separate general meeting of the holders, in person or by proxy, of two thirds of the issued shares of that class or a resolution passed by a simple majority at a separate general meeting if at least half of the issued shares capital is represented at such a meeting.
7. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.
8. The Company may exercise the powers of paying commissions conferred by Section 52 of the Law, provided that the rate per cent or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by the said section and the rate of the commission shall not exceed the rate of 10 per cent of the price at which the shares in respect whereof the same is paid are issued or an amount equal to 10 per cent of such price (as the case may be). Such commission may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other. The Company may also on any issue of shares pay such brokerage as may be lawful.
9. Except as required by any law, no person shall be recognised by the Company as holding any shares upon any trust, and the Company shall not be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or (except only as by these Regulations or by any law otherwise provided) any other rights in respect of any share except an absolute right to the entirety thereof in the registered holder.
10. Every member, upon becoming the holder of any shares (except a recognised clearing house or a nominee of a recognised clearing house or of a recognised investment exchange in respect of whom the Company is not required by any law to complete and have ready for delivery a certificate) shall be entitled, without payment, to one certificate for all the shares of each class held by him (and, upon transferring a part of his holding of shares of any class, to a certificate for the balance of such holding) or several certificates each for one or more of his shares upon payment for every certificate after the first of such reasonable sum as the Board of Directors may from time to time determine. Subject to Regulation 13 every certificate shall be sealed with the seal or executed by one director and the secretary or by two directors and shall specify the number, class and distinguishing numbers (if any) of the shares to which it relates and the amount or respective amounts paid up thereon. The Company shall not be bound to issue more than one certificate for shares held jointly by several persons and delivery of a certificate to one joint holder shall be a sufficient delivery to all of them. Shares of different classes may not be included in the same certificate.

- 11.1. Subject to the restrictions in these Regulations, a member may transfer all or any of his shares in any manner which is permitted by the Law or any law and is from time to time approved by the board.
- 11.2. All transfers of uncertificated shares shall be effected in accordance with the Law or any law and the facilities and requirements of the relevant system and otherwise in accordance with any arrangements made by the directors
- 11.3. All transfers of certificated shares shall be effected by instrument in any usual or common form, or in any other form acceptable to the board. The instrument of transfer shall be executed by or on behalf of, the transferor and (except in the case of fully paid shares) by or on behalf of the transferee
- 11.4. Subject to the Law or any law, the board may permit any class or classes of shares to be held and transferred in uncertificated form by means of a relevant system and may determine that any class of shares shall cease to be held and transferred in this way.
- 11.5. In relation to any share which is for the time being held in uncertificated form:
- (a) the Company may utilise the relevant system in which it is held to the fullest extent possible from time to time in the exercise of any of its powers or functions under the Law or any law or these articles or otherwise in effecting any actions and the board may from time to time determine the manner in which such powers, functions and actions shall be so exercised or effected;
  - (b) any provision in these articles which is inconsistent with:
    - (i) the holding of and transfer of title to that share in uncertificated form by means of a relevant system;
    - (ii) the exercise of any powers or functions by the Company or the effecting by the Company of any actions by means of a relevant system; or
    - (iii) any other provisions of the Law or any law relating to the shares held in uncertificated form shall not apply.
- 11.6 Where any share is for the time being held in uncertificated form and the Company is entitled under the Law or any law or these articles to sell, transfer or otherwise dispose of, re-allot, accept the surrender of, forfeit, or enforce a lien over that share, the Company shall be entitled, subject to the Law or any law, these articles and the facilities and requirements of the relevant system:
- (a) to require the holder of that share by notice to convert that share into certificated form within the period specified in the notice and to hold that share in certificated form so long as required by the Company;
  - (b) to require the operator to convert that share into certificated form;
  - (c) to require the holder of that share by notice to give any instructions necessary to transfer title to that share by means of the relevant system within the period specified in the notice;
  - (d) to require the holder of that share by notice to appoint any person to take any step, including without limitation the giving of any instructions by means of the relevant system, necessary to transfer that share within the period specified in the notice; and
  - (e) to take any other action that the board considers necessary or expedient to achieve the sale, transfer, disposal, re-allotment, forfeiture or surrender of that share or otherwise to enforce a lien in respect of that share.
- 11.7 Subject to the Law and or any law, for the purpose of effecting any action by the Company, the board may determine that shares held by a person in uncertificated form shall be treated as a separate holding from shares held by that person in certificated form
12. If a share certificate is defaced, worn out, lost or destroyed, it may be renewed on such terms (if any) as to evidence and indemnity (with or without security) and payment of any exceptional out of pocket expenses reasonably incurred by the Company in investigating evidence and preparing the requisite form of indemnity as the Board of Directors may determine but otherwise free of charge, and (in the case of defacement or wearing out) on delivery up of the old certificate.

13. The Board of Directors may by resolution determine either generally or in any particular case that any certificates for shares or debentures or representing any other form of security to which the seal is affixed may have signatures affixed to them by some mechanical means, or printed thereon or that such certificates need not bear any signature.
14. The Company shall not give, whether direct or indirectly, and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person or for any shares in the Company or in its holding company nor shall the Company make a loan for any purpose whatsoever on the security of its shares or those of its holding company, but nothing in this Regulation shall prohibit transactions mentioned in the proviso to section 53(1) of the Law.

#### **LIEN**

15. The Company shall have a first and paramount lien on every share for all monies (whether presently payable or not) called or payable at a fixed time in respect of that share, and the Company shall also have a first and paramount lien on all shares standing registered in the name of a single person for all monies presently payable by him or his estate to the Company; but the Directors may at any time declare any share to be wholly or in part exempt from the provision of this Regulation. The Company's lien, if any, on a share shall extend to all dividends payable thereon.
16. The Company may sell, in such manner as the Directors think fit, any shares on which the Company has a lien, but no sale shall be made unless a sum in respect of which the lien exists is presently payable, nor until the expiration of fourteen days after a notice in writing, stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share, or the person entitled thereto by reason of his death or bankruptcy.
17. To give effect to any such sale the Directors may authorise any person to transfer the shares sold to the purchaser thereof. The purchaser shall be registered as the holder of the shares comprised in any such transfer, and he shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.
18. The proceeds of the sale shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as it presently payable, and the residue, if any, shall (subject to a like lien for sums not presently payable as existed upon the shares before the sale) be paid to the person entitled to the shares at the date of the sale.

#### **CALLS ON SHARES**

19. Subject to the Law, Directors may make calls on the Members in respect of any money unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium) which is not, by the terms of issue of those shares, made payable at fixed times. The Directors may revoke a call and if not precluded from doing so by applicable regulations, may postpone a call, and a call may be required to be paid by instalments.
20. A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed and may be required to be paid by instalments.
21. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.
22. If a Member fails to pay a call or instalment of a call on or before the day appointed for payment of the call or instalment, the Directors may, at any time afterwards while any part of the call or instalment remains unpaid, serve a notice on the Member requiring payment of so much of the call or instalment as is unpaid, together with any interest that has accrued and all expenses of the Company incurred as a result of the non-payment.
23. Any sum which by the terms of issue of a share becomes payable on allotment or at any fixed date, whether on account of the nominal value of the share or by way of premium, shall for the purposes of these Regulations be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable and in case of non-payment all the relevant provisions of these Regulations as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly



made and notified. The Directors may on the issue of shares, differentiate between the holders as to the amount of calls to be paid and the times of payment.

24. The Directors may, if they think fit, receive from any Member willing to advance the same, all or any part of the monies uncalled and unpaid upon any shares held by him and upon all or any of the monies so advanced they may (until the same would, but for such advance, become payable) pay interest at such rate not exceeding (unless the Company in general meeting shall otherwise direct) 5 per cent per annum, as may be agreed upon between the Directors and the Member paying such sum in advance.

#### **TRANSFER OF SHARES**

25. Nothing in these Regulations shall preclude the transfer of shares or other securities of the Company in uncertificated form in accordance with the terms of Regulation 11 and any references contained in these Regulations in relation to the execution of any instrument of transfer or the registration or any transfer of shares or other securities of the Company in uncertificated form shall be read in accordance with the terms of Regulation 11.
26. The instrument of transfer of any share shall be executed by or on behalf of the transferor and transferee, and the transferor shall be deemed to remain a holder of the share until the name of the transferee is entered in the Register of Members in respect thereof.
27. Any Member may transfer all or any of his shares by instrument in writing in any usual or common form or any other form, including electronic form, which the Directors may approve.
28. The Board of Directors may refuse to register the transfer of a share which is not fully paid or on which the Company has a lien and unless the instrument of transfer:
- (a) is lodged, duly stamped, at the office or at such other place as the Board of Directors may appoint accompanied by the certificate for the shares to which it relates and such other evidence as the Board of Directors may reasonably require to show the right of the transferor to make the transfer;
  - (b) is in respect of only one class of shares; and
  - (c) is in favour of not more than four transferees.
29. If the Board of Directors refuses to register the transfer, it shall within two months after the date on which the instrument of transfer was lodged with the Company send to the transferee notice of the refusal.
30. The registration of transfers of shares or of transfers of any class of shares may be suspended at such times and for such periods (not exceeding thirty days in any year) as the Board of Directors may determine.
31. No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to any share.
32. The Company shall be entitled to retain any instrument of transfer which is registered, but any instrument of transfer which the Board of Directors refuses to register shall be returned to the person lodging it when notice of the refusal is given.

#### **PLEDGE OF SHARES**

33. Any share may be pledged by a Member as security for any loan, debt or obligation of such Member, without the approval of the Board of Directors.

#### **TRANSMISSION OF SHARES**

34. In case of the death of a Member, the survivor or survivors where the deceased was a joint holder, and the legal personal representatives of the deceased where he was a sole holder, shall be the only person recognised by the Company as having any title to his interest in the shares, but nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by him with other persons.

35. Any person becoming entitled to a share in consequence of the death or bankruptcy of a Member may, upon such evidence being produced as may from time to time properly be required by the Directors and subject as hereinafter provided, elect either to be registered himself as holder of the share or to have some person nominated by him registered as the transferee thereof.
36. If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered, he shall testify his election by executing to that person a transfer of the share.
37. A person becoming entitled to a share by reason of the death or bankruptcy of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not, before being registered as a Member in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company.

Provided always that the Directors may at any time give notice requiring any such person to elect either to be registered himself or to transfer the share, and if the notice is not complied with within ninety days, the Directors may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the share until the requirements of the notice have been complied with.

### UNTRACED MEMBERS

38. Sale of shares
  - (A) The Company may sell at the best price reasonably obtainable any share of a member, or any share to which a person is entitled by transmission, if:
    - (i) during the period of twelve (12) years prior to the date of the publication of the advertisements referred to in this paragraph (A) (or, if published on different dates, the earlier or earliest of them):
      - (a) no cheque, warrant or money order in respect of such share sent by or on behalf of the Company through the post in a pre-paid envelope addressed to the member or to the person entitled by transmission to the share, at his address in the Register of Members or other address last known to the Company has been cashed; and
      - (b) no cash dividend payable on the shares has been satisfied by the transfer of funds to a bank account of the member (or person entitled by transmission to the share) or by transfer of funds by means of the Uncertificated System,

and the Company has received no communication in respect of such share from such member or person, provided that during such twelve year period the Company has paid at least three cash dividends (whether interim or final) in respect of shares of the class in question and no such dividend has been claimed by the person entitled to such share;
    - (ii) on or after the expiry of such twelve year period the Company has given notice of its intention to sell such share by advertisements in a national newspaper published in the country in which the Company's registered office is located and in a newspaper circulating in the area in which the address in the Register of Members or other last known address of the member or the person entitled by transmission to the share or the address for the service of notices on such member or person notified to the Company in accordance with these Regulations is located;
    - (iii) such advertisements, if not published on the same day, are published within thirty (30) days of each other;
    - (iv) during a further period of three months following the date of publication of such advertisements (or, if published on different dates, the date on which the requirements of this paragraph (A) concerning the publication of newspaper advertisements are met) and prior to the sale the Company has not received any communication in respect of such share from the member or person entitled by transmission; and

- (v) the Company has informed as appropriate the market in which the shares of the Company are listed and/or any other relevant regulatory body or stock exchange of its intention to make such sale.
- (B) If during such twelve year period, or during any subsequent period ending on the date when all the requirements of paragraph (A) of this Regulation have been met in respect of any shares, any additional shares have been issued in respect of those held at the beginning of, or previously so issued during, any such subsequent period and all the requirements of paragraph (A) of this Regulation have been satisfied with regard to such additional shares, the Company may also sell the additional shares.
- (C) To give effect to a sale pursuant to paragraph (A) or paragraph (B) of this Regulation, the Board may:
- (i) in the case of certificated shares, authorise a person to execute an instrument of transfer of shares in the name and on behalf of the holder of, or the person entitled by transmission to, them to the purchaser or as the purchaser may direct; and
  - (ii) in the case of uncertificated shares, exercise any power conferred on it by Regulation 11 (**uncertificated shares**) to effect a transfer of the shares.
- (D) The purchaser will not be bound to see to the application of the purchase monies in respect of any such sale. The title of the transferee to the shares will not be affected by any irregularity in or invalidity of the proceedings connected with the sale or transfer. Any instrument or exercise referred to at paragraph (C) of this Regulation shall be effective as if it had been executed or exercised by the holder of, or the person entitled by transmission to, the shares to which it relates.

39. Application of sale proceeds

The Company shall account to the member or other person entitled to such share for the net proceeds of such sale by carrying all monies in respect of the sale to a separate account. The Company shall be deemed to be a debtor to, and not a trustee for, such member or other person in respect of such monies. Monies carried to such separate account may either be employed in the business of the Company or invested as the Board may think fit. No interest shall be payable to such member or other person in respect of such monies and the Company shall not be required to account for any money earned on them.

**PURCHASE OF OWN SHARES**

40. Subject to the Law and to any rights attached to any shares, the Company may purchase, or enter into a contract under which it will or may purchase, any of its own shares of any class by way of a special resolution.

**FORFEITURE OF SHARES**

41. If a Member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Directors may at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued.
42. The notice shall name a further day (not earlier than the expiration of fourteen days from the date of service of the notice) on or before which the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.
43. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect.
44. A forfeited share may be sold or otherwise disposed of on such terms and in such manner as the Directors think fit, and at any time before a sale or disposition the forfeiture may be cancelled on such terms as the Directors think fit.

45. A person whose shares have been forfeited shall cease to be a Member in respect of the forfeited shares, but shall, notwithstanding, remain liable to pay to the company all monies which, as the date of forfeiture, were payable by him to the Company in respect of the shares, but his liability shall cease if and when the Company shall have received payment in full of all such monies in respect of the shares.
46. A statutory declaration in writing that the declarant is a Director or the Secretary of the Company, and that a share in the Company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. The Company may receive the consideration, if any, given for the share on any sale or disposition thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed of and he shall thereupon be registered as the holder of the share, and shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.
47. The provisions of these Regulations as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the shares or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

#### **CONVERSION OF SHARES INTO STOCK**

48. The Company may by ordinary resolution convert any paid up shares into stock, and reconvert any stock into paid up shares of any denomination.
49. The holders of stock may transfer the same, or any part thereof, in the same manner, and subject to the same regulations, as and subject to which the shares from which the stock arose might previously to conversion have been transferred or as near thereto as circumstances admit, and the Directors may from time to time fix the minimum amount of stock transferable but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose.
50. The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards dividends, voting at meetings of the Company and other matters as if they held the shares from which the stock arose, but no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by any amount of stock which would not, if existing in shares, have conferred that privilege or advantage.
51. Such of the Regulations of the Company as are applicable to paid up shares shall apply to stock and the words "share" and "shareholder" therein shall include "stock" and "stockholder".

#### **ALTERATION OF CAPITAL**

52. The Company may from time to time by ordinary resolution increase the share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe.
53. The Company may by ordinary resolution:
  - (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
  - (b) subdivide its existing shares, or any of them, into shares of smaller amount than is fixed by the Memorandum of Association subject, nevertheless, to the provisions of section 60(1)(d) of the Law;
  - (c) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person.
54. The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner and with, and subject to, any incident authorised, and consent, required by Law.

55. **Fractions**

- (A) If, as the result of a consolidation and division or a sub-division of shares, fractions of shares become attributable to members, the Board may on behalf of the members deal with the fractions as it thinks fit, including (without limitation) in either of the ways prescribed in this Regulation below.
- (B) The Board may sell shares representing the fractions to any person (including, subject to the Act, the Company) for the best price reasonably obtainable and distribute the net proceeds of sale in due proportion amongst the persons to whom such fractions are attributable (except that if the amount due to a person is less than £3.00, or such other sum as the Board may decide, the Company may retain such sum for its own benefit). To give effect to such sale the Board may:
  - (i) in the case of certificated shares, authorise a person to execute an instrument of transfer of shares to the purchaser or as the purchaser may direct; and
  - (ii) in the case of uncertificated shares, exercise any power conferred on it by Regulation 11 (**uncertificated shares**) to effect a transfer of the shares.
- (C) The purchaser will not be bound to see to the application of the purchase monies in respect of any such sale. The title of the transferee to the shares will not be affected by any irregularity in or invalidity of the proceedings connected with the sale or transfer. Any instrument or exercise referred to at paragraph (B) of this Regulation shall be effective as if it had been executed or exercised by the holder of the shares to which it relates.
- (D) In relation to the fractions the Board may issue, subject to the Act, to a member credited as fully paid by way of capitalisation the minimum number of shares required to round up his holding of shares to a number which, following a consolidation and division or a sub-division, leaves a whole number of shares (such issue being deemed to have been effected immediately before the consolidation or the sub-division, as the case may be). The amount required to pay up those shares may be capitalised as the Board thinks fit out of amounts standing to the credit of any reserve or fund of the Company (including any share premium account, capital redemption reserve and profit and loss account), whether or not available for distribution, and applied in paying up in full the appropriate number of shares. A resolution of the Board capitalising part of any such reserve or fund will have the same effect as if the capitalisation had been made with the sanction of an ordinary resolution of the Company pursuant to Regulation 151 (**capitalisation of profits and reserves**). In relation to the capitalisation the Board may exercise all the powers conferred on it by Regulation 151 without the sanction of an ordinary resolution of the Company.

**GENERAL MEETINGS**

56. The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year and shall specify the meeting as such in the notices calling it, and not more than fifteen months shall elapse between the date of one annual general meeting of the Company and that of the next. Provided that so long as the Company holds its first annual general meeting within eighteen months of its incorporation, it need not hold it in the year of its incorporation or in the following year. The annual general meeting shall be held at such time and place as the Directors shall appoint.

All general meetings other than annual general meetings shall be called extraordinary general meetings.

57. General meetings, annual and extraordinary, may be held through a telephone communication or through any other means of communication which allow all persons participating in the general meeting to hear and be heard.
58. The Directors may, whenever they think fit, convene an extraordinary general meeting, and extraordinary general meetings shall also be convened on such requisition, or, in default, may be convened by such requisitionists, as provided by section 126 of the Law. If at any time there are not within Cyprus sufficient Directors capable of acting to form a quorum, any Director may convene an extraordinary general meeting in the same manner or as nearly as possible as that in which meetings may be convened by the Directors.

## **NOTICE OF GENERAL MEETINGS**

59. An annual general meeting and a meeting called for the passing of a special resolution shall be called by twenty one days' notice in writing at the least, and all other meetings shall be called by fourteen days' notice in writing at the least. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the place, the day and the hour of meeting and, in case of special business, the general nature of that business and shall be given in manner hereinafter mentioned or in such other manner, if any, as may be prescribed by the Company in general meetings to such persons as are, under the Regulations of the Company, entitled to receive such notices from the Company.

Provided that a meeting of the Company shall, notwithstanding that it is called by shorter notice than that specified in this Regulation, be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as the annual general meeting, by all the Members entitled to attend and vote thereat; and
- (b) in the case of any other meeting, by majority in number of the Members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent in nominal value of the shares giving that right.

60. The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice, shall not invalidate the proceedings at that meeting.

## **PROCEEDINGS AT GENERAL MEETINGS**

61. All business shall be deemed special that is transacted at an extraordinary general meeting, and also all that is transacted at an annual general meeting, with the exception of declaring a dividend, the consideration of the financial statements, and the reports of the Directors and auditors, the election of Directors in the place of those retiring and the appointment of, and the fixing of the remuneration of the auditors.
62. No business shall be transacted at any general meeting unless a quorum of Members is present at the time when the meeting proceeds to business; save as herein otherwise provided, three Members present in person or through telephone or other telecommunication connection or by proxy and entitled to vote upon the business to be transacted shall be a quorum.
63. If within half an hour from the time appointed for the meeting a quorum is not present, it shall stand adjourned to the same day in the next week at the same time and place or to such other day and at such other time and place as the Directors may determine which, however, shall not be later than 10 days after the original meeting. If at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the Members present shall be a quorum.
64. The Chairman, if any, of the Board of Directors shall preside as Chairman at every general meeting of the Company, or if there is no such Chairman, or if he shall not be present within fifteen minutes after the time appointed for the holding of the meeting or is unwilling to act, the Directors present shall elect one of their number to be Chairman of the meeting.
65. If at any meeting no Director is willing to act as Chairman or if no Director is present within fifteen minutes after the time appointed for holding the meeting, the Members present shall choose one of their number to be Chairman of the meeting.
66. The Chairman may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.
67. At any general meeting, any resolution put to the vote of the meeting shall be decided on a show of hands or in the case of participation by a telephone or other telecommunication connection, by an oral declaration, unless a poll is (before or on the declarations of the result of the show of hands or by oral declaration) demanded:

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

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

The demand for a poll may be withdrawn.

- 68. If a poll is duly demanded, it shall be taken in such manner as the Chairman directs, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.
- 69. In the case of an equality of votes whether on a show of hands or by an oral declaration or on a poll, the Chairman of the meeting shall have a casting vote.
- 70. A poll demanded on the election of a Chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the Chairman of the meeting directs, and any business other than that upon which a poll has been demanded may be proceeded with, pending the taking of the poll.
- 71. Amendment to resolutions
  - (A) If an amendment shall be proposed to any resolution but shall in good faith be ruled out of order by the chairman of the meeting, any error in such ruling shall not invalidate the proceedings on the substantive resolution.
  - (B) In the case of a resolution duly proposed as a special or extraordinary resolution, no amendment to it (other than an amendment to correct a patent error) may be considered or voted on and in the case of a resolution duly proposed as an ordinary resolution no amendment to it (other than an amendment to correct a patent error) may be considered or voted on unless either at least 48 hours prior to the time appointed for holding the meeting or adjourned meeting at which such ordinary resolution is to be proposed notice in writing of the terms of the amendment and intention to move it has been lodged at the Registered Office or the chairman of the meeting in his absolute discretion decides that it may be considered or voted on.

#### **VOTES OF MEMBERS**

- 72. Except as otherwise provided herein and subject to any special terms as to voting on which any share may be issued (no such shares currently being in issue), each Member may attend and vote in person or by proxy and, where the Member is a corporation, by a duly authorised representative at meetings of Members or classes thereof. On a show of hands every Member present in person (or, being a corporation present by a duly authorised representative) is entitled to one vote and on a poll every Member present in person or by proxy is entitled to one vote for every share of which he is holder. When two or more persons hold the same share jointly, the more senior Member, which seniority is determined by the order in which the name of the Member stands in the register of members, may vote the joint share to the exclusion of the other joint holders.

73. For the purpose of determining which Members are entitled to notice of or to vote at any meeting of Members, or any adjournment thereof, the Board of Directors of the Company may provide that the Register of Transfers shall be closed for a stated period, so long as this does not exceed in any given case, fifty days.
74. The Members shall vote cumulatively for the appointment of Directors and accordingly each Member may on a poll cast any number of his votes for any candidate at an election of Directors.
75. In the case of joint holders the vote of the senior who tenders a vote, whether in person or through a telephone or other telecommunication connection or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members.
76. A Member of unsound mind, or in respect of whom an order has been made by any Court having jurisdiction in lunacy, may vote, on a show of hands or by an oral declaration made through a telephone or other telecommunication connection or on a poll, by the administrator of his property, his committee, receiver, curator bonis, or other person in the nature of an administrator, committee, receiver or curator bonis, appointed by that Court, and any such administrator, committee, receiver, curator bonis or other person may on a poll vote by proxy.
77. No Member shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.
78. No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the meeting whose decision shall be final and conclusive.
79. On a poll votes may be given either personally or through a telephone or other telecommunication connection or by proxy.
80. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation, either under seal, or under the hand of an officer or attorney duly authorised. A proxy need not be a Member of the Company.
81. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Registered Office of the Company or at such other place within Cyprus as is specified for that purpose in the notice convening the meeting at any time before the time for holding the meeting or adjourned meeting, at which the person named in the instrument proposes to vote, or, in the case of a poll, at any time before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.
82. An instrument appointing a proxy shall be in the following form or a form as near thereto as circumstances admit and must contain the agenda of such Meeting:

ASBISC ENTERPRISES PLC  
(Name of the Company)

“I/We ..... of ....., being a Member/Members of the above named Company, hereby appoint ..... of, or failing him ..... of .....as my/our proxy to vote for me/us or on my/our behalf at the (annual or extraordinary, as the case may be) general meeting of the Company, to be held on the .....day of ..... 20 ....., and at any adjournment thereof.  
Signed this day of ..... 20.....”

83. Where it is desired to afford Members an opportunity of voting for or against a resolution the instrument appointing the proxy shall be in the following form or a form as near thereto as circumstances admit:



ASBISC ENTERPRISES PLC  
(Name of the Company)

“I/We ..... of ....., being a Member/Members of the above named Company, hereby appoint ..... of, or failing him ..... of .....as my/our proxy to vote for me/us or on my/our behalf at the (annual or extraordinary, as the case may be) general meeting of the Company, to be held on the .....day of ..... 20 ....., and at any adjournment thereof.

Signed this ..... day of .....20 .....”

This form is to be used in favour of/\* against the resolution. Unless otherwise instructed, the proxy will vote as he thinks fit.

\* Strike out whichever is not desired.

84. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
85. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or of the authority under which the proxy was executed or the transfer of the share in respect of which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the Company at its office before the commencement of the meeting or adjourned meeting at which the proxy is used.
86. Subject to the provisions of the Law, a resolution in writing signed by all the Members for the time being entitled to receive notice of and to attend and vote at general meetings (or being corporations by their duly authorised representatives) shall be as valid and effective as if the same had been passed at a general meeting of the Company duly convened and held. Any such resolution may consist of several documents in the like form each signed by one or more of the Members or their attorneys, and signature in the case of a corporate body which is a Member shall be sufficient if made by a Director or other authorised officer thereof or its duly appointed attorney.

**CORPORATIONS ACTING BY REPRESENTATIVES AT MEETINGS**

87. Any corporation which is a Member of the Company may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of Members of the Company, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual Member of the Company.

**DIRECTORS**

88. There shall be a minimum of three Directors and there shall be no maximum number of Directors, some of whom will be independent non executive Directors. The Company may by ordinary resolution increase or decrease the number of Directors from time to time. An alternate Director is not counted in determining the number of Directors.
89. Company’s power to appoint Directors
- (A) Subject to these Regulations, the Company may by ordinary resolution appoint a person who is willing to act to be a Director, either to fill a vacancy or as an addition to the existing Directors, subject to the total number of Directors not exceeding any maximum number fixed by or in accordance with these Regulations.
- (B) A resolution for the appointment of two or more persons as Directors by a single resolution at a general meeting shall be void unless an ordinary resolution that the resolution for appointment be proposed in such way has first been agreed to by the meeting without any vote being given against it.

90. Board's power to appoint Directors

- (A) Without prejudice to the Company's power to appoint a person to be a Director pursuant to these Regulations, the Board shall have power at any time to appoint any person who is willing to act as a Director, either to fill a vacancy or as an addition to the existing Board, subject to the total number of Directors not exceeding any maximum number fixed by or in accordance with these Regulations.
- (B) Any Director so appointed shall, if still a Director, retire at the next annual general meeting after his appointment and be eligible to stand for election as a Director at such meeting. Such person shall not be taken into account in determining the number or identity of Directors who are to retire by rotation at such meeting.

91. **Appointment of executive Directors**

Subject to the Act, the Board may appoint one or more of its members to an executive office or other position of employment with the Company for such term (subject to the Act) and on any other conditions the Board thinks fit. The Board may revoke, terminate or vary the terms of any such appointment, without prejudice to a claim for damages for breach of contract between the Director and the Company.

92. **Eligibility of new Directors**

No person, other than a Director retiring (by rotation or otherwise), shall be appointed or re-appointed a Director at any general meeting unless:

- (i) he is recommended for appointment by the Board; or
- (ii) not less than seven nor more than 42 days (inclusive of the date on which the notice is given) before the date appointed for the meeting, a notice executed by a member (other than the person to be proposed) qualified to vote at the meeting has been given to the Company at the Registered Office of the intention to propose such person for appointment or re-appointment, stating the particulars which would, if he were so appointed or re-appointed, be required to be included in the Company's register of directors, accompanied by a notice executed by that person of his willingness to be appointed or re-appointed.

93. **Rotational retirement at annual general meeting**

- (A) Each Director is subject to retirement by rotation in accordance with these Regulations, subject to Regulation 91 (B) (**retirement of Directors appointed by the Board**).
- (B) At each annual general meeting one-third of the Directors who are subject to retirement by rotation or, if their number is not three nor a multiple of three, the number nearest to but not exceeding one-third, shall retire from office. If there are fewer than three Directors who are subject to retirement by rotation, one of them shall retire from office at the annual general meeting.
- (C) Subject to the Law and these Regulations, the Directors to retire by rotation at each annual general meeting shall be, so far as necessary to obtain the number required, first, any Director who wishes to retire and not offer himself for re-election and secondly, those Directors who have been longest in office since their last appointment or re-appointment. As between two or more Directors who have been in office an equal length of time, the Director to retire shall, in default of agreement between them, be determined by lot. The Directors to retire on each occasion (both as to number and identity) shall be determined by the composition of the Board at the start of business seven days before the date of the notice convening the annual general meeting notwithstanding any change in the number or identity of the Directors after that time but before the close of the meeting.
- (D) If the Board so decides, one or more other Directors selected by the Board may also retire at an annual general meeting as if any such other Director was also retiring by rotation at that meeting in accordance with these Regulations.

94. **Position of retiring Director**

- (A) A Director who retires at an annual general meeting (whether by rotation or otherwise) may, if willing to act, be re-appointed. If he is not re-appointed or deemed to have been re-appointed, he shall retain office until the meeting appoints someone in his place or, if it does not do so, until the end of the meeting.
- (B) At any general meeting at which a Director retires by rotation the Company may fill the vacancy and, if it does not do so, the retiring Director shall, if willing, be deemed to have been re-appointed unless it is expressly resolved not to fill the vacancy or a resolution for the re-appointment of the Director is put to the meeting and lost or such Director has attained any retiring age applicable to him as Director pursuant to the Act.

95. **No age limit**

- (A) No person shall be disqualified from being appointed or re-appointed as a Director and no Director shall be requested to vacate that office by reason of his attaining the age of seventy or any other age.
- (B) It shall not be necessary to give special notice under the Act of any resolution appointing, re-appointing or approving the appointment of a Director by reason of his age.
- (C) Where a general meeting is convened at which a Director will be proposed for appointment or re-appointment who, to the knowledge of the Directors, will be seventy or more at the date of the meeting, the Board shall give notice of his age in the notice convening the meeting or in any document sent with it. The accidental omission to give such notice shall not invalidate any proceedings at the meeting or any appointment or re-appointment of such Director.

96. **Removal by ordinary resolution**

In addition to any power of removal under the Act, the Company may:

- (i) by ordinary resolution remove any Director before the expiration of his period of office, but without prejudice to any claim for damages which he may have for breach of any contract of service between him and the Company; and
- (ii) by ordinary resolution appoint another person who is willing to act to be a Director in his place (subject to these Regulations).

Any person so appointed shall be treated, for the purposes of determining the time at which he or any other Director is to retire, as if he had become a Director on the day on which the person in whose place he is appointed was last appointed or re-appointed a Director.

97. **Vacation of Director's office**

- (A) Without prejudice to the provisions in these Regulations for retirement (by rotation or otherwise) the office of a Director shall be vacated if:
  - (i) he resigns by notice in writing delivered to the Secretary at the Registered Office or tendered at a Board meeting;
  - (ii) he only held office as a Director for a fixed term and such term expires;
  - (iii) he ceases to be a Director by virtue of any provision of the Act, is removed from office pursuant to these Regulations or the Law or becomes prohibited by law from being a Director;
  - (iv) he becomes bankrupt, has an interim receiving order made against him, makes any arrangement or compounds with his creditors generally or applies to the court for an interim order in connection with a voluntary arrangement under any legislation relating to insolvency;
  - (v) an order is made by any court of competent jurisdiction on the ground (however formulated) of mental disorder for his detention or for the appointment of a guardian or receiver or other person to exercise powers with respect to his property or affairs or he is admitted to hospital in pursuance of

an application for admission for treatment under any legislation relating to mental health and the Board resolves that his office be vacated;

- (vi) he is absent, without permission of the Board, from Board meetings for six consecutive months (whether or not an alternate Director attends in his place) and the Board resolves that his office be vacated;
- (vi) he is removed from office by notice in writing addressed to him at his address as shown in the Company's register of directors and signed by not less than three-quarters of all the Directors in number and being at least three in number (without prejudice to any claim for damages which he may have for breach of contract against the Company); or
- (viii) in the case of a Director who holds executive office, his appointment to such office is terminated or expires and the Board resolves that his office be vacated.

(B) A resolution of the Board declaring a Director to have vacated office pursuant to this Regulation shall be conclusive as to the fact and grounds of vacation stated in the resolution.

98. If the Company, at the meeting at which a Director retires, does not fill the vacancy, the retiring Director shall, if willing to act, be deemed to have been re-appointed unless at the meeting it is resolved not to fill the vacancy or unless a resolution for the re-appointment of the Director is put to the meeting and lost.
99. A Director who retires at an annual general meeting may, if willing to act, be re-appointed. If he is not re-appointed, he shall retain office until the meeting appoints someone in his place, or if it does not do so, until the end of the meeting.
100. The remuneration of the Directors will from time to time be determined by the Company in general meeting on the recommendation of the remuneration committee. Any Director performing special or extraordinary services in the conduct of the Company's business or in discharge of his duties as Director, or who travels or resides abroad in discharge of his duties as Director may be paid such extra remuneration as determined by the Directors, upon recommendation by the remuneration committee. In addition, Directors will be paid their travelling, hotel and incidental expenses properly incurred in the conduct of the Company's business or in the discharge of their duties as Directors.
101. The shareholding qualification for Directors may be fixed by the Company in general meeting, and unless and until so fixed no qualification shall be required.
102. A Director of the Company may be or become a Director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested as a Member or otherwise, and no such Director shall be accountable to the Company for any remuneration or other benefits received by him as a Director or officer of, or from his interest in, such other company unless the Company otherwise directs.

### **BORROWING POWERS**

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

### **POWERS AND DUTIES OF DIRECTORS**

104. The management of the business and the conduct of the affairs of the Company are vested in the Directors.
105. The Board of Directors shall maintain a healthy system of internal controls in order to safeguard the Members' investments and the Company's assets.
106. The Directors may delegate any of their powers to committees consisting of such member or members of their body as they think fit; any committee so formed will in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Directors.

107. The Directors may from time to time and at any time by power of attorney appoint any company, firm or person or body of persons, whether nominated directly or indirectly by the Directors, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under these Regulations) and for such period and subject to such conditions as they may think fit, and any such powers of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Directors may think fit and may also authorise any such attorney to delegate all or any of the powers, authorities and discretions vested in him.
108. The Company may exercise the powers conferred by section 36 of the Law with regard to having an official seal for use abroad, and such powers shall be vested in the Directors.
109. The Company may exercise the powers conferred upon the Company by sections 114 to 117 (both inclusive) of the Law with regard to the keeping of a dominion register, and the Directors may (subject to the provisions of those sections) make and vary such Regulations as they may think fit respecting the keeping of any such register.
110. (1) A Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall declare the nature of his interest at a meeting of the Directors in accordance with section 191 of the Law.
- (2) Any decision in respect of a contract or arrangement in which any of the Company's Directors are interested shall be approved at a meeting of Directors provided that at least one of the independent non-executive Directors is present at such meeting.
- (3) A Director, notwithstanding his interest in the Company, may be counted in the quorum present at any meeting at which he or any other Director is appointed to hold any such office or place of profit under the Company or at which the terms of any such appointment are arranged, and each of the Directors concerned will be entitled to vote and be counted in the quorum except as regards his own appointment.
111. All cheques, promissory notes, drafts, bills of exchange, and other negotiable instruments, and all receipts for monies paid to the Company, shall be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be, in such manner as the Directors shall from time to time by resolution determine.
112. The Directors shall cause minutes, including telephone conferences, to be made in books provided for the purpose:
- (a) of all appointments of officers made by the Directors;
- (b) of the names of the Directors present at each meeting of the Directors and of any committee of the Directors;
- (c) of all resolutions and proceedings at all meetings, including telephone conferences, of the Company, and of the Directors, and of committees of Directors.

## **PENSIONS**

113. The Directors may grant retirement pensions or annuities or other gratuities or allowances, including allowances on death, to any person or persons in respect of services rendered by him or them to the Company whether as managing Director or in any other office or employment under the Company or indirectly as officers or employees of any subsidiary, associated or allied company of the Company, notwithstanding that he or they may be or may have been Directors of the Company and the Company may make payments towards insurances, trusts, schemes or funds for such purposes in respect of such person or persons and may include rights in respect of such pensions, annuities and allowances in the terms of engagement of any such person or persons.

## **DISQUALIFICATION OF DIRECTORS**

114. The office of Director shall be vacated if the Director:
- (a) ceases to be Director by virtue of section 176 of the Law; or
  - (b) becomes bankrupt or makes any arrangement or composition with his creditors generally; or
  - (c) becomes prohibited from being a Director by reason of any order made under section 180 of the Law; or
  - (d) becomes of unsound mind; or
  - (e) resigns his office by notice in writing to the Company; or
  - (f) shall for more than six consecutive months have been absent without permission of the Board of Directors from meetings of the Board of Directors held during that period and his alternate Director (if any) shall not during such period have attended in his stead and the Board of Directors resolves that his office be vacated; or
  - (g) is requested to resign in writing by not less than three quarters of the other Directors. In calculating the number of Directors who are required to make such a request to the Director, (i) there shall be excluded any alternate Director appointed by him acting in his capacity as such; and (ii) a Director and any alternate Director appointed by him and acting in his capacity as such shall constitute a single Director for this purpose, so that the signature of either shall be sufficient.

## **APPOINTMENT OF ADDITIONAL DIRECTORS AND REMOVAL OF DIRECTORS**

115. The Directors have the power at any time to appoint any individual to be a Director so as to fill a vacancy or to add to the existing Directors up to the maximum number of Directors then allowed.
116. Without prejudice to provisions of Paragraph 115 (g) above, the Company may by ordinary resolution of which special notice (28 days) has been given, in accordance with section 136 of the Law, remove a Director. Any such Director will receive special notice of the meeting and is entitled to be heard at the meeting. Without prejudice to provisions of this Paragraph 117 and Paragraph 115(g) above, a Director may also be removed by a written resolution of the Members holding in aggregate more than 50% of the total voting rights. Such decision to remove a Director is subject to ratification by an ordinary resolution of the Company adopted at its next annual general meeting.
117. At any time, the Company may at a general meeting (without prejudice to the above powers of the Directors) appoint by ordinary resolution any person as Director and determine the period for which such person is to hold office.

## **PROCEEDINGS OF DIRECTORS**

118. Subject to the provisions of these Regulations, the Board of Directors may regulate its proceedings as it thinks fit.
119. The Directors may meet for the dispatch of business, adjourn and otherwise regulate their meetings as they think fit and questions arising at any meeting will be decided by a simple majority of votes of all the Directors present, whether voting or not. In case of an equality of votes, the Chairman shall have a second or casting vote. A Director may, and the Secretary on the requisition of a Director shall, at any time summon a meeting of the Directors. It shall be necessary to give a 96 hour notice of a meeting, including a telephone conference of Directors to any Director for the time being absent from Cyprus who has supplied to the Company a registered address situated outside Cyprus.
120. The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors, and unless so fixed, the quorum shall be three Directors present in person or through their alternates.

121. The continuing Directors may act notwithstanding any vacancy in their body, but, if and so long as their number is reduced below the number fixed by or pursuant to the Regulations of the Company as the necessary quorum of Directors, the continuing Directors or Director may act for the purpose of increasing the number of Directors to that number, or of summoning a general meeting of the Company but for no other purpose.
122. The Board of Directors may appoint one of their number to be the chairman, and one of their number to be the deputy chairman, of the Board of Directors and may at any time remove either of them from such office. Unless he is unwilling to do so, the Director appointed as chairman, or in his stead the Director appointed as deputy chairman, shall preside at every meeting of the Board of Directors at which he is present. If there is no Director holding either of those offices, or if neither the chairman nor the deputy chairman is willing to preside or neither of them is present within five minutes after the time appointed for the meeting, the Directors present may appoint one of their number to be chairman of the meeting.
123. Subject to the provisions of the Law, the Board of Directors may appoint one or more of its body to be the holder of any executive office (except that of auditor) under the Company and may enter into an agreement or arrangement with any Director for his employment by the Company or for the provision by him of any services outside the scope of the ordinary duties of a Director. Any such appointment, agreement or arrangement may be made upon such terms, including terms as to remuneration, as the Board of Directors determines, and any remuneration which is so determined may be in addition to or in lieu of any ordinary remuneration as a Director. The Board of Directors may revoke or vary any such appointment but without prejudice to any rights or claims which the person whose appointment is revoked or varied may have against the Company by reason thereof.
124. Subject to any regulations imposed on it by the Directors, a committee may meet or convene telephone conferences and adjourn as it thinks proper and questions arising at any meeting shall be determined by a majority of votes of the committee members present.
125. If a question arises at a meeting of the Board of Directors or of a committee of the Board of Directors as to the entitlement of a Director to vote or be counted in a quorum, the question may, before the conclusion of the meeting, be referred to the chairman of the meeting and his ruling in relation to any Director other than himself shall be final and conclusive except in a case where the nature or extent of the interests of the Director concerned have not been fairly disclosed. If any such question arises in respect of the chairman of the meeting, it shall be decided by resolution of the Board of Directors (on which the chairman shall not vote) and such resolution will be final and conclusive except in a case where the nature and extent of the interests of the chairman have not been fairly disclosed.
126. All acts done by any meeting of the Directors or of a committee of Directors or by any person acting as a Director shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such Director or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director.
127. A resolution in writing signed or approved by letter, telegram or cablegram, telex or telefax by each Director or his alternate shall be as valid and effectual as if it had been passed at a meeting of the Directors duly convened and held and when signed may consist of several documents each signed by one or more of the persons aforesaid.

#### **ALTERNATE DIRECTORS**

128. (a) Each Director shall have power from time to time to nominate another Director or any person, not being a Director, to act as his alternate Director and at his discretion to remove such alternate Director.
- (b) An alternate Director shall be subject in all respects to the terms and conditions existing with the reference to the other Directors, and shall be entitled to receive notices of all meetings of the Directors and to attend, speak and vote at any such meeting at which his appointor is not present.
- (c) One person may act as alternate Director to more than one Director and while he is so acting shall be entitled to a separate vote for each Director he is representing and, if he is himself a Director, his vote or votes as an alternate Director shall be in addition to his own vote.

- (d) Any appointment or removal of an alternate Director may be made by cable, telegram or radiogram, telex or facsimile or in any other manner approved by the Directors. Any cable, telegram or radiogram, telex or facsimile shall be confirmed as soon as possible by letter but may be acted upon by the Company meanwhile.
- (e) An alternate Director shall cease to be an alternate Director upon the occurrence of any of the following events:
  - (i) If a Director making any such appointment as aforesaid shall cease to be a Director otherwise than by reason of vacating his office at a meeting of the Company at which he is re-elected, the person appointed by him shall thereupon cease to have any power or authority to act as an alternate Director or;
  - (ii) on the happening of an event which, if he were a Director, would cause him to vacate his office as Director; or
  - (iii) if he resigns his office by notice to the Company.
- (f) The Director shall not be liable for the acts and defaults of any alternate Director appointed by him.
- (g) An alternate Director shall not be taken into account in reckoning the minimum or maximum number of Directors allowed for the time being but he shall be counted for the purpose of reckoning whether a quorum is present at any meeting of the Directors attended by him at which he is entitled to vote.
- (h) Interests

An alternate Director shall be entitled to contract and be interested in and benefit from contracts or arrangements with the Company and to be repaid expenses and to be indemnified in the same way and to the same extent as a Director. However, he shall not be entitled to receive from the Company any fees for his services as alternate, except only such part (if any) of the fee payable to his appointor as such appointor may by notice in writing to the Company direct. Subject to this Regulation, the Company shall pay to an alternate Director such expenses as might properly have been paid to him if he had been a Director.

#### **SECRETARY**

- 129. The Secretary shall be appointed by the Directors for such terms, at such remuneration and upon such conditions as they may think fit; and any Secretary so appointed may be removed by them.
- 130. No person shall be appointed or hold office as Secretary who is:
  - (a) the sole Director of the Company; or
  - (b) a corporation the sole director of which is the sole Director of the Company; or
  - (c) the sole director of a corporation which is the sole Director of the Company.
- 131. A provision of the Law or these Regulations requiring or authorising a thing to be done by or to a Director and the Secretary shall not be satisfied by its being done by or to the same person acting both as Director and as, or in place of, the Secretary.

#### **THE SEAL**

- 132. The Directors shall provide for the safe custody of the seal, which shall only be used by the authority of the Directors or of a committee of the Directors authorised by the Directors in that behalf, and every instrument to which the seal shall be affixed shall be signed by a Director and shall be countersigned by the Secretary or by some other person appointed by the Directors for the purpose.



## DIVIDENDS

133. The Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors.
134. The Directors may from time to time pay to the Members such interim dividends as appear to the Directors to be justified by the profits of the Company.
135. No dividend shall be paid otherwise than out of profits.
136. The Directors may, before recommending any dividend, set aside out of the profits of the Company such sums as they think proper as a reserve or reserves which shall, at the discretion of the Directors, be applicable for any purpose to which the profits of the Company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Directors may from time to time think fit. The Directors may also without placing the same to the reserve carry forward any profits which they may think prudent not to divide.
137. Subject to the rights of persons, if any, entitled to shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the dividend is paid, but no amount paid or credited as paid on a share in advance of calls shall be treated for the purposes of this Regulation as paid on the share. All dividends shall be appointed and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly.
138. The Directors may deduct from any dividend payable to any Member all sums of money (if any) presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company.
139. Any general meeting declaring a dividend or bonus may direct payment of such dividend or bonus wholly or partly by the distribution of specific assets and in particular of paid up shares, debentures or debenture stock of any other company or in anyone or more of such ways, and the Directors shall give effect to such resolution, and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient, and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.
140. Any dividend, interest or other monies payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of that one of the joint holders who is first named on the Register of Members or to such person and to such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of the two or more joint holders may give effectual receipts for any dividends, bonuses or other monies payable in respect of the shares held by them as joint holders.
141. No dividend shall bear interest against the Company.
142. Notwithstanding any other provision of these Regulations, the Company or the Board of Directors may fix any date as the record date for any dividend, distribution, allotment or issue, and such record date may be on or at any time before or after any date on which the dividend, distribution, allotment or issue is declared, paid or made.
143. Unclaimed dividends

All unclaimed dividends or other monies payable by the Company in respect of a share may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. The payment of any unclaimed dividend or other amount payable by the Company in respect of a share into a separate account shall not constitute the Company a trustee in respect of it. Any dividend unclaimed after a period of twelve (12) years from the date the dividend became due for payment shall be forfeited and shall revert to the Company.

144. Uncashed dividends

If, in respect of a dividend or other amount payable in respect of a share:

- a. a cheque, warrant or money order is returned undelivered or left uncashed; or
- b. a transfer made by or through a bank transfer system and/or other funds transfer system(s) (including, without limitation, the Uncertificated System in relation to any uncertificated shares) fails or is not accepted,

on two consecutive occasions, or one occasion and reasonable enquiries have failed to establish another address or account of the person entitled to the payment, the Company shall not be obliged to send or transfer a dividend or other amount payable in respect of such share to such person until he notifies the Company of an address or account to be used for such purpose.

### **FINANCIAL STATEMENTS AND CONTROL**

145. The Directors shall cause proper books of account to be kept, as are necessary for the preparation of financial statements according to the Law.

Proper books shall not be deemed to be kept if there are not kept such books of account as are adequate to give a true and fair view of the Company's affairs and to explain its transactions, according to the provisions of section 143 of the Law.

146. The books of account shall be kept at the Registered Office of the Company, or, subject to section 141(3) of the Law, at such other place or places as the Directors think fit, and shall always be open to the inspection of the Directors.

147. The Directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the financial statements and books of the Company or any of them shall be open to the inspection of Members not being Directors and no Member (not being a Director) shall have any right of inspecting any financial statements or book or document of the Company except as conferred by statute or authorised by the Directors or by the Company in general meeting.

148. The Directors shall from time to time, in accordance with sections 142, 149, 151 and 152 of the Law, cause to be prepared and to be laid before the Company in general meeting such complete set of financial statements and group financial statements (if any) according to the International Accounting Standards, and reports as are referred to in those sections.

149. A copy of every set of financial statements (including every document required by Law to be annexed thereto) which is to be laid before the Company in general meeting, together with a copy of the Directors' and auditors' report shall not less than twenty-one days before the date of the meeting be sent to every Member of, and every holder of debentures of the Company and to every person registered under Regulation 37.

Provided that this Regulation shall not require a copy of those documents to be sent to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

### **CAPITALISATION OF PROFITS**

150. The Company in general meeting may upon the recommendation of the Directors resolve that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution, and accordingly that such sum be set free for distribution, amongst the Members.

151. Whenever such a resolution as aforesaid shall have been passed, the Directors shall make all appropriations and applications of the undivided profits resolved to be capitalised thereby, and all allotments and issues of fully paid shares or debentures, if any, and generally shall do all acts and things required to give effect thereto, with full power to the Directors to make such provisions by the issue of fractional certificates or by payment in

cash or otherwise as they think fit for the case of shares or debentures becoming distributable in fractions and also to authorise any person to enter on behalf of all the Members entitled thereto into an agreement with the Company providing for the allotment to them respectively, credited as fully paid up, of any further shares or debentures to which they may be entitled upon such capitalisation, or (as the case may require) for the payment up by the Company on their behalf, by the application thereto of their respective proportions of the profits resolved to be capitalised, of the amounts or any part of the amounts remaining unpaid on their existing shares, and any agreement made under such authority shall be effective and binding on all such Members.

#### **AUDIT**

152. Auditors shall be appointed and their duties regulated in accordance with sections 153 and 156 (both inclusive) of the Law.

#### **NOTICES**

153. A notice may be given by the Company to any Member either personally or by sending it by post, email or facsimile to him or to his registered address. Where a notice is sent by post, service of the notice shall be deemed to be effected, provided that it has been properly mailed, addressed, and posted, at the expiration of 24 hours after same is posted. Where a notice is sent by email or facsimile it shall be deemed to be effected as soon as it is sent, provided there will be the relevant transmission confirmation.
154. A notice may be given by the Company to the joint holders of a share by giving the notice to the joint holder first named in the Register by Members in respect of the share.
155. A notice may be given by the Company to the persons entitled to a share in consequence of the death or bankruptcy of a Member by sending it through the post in a prepaid letter addressed to them by name, or by title of representative of the deceased, or trustee of the bankrupt, or by any like descriptions, at the address supplied for the purpose by the persons claiming to be so entitled, or (until such an address has been so supplied) by giving the notice in any manner in which the same might have been given if the death or bankruptcy had not occurred.
156. Notice of every general meeting shall be given in any manner hereinbefore authorised to:
- a. every Member except those Members who (having no registered address) have not supplied to the Company an address for the giving of notices to them;
  - b. every person upon whom the ownership of a share devolves by reason of his being a legal personal representative or a trustee in bankruptcy of a Member where the Member but for his death or bankruptcy would be entitled to receive notice of the meeting; and
  - c. the auditor for the time being of the Company.

No other person shall be entitled to receive notice of general meetings.

#### **WINDING UP**

157. If the Company shall be wound up the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by the Law, divide amongst the Members in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, shall think fit, but so that no Member shall be compelled to accept any shares or other securities whereon there is any liability.

## **INDEMNITY**

158. Every Director, officer, agent, auditor, secretary and full-time employee for the time being of the Company will be indemnified by the Company out of the Company's assets against any liabilities incurred by that person in executing his or her duties including liability incurred by him or her in defending any proceeding (whether civil or criminal) in which judgement is given in his or her favour or in which the person is acquitted or in connection with an application in relation to such proceedings in which the court grants relief to the person under the provisions of section 383 of the Law or any other applicable law.



THE CYPRUS COMPANY LAW CAP. 113

ASBISC ENTERPRISES LIMITED  
(LIMITED LIABILITY COMPANY WITH SHARES)

ORDINARY RESOLUTION  
OF THE EXTRAORDINARY GENERAL MEETING



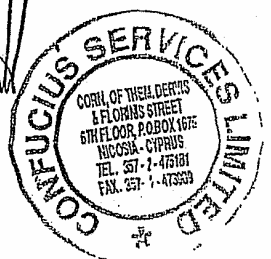
Voted on 4 September 2002

At the Extraordinary General Meeting of the shareholders of Asbisc Enterprises Limited which was duly held at the registered office of the company in Limassol on 4 September 2002, and after that it was noted that there was the necessary quorum, the following resolution referring to the increase of the authorised share capital of the company was voted as an ordinary resolution:

“ORDINARY RESOLUTION

That the authorised share capital of the company be and is hereby increased from \$8.960.000 (eight million, nine hundred sixty United States Dollars ) divided into 40.000.000 (forty million ) ordinary shares of \$0,20 each and 4.800.000(four million, eight hundred thousand) preference shares of \$0,20 each, to \$9.600.000 (nine million, six hundred thousand United States Dollars ), by the creation of 3.200.000 (three million, two hundred thousand ) new preference shares of \$0,20 each and that the authorised share capital of the company will be from now \$9.600.000 (nine million six hundred thousand United States Dollars) divided into 40.000.000 (forty million) ordinary shares of \$0,20 each and 8.000.000 (eight million) preference shares of \$0,20 each.

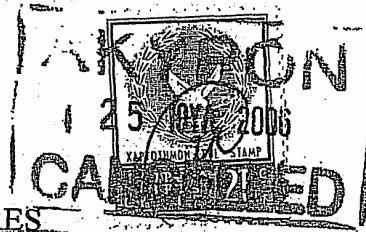
*[Handwritten signature]*  
Secretary



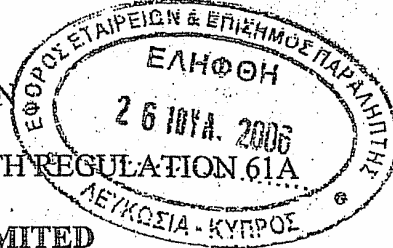
TRUE COPY  
*[Handwritten signature]*  
(Sgd.) MR. PARADOPOULOU  
FOR REGISTRAR OF COMPANIES  
11/5/07

THE CYPRUS COMPANY LAW CAP. 113

ASBISC ENTERPRISES LIMITED  
LIMITED LIABILITY COMPANY WITH SHARES



SPECIAL RESOLUTION  
OF THE COMPANY IN ACCORDANCE WITH REGULATION 61A  
ASBISC ENTERPRISES LIMITED



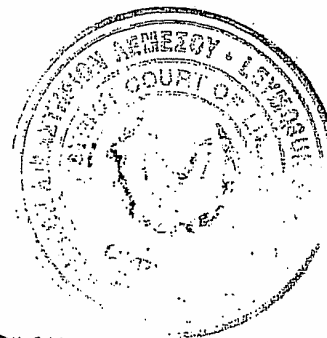
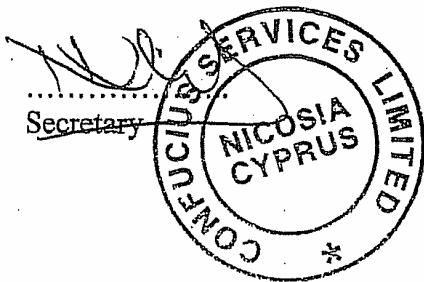
Voted on 19 June 2006

By a written resolution of the members of the company signed in accordance with Article 61A of the Articles of Association of the company on 19 June, 2006, the following special resolution was voted.

**"SPECIAL RESOLUTION**

The objects of the company be amended by the deletion of the last sentence of paragraph 3 of the company's Memorandum of Association which refers the following:

And it is declared that all the activities referred to in the various paragraphs of the present article of the memorandum of association of the Company with the exception of the management and administration of the company shall be carried on exclusively and only outside Cyprus.



TRUE COPY  
- (Sgd) IR. PAPADOPOULOU  
FOR REGISTRAR OF COMPANIES  
11/5/07

COPY OF SPECIAL RESOLUTION

THE COMPANIES LAW (CAP.113)

COMPANY LIMITED BY SHARES

SPECIAL RESOLUTION

ASBISC ENTERPRISES LIMITED

Passed the 4<sup>th</sup> September 2006.

In an Extraordinary General Meeting of the Shareholders of ASBISC ENTERPRISES LIMITED properly called and convened on the 4<sup>th</sup> September 2006, the following was approved as a Special Resolution.

“SPECIAL RESOLUTION”

That the Articles of Association of the company be replaced and the new attached Articles of Association be adopted.

4<sup>th</sup> September 2006



President of the General Meeting



To the Registrar of Companies  
Office of the Registrar of Companies  
NICOSIA.

TRUE COPY

*[Signature]*  
ΠΑΡΑΡΤΗΡΗΣΗ

FOR REGISTRAR OF COMPANIES

11/5/07

Αυτό είναι τεκμήριο .....  
το οποίο αναφέρεται στην  
Ένορκη Δήλωση.....  
Ημερομηνίας.....

*[Signature]*  
Πρόεδρος

COPY OF SPECIAL RESOLUTION

THE COMPANIES LAW (CAP.113)

COMPANY LIMITED BY SHARES

SPECIAL RESOLUTION

ASBISC ENTERPRISES LIMITED

Passed the 4<sup>th</sup> September 2006.

In an Extraordinary General Meeting of the Shareholders of the company properly called and convened on the 4<sup>th</sup> September 2006, the following was approved as a Special Resolution.

“SPECIAL RESOLUTION”

It is unanimously resolved that the authorized and paid up capital of the company which is:

US\$9.600.000,00 divided to 8.000.000 preference shares value US\$0.20 and 40.000.00 ordinary shares value US\$ 0.20 convert into US\$9.600.000,00 divided to 48.000.000 ordinary shares value US\$ 0.20.

The shareholders of the Company shall have

4.800.000	ordinary shares	Black Sea Fund Limited
3.200.000	ordinary shares	Alpha Ventures
15.112.000	ordinary shares	Alfo Administration Limited
24.888.000	ordinary shares	Ks Holdings Limited

4<sup>th</sup> September 2006

To the Registrar of Companies  
Office of the Registrar of Companies  
NICOSIA.

~~ΕΙΣ~~ ~~ΕΝ~~ ~~ΤΗ~~ ~~ΚΑΤΑ~~ ~~ΤΗΝ~~ ~~ΑΡΧΗΝ~~ ~~ΤΗΣ~~ ~~ΕΠΙΣΤΕΥΣΗΣ~~ ~~ΤΗΣ~~ ~~ΚΥΒΕΡΝΗΣΕΩΣ~~ ~~ΤΗΣ~~ ~~ΚΥΠΡΟΥ~~  
 ~~ΕΝ~~ ~~ΤΗ~~ ~~ΑΡΧΗ~~ ~~ΤΗΣ~~ ~~ΕΠΙΣΤΕΥΣΗΣ~~ ~~ΤΗΣ~~ ~~ΚΥΒΕΡΝΗΣΕΩΣ~~ ~~ΤΗΣ~~ ~~ΚΥΠΡΟΥ~~  
 Ενορκη Διαμαρτυρία... *Κωστής Γεωργίου*  
 Ημερομηνίας... *23/10/2006*

TRUE COPY  
(Sgd.) *Α. ΑΠΑΔΟΠΟΥΛΟΥ*

FOR REGISTRAR OF COMPANIES

*11/5/07*

Πρωτοκόλλητής





COPY OF SPECIAL RESOLUTION

THE COMPANIES LAW (CAP.113)

ASBISC ENTERPRISES LIMITED

COMPANY LIMITED BY SHARES

SPECIAL RESOLUTION

ASBISC ENTERPRISES LIMITED

Passed the 4<sup>th</sup> September 2006

In an Extraordinary General Meeting of the Shareholders of ASBISC ENTERPRISES LIMITED properly called and convened in Limassol the 4<sup>th</sup> September 2006, the following was approved as a Special Resolution.

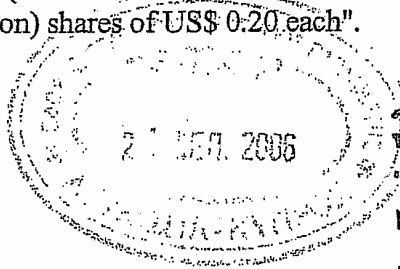
SPECIAL RESOLUTION

"That the authorised capital of the company

ASBISC ENTERPRISES LIMITED

be increased from US\$ 9.600.000,00 (US Dollars Nine Million Six Hundred Thousand) divided into 48.000.000 (Forty Eight Million) shares of US\$0.20 to US\$ 12.600.000(US Dollar Twelve Million Six Hundred thousand) divided into 63.000.000 (Sixty Three Million) shares of US\$0.20 by the creation of US\$ 3.000.000 (Three Million) additional shares of US\$0.20 each of the same class and the same rights in all aspects as the present shares of the Company shall be as from now US\$ 12.600.000,00 (US Dollars Twelve Million Six Hundred Thousand) divided into 63.000.000 (Sixty Three Million) shares of US\$ 0.20 each".

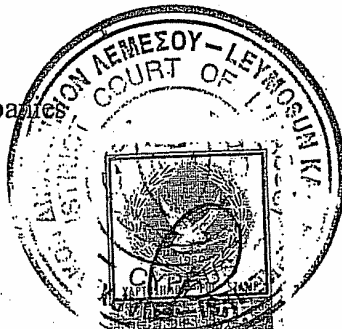
The 4<sup>th</sup> September 2006



Αυτό είναι τεκμήριο ..... Α .....  
το οποίο αναφέρεται στην  
Ένορκο Δήλωση *vs. Παναγιώτης Τσίφης*  
Ημερομηνίας *22/9/06*

Πρωτοκαλλιτής

To the Registrar of Companies  
Office of the Registrar of Companies  
NICOSIA



President of the General Meeting

TRUE COPY  
(Sgd.) *[Signature]*  
FOR REGISTRAR OF COMPANIES  
11/5/07

COPY OF SPECIAL RESOLUTION

THE COMPANIES LAW (CAP.113)

COMPANY LIMITED BY SHARES

SPECIAL RESOLUTION

ASBISC ENTERPRISES LIMITED

Passed the 4<sup>th</sup> September 2006.

In an Extraordinary General Meeting of the Shareholders of ASBISC ENTERPRISES LIMITED properly called and convened on the 4<sup>th</sup> September 2006, the following was approved as a Special Resolution.

“SPECIAL RESOLUTION”

With the approval of the Registrar of Companies the name of the Company is changed to ASBISC ENTERPRISES PLC

4<sup>th</sup> September 2006



President of the General Meeting

TRUE COPY

(Sgd.) *[Signature]*

FOR REGISTRAR OF COMPANIES

11/5/07

Αυτό είναι τσικμήριο .....

το οποίο αναφέρεται στην .....

Ένορκο Δήλωση. *[Signature]*

Ημερομηνίας ..... 22/9/06 .....

*[Signature]*  
Προσκολλητής

To the Registrar of Companies  
Office of the Registrar of Companies  
NICOSIA.

COPY OF SPECIAL RESOLUTION  
THE COMPANIES LAW (CAP.113)



COMPANY LIMITED BY SHARES

SPECIAL RESOLUTION

ASBISC ENTERPRISES PLC

Passed the 23<sup>rd</sup> April 2007.

In an Extraordinary General Meeting of the Shareholders of ASBISC ENTERPRISES PLC properly called and convened on the 23<sup>rd</sup> April 2007., the following was approved as a Special Resolution.

"SPECIAL RESOLUTION"

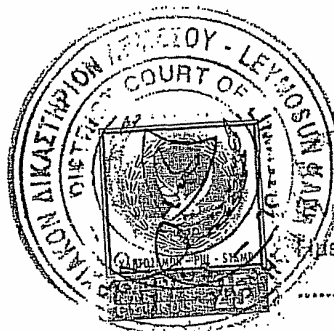
ASBISC ENTERPRISES PLC

That the Articles of Association of the company be replaced and the new attached Articles of Association be adopted.

23<sup>rd</sup> April 2007.

President of the General Meeting  
(Sgd.) IP. PAPADOPOULOS  
FOR REGISTRAR OF COMPANIES  
11/5/07

To the Registrar of Companies  
Office of the Registrar of Companies  
NICOSIA.



Το είναι τεκμήριο ..... Α  
επιτοιο αναδέρεται στην  
βροκο Δήλωση. Ινα: Περσεύης Τόπιδης  
μερομηνίας 30/4/2007.....  
e

**APOSTILLE**  
(Convention de La Haye du 5 octobre 1961)

1. Country **CYPRUS.**  
This public document
2. has been signed by ..... **I. PAPADOPOULOU** .....
3. acting in the capacity of Registrar of Companies
4. bears the seal/stamp of the Registrar of Companies

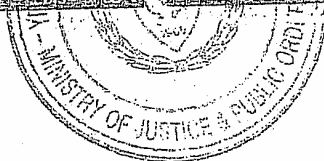
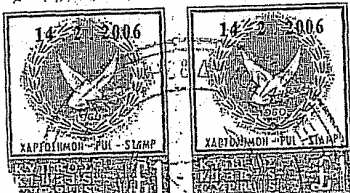
Certified

5. at Nicosia.
6. the ..... **11 MAY 2007** .....

7. by **ST. CONSTANTINOU** .....

8. No ..... **104517/a** .....

9. Seal/stamp:
- 10 Signature:



.....  
**Permanent Secretary**  
**Ministry of Justice and Public Order**

## **REGISTERED OFFICE OF THE COMPANY**

ASBISc Enterprises Plc  
Diamond Court,  
43 Kolonakiou Street  
Ayios Athanasios  
4103 Limassol  
Cyprus

## **GLOBAL CO-ORDINATOR, BOOKRUNNER AND LEAD MANAGER**

ING Bank N.V., London Branch  
60 London Wall  
London EC2M 5TQ  
United Kingdom

## **POLISH MANAGER, OFFEROR**

ING Securities SA  
Plac Trzech Krzyży 10/14  
00-499 Warsaw  
Poland

## **LEGAL ADVISERS**

*To the Company as to English law*

Dewey & LeBoeuf  
One London Wall  
London EC2Y 5EZ  
United Kingdom

*To the Company as to Polish law*

Dewey Ballantine Grzesiak Sp. k.  
Warsaw Stock Exchange Building  
ul. Książęca 4  
00-498 Warsaw  
Poland

*To the Company as to Cypriot law*

Costas Tsirides & Co.  
1 Chrysanthou Mylona  
3030 Limassol  
Cyprus

*To the Managers as to English law*

Allen & Overy, Praha  
Advokátní kancelář  
V Celnici 4, 5th Floor  
110 00 Prague 1, Czech Republic

*To the Managers as to Polish law*

Allen & Overy, A. Pędzich sp.k.  
Rondo ONZ 1, 34 piętro  
00-124 Warszawa, Polska

## **AUDITORS**

*To the Company*

Deloitte & Touche Limited  
Limassol  
Kanika Business Centre  
2nd Floor  
319, 28th October Street  
Cyprus