ANNUAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

John Hirst
Non Executive Chairman

Dear Shareholders,

2007 has been an eventful year for ASBIS and one that continued to build on the firm foundations established over many years. The markets have been supportive and the Company's growth very encouraging indeed.

New product lines have been added and new customers have been won. In terms of product range and geographic coverage ASBIS remains firmly ahead of its competitors, setting the standard for service and growth.

Sales growth of 39 % coupled with effective leverage of the operational cost structure resulted in a 69% growth in profit after tax.

Listing on the Warsaw Stock Exchange was completed successfully in October and interest in the Company's activities has continued to grow. Although Warsaw in common with many international stock markets has been influenced by global uncertainties ASBIS has been seen as a strong performer.

The markets that ASBIS serves have an increasing growth potential. ASBIS has an excellent footprint and the Board believes the company has both calibre of management and an appropriate strategy to deliver excellent results into the future.

Dear Shareholder,

I am very glad to see that ASBIS group has finished 2007 in a very strong manner. The business grew ahead of expectations . We can say that 2007 was a very challenging but fruitful year for the whole group.

During last year we managed to deliver solid portfolio of laptops for the fastest growing market segments and futher developed our sales channel. We have served a wider customer base, exceeding 20 thousand active clients, as well as increased the number of on-line customers to 11 thousand. Our own brands showed 34% growth in sales and 56% growth in profits. The growth in certain countries was really amazing to point out the best performers; namely the United Arab Emirates, Russia, Poland, Romania and Slovakia.

We have been able not only to grew our revenues by 38% but also to achieve an increase in gross profit margin to 4.9%. As a result of operatinal efficiencies our net profit grew by 69%.

Last year was special to ASBIS group: We were very delighted to have listed the company on the Warsaw Stock Exchange in October 2007 and raised additional capital by issuing new shares. All funds came at the right moment to provide capital for continued profitable growth.

Last year we saw a consolidation between competitors. We believe that this will continue as the markets we operate on are still very fragmented and the environment is not favourable to small national distributors. We are very confident that ASBIS built a solid foundation across all European, Middle East and Africa emerging markets for the growth going forward and is very well positioned to adapt to any changes in the environment as they might arise.

Lastly I would like to ensure all shareholders that the management of ASBIS will take all necessary steps in order to safeguard interests of the shareholders. With the current infrastructure we are in a position to regard the future with confidence and believe that the future of ASBIS group is bright. The management team are committed to delivering value for current and future shareholders. We will do our best to make 2008 another successful year!

Siarhei Kostevitch
CEO of ASBIS Group

Directors report on the Group operations

For the fiscal year ended 31 December 2007

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We are 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 Africa, combining a broad geographical reach with a wide range of products distributed on a "one-stop-shop" basis. Our main focus is on the following countries: Poland, Czech Republic, Slovakia, Romania, Croatia, Slovenia, Bulgaria, Serbia, Hungary, Russia, Ukraine, and Middle East countries (i.e. United Arab Emirates, Qatar).

We distribute servers, desktop PCs, laptops and networking to assemblers, system integrators and retailers. Our IT product portfolio encompasses a wide range of IT components, blocks and peripherals, and mobile IT systems. We currently purchase the majority of our products from leading international manufacturers, including Intel, Advanced Micro Devices ("AMD"), Seagate, Samsung and Microsoft. In addition, a growing part of our revenue is comprised of sales of IT products under our private labels, Prestigio and Canyon. In addition, we offer "white label" products, which are products that are distributed through the Group and branded with some of our largest customers' own brands.

Our business began in 1992 in Belarus and in 1995 we incorporated our holding company in Cyprus and moved our headquarters to Limassol. Our Cypriot headquarters support, through four master distribution centers (located in the Czech Republic, the Netherlands, Finland and the United Arab Emirates.), our network of 31 warehouses located in 19 countries. This network supplies products to our in-country operations and directly to our customers in approximately 70 countries.

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

We have prepared this annual report as required by Paragraph 86 section 1 point 3 of the Regulation of the Ministry of Finance dated 19 October 2005 on current and periodic information to be published by issuers of securities.

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

Forward-Looking Statements

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

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

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

Industry and Market Data

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

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

We believe that these industry publications, surveys and forecasts are reliable, but we have not independently verified them and cannot guarantee their accuracy or completeness.

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

Financial and Operating Data

This annual report contains financial statements of, and financial information relating to the Group. In particular, this annual report contains our audited consolidated financial statements for the twelve months ended 31 December 2007. The financial statements appended to this annual report are presented in U.S. dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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

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

All numbers are presented in thousands, except share, per share and exchange rate data, unless otherwise stated.

PART I

ITEM 1. KEY INFORMATION

Currency Presentation and Exchange Rate Information

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

All references to U.S. dollars, Euro, Polish Zloty and other currencies are in thousands, except share and per share data, unless otherwise stated.

The following tables set out, for the periods indicated, certain information regarding the average of the 11:00 a.m. buying/selling rates of the dealer banks as published by the National Bank of Poland, or NBP, for the złoty, the “effective NBP exchange rate”, expressed in Polish Zloty per dollar and U.S. dollar per Euro. The exchange rates set out below may differ from the actual exchange rates used in the preparation of our consolidated financial statements and other financial information appearing in this annual report. Our inclusion of the exchange rates is not meant to suggest that the U.S. dollars amounts actually represent such polish Zloty or Euro amounts or that such amounts could have been converted into Polish Zloty or Euros at any particular rate, if at all.

	Year ended December 31,				
Year (Polish Zloty to U.S. dollar)	**2003**	**2004**	**2005**	**2006**	**2007**
Exchange rate at end of period	3.74	2.99	3.26	2.91	2.44
Average exchange rate during period[1]	3.90	3.64	3.25	3.10	2.77
Highest exchange rate during period	4.09	4.06	3.45	3.30	3.04
Lowest exchange rate during period	3.67	2.97	2.91	2.86	2.43

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

Month (Polish Zloty to U.S. dollar)	Highest exchange rate during the month	Lowest exchange rate during the month
October 2007	2.68	2.51
November 2007	2.52	2.46
December 2007	2.52	2.43
January 2008	2.53	2.41
February 2008	2.50	2.32
March 2008	2.33	2,31

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

Year (Euro to U.S. dollar)	Year ended December 31, 2003	2004	2005	2006	2007
Exchange rate at end of period	0.7930	0.7331	0.8449	0.7597	0.6798
Average exchange rate during period[1]	0.8779	0.8048	0.8044	0.7970	0.7269
Highest exchange rate during period	0.9656	0.8476	0.8565	0.8442	0.7747
Lowest exchange rate during period	0.7930	0.7331	0.7387	0.7515	0.6727

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

Month (Euro to U.S. dollar)	Highest exchange rate during the month	Lowest exchange rate during the month
October 2007	0.7123	0.6929
November 2007	0.6909	0.6727
December 2007	0.6967	0.6791
January 2008	0.6907	0.6715
February 2008	0.6901	0.6577
March 2008	0.6592	0,6326

Selected Financial Data

The following table set forth our selected historical financial data for the years ended December 31, 2007, and 2006 and should be read in conjunction with Item 3. “Operating and Financial Review and Prospects” and the consolidated financial statements (including the notes thereto) included elsewhere in the annual report. We have derived the financial data presented in accordance with IFRS from the audited consolidated financial statements.

For your convenience, certain U.S. $ amounts as of and for the year ended 31 December 2007, have been converted into Euro and PLN as follows:

- Individual items of the balance sheet – based at average exchange rates quoted by the National Bank of Poland for 31 December 2007, that is: 1 US$ = 2.4350 PLN and 1 EUR = 3.5820 PLN

- Individual items in the income statement and cash flow statement – based at exchange rates representing the arithmetic averages of the exchange rates quoted by the National Bank of Poland for the last day of each month in a period between 1 January to 31 December 2007, that is 1 US$ = 2.7484 PLN and 1 EUR = 3.7768 PLN.

	Period from 1 January to 31 December			
	2007			2006
	USD	PLN	EUR	USD
Revenue	**1,397,349**	**3,840,473**	**1,016,859**	**1,008,795**
Cost of sales	(1,329,409)	(3,653,749)	(967,419)	(961,102)
Gross profit	**67,939**	**186,724**	**49,440**	**47,693**
Selling expenses	(25,358)	(69,693)	(18,453)	(17,291)
Administrative expenses	(16,845)	(46,296)	(12,258)	(14,318)
Profit from operations	**25,737**	**70,735**	**18,729**	**16,084**
Financial expenses	(5,192)	(14,270)	(3,778)	(3,850)
Financial income	750	2,062	546	142
Other written off	337	926	245	383
Goodwill written off	(223)	(613)	(162)	0
Profit before taxation	**21,409**	**58,840**	**15,579**	**12,759**
Taxation	(2,723)	(7,485)	(1,982)	(1,689)
Profit after taxation	**18,686**	**51,355**	**13,598**	**11,070**
Listing expenses written off	0	0	0	(1,597)
Profit attributable to members	**18,686**	**51,355**	**13,598**	**9,473**

	USD (cents)	PLN (grosz)	EUR (cents)	USD (cents)
Earnings per share				
Basic and diluted from continuing operations	37.94	104.27	27.61	19.74

	USD	PLN	EUR	USD
Net cash inflows from operating activities	1,097	3,015	798	(8,779)
Net cash outflows from investing activities	(7,612)	(20,920)	(5,539)	(1,060)
Net cash inflows from financing activities	22,550	61,976	16,410	10,911
Net increase in cash and cash equivalents	**16,035**	**44,071**	**11,669**	**1,072**
Cash at the beginning of the period	13,250	36,418	9,642	12,179
Cash at the end of the period	29,286	80,489	21,311	13,250

	As of 31 December 2007			As of 31 December 2006
	USD	PLN	EUR	USD
Current assets	348,367	848,275	236,816	227,622
Non-current assets	17,304	42,136	11,763	8,530
Total assets	365,672	890,411	248,579	236,152
Liabilities	269,971	657,380	183,523	175,999
Equity	95,700	233,031	65,056	60,153

Risk Factors

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

Risk factors relating to our business and industry

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

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

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

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

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

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

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

We benefit from advantageous contract terms which protect us against declining prices or slow moving inventory with respect to certain types of products supplied by a number of our suppliers (see "*Information on the Company - Our Main Suppliers - Price Protection Policy and Stock Rotation Policy*"). These policies, however, do not cover all products distributed by us, may not continue to be offered by all suppliers in the future and, in any case, do not protect sales of our own private labels, Canyon and Prestigio. As a result, inventory obsolescence and resulting price erosion could have a material adverse impact on our business, financial condition and results of operations.

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

Our business is dependent on the decisions and actions of a limited number of suppliers. In the year ended 31 December 2007, namely Intel, Advanced Micro Devices (AMD), Seagate and Microsof. Contracts with these suppliers are typically on a non-exclusive basis, allow for termination with or without cause and are open-ended with respect to requirements and output rather than imposing any commitment to a specific volume of business or scope of work.

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

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

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

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

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

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

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

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

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

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

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

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

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

In addition, foreign exchange fluctuation between the U.S. dollar and the Euro or other currencies of the countries in which we operate may result in translation gains or losses affecting our 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 we operate against the U.S. dollar will not have a material adverse effect on our business, financial condition and results of operations.

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

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

ITEM 2. INFORMATION ON THE COMPANY

History and Development of Asbisc Enterprises Plc and Business Overview

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

We are 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 Africa, combining a broad geographical reach with a wide range of products distributed on a "one-stop-shop" basis. Our main focus is on the following countries: Poland, Czech Republic, Slovakia, Romania, Croatia, Slovenia, Serbia, Hungary, Russia, Ukraine, United Arab Emirates, Jordan, Yemen, Oman and Qatar.

We distribute servers, desktop PCs, laptops and networking to assemblers, system integrators and retailers. Our IT product portfolio encompasses a wide range of IT components, blocks and peripherals, and mobile IT systems. We currently purchase the majority of our products from leading international manufacturers, including Intel, Advanced Micro Devices ("AMD"), Seagate, Samsung and Microsoft. In addition, a growing part of our revenue is comprised of sales of IT products under our private labels, Prestigio and Canyon, which together accounted for 7.4% of our total revenues in 2007, compared to 5.8% in 2005.

Our business began in 1992 in Belarus, and in 1995 we incorporated our holding company in Cyprus and moved our headquarters to Limassol. Our Cypriot headquarters support through four master distribution centers (located in the Czech Republic, the Netherlands, Finland and the United Arab Emirates), our network of 31 warehouses located in 19 countries. This network supplies products to our in-country operations and directly to our customers in approximately 70 countries. In 2007 we served more than 20 thousand customers in more than 70 countries.

In 2007, we sold, among other products, approximately 4.3 million central processing units ("CPUs"), 4.0 million hard disk drives ("HDDs") and 2.9 million memory modules (including both RAM and flash memory modules), either sourced from leading industry manufacturers or sold under our private brands. These compared to approximately 3.4 million CPUs, 3.3 million HDDs and 2.0 million memory modules in 2006.

Our revenues increased to U.S. $ 1,397,349 in 2007, from U.S. $ 1,008,795 in 2006, representing an increase of 38.5%. Over the same period, our profits after taxation and before deduction of listing expenses increased to U.S. $ 18,686 in 2007, from U.S. $ 11,070 in 2006, representing an increase of 68.8%.

Our headquarters are home to our centralized purchasing department and our global control function, which centrally monitors and controls our global activities, including purchasing, warehousing and transportation operations. In line with our strategy of focusing on automation and innovation in order to increase our cost-efficiency, in 2002, we began developing the IT4Profit platform, our online purchasing platform for electronic trading with our customers (B2B). Within this platform, we have also implemented our end-to-end online supply chain management system, in order to effectively manage our multinational marketplace and to increase automation and reporting transparency both internally and vis-à-vis our suppliers. Dealings through the IT4Profit online platform have grown to represent approximately 50% of our revenues in 2007.

We combine the international experience of our central management team with the local expertise of our offices in each of the 23 countries in which we operate. With our broad local presence, we have developed in-depth knowledge and understanding of fast-growing IT markets in regions such as Central and Eastern Europe and our diverse cultural, linguistic and legal landscape, which may form significant barriers to entry for most of our international competitors. The Directors believe that this advantage has helped us to quickly and cost-effectively penetrate emerging markets and strengthen our competitive position not only in Eastern Europe and Former Soviet Union, but also the Middle East and Africa (“EEMEA”).

History of the Group

We were established in Minsk, Belarus in 1992 by Mr. Siarhei Kostevitch and our main activity was the distribution of Seagate Technology products in the territory of the Former Soviet Union. Then, in 1995, we were incorporated in Cyprus and we moved our headquarters to Limassol. In 2002, in order to fund further growth, we privately placed U.S. $ 6,000 worth of shares with MAIZURI Enterprises Ltd (formerly named Black Sea Fund Limited), and U.S. $ 4,000 with Alpha Ventures SA. In 2006, we listed our common stock on Alternative Investment Market of London Stock Exchange, however after the successful listing on the Warsaw Stock Exchange (October 2007) the Board of Directors took a decision and cancelled the AIM listing as at 18 of March 2008.

Strengths

The Directors consider that our key strengths are:

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

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

- Our experienced management team, combined with local expertise.

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

- Critical mass of operations.

Having reached U.S. $ 1.397,349 in revenues in 2007 and with sales in approximately 70 countries and facilities in 19 countries, we believe that we have become a strong partner for, and has improved our position with, leading international suppliers of IT components, including Intel, AMD, Seagate, Samsung, Microsoft, Hitachi, Dell and Toshiba, in most of our regions of operation. Thanks to our size and the scope of our regional reach, we have achieved authorized distributor status with leading international suppliers, either on a pan-European, regional, or on a country-by-country basis, thus enjoying a number of beneficial commercial terms and achieving agreements with respect to the distribution of products offering higher profit margins.

- Price protection and stock rotation policy for inventory.

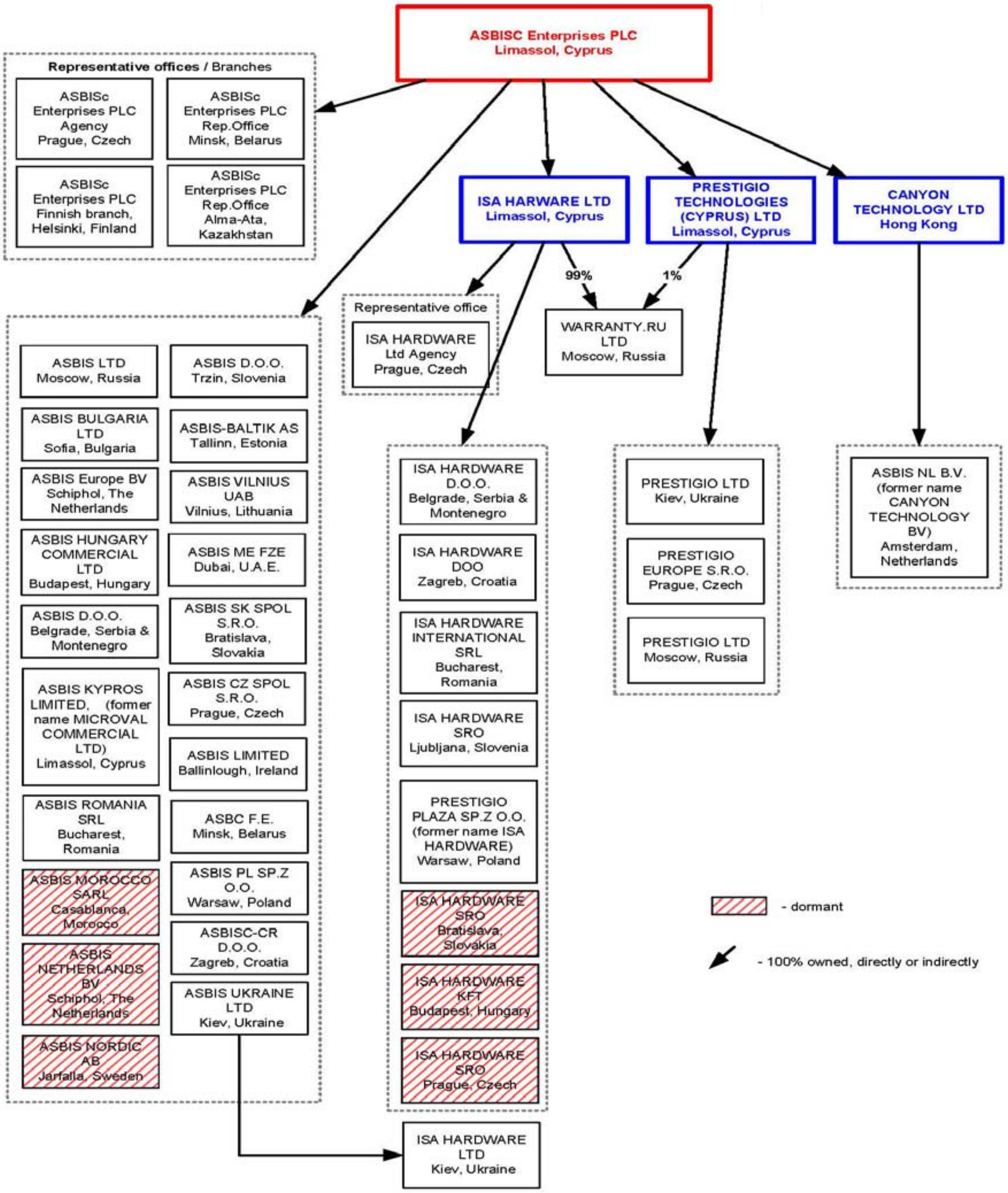
As an authorized distributor for a number of leading international suppliers of IT components, we are able to benefit from certain beneficial contract terms that provide protection from declining prices or slow moving inventory. In particular, such terms allow us to return part of the inventory to the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

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

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

Group Structure and Operations

The following chart presents our corporate structure as at 31 December 2007:



Our subsidiary undertakings are summarised as follows:

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

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

Asbisc Enterprises Plc is the parent company of the Group. Our subsidiaries are involved in diverse activities related to distribution of IT components and equipment. In particular, our subsidiaries operating under ASBIS name are involved in distribution of IT components and equipment, including distribution of products from worldwide leading manufacturers such as Intel, Seagate, Samsung, Microsoft, Hitachi Dell and Toshiba, whereas subsidiaries operating under ISA name are involved primarily in distribution of AMD products.

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

Regional operations

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

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

We are represented in the following locations:

Key Markets

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

The following table presents the breakdown of our revenue by market for the years ended 31 December 2007, 2006 and 2005:

	Year ended 31 December		
	2007	**2006**	**2005**
		%	
Former Soviet Union	48.8	48.7	48.7
Central and Eastern Europe	32.4	34.0	33.7
Western Europe	8.9	8.8	9.1
Middle East & Africa	8.0	6.8	5.9
Other	1.9	1.7	2.6
Total revenue	**100**	**100**	**100**

Products

We are 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. Our customers are located mainly in Central and Eastern Europe, the Former Soviet Union, North and South Africa and the Middle East.

We engage in three primary lines of business:

- sales and distribution of the IT components and blocks described below that we purchase from a variety of suppliers such as Intel, Seagate and AMD,
- sales of a range of finished products from worldwide manufacturers (Dell, Toshiba)
- sales of a range of private label products (such as notebooks, LCD monitors, VGA cards, data storage devices and MP3 players) with larger volumes and with profit potential selected by us and manufactured by ODM/OEM producers in the Far East under our own private label brands, Canyon and Prestigio.

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

In 2007, we sold, among other products, approximately 4.3 million CPUs, 4.0 million HDDs and 2.9 million memory modules (including both RAM and flash memory modules), either sourced from leading industry manufacturers or sold under our private brands. These compared to approximately 3.4 million CPUs, 3.3 million HDDs and 2.0 million memory modules in 2006.

The following table presents revenues from each category of product in 2007, 2006 and 2005:

	Year ended 31 December		
	2007	**2006**	**2005**
		(U.S. $ thousands)	
Central Processing Units (CPU)	402,843	336,945	324,935
Hard disk drives (HDD)	265,967	219,110	212,230
Software	157,381	45,053	23,247
PC mobile (laptops)	115,298	33,004	16,634
Mainboards & VGA cards	64,437	52,559	36,016
Memory modules (RAM)	63,523	65,112	49,848
Display products	43,095	29,308	27,947
PC desktop	35,788	25,904	23,040
Peripherals	30,256	34,855	32,349
Optical & floppy drives	28,895	28,029	29,115
Servers & server blocks	27,457	18,791	18,154
Accessories & multimedia	22,098	16,190	15,080
Flash memory	12,360	8,961	4,248
Networking products	7,666	9,129	7,988
Other	120,284	85,843	109,558
Total revenue	**1,397,349**	**1,008,795**	**930,389**

Private Labels: Prestigio and Canyon

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

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

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

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

Suppliers and Procurement

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

Our Main Suppliers

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

The following table presents the percentage of sales generated by products from our key suppliers for the years 2007, 2006 and 2005.

	Year ended 31 December		
	2007	**2006**	**2005**
		(%)	
Intel	21.3	21.4	24.9
AMD	11.6	16.1	13.4
Seagate	11.4	11.9	12.9
Microsoft	11.1	4.3	2.5
Prestigio[(1)]	5.1	5.1	3.2
Samsung	3.7	5.1	3.5
Hitachi	3.1	3.4	4.4
Canyon[(1)]	2.2	2.5	2.6

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

In 2007, a significant proportion (approximately 69.5%) of our revenues were generated from our eight biggest suppliers however the management believes that we place no reliance on any of our suppliers since we carry for every category a wide potfolio of brands.

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

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

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

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

Procurement Policies

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

Sales and Marketing

We focus on developing efficient online sales infrastructure and a rewarding profit commission scheme, as well as on investing in training our 321 sales managers in order to instil a thorough understanding of our product offerings with the goal of enhancing customer satisfaction.

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

Our marketing team consists of the Central Marketing Group and the Local Marketing Coordinators, both of which work in close coordination with suppliers, product managers and sales teams. In 2007, we employed 391 marketing and sales employees, compared to 331 employees in 2006.

Distribution

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

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

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

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

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

Facility Location	**Office Square Meters**	**Warehouse Square Meters**	**Total Square Meters**	**Owned or Leased**
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 2007, recognising the expansion of the Middle East and Africa region we decided to move the Dubai Distribution Centre to a much bigger facilty that is expected to be delivered by the end of April 2008.

In order to ensure visibility and bottom-line efficiencies of our warehousing environment, we have connected our warehousing management system ("WMS"), of the J.D. Edwards platform, to IT4Profit. Thus when an order is placed on IT4Profit, the order is communicated to our relevant master distribution center, which can then process the order for delivery. This WMS is currently functional in the Prague and 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. We operate 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. Our headquarters monitor and assess the performance of each local logistics center by using a number of key performance indicators, including transit time of incoming shipments, order fulfilment, (such as pick, pack and ship time and the percentage of orders shipped to commitment by date and time), on-time delivery, transport, cost per kilogram shipped and cycle count performance.

Transport Management System. Our transport management system 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 our direct customers. Our successfully piloted a Global Positioning System (“GPS”) with a number of our transport service providers in Central and

Eastern Europe, allows us to communicate with our customers on a real-time basis regarding expected delivery times.

Distribution Operations Management - "Asbis on IT4Profit"

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

Each of our, 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 our online marketplace, "Asbis on IT4Profit", is run. These agreements are valid for an indefinite period of time.

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

IT4Profit provides the following functions:

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

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

Disaster Recovery

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

Customers

We served over 20,000 customers in approximately 70 countries in the year ended 31 December 2007. Out of these customers to customer was contributed more than 3% of our sales. We have 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 we operate, customers from all tiers of the supply chain can purchase online via the Asbis B2B shops on IT4Profit.

Industry Overview and competition

European market characteristics

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

The IT hardware distribution landscape in Europe has changed significantly over 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.

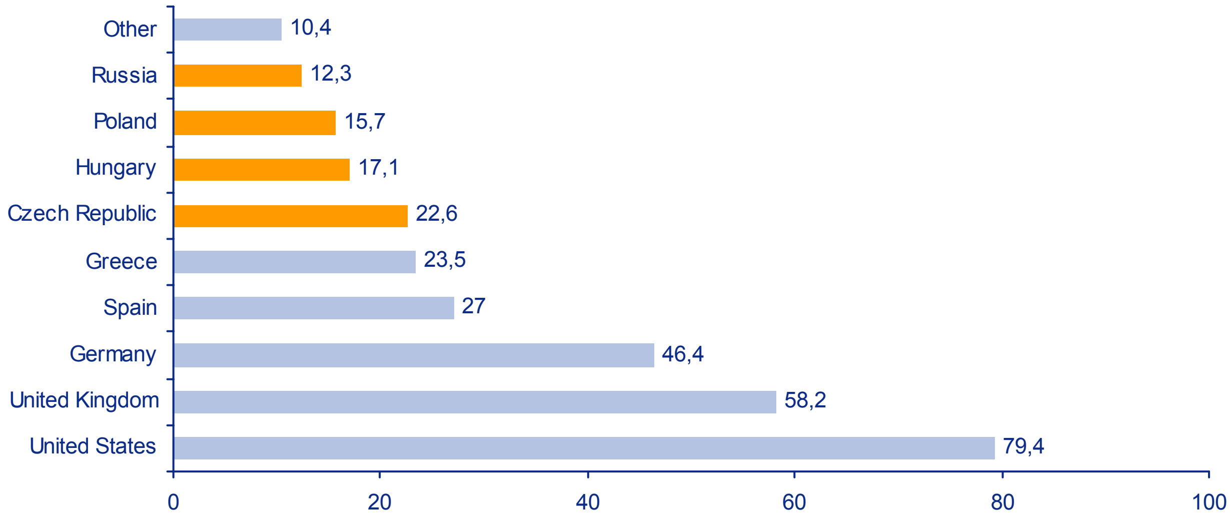
The European IT components distribution market is characterised by a three-tier structure: pan-European, regional and local distributors who buy directly from manufacturers and sell mainly to local Original Equipment Manufacturers ("OEMs"), value-added resellers ("VARs"), other resellers and local distributors, 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 ("SMBs") segment of the IT clientele since the SMB sector has been too small for OEMs to dedicate their selling efforts on.

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

Market growth trends

The IT distribution sector growth prospects depend on the overall IT spending, which is highly correlated to GDP growth, and the level of saturation of a particular market, i.e. PC ownership and internet/broadband technology usage. New products, such as hand-held devices and MP3 players, and desktop-notebook substitution provide an additional boost to the sector's development.

The graph below indicates the PC penetration level in different countries. It is obvious that the markets where we operate are far from saturation and are way below the levels of Western Europe and United States.



Source: Gartner report, 2007.

In the coming years, IT spending trends in Central Eastern Europe and the Former Soviet Union, which are the key markets of our operations, are expected to remain positive for the distribution industry. These countries have lagged behind the U.S. and Western Europe in terms of IT spending, while globalization and privatization necessitate increasing focus on IT infrastructure to increase competitiveness. According to Gartner, end-users from CEE countries spent 3 - 5 times less from end-users in Western Europe and the United States. In order to compete effectively in the global arena, these countries will require increased IT spending, which leaves considerable room for growth in the countries in which we operate. Factors such as expected GDP growth, improving consumer and business confidence and growing public sector demand will support the market growth in the region.

Competitive Landscape

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

The Directors consider us to be one of the largest distributors of IT components in Eastern Europe, with a distribution network covering the majority of countries in Eastern Europe, and one of the three largest distributors in the EMEA region for IT components such as HDDs and CPUs.

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

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

a) Elko (Riga) in the Baltic States, Adriatic region, Russia and Ukraine;

b) Kvazar Micro in the Former Soviet Union;

c) AB Computers and Action in Poland;

d) ED System BGS Levi in the Czech Republic and Slovakia; and

e) CT Group and MSAN in the Balkans and Adriatic region.

Directions of further development

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

a) increasing sales and market share in the Europe, Middle East and Africa ("EMEA") region;

b) expanding to new emerging markets;

c) developing our private label business;

d) continuing to focus on leveraging on our size and distribution capacity to achieve better commercial terms and optimize product mix; and

e) enhancing operating efficiency and automated processes, including our online 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 we operate, 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. We will continue to focus on increasing our revenue from and market share in these growing markets and believe that we are in an advantageous position to do so, due to our relationships with leading international suppliers, extended distribution network and strong local presence.

- Expansion to new emerging markets.

In recent years, we have entered a number of new emerging IT markets in North Africa and the Middle East. Although revenues derived from these markets still represent a relatively low share of our total revenues, this share is increasing, as these markets continue to grow and as we continue 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). We expect that our long experience of successfully competing in emerging, high-growth markets, combined with the geographic proximity of our headquarters to these markets, will help us strengthen our market position and increase our revenues. We have already started the process of establishing of our local operations in Turkey and the management is seriously considering establishing a subsidiary in Saudi Arabia.

- Development of private label business.

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

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

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

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

We continue to focus on improving operating efficiency and enhancing our automated processes, with a view to reducing operating expenses and increasing our profit margins, mainly through enhancing our own online, end-to-end supply chain management system, which operates over our IT4Profit platform. This automated system covers a wide range of our activities, from purchasing processes with key suppliers, to intercompany transactions, order processing and business data exchange with customers, as well as automated B2C (business-to-customer) connection with e-shops of resellers. More than 50% of our revenues were derived from online transactions with customers in 2007, and we aim to increase this percentage going forward.

Real property and other tangible assets

The table below presents our own real properties:

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

Our remaining premises are under lease.

Information regarding the real property owned by us and the relevant encumbrances are provided in the annual consolidated audited Financial Statements included elsewhere in this report.

Other than this real property, we do not hold any significant tangible assets.

Intellectual Property

We have registered the following trademarks:

a) "ASBIS", in blue and white and color formats and also "ASBIS ISP";

b) "CANYON"; and

c) "PRESTIGIO".

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

Insurance

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

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

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

- The Czech Republic: U.S. $ 10,000.
- The Netherlands: U.S. $ 2,000.
- Finland: U.S. $ 1,500.
- The Middle East: U.S. $ 3,500.

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

Credit insurance. We have two major credit insurance policies in place with Euler Hermes Kreditversicherungs AG ("Euler Hermes"), reducing our exposure in respect to possible non-recoverability of our receivables. Euler Hermes has agreed to indemnify us for losses due to bad debts in respect of goods delivered and services performed during the policy period, which covers a term of twelve months, subject to annual renewal. We insured more than 50% of our 2007 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 Asbis Netherlands B.V. Each buyer, primarily our large customers, who has an approved credit limit is insured for a coverage amounting to 85%.

The second insurance policy, which commenced in May 2003, is considered by the management as a milestone in credit insurance for us. One of our core vendors in co-operation with Euler Hermes offered us the Credit Insurance Program ("CIP"). At that time, we were the only Central and Eastern European distributor to participate in such a vendor-driven program. This flexible and tailor-made program has given us a competitive advantage over other distributors on insurance of small customers. This insurance policy is held by the Company and extends to cover ASBIS CZ, spol s.r.o., ASBIS CR d.o.o., ASBIS Hungary

Limited, ASBIS Vilnius UAB, ASBIS PL Sp z.o.o., ASBIS SK spol s.r.o. (Slovakia); and ASBIS d.o.o. (Slovenia). ASBIS Bulgaria Limited, ASBIS Romania S.R.L., AS ASBIS Baltic, as well as to specific customers in Algeria, Tunisia and Morocco. Under this policy we have the flexibility of providing eligible customers a discretionary credit limit up to a maximum of U.S. $ 75.

ITEM 3. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following Management's discussion and analysis of our financial condition and results of operations discusses our historical financial results as at, and for the years ended, 31 December 2007 and 2006. The reader shall read the following discussion in conjunction with our audited financial statements as at and for the years ended 31 December 2007 and 2006, including the accompanying notes thereto, which are included elsewhere in this Annual Report, and have been prepared in accordance with IFRS and audited by Deloitte & Touche Limited, our independent auditors and in conjunction with the information set forth under "*Risk Factors"* and *"Business Description*".

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

Summary

The principal events of 2007 were as follows:

- Our revenues increased by 38.5% to U.S. $ 1,397,349 from U.S. $ 1,008,795 in 2006.
- Revenues from our private labels, Canyon and Prestigio, increased by 34.8% to U.S. $ 102,937 from U.S. $ 76,466 in 2006.
- Revenue from sale of central processing units ("CPUs") increased by 19.6% comparing to 2006, increasing sales of CPUs to U.S. $ 402,843
- Revenue from sale of hard disk drives ("HDDs") increased by 21.4% comparing to 2006, increasing the sales of HDDs to U.S. $ 265,967.
- Our gross profit increased by 42.5% to U.S.$ 67,939 from U.S.$ 47,693 in 2006. Our gross profit margin increased to 4.9% compared to 4.7% in 2006.
- Our EBITDA increased by 54.2% to U.S.$ 27,636 from U.S.$ 17,927 in 2006. Our EBITDA margin was 2.0% compared to 1.8% in 2006.
- Our net profit after taxation and before deduction of flotation expenses increased by 68.8% to U.S.$ 18,686 from U.S.$ 11,070 in 2006.
- Our earnings per share increased by 92.2% to U.S. $ 0.38 from U.S. $ 0.20 in 2006.
- We debuted on the Warsaw Stock Exchange on 30 October 2007.

Principal Factors Affecting Financial Condition and Results of Operations

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

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

Low gross profit margins

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

Inventory obsolescence and price erosion

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

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

Currency fluctuations

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

As a result, reported results are affected by movements in exchange rates, particularly in the exchange rate of the U.S. dollar against the Euro and other currencies of the countries in which we operate, including the 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 we operate may result in a decrease in our revenues, as reported in U.S. dollars, which would have a negative impact on our operating and net profit, despite a positive impact on our operating expenses. On the other hand, a devaluation of the U.S. dollar against the Euro and other currencies of the countries in which we operate may have a positive impact on our revenues, as reported in U.S. dollars, which would have a positive impact on operating and net profit despite a negative impact on our operating expenses, as was the case in 2006.

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

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

Interest rate fluctuations

As at 31 December 2007, our total borrowings (excluding amounts due to factoring creditors) amounted to U.S. $ 42,904 and for the year 2007 our interest expense was U.S. $ 2,778 on those borrowings, compared to a profit after taxation of U.S. $ 18,686. Substantially all of our 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 our borrowings would have an impact on our financial expense, in particular any increase in such rates would increase our financial expense, and this, in turn, would adversely affect our operating profit and financial situation.

Credit risk

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

Growth markets

Information technology penetration in the markets in which we operate, 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, we believe that there will be improvements in applicable import regulations which should have a positive effect on demand for our products. Our aim is to benefit from such growth in order to increase our revenue and potentially our market shares.

Seasonality

The IT distribution industry in which we operate 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 we, demand tends to increase in the period starting from September to the end of the year. During these periods prices for our products tend to increase, which may have a positive effect on our gross profit margin. During these periods we 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 2006 and 2007

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, we 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. We intend to continue to work with both Intel and AMD with a view to continuing to increase our revenues and profits, while ensuring customer satisfaction.

Financial condition and results of operations

We did not publish any financial forecast for the year ended 31 December 2007.

Year ended December 31, 2007 compared to year ended December 31, 2006

Revenues: Our revenues increased by 38.5% to U.S. $ 1,397,349 for the year 2007 from U.S. $ 1,008,795 in 2006. This increase 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 our revenues, by product, for the years ended 31 December 2007 and 2006:

	For the years ended 31 December			
	2007		**2006**	
	U.S. $ thousand	**per cent. of total revenues**	**U.S. $ thousand**	**per cent. of total revenues**
Central Processing Units (CPUs)	402,843	28.8%	336,945	33.4%
Hard Disk Drives (HDDs)	265,967	19.0%	219,110	21.7%
Software	157,381	11.3%	45,053	4.5%
PC-mobile (laptops)	115,298	8.3%	33,004	3.3%
Other	455,860	32.6%	374,683	37.1%
Total revenue	**1,397,349**	**100.0%**	**1,008,795**	**100.0%**

Revenues from central processing units ("CPUs") increased by 19.6% to U.S. $ 402,843 (28.8% of our revenues) for the year 2007, from U.S. $ 336,945 (33.4% of our revenues) for 2006, mainly due to increase in unit sales regardless of the decrease of the average selling price (ASP).

Revenues from the sale of hard disk drives ("HDDs") increased by 21.4% to U.S. $ 265,967 (19.0% of our revenues) for the year ended 31 December 2007, from U.S. $ 219,110 (21.7% of our revenues) for 2006 mainly due to increase in unit sales and higher ASP.

Revenues from the sale of software increased by 249.3% to U.S. $ 157,381 (11.3% of our revenues) for the year ended 31 December 2007 from U.S. $ 45,053 (4.5% of our revenues) in 2006, mainly due to increase in unit sales and higher ASP.

Revenues from the sale of PC-mobile (laptops) increased by 249.3% to U.S. $ 115,298 (8.3% of our revenues) for the year ended 31 December 2007 from U.S. $ 33.004 (3.3% of our revenues) in 2006, mainly due to increase in unit sales and higher ASP.

Most of other 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 our private label products reached U.S. $ 102,937 (7.4% of our revenues) in the year 2007, compared to U.S. $ 76,466 (7.6% in 2006).

The table below presents a geographical breakdown of sales for the years ended 31 December 2007 and 2006:

	For the years ended 31 December			
	2007		2006	
	U.S. $ thousand	per cent. of total revenues	U.S. $ thousand	per cent. of total revenues
Former Soviet Union	681,730	48.8%	491,247	48.7%
Eastern Europe	452,914	32.4%	342,541	34.0%
Western Europe	124,739	8.9%	88,784	8.8%
Middle East & Africa	111,643	8.0%	68,656	6.8%
Other	26,323	1.9%	17,567	1.7%
Total revenues	**1,397,349**	**100.0%**	**1,008,795**	**100.0%**

The table below presents a country-by-country breakdown of sales for our most important markets for the years ended 31 December 2007 and 2006:

	For the years ended 31 December			
	2007		2006	
	U.S.$ thousand	per cent. of total revenues	U.S.$ thousand	per cent. of total revenues
Russia	397,741	28.5%	259,937	25.8%
Ukraine	222,008	15.9%	157,264	15.6%
Slovakia	132,505	9.5%	92,655	9.2%
Poland	66,847	4.8%	45,060	4.5%
Romania	60,064	4.3%	41,679	4.1%
Czech Republic	56,476	4.0%	65,633	6.5%
United Arab Emirates	55,122	3.9%	33,179	3.3%
Other	406,586	29.1%	313,388	31.0%
Total revenues:	**1,397,349**	**100.0%**	**1,008,795**	**100.0%**

Gross Profit: Our gross profit for the year ended 31 December 2007 increased by 42.5% to U.S. $ 67,939 from U.S. $ 47,693 in 2006.

Our gross profit margin (gross profit as a percentage of revenues) improved to 4.9% for the year ended 31 December 2007, compared to 4.7% in 2006. This increase in gross profit margin was mainly a result of improved product mix, increased sales and margin of laptops, software, and private label products. Private label products represented 17.2% of our gross profit for the year ended 31 December 2007, compared to 15.7% 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 our sales, marketing and logistics departments.

Selling expenses increased by 46.7% to U.S. $ 25,358 for the year ended 31 December 2007 from U.S. $ 17,291 in 2006. This increase was driven primarily by increased investment in marketing and advertising of our own private label brands, Canyon and Prestigio, and other products and an increase in salaries and benefits paid to sales employees.

Selling expenses represented 1.8% and 1.7% of our revenues for the years ended 31 December 2007 and 2006, respectively.

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

Administrative expenses increased by 17.6% to U.S. $ 16,845 for the year ended 31 December 2007 from U.S. $ 14,318 in 2006. In each year, administrative expenses were comprised largely of salaries and wages paid to administrative employees and rent payable.

Administrative expenses represented 1.2% and 1.4% of our revenues for each of the years 2007 and 2006, respectively.

Operating Profit: Our operating profit for the year ended 31 December 2007 increased by 60.0% to U.S. $ 25,737, from U.S. $ 16,084 in 2006.

Operating margin (operating profit as a percentage of revenues) increased to 1.8% for the year 2007 from 1.6% for 2006, mainly due to an increase in gross profit margin and a decrease in our operating expenses as a percentage of revenue.

Profit Before Taxation: Profit before taxation increased by 67.8% to U.S. $ 21,409 for the year ended 31 December 2007 from U.S. $ 12,759 for 2006.

Profit After Taxation: Profit after taxation for the year ended 31 December 2007 increased by 68.8% to U.S. $ 18,686 from U.S. $ 11,070 for 2006.

Profit attributable to members: Profit attributable to members more than doubled to U.S. $ 18,686 for the year 2007 from U.S. $ 9,473 for 2006.

Earnings per share: Earnings per share increased by 92.2% to U.S. $ 0.38 for the year ended 31 December 2007 compared to U.S. $ 0.20 for 2006.

Liquidity and Capital Resources

We have in the past funded our liquidity requirements, including ongoing operating expenses and capital expenditures and investments, for the most part, through operating cash flows, debt financing and equity financing. We expect to fund our liquidity requirements, for the most part, through operating cash flows, debt financing and equity financing.

The following table presents a summary of cash flows for the years 2007 and 2006:

	Year ended 31 December	
	2007	**2006**
	(U.S. $ thousand)	
Net cash inflows/(outflows) from operating activities	1,097	(8,779)
Net cash outflows from investing activities	(7,612)	(1,060)
Net cash inflows from financing activities	22,550	10,911
Net increase in cash and cash equivalents	16,035	1,072

Net cash inflows/(outflows) from operations

Cash inflows from operations were U.S. $ 1,097 for the year 2007, compared to cash outflows of U.S. $ 8,779 for 2006. The increase was primarily due to increased profitability and shorter cash-to-cash cycle, partially offset by an increase in taxation.

Net cash outflows from investing activities

Net cash used in investing activities was U.S. $ 7,612 in the year 2007, compared to U.S. $ 1,060 in 2006. This increase is mainly owed to the acquisition of property, plant and equipment in Bratislava and Dubai.

Net cash inflows from financing activities

Net cash inflows from financing activities was U.S. $ 22,550 for the year ended 31 December 2007, compared to U.S. $ 10,911 for 2006. This increase was primarily due to the inflow of net proceeds from the issuance of shares at a premium of U.S. $ 16,880 partially offset by a decrease in proceeds from short term bank loans to U.S. $ 5,081 for the year 2007 from U.S. $ 12,023 in 2006.

Capital Resources

In our opinion we have enough resources to finance our operations and secure the debt (as described in audited financial statement attached on this annual report) going forward.

As at 31 December 2007, we had total short-term and long-term debt (excluding amounts due to factoring creditors) of U.S. $ 43,028, including U.S. $ 40,837 of current maturities (due within one year), compared to U.S. $ 35,210, including U.S. $ 34,522 of current maturities, as at 31 December 2006.

The table below presents our principal outstanding debt facilities as at 31 December 2007:

Entity	Financial institution	Type of facilities	Credit limit	Currency	Valid from	Valid till
Asbisc Enterprices Plc	BNPI CY	Multipurpose	8,000	U.S. $	30-Jul-07	30-Jul-08
Asbisc Enterprices Plc	Cyprus Development Bank	Multipurpose	5,000	U.S. $	30-Nov-07	30-Nov-08
Asbisc Enterprices Plc	Barclays Bank Plc	Multipurpose	3,500	U.S. $	30-Oct-07	30-Oct-08
Asbisc Enterprices Plc	RAIFFEISEN BANK	Short term loan	4,000	U.S. $	14-Oct-07	14-Oct-08
ASBIS Kypros Ltd	Bank of Cyprus	Overdraft	170	Euro	5-Oct-07	19/2/2008
Asbis CZ, spol s.r.o	CSOB	Overdraft	20,000	Czech crown	22-Sep-05	non term
Asbis CZ, spol s.r.o	CSOB	Revolving	60,000	Czech crown	23-Sep-05	non term
Asbis CZ, spol s.r.o	CSOB	Loan	12,517	Czech crown	1-Nov-02	1-Nov-10
Asbis PL, SP z.o.o	Bre Bank S.A.	Overdraft	7,800	Polish Zloty	29-Jul-06	30-Nov-07
AS Asbis Baltic	Hansabank AS	Overdraft	1,500	Kroon	26-Sep-07	26-Mar-08
Asbis Romania SRL	Alpha Bank	Short term loan	3,000	U.S. $	15-Jun-07	17-Feb-08
Asbis SK spol s.r.o	Tatrabanka a.s.	Overdraft	237,000	Slovak crown	22-Oct-07	31-Oct-08
Asbis SK spol s.r.o	Tatrabanka a.s.	Overdraft	123,000	Slovak crown	22-Oct-07	31-Oct-08
Asbis SK spol s.r.o	Tatrabanka a.s.	Loan	110,000	Slovak crown	22-Nov-07	30-Jun-17
ASBIS Cr d.o.o	Societe Generale - Splitska Banka D.D.	Bank loan	14,000	Croation kuna	13-Nov-06	15-Nov-07
Isa Hardware D.o.o	Societe Generale -	Bank loan	6,000	Croation	13-Nov-06	15-Nov-07

	Splitska Banka D.D.			Kuna		
Asbis D.o.o Beograd	Societe Generale	Short-term loan	45,100	Dinar	15-Jun-07	15-Dec-08
Asbis D.o.o Beograd	Societe Generale	Overdraft	54,900	Dinar	15-Jun-07	15-Dec-08
Asbis Hungary Ltd	Raiffeisen Hungary	Short-term loan	80,000	Forint	9-Mar-07	9-Mar-08
Asbis Hungary Ltd	Raiffeisen Hungary	Short-term loan	220,000	Forint	9-Mar-07	9-Mar-08
Asbis Siovenia d.o.o	Banka Domzale	Overdraft	50	Euro	16-Mar-07	15-Mar-08
Asbis Siovenia d.o.o	Raiffeisen Krekova banka	Overdraft	609	Euro	21-Jun-07	21-Jun-08
Asbis Siovenia d.o.o	Raiffeisen Krekova banka	Short term loan	250	Euro	21-Sep-07	31-Jan-08
Isa Hardware s.r.o Slovenia	Banka Domzale	Overdraft	85	Euro	24-Oct-07	22-Oct-08
Asbis Siovenia d.o.o	Abanka	Loan	200	Euro	8-Oct-07	31-Jan-07
Asbis Bulgaria Ltd	Bulbank AD	Revolving loan	3,000	Lev	26-Feb-07	28-Oct-08
Asbis Middle East FZE	National Bank of Fujairah	Loan	6,000	Dirham	26/12/06	30-Jan-08
UAB Asbis Vilnius	Vilnius Banka	Short Term Loan	2,000	Litas	23-Sep-07	23-Sep-08
Asbis Ltd	Ulster Bank	Overdraft	10	Euro		
Asbis Ukraine Ltd	OTP Bank	Loan	21,000	Hryvnia	20-Dec-06	18-Dec-09

Capital Expenditure

Our total capital expenditure for fixed and intangible assets increased to U.S. $ 8,117 for the year ended 31 December 2007 from U.S. $ 1,631 for the year ended 31 December 2006. This increase was largely due to higher expenditure on property, plant and equipment mainly in Slovakia and the United Arab Emirates.

Commitments and Contingencies

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

Critical Accounting Policies

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

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

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

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Board of Directors

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

On 23 April 2007 Constantinos Tziamalis was nominated to our Board of Directors.

The following table sets out our current Directors:

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

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

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

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

Marios Christou, born in 1968, holds a B.A., dual major in Accounting and Information Systems and Economics, from Queens College of the City University of New York (C.U.N.Y.) (1992), and an M.B.A. in International Finance from St. John's University, New York (1994). Marios is also a Certified Public

Accountant (CPA) and a member of the American Institute of Certified Public Accountants (AICPA). Marios worked with Deloitte & Touche Limassol, Cyprus, for four years, as an audit manager. Marios then worked as a Financial Controller at Photos Photiades Breweries Ltd (part of the Carlsberg Group of companies) for three years. Marios joined the Company in August 2001 and is the Chief Financial Officer.

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

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

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

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

Directors’ remuneration

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

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

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

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

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

The following table presents the remuneration (including bonuses) of Directors for the years ended 31 December 2007and 2006, respectively:

Name	**Aggregate Remuneration (including bonuses) as at 31 December**	
	2007	**2006**
	(U.S. $ thousand)	
Siarhei Kostevitch	362	283
Marios Christou	148	90
Constantinos Tziamalis*	75	40
Laurent Journoud	241	206
Paul Swigart	52	8
John Hirst	34	13

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

Share ownership

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

Name	**Number of Shares**	**% of the share capital**
Siarhei Kostevitch	25,676,361	46.26%
John Hirst	75,600	0.14%
Marios Christou	400,000	0.72%
Laurent Journoud	400,000	0.72%
Constantinos Tziamalis	35,000	0.06%

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

Committees

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

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

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

Employees

As at 31 December 2007, we employed 958 employees, of whom 122 were employed at headquarters in Cyprus and the remainder were located in the 27 offices detailed above. The split of employees by area of activity as at 31 December 2007 and 2006 is as follows:

	As at 31 December	
	2007	**2006**
Sales and Marketing	391	331
Administration and IT	144	131
Finance	115	95
Logistics	308	231
Total	**958**	**788**

ITEM 5. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Major Shareholders

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

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

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Shareholders with more than 1% stake who are under a lock-up agreement until 30 October 2008 are included in the free float, as well as for all the shares stated above, approximately 15% of the free float is under the lock up agreement. Total free float as at 31 December 2007 was about 20%.

Related Party Transactions

We do not have any related party transactions exceeding PLN equivalent to € 500. For ordinary course of business transaction, please refer to the notes on the audited financial statement attached on this annual report.

In the period from 1 January 2007 to 31 December 2007, a number of transactions occurred between us and our subsidiaries and between our subsidiaries. In our opinion all of these transactions were based on terms that did not vary from market terms and their nature and conditions resulted from the ongoing needs and operations of the Company and of the Group, such as contracts related to the purchases of goods for onward distribution to external clients. All of these transactions and related outstanding balances were eliminated in the Financial Statements included in this Annual Report and, as a result, did not have any impact on our consolidated financial results and on our financial position as a whole.

ITEM 6. FINANCIAL INFORMATION

Legal Proceedings

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

Dividend Policy

Our dividend policy is to pay dividends at levels consistent with our growth and development plans, while maintaining a reasonable level of liquidity. 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 our 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. A proposed dividend is discussed in the audited financial statement attached on this annual report.

ITEM 7. THE OFFER AND LISTING

Listing Details and Markets

Our shares were listed on Alternaitve Investment Market on London Stock Exchange since October 2006. This listing was cancelled on 18 March 2008.

On 30 October 2007, our shares were listed on the regulated market on the Warsaw Stock Exchange.

The net amount raised of U.S. $ 16,880 was primarily used for working capital purposes.

Purpose of use of proceeds	**Forecasted Amount**		**Used proceeds**	
	U.S. $	**PLN**	**U.S. $**	**PLN**
Further developing our own brands of IT equipment - Prestigio and Canyon	Up to 9,532	Up to 24,500	8,949	23,000
Enabling us to take advantage of early payment discounts offered by some of our key suppliers	Up to 5,291	Up to 13,600	5,058	13,000
Expansion of the range of branded end-user products offered by us, including necessary working capital requirements in this respect	Up to 3,813	Up to 9,800	3,502	9,000
Completion of a purchase of a building in Slovakia, serving as a headquarters of a local subsidiary	Up to 389	Up to 1,000	389	1,000

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(1) The exchange rate used is 2,5702 PLN = 1 USD, the exchange rate as of the date of inflow of procedds - 24 October 2007.

ITEM 8. ADDITIONAL INFORMATION

Transfer of shares

In accordance with the Articles of Association, any shareholder may transfer all or any of it 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 Directors has no influence on the registration and is not in the position to refuse to register a transfer of WSE listed shares.

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

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

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

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

Description of Lock up

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

Voting rights

Each share confers the right to cast one vote.

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

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

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

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

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

All shares have equal rights.

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

No business shall be transacted at any general meeting unless a quorum of shareholders is present at the time when the meeting proceeds to business. Save as otherwise provided in the Articles of Association, a quorum shall be three shareholders present, in person or through telephone or other telecommunication connection or by proxy, and entitled to vote upon the business to be transacted. The 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 favor of or against such resolution).

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

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

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

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

Other Rights attaching to Shares and limitations of those rights

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Material Contracts

Contract with Interl International B.V.

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

Contract with AMD

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

Contract with Seagate Technology International

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

Contract with Microsoft Ireland Operations Limited

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

PART II

ITEM 9. PRINCIPAL ACCOUNTANT FEES AND SERVICES

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

The following table presents a summary of accountant fees and services for the twelve months ended December 31, 2007 and 2006:

(in thousands)	**2007**	**2006**
Audit fees [1]	639	630
Total fees	**639**	**630**

[1] Audit fees are the fees for audit of our interim and annual financial statements. This position includes fees and expenses for services rendered in relation to reviews and audits of financial statements for the periods covered by the fiscal year, notwithstanding when the fees and expenses were billed.

PART III

ITEM 10. FINANCIAL STATEMENTS

The consolidated financial statements of Asbis Enterprises Plc presented as a part of this annual report are included on pages 1 through 49 as follows:

MANAGEMENT REPRESENTATIONS

In accordance with the requirements of the Decree of the Minister of Finance of 19 October 2005 on current and periodical reporting by issuers of securities, the Board of Directors of ASBISc Enterprises Plc hereby represents that:

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

- the registered audit company which audited the annual consolidated financial statements was appointed in accordance with the legal regulations and the said company and the registered auditors who performed the audit fulfilled the conditions for issuing an unbiased and independent audit report, in accordance with the principles specified in Cyprus Companies Law, Cap. 113.

Limassol, 26 March 2008

ASBISC ENTERPRISES PLC

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2007

ASBISC ENTERPRISES PLC

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

C o n t e n t s

OFFICERS AND PROFESSIONAL ADVISERS

Directors	Siarhei Kostevitch (Belarussian) Chief Executive Officer
	Marios Christou (Cypriot)
	Laurent Journoud (French)
	Veronique Holbrook (Canadian) (resigned 23/04/2007)
	Constantinos Tziamalis (Cypriot) (appointed 23/04/2007)
	John Raymond Hirst (British) Non-Executive Chairman
	Paul Marshall Swigart (American) Non-Executive Director
	Henri Richard (French) (appointed 31/01/2008) Non-Executive Director
Secretary	Confucius Services Limited (resigned 23/01/2008) Limassol, Cyprus
	Alfo Secretarial Limited (appointed 23/01/2008) Limassol, Cyprus
Auditors	Deloitte & Touche Limited, Limassol, Cyprus
Legal adviser	Costas Tsirides & Co. Law Office, Limassol, Cyprus
Bankers	BNP PARIBAS Cyprus Limited Limassol, Cyprus
	Barclays Bank Plc – International Banking Unit Nicosia, Cyprus
	The Cyprus Development Bank Nicosia, Cyprus
	Raiffeisen Zentralbank Osterreich AG Wien, Austria

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2007

The directors present their annual report on the affairs of the group and the company together with the group's and the company's audited financial statements for the year ended 31 December 2007.

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

Results
The consolidated profit for the year attributable to the members increased by 97,25% from US$ 9.473.000 in 2006 after the deduction of an amount of US$ 1.597.310 reflecting the listing expenses incurred by the company during 2006, to US $18.685.526 in 2007. The increase in the consolidated profit attributable to members before the deduction of the listing expenses, which are non-recurring, was 68,79%. Details of the consolidated results of the group are presented on page 5 of the financial statements.

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

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

Existence of branches
The company does not maintain any branches.

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

Review of the development, financial performance and current position of the group and the company and the description of its major risks and uncertainties
The group and company's development to date, financial results and positions as presented in the financial statements are considered satisfactory.

The group has completed a successful year of trading with revenues for the year to 31 December 2007 having reached a record level of almost US$1.4 billion.

The growth in revenues for the year 2007, which was accompanied also by improved margins, was underpinned by the continued strong relationships with the supplier base of the group, including industry leading manufacturers and the addition of new suppliers across its key geographic markets.

Furthermore, the results of the group have been enhanced by the continuing growth in the percentage of group sales achieved from its two higher margin own brand product lines, Canyon and Prestigio.

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

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

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

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

Dividends
The Board of Directors propose the payment of a final dividend of US$ 0,06 per share for the year ended 31 December 2007 (total proposed dividend US$ 3.330.000). The final dividend proposed for the year ended 31 December 2006 was US$ 960.000, which was approved on 23 April 2007 at the company's annual general meeting and paid on 11 May 2007.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2007

Share Capital
In October 2007 the company issued 7.500.000 ordinary shares of nominal value US$ 0,20 each at a total premium of US$ 17.318.761.
On 31 December 2007 the issued and fully paid up share capital of the company consisted of 55.500.000 ordinary shares of US$ 0,20 each.

Board of Directors
The members of the Board of Directors at 31 December 2007 and at the date of this report are set out on page 1. They were all members of the Board of Directors throughout the year except as noted on page 1. All the members of the Board of Directors will continue in office. There were no significant changes in the assignment of the responsibilities and remuneration of the members of the Board of Directors. During the year one new non-executive Director was appointed in accordance with the Code of Corporate Governance adopted by the company.

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

The Board of Asbisc Enterprises Plc has three committees:

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

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

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

BY ORDER OF THE BOARD

Secretary

Limassol, 26 March 2008.

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

Report on the Consolidated and Company's Separate Financial Statements

We have audited the consolidated financial statements of Asbisc Enterprises Plc (the "Company") and its subsidiaries (the "Group") and the Company's separate financial statements on pages 5 to 49, which comprise the balance sheets of the Group and the Company as at 31 December 2007, and the income statements, statements of changes in equity and cash flow statements of the Group and the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the consolidated and the Company's separate financial statements give a true and fair view of the financial position of the Group and the Company as of 31 December 2007, and of the financial performance and the cash flows of the Group and the Company for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

Report on Other Legal Requirements

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

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

Other Matter

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

DELOITTE & TOUCHE LIMITED
Certified Public Accountants (Cyprus)

Limassol, 26 March 2008.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007
(Expressed in United States Dollars)

	Note	2007 US$	2006 US$
Revenue	3	1.397.348.678	1.008.794.597
Cost of sales		(1.329.409.427)	(961.101.730)
Gross profit		67.939.251	47.692.867
Selling expenses		(25.357.804)	(17.290.825)
Administrative expenses		(16.844.488)	(14.318.319)
Profit from operations		25.736.959	16.083.723
Financial income	4	750.371	142.271
Financial expenses	4	(5.192.225)	(3.850.106)
Other income	5	336.659	383.238
Goodwill written off, net	15	(222.963)	-
Profit before taxation	7	21.408.801	12.759.126
Taxation	8	(2.723.275)	(1.688.816)
Profit after taxation		18.685.526	11.070.310
Listing expenses written off	6	-	(1.597.310)
Profit attributable to members		18.685.526	9.473.000
		US$ Cents	**US$ Cents**
Earnings per share			
Weighted average basic and diluted earnings per share from continuing operations	26	37,94	19,74

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2007
(Expressed in United States Dollars)

ASSETS	Note	2007 US$	2006 US$
Current assets			
Inventories	2,9	88.279.393	46.177.803
Trade receivables	10	209.740.666	148.790.371
Other current assets	11	5.150.240	4.726.356
Cash and cash equivalents	22	45.197.152	27.927.606
Total current assets		348.367.451	227.622.136
Non-current assets			
Property, plant and equipment	12	16.190.268	7.161.929
Investments	16	99.580	99.580
Intangible assets	13	1.014.383	1.268.250
Total non-current assets		17.304.231	8.529.759
Total assets		365.671.682	236.151.895
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Trade payables		181.850.153	117.453.360
Other current liabilities	17	44.635.126	22.960.319
Current taxation	8	314.464	278.181
Short-term obligations under finance lease	20	68.676	144.527
Bank overdrafts and short term loans	18	40.767.798	34.377.172
Total current liabilities		267.636.217	175.213.559
Non-current liabilities			
Long term liabilities	19	2.257.497	666.058
Long-term obligations under finance lease	20	54.878	74.715
Deferred tax liability	8	22.595	44.997
Total non-current liabilities		2.334.970	785.770
Total liabilities		269.971.187	175.999.329
Equity			
Share capital	21	11.100.000	9.600.000
Share premium	21	23.518.243	8.138.039
Reserves		61.082.252	42.414.527
Total equity		95.700.495	60.152.566
Total liabilities and equity		365.671.682	236.151.895

Signed on behalf of the Board on 26 March 2008

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) - Directors
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007
(Expressed in United States Dollars)

	Share capital US$	Share premium account US$	Retained earnings US$	Foreign exchange reserve US$	Total US$
Balance at 1 January 2006	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	-	-	37.681	-	37.681
Payment of dividend	-	-	(960.000)	-	(960.000)
Exchange difference arising on consolidation	-	-	-	642.248	642.248
Balance at 31 December 2006 and 1 January 2007	9.600.000	8.138.039	41.082.228	1.332.299	60.152.566
Profit for the year after minority interest	-	-	18.685.526	-	18.685.526
Issue of shares (Note 21)	1.500.000	17.318.761	-	-	18.818.761
Cost related to issue of shares	-	(1.938.557)	-	-	(1.938.557)
Payment of dividend	-	-	(960.000)	-	(960.000)
Exchange difference arising on consolidation	-	-	-	942.199	942.199
Balance 31 December 2007	11.100.000	23.518.243	58.807.754	2.274.498	95.700.495

The reserves shown above at 31 December 2007 were readily distributable up to the amount of US$ 36.181.749 which represents the retained earnings of the company. The remaining amount of US$ 22.626.005 represents the earnings retained in the subsidiary companies of the group. The share premium account is available for distribution only in the form of issue of bonus shares.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007
(Expressed in United States Dollars)

	Note	2007 US$	2006 US$
Profit for the year before tax and minority interest		21.408.801	12.759.126
Adjustments for:			
Exchange difference arising on consolidation		437.215	117.254
Listing expenses written off		-	(1.597.310)
Provision for bad debts and receivables written off		1.442.277	858.339
Bad debts recovered		(98.208)	(77.360)
Depreciation	12	1.127.390	1.133.232
Amortisation of intangible assets	13	771.690	710.085
Goodwill written off	15	222.963	-
Interest received	4	(415.417)	(115.831)
Interest paid	4	2.777.555	1.620.161
Profit from the sale of property, plant and equipment and intangible assets	5	(54.668)	(11.546)
Operating profit before working capital changes		27.619.598	15.396.150
(Increase)/decrease in inventories		(41.553.042)	13.284.743
Increase in trade receivables		(61.675.350)	(38.385.077)
Increase in other current assets		(406.009)	(558.828)
Increase in trade payables		63.083.694	1.949.308
Increase in other current liabilities		19.492.783	2.427.870
Cash inflows/(outflows) from operations		6.561.674	(5.885.834)
Taxation paid, net	8	(2.709.394)	(1.272.515)
Interest paid	4	(2.777.555)	(1.620.161)
Net cash inflows/(outflows) from operating activities		1.074.725	(8.778.510)
Cash flows from investing activities			
Interest received	4	415.417	115.831
Purchase of property, plant and equipment	12&17	(7.550.034)	(1.104.675)
Purchase of intangible assets	13	(567.214)	(526.349)
Net increase in investment in subsidiary companies	15	(49.447)	(21.047)
Increase in investments		-	(9.580)
Net cash acquired from acquisition of subsidiaries	15	(125.217)	430.963
Proceeds from sale of property, plant and equipment and intangible assets		264.734	54.435
Net cash outflows from investing activities		(7.611.761)	(1.060.422)
Cash flows from financing activities			
Proceeds/(repayment) of long term loans and long term obligations under finance lease		1.571.602	(152.397)
Proceeds of short term loans and short-term obligations under finance lease		5.080.515	12.023.147
Net proceeds from issue of share capital at a premium		16.880.204	-
Dividends paid	27	(960.000)	(960.000)
Net cash inflows from financing activities		22.572.321	10.910.750
Net increase in cash and cash equivalents		16.035.285	1.071.818
Cash and cash equivalents at beginning of the year	22	13.250.441	12.178.623
Cash and cash equivalents at end of year	22	29.285.726	13.250.441

PARENT COMPANY INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007
(Expressed in United States Dollars)

	Notes	2007 US$	2006 US$
Revenue	3	926.407.965	677.957.298
Cost of sales		(902.968.655)	(660.727.505)
Gross profit		23.439.310	17.229.793
Selling expenses		(10.192.301)	(4.732.931)
Administrative expenses		(5.532.895)	(4.500.234)
Profit from operations		7.714.114	7.996.628
Financial income	4	243.319	107.420
Financial expenses, net	4	(1.128.088)	(1.037.216)
Other income	5	1.322.530	666.130
Profit before taxation	7	8.151.875	7.732.962
Taxation	8	(949.585)	(788.154)
Profit after taxation		7.202.289	6.944.808
Listing expenses written off	6	-	(1.597.310)
Profit attributable to members		7.202.289	5.347.498

PARENT COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2007
(Expressed in United States Dollars)

	Note	2007 US$	2006 US$
ASSETS			
Current assets			
Inventories	2,9	34.674.968	17.180.904
Trade receivables	10	90.708.709	68.317.656
Other current assets	11	51.128.229	29.777.383
Cash and cash equivalents	22	23.721.318	17.525.996
Total current assets		200.233.224	132.801.939
Non-current assets			
Property, plant and equipment	12	2.437.351	2.001.983
Intangible assets	13	918.410	1.119.607
Investment in subsidiary companies	14	2.779.308	2.714.977
Investment in fellow subsidiary company	16	90.000	90.000
Total non-current assets		6.225.069	5.926.567
Total assets		206.458.293	138.728.506
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Trade payables		109.844.976	79.397.927
Other current liabilities	17	16.224.394	5.742.900
Taxation	8	287.004	196.096
Bank overdrafts and short term loans	18	9.227.633	5.639.790
Total current liabilities		135.584.007	90.976.713
Non-current liabilities			
Deferred tax liability	8	74.294	74.294
Total non-current liabilities		74.294	74.294
Equity			
Share capital	21	11.100.000	9.600.000
Share premium	21	23.518.243	8.138.039
Reserves		36.181.749	29.939.460
Total equity		70.799.992	47.677.499
Total liabilities and equity		206.458.293	138.728.506

Signed on behalf of the Board on 26 March 2008.

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The notes on pages 13 to 49 form an integral part of these financial statements

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007
(Expressed in United States Dollars)

	Share capital US$	Share premium US$	Retained earnings US$	Total US$
Balance at 1 January 2006	9.600.000	8.138.039	25.551.962	43.290.001
Profit of the year	-	-	5.347.498	5.347.498
Payment of dividend	-	-	(960.000)	(960.000)
Balance at 31 December 2006 and 1 January 2007	9.600.000	8.138.039	29.939.460	47.677.499
Profit for the year	-	-	7.202.289	7.202.289
Issue of shares (Note 21)	1.500.000	17.318.761	-	18.818.761
Cost related to issue of shares	-	(1.938.557)	-	(1.938.557)
Payment of dividend	-	-	(960.000)	(960.000)
Balance at 31 December 2007	11.100.000	23.518.243	36.181.749	70.799.992

The retained earnings of US$ 36.181.749 shown above at 31 December 2007 are all distributable. The share premium account is available for distribution in the form of issue of bonus shares.

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

PARENT COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007
(Expressed in United States Dollars)

	Note	2007 US$	2006 US$
Profit for the year before tax		8.151.875	7.732.962
Adjustments for:			
Listing expenses written off		-	(1.597.310)
Depreciation	12	312.063	311.247
Amortisation of intangible assets	13	703.817	582.505
Provision for bad debts and receivables written off		202.972	36.671
Bad debts recovered		(4.000)	(1.820)
Interest received	4	(243.319)	(107.420)
Interest paid	4	595.280	449.037
(Profit)/loss from the sale of property, plant and equipment and intangible assets	5	(17.921)	529
Operating profit before working capital changes		9.700.767	7.406.401
(Increase)/decrease in inventories		(17.494.064)	9.480.889
Increase in trade receivables		(22.590.025)	(22.540.325)
(Increase)/decrease in other current assets		(21.350.845)	10.110.271
Increase in trade payables		30.447.049	5.822.025
Increase/(decrease) in other current liabilities		10.481.494	(6.828.700)
Cash (outflows)/inflows from operations		(10.805.624)	3.450.561
Taxation paid, net	8	(858.677)	(597.322)
Interest paid	4	(595.280)	(449.037)
Net cash (outflows)/inflows from operating activities		(12.259.581)	2.404.202
Cash flows from investing activities			
Interest received	4	243.319	107.420
Purchase of property, plant and equipment	12	(747.431)	(157.867)
Purchase of intangible assets	13	(502.620)	(350.936)
Proceeds from sale of property, plant and equipment and intangible assets		17.918	224
Net (increase)/decrease in investment in subsidiary companies	14	(64.331)	54.225
Net cash outflows from investing activities		(1.053.145)	(346.934)
Cash flows from financing activities			
Dividends paid	27	(960.000)	(960.000)
Net proceeds from issue of share capital, at a premium		16.880.204	-
Proceeds from short term loans		4.072.574	3.536.534
Net cash inflows from financing activities		19.992.778	2.576.534
Net increase in cash and cash equivalents		6.680.052	4.633.802
Cash and cash equivalents at beginning of the year	22	16.422.740	11.788.938
Cash and cash equivalents at end of year	22	23.102.792	16.422.740

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007
(Expressed in United States Dollars)

1. Incorporation and principal activities

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

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

2. Summary of significant accounting policies

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

Basis of preparation

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

Adoption of new and revised International Financial Reporting Standards

Standards and Interpretations effective in the current period

In the current year, 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 beginning on 1 January 2007. The group has adopted IFRS7 Financial Instruments: Disclosures and the consequential amendments to IAS1 Presentation of Financial Statements.

The impact of the adoption of IFRS7 and the changes to IAS1 has been to expand the disclosures provided in these financial statements regarding the group's financial instruments and management of capital.

Four interpretations issued by the International Financial Reporting Interpretation Committee are effective for the current period. These are: IFRIC7 Applying the Restatement Approach under IAS29 Financial Reporting in Hyperinflationary Economies; IFRIC8 Scope of IFRS2; IFRIC9 Reassessment of Embedded Derivatives; and IFRIC10 Interim Financial Reporting and Impairment. The adoption of these Interpretations has not led to any changes in the group's accounting policies.

Standards and Interpretations in issue not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

•	*IFRS 2*	*Share-based Payments – Amendment relating to vesting conditions and cancellation*	*Effective for annual periods beginning on or after 1 January 2009*
•	*IFRS 3*	*Business Combinations – Comprehensive revision on applying the acquisition method*	*Effective for annual periods beginning on or after 1 January 2009*
•	*IFRS 8*	*Operating Segments*	*Effective for annual periods beginning on or after 1 January 2009*
•	*IAS 1*	*Presentation of Financial Statements – Comprehensive revision including requiring a statement of comprehensive income*	*Effective for annual periods beginning on or after 1 January 2009*

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2. Accounting policies (continued)

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

•	*IAS 1*	*Presentation of Financial Statements – Amendments relating to disclosure of puttable instruments and obligations arising on liquidation*	*Effective for annual periods beginning on or after 1 January 2009*
•	*IAS 23*	*Borrowing Costs – Comprehensive revision to prohibit immediate expensing*	*Borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009*
•	*IAS 27*	*Consolidated and Separate Financial Statements – Consequential amendments arising from amendments to IFRS 3*	*Effective for annual periods beginning on or after 1 July 2009*
•	*IAS 28*	*Investments in Associates – Consequential amendments arising from amendments to IFRS 3*	*Effective for annual periods beginning on or after 1 July 2009*
•	*IAS 31*	*Interests in Joint Ventures – Consequential amendments arising from amendments to IFRS 3*	*Effective for annual periods beginning on or after 1 July 2009*
•	*IAS 32*	*Financial Instruments: Presentation – Amendments relating to puttable instruments and obligations arising on liquidation*	*Effective for annual periods beginning on or after 1 January 2009*
•	*IFRIC 11*	*IFRS2 – Group and Treasury Share Transactions*	*Effective for annual periods beginning on or after 1 March 2009*
•	*IFRIC 12*	*Service Concession Arrangements*	*Effective for annual periods beginning on or after 1 January 2008*
•	*IFRIC 13*	*Customer Loyalty Programmes*	*Effective for annual periods beginning on or after 1 January 2008*
•	*IFRIC 14*	*IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*	*Effective for annual periods beginning on or after 1 January 2008*

The directors anticipate that the adoption of the above Standards and Interpretations in future periods will have no material impact on the financial statements of the group.

Basis of consolidation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
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2. Accounting policies (continued)

Basis of consolidation

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.

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

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

Business combinations involving entities under common control

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
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2. Accounting policies (continued)

Subsidiary companies

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

Investments

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

Goodwill

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

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

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

Property, plant and equipment

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

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost less any recognized impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is provided at rates calculated to write off the cost less the estimated residual value of property, plant and equipment on a straight-line basis over their estimated useful economic lives as follows:

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

2. Accounting policies (continued)

Property, plant and equipment
Depreciation is not provided on land.

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

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

Computer software	3 - 5 years
Patents and licences	3 years

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

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

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

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

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

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

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.

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

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

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

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

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

2. Accounting policies (continued)

Foreign currencies

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

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

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are expressed in United States Dollars using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the date of the transactions are used. Exchange differences arising from the retranslation at the closing rate of the result of the year and the opening net assets of the group's foreign operations, are shown as a movement in the foreign exchange reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

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

Inventories

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

Provisions

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

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

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

Warranties

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

2. Accounting policies (continued)

Financial instruments

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

Financial assets

Trade receivables

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

Effective interest method

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

Loans granted

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

Cash and cash equivalents

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

Financial liabilities and equity instruments issued by the group

Classification as debt of equity

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

Equity instruments

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

2. Accounting policies (continued)

Financial instruments (continued)

Accounting for financial guarantee contracts

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

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

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

Bank borrowings

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

Trade payables

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

Derecognition of financial liabilities

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

Revenue recognition

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

Sale of goods

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

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

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.

2. Accounting policies (continued)

Leasing

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

Finance Leases

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

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

Operating leases

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

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

Borrowing costs

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

Dividend distribution

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

Comparative figures

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

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

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

Revenue recognition

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

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3. Accounting policies (continued)

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

Provision for bad and doubtful debts

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

Provision for obsolete and slow-moving inventory

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

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

Warranty provisions

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

Impairment of goodwill

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

Income taxes

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

Fair value of financial assets

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

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3. Revenue

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

Sales revenue by geographical market	**2007**	**2006**
	US$	**US$**
Former Soviet Union	681.730.050	491.246.643
Eastern Europe	452.913.972	342.540.983
Western Europe	124.738.564	88.783.690
Middle East & Africa	111.642.542	68.656.262
Other	26.323.550	17.567.019
Total revenue	1.397.348.678	1.008.794.597

Revenue analysis by currency	**2007**	**2006**
The Group	**US$**	**US$**
US Dollars	782.264.947	609.890.678
Euro	87.087.332	60.379.653
Russian Rouble	93.375.928	16.574.260
Slovak Koruna	70.783.019	63.978.355
Czech Koruna	32.280.060	44.644.686
Polish Zloty	70.452.318	44.947.625
Other	261.105.074	168.379.340
	1.397.348.678	1.008.794.597

	2007	**2006**
The Company	**US$**	**US$**
US Dollars	917.944.920	671.600.940
Euro	8.463.045	6.356.358
	926.407.965	677.957.298

4. Financial expense, net

	2007	**2006**
The Group	**US$**	**US$**
Financial income		
Interest income	415.417	115.831
Other financial income	6.070	6.629
Exchange gain	328.884	19.811
	750.371	142.271
Financial expense		
Bank interest	2.777.555	1.620.161
Bank charges	857.155	609.832
Interest to suppliers	187.055	228.212
Factoring interest	692.965	573.451
Factoring charges	560.986	552.045
Other financial expenses	27.168	22.998
Other interest	70.738	241.471
Interest on taxation	18,603	1.936
	(5.192.225)	(3.850.106)
Net	(4.441.854)	(3.707.835)

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4. Financial expense, net (continued)

The Company	2007 US$	2006 US$
Financial income		
Interest income	243.319	107.420
	243.319	107.420
Financial expense		
Bank interest	558.441	441.652
Bank charges	302.995	234.854
Interest to suppliers	187.055	228.212
Factoring charges	6.784	11.159
Interest on taxation	-	1.936
Exchange loss	35.974	112.018
Other interest	36.839	7.385
	(1.128.088)	(1.037.216)
Net	(884.769)	(929.796)

5. Other income

The Group	2007 US$	2006 US$
Profit on disposal of property, plant and equipment	54.668	11.546
Bad debts recovered	98.208	77.360
Other income	183.783	294.332
	336.659	383.238

The Company	US$	US$
Dividends received	1.300.000	650.000
Other income	609	14.839
Bad debts recovered	4.000	1.820
Profit/(loss) on disposal of property, plant and equipment	17.921	(529)
	1.322.530	666.130

6. Listing expenses written-off

On the 25th October 2006, the company was listed on the Alternative Investment Market of the London Stock Exchange. In the process of listing the company's existing shares on the Alternative Investment Market, certain costs were incurred, which were directly attributable to the company's listing, and charged to the income statement.

7. Profit before taxation

The Group	2007 US$	2006 US$
Profit before taxation is stated after charging:		
(a) Depreciation	1.127.390	1.133.232
(b) Amortisation of intangible assets	771.690	710.085
(c) Auditors' remuneration	639.066	630.681
(d) Directors' remuneration – executive (Note 24)	622.707	562.709
(e) Directors' remuneration – non-executive (Note 24)	136.178	21.000

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7. Profit before taxation (continued)

The Company

		2007 US$	2006 US$
Profit before taxation is stated after charging:			
(a)	Depreciation	312.063	311.247
(b)	Amortisation of intangible assets	703.817	582.505
(c)	Auditors' remuneration	304.572	233.243
(d)	Directors' remuneration – executive (Note 24)	622.707	562.709
(e)	Directors' remuneration – non-executive (Note 24)	136.178	21.000

8. Taxation

Corporation tax

The Group

	2007 US$	2006 US$
Credit/(debit) balance 1 January	278.181	(76.446)
Provision for the year	2.751.791	1.622.736
(Over)/under provision of prior years	(6.114)	4.406
Amounts paid, net	(2.709.394)	(1.272.515)
Credit balance 31 December	314.464	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.

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

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

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

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

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

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

	2007 US$	2006 US$
Provision for the year	2.751.791	1.622.736
(Over)/under provision of prior years	(6.114)	4.406
Deferred tax (income)/charge	(22.402)	61.674
Charge for the year	2.723.275	1.688.816

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:

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8. Taxation (continued)

	2007 US$	2006 US$
Income subject to Cyprus corporation tax of 10%	12.106.976	8.320.449
Income subject to other overseas taxes	9.301.825	2.841.367
Accounting profit	21.408.801	11.161.816
Corporation tax thereon at the applicable rates	2.637.170	1.377.702
Tax on income not taxable in determining taxable profit	(145.013)	(9.427)
Temporary differences	46.006	7.887
Tax on non-allowable expenses	147.241	179.458
Additional tax 10%	33.228	31.486
	2.718.632	1.587.106
Special contribution to defence fund	33.159	35.631
(Over)/under provision of prior years	(6.114)	4.406
Deferred tax (income)/charge	(22.402)	61.674
Taxation charge for the year	2.723.275	1.688.817

The Company	**Corporation tax 2007 US$**	**Defence contribution 2007 US$**	**Total 2007 US$**	**Total 2006 US$**
Credit balance 1 January	166.815	29.281	196.096	8.552
Over provision of prior years	(23.482)	-	(23.482)	-
Provision for the year	941.081	31.986	973.067	784.866
Amount paid	(815.485)	(43.192)	(858.677)	(597.322)
Credit balance 31 December	268.929	18.075	287.004	196.096

The charge for taxation is based on the company's profits for the year as adjusted for tax purposes. The reconciliation of the accounting result to the taxation charge for the year is as follows:

	2007 US$	2006 US$
Accounting profit before taxation and after write off of listing expenses	8.151.875	6.135.652
Corporation tax thereon at the applicable rate of 10%	815.188	613.565
Tax effects of:		
Tax on income not taxable in determining taxable profit	(145.599)	(74.427)
Temporary differences	43.298	8.113
Tax on non-allowable expenses	194.966	179.451
Additional tax (10%)	33.228	22.533
	941.081	749.235
Special contribution to defence fund	31.986	35.631
Over provision of prior years	(23.482)	-
Deferred tax liability	-	3.288
	949.585	788.154

The taxation charge for the year consists of the following:

	2007 US$	2006 US$
Provision for the current year	941.081	749.235
Special contribution to defence fund	31.986	35.631
Deferred tax charge	-	3.288
(Over)/underprovision of prior years	(23.482)	-
	949.585	788.154

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8. Taxation (continued)

Deferred tax	**2007**	**2006**
The Group	**US$**	**US$**
Deferred tax liability:		
The deferred tax liability relates to excess of capital allowances over depreciation	22.595	44.997
The Company		
Deferred tax liability:		
The deferred tax liability relates to excess of capital allowances over depreciation	74.294	74.294

9. Inventories

The Group	**2007 US$**	**2006 US$**
Goods held for resale	72.389.734	42.757.599
Goods in transit	16.490.842	3.639.129
Provision for slow moving and obsolete stock	(601.183)	(218.925)
	88.279.393	46.177.803

The cost of inventory, net of rebates, recognised as an expense and included in cost of sales amounted to US$ 1.307.853.239.
Inventories amounting to US$ 1.026.903 were written-off/provided for during the year.
As at 31 December 2007, inventories pledged as security for financing purposes amounted to US$ 20.476.983 (2006: US$ 13.753.363).

The Company	**2007 US$**	**2006 US$**
Goods held for resale	18.498.447	13.988.240
Goods in transit	16.426.521	3.230.930
Provision for slow moving and obsolete stock	(250.000)	(38.266)
	34.674.968	17.180.904

The cost of inventory, net of rebates, recognised as an expense and included in cost of sales amounted to US$ 893.372.798.
Inventories amounting to US$ 424.905 were written-off/provided for during the year.
As at 31 December 2007, inventories pledged as security for financing purposes amounted to US$ 9.000.000 (2006: US$ 5.000.000).

10. Trade receivables

The Group	**2007 US$**	**2006 US$**
Trade receivables	212.230.205	150.948.946
Allowance for doubtful debts	(2.489.539)	(2.158.575)
	209.740.666	148.790.371

As at 31 December 2007, receivables that had been assigned as security for financing purposes amounted to US$ 22.687.756 (2006: US$ 21.736.803).

In 2007, the group had recognised a loss of US$ 1.442.277 (2006: US$ 858.339) for the impairment of its trade receivables. The loss had been included in selling expenses in the income statement.

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10. Trade receivables (continued)

Movement in provision for doubtful debts:

	2007 US$	2006 US$
On 1 January	2.158.575	1.436.667
Provisions during the year	1.186.131	784.564
Amount written-off as uncollectible	(936.200)	(176.334)
Bad debts recovered	(98.208)	(77.360)
Exchange difference	179.241	191.038
On 31 December	2.489.539	2.158.575

Ageing of the group's receivables:

Year	Total receivables US$	Outstanding but not due yet US$	Overdue 0-30 days US$	Overdue between 30-60 days US$	Overdue more than 60 days US$
2007	209.740.666	122.698.289	72.360.530	8.431.060	6.250.787
2006	148.790.371	85.745.220	44.637.111	11.159.278	7.248.762

Ageing of impaired receivables (provision for bad debts)

Year	Total US$	Overdue 60-90 days US$	Overdue 90-120 days US$	Overdue more than 120 days US$
2007	2.489.539	232.011	22.061	2.235.467
2006	2.158.575	12.725	20.585	2.125.265

The Company	2007 US$	2006 US$
Trade receivables	91.133.553	68.543.529
Allowance for doubtful debts	(424.844)	(225.873)
	90.708.709	68.317.656

In 2007, the company had recognised a loss of US$ 202.971 (2006: US$ 36.671) for the impairment of its trade receivables.

Movement in provision for doubtful debts:

	2007 US$	2006 US$
On 1 January	225.873	191.022
Provisions during the year	202.971	36.671
Bad debts recovered	(4.000)	(1.820)
On 31 December	424.844	225.873

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10. Trade receivables (continued)

Ageing of the company's receivables:

Year	Total receivables US$	Outstanding but not due yet US$	Overdue 0-30 days US$	Overdue between 30-60 days US$	Overdue more than 60 days US$
2007	90.708.709	53.064.595	33.471.513	2.413.547	1.759.054
2006	68.317.656	37.164.805	24.799.130	4.784.121	1.569.600

Ageing of impaired receivables (provision for bad debts)

Year	Total US$	Overdue 60-90 days US$	Overdue 90-120 days US$	Overdue more than 120 days US$
2007	424.844	-	-	424.844
2006	225.873	-	-	225.873

11. Other current assets

	2007 US$	2006 US$
The Group		
Other debtors and prepayments	2.201.394	2.070.308
VAT and other taxes refundable	1.883.234	1.878.527
Loan due from fellow subsidiary (Note 24)	117.844	118.096
Loans advanced	39.367	24.165
Advances to suppliers	58.504	114.802
Employee floats	272.046	137.511
Deposits	577.851	199.612
Amount due from ultimate holding company	-	63.205
Amount due from executive directors (Note 24)	-	120.130
	5.150.240	4.726.356

The Company	2007 US$	2006 US$
Other debtors and prepayments	707.094	875.001
Loan due from fellow subsidiary (Note 24)	117.844	118.096
Loans advanced to employees	-	22.000
Amount due from subsidiary companies (Note 24)	48.756.301	27.212.930
Loans due from subsidiary companies (Note 24)	834.175	1.310.737
VAT refundable	712.815	55.284
Amount due from executive directors (Note 24)	-	120.130
Amount due from ultimate holding company	-	63.205
	51.128.229	29.777.383

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

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12. Property, plant and equipment

The Group	Land and buildings	Assets under construction	Warehouse machinery	Furniture and fittings	Office equipment	Motor vehicles	Computer hardware	Total
Cost	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**
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 1 January 2007	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	356.148	-	15.114	114.481	90.978	155.895	238.963	971.579
Additions from the acquisition of subsidiary	-	-	-	8.511	9.604	59.602	21.328	99.045
Additions	944.549	6.474.166	6.083	184.293	602.649	772.047	748.270	9.732.057
Disposals	-	-	-	(13.123)	(106.842)	(424.116)	(640.088)	(1.184.169)
At 31 December 2007	6.448.719	6.474.166	164.787	1.256.935	1.826.713	2.327.801	3.593.284	22.092.405
Accumulated depreciation								
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
Disposals	-	-	14.068	114	131	19.149	1.085	34.547
Elimination on disposal of subsidiary	-	-	-	(1.822)	(31.513)	(123.861)	(107.631)	(264.827)
At 1 January 2007	638.942	-	95.850	426.337	711.260	1.057.581	2.381.994	5.311.964

Foreign exchange difference on opening balances	52.708	-	11.899	30.671	80.542	107.169	195.959	478.948
Charge for the year	147.561	-	25.404	127.806	145.944	285.066	395.609	1.127.390
On acquisition of subsidiary	-	-	-	1.043	1.642	10.960	6.447	20.092
Disposals	-	-	-	(5.069)	(103.739)	(327.936)	(599.513)	(1.036.257)
At 31 December 2007	839.211	-	133.153	580.788	835.649	1.132.840	2.380.496	5.902.137
Net book value								
31 December 2007	5.609.508	6.474.166	31.634	676.147	991.064	1.194.961	1.212.788	16.190.268
31 December 2006	4.509.080	-	47.740	536.436	519.064	706.792	842.817	7.161.929

Assets under construction relate to the construction of warehouse and offices in Slovakia and the Middle East and are expected to be operational in March and May of 2008 respectively. The contractual commitments for the completion of the buildings are disclosed in note 23.

The fully depreciated assets of the group that are still in use amounted to US$ 2.326.558 (2006: US$ 1.924.752)

Land and buildings have been pledged as securities for financing purposes.

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12. Property, plant and equipment (continued)

The Company	Land and buildings	Furniture and fittings	Office equipment	Motor vehicles	Computer hardware	Total
Cost	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**
At 1 January 2006	1.550.918	267.134	187.674	251.174	1.170.891	3.427.791
Additions	-	22.367	21.597	34.150	79.753	157.867
Disposals	-	(107)	(325)	-	(285)	(717)
At 1 January 2007	1.550.918	289.394	208.946	285.324	1.250.359	3.584.941
Additions	-	40.751	246.311	240.568	219.801	747.431
Disposals	-	-	-	(7.238)	-	(7.238)
At 31 December 2007	1.550.918	330.145	455.257	518.654	1.470.160	4.325.134
Accumulated depreciation						
At 1 January 2006	177.831	116.662	63.782	198.016	715.609	1.271.900
Charge for the year	46.998	28.241	19.228	28.228	188.552	311.247
Disposals	-	(41)	(148)	-	-	(189)
1 January 2007	224.829	144.862	82.862	226.244	904.161	1.582.958
Charge for the year	46.997	29.387	29.924	37.669	168.086	312.063
Disposals	-	-	-	(7.238)	-	(7.238)
At 31 December 2007	271.826	174.249	112.786	256.675	1.072.247	1.887.783
Net book value						
31 December 2007	1.279.092	155.896	342.471	261.979	397.913	2.437.351
31 December 2006	1.326.089	144.532	126.084	59.080	346.198	2.001.983

The fully depreciated assets of the company that are still in use amounted to US$ 1.065.527 (2006: US$ 834.933).

Land and buildings have been pledged as securities for financing purposes.

13. Intangible assets

The Group	Computer software US$	Patents & licences US$	Total US$
Cost			
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 1 January 2007	4.097.683	331.601	4.429.284
Foreign exchange difference on opening balances	110.709	5.506	116.215
Additions from the acquisition of subsidiary	1.164	-	1.164
Additions	340.113	227.101	567.214
Disposals	(318.683)	(8.745)	(327.428)
At 31 December 2007	4.230.986	555.463	4.786.449
Accumulated amortisation			
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 1 January 2007	2.955.641	205.393	3.161.034
Foreign exchange difference on opening balances	103.057	808	103.865
Charge for the year	609.479	162.211	771.690
On acquisition of subsidiary	752	-	752
Disposals	(263.526)	(1.749)	(265.275)
At 31 December 2007	3.405.403	366.663	3.772.066
Net book value			
31 December 2007	825.583	188.800	1.014.383
31 December 2006	1.142.042	126.208	1.268.250

The fully amortized intangible assets of the group that are still in use amounted to US$ 1.726.489 (2006: US$ 1.405.371).

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13. Intangible assets (continued)

The Company	Computer software	Patents & licences	Total
Cost	**US$**	**US$**	**US$**
At 1 January 2006	2.800.391	218.825	3.019.216
Additions	344.532	6.404	350.936
Disposals	(279)	-	(279)
At 1 January 2007	3.144.644	225.229	3.369.873
Additions	286.655	215.965	502.620
At 31 December 2007	3.431.299	441.194	3.872.493
Accumulated amortisation			
At 1 January 2006	1.612.609	55.206	1.667.815
Charge for the year	497.002	85.503	582.505
Disposals	(54)	-	(54)
At 1 January 2007	2.109.557	140.709	2.250.266
Charge for the year	561.839	141.978	703.817
At 31 December 2007	2.671.396	282.687	2.954.083
Net book value			
31 December 2007	759.903	158.507	918.410
31 December 2006	1.035.087	84.520	1.119.607

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 the amortisation is calculated on a straight line basis over five years.

The fully amortized intangible assets of the company that are still in use amounted to US$ 1.428.080 (2006: US$ 1.037.869).

14. Investment in subsidiary companies

The Company	2007 US$	2006 US$
Shares at cost of acquisition or written down value	2.779.308	2.714.977
Balance at 1 January	2.714.977	2.769.202
Acquisition during the year	64.331	-
Liquidation proceeds / disposal of subsidiary	-	(54.225)
Balance at 31 December	2.779.308	2.714.977

During the year the company acquired 100% of the share capital of Asbis Kypros Limited for US$ 49.447 and established a new subsidiary SIA “Asbis LV” in Latvia.

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14. Investment in subsidiary companies (continued)

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

Subsidiary Company	**Country of incorporation**	**Percentage of participation 2007**	**2006**
		%	%
Asbis Ukraine Limited	Ukraine	100	100
ISA Hardware Limited (i)	Ukraine	100	100
Asbis PL Sp.z.o.o.	Poland	100	100
AS Asbis Baltic	Estonia	100	100
Asbis Romania S.R.L.	Romania	100	100
Asbis Cr d.o.o.	Croatia	100	100
Asbis d.o.o. Beograd	Serbia	100	100
Asbis Hungary Limited	Hungary	100	100
Asbis Bulgaria Limited	Bulgaria	100	100
Asbis CZ, spol s.r.o.	Czech Republic	100	100
UAB Asbis Vilnius	Lithuania	100	100
Asbis Slovenia d.o.o.	Slovenia	100	100
Asbis Middle East FZE	United Arab Emirates	100	100
Asbis SK spol s.r.o.	Slovakia	100	100
Asbis Europe BV	Netherlands	100	100
Asbis Limited	Ireland	100	100
ZAO Automatic Systems of Business Control-Minsk	Belarus	100	100
ISA Hardware Limited	Cyprus	100	100
OOO Asbis – Moscow	Russia	100	100
Asbis Nordic AB – dormant	Sweden	100	100
Asbis Morocco Limited – dormant	Morocco	100	100
SIA “Asbis LV” – dormant	Latvia	100	-
Asbis Kypros Limited	Cyprus	100	-
Asbis NL BV (formerly Canyon Technology BV) (iii)	Netherlands	100	100
Canyon Technology Ltd	Hong Kong	100	100
Prestigio Technologies (Cyprus) Ltd	Cyprus	100	100
Prestigio Europe s.r.o. (iv)	Czech Republic	100	100
Prestigio Limited (iv)	Russia	100	100
Prestigio Ukraine Limited (iv)	Ukraine	100	100
Warranty RU Limited (ii)	Russia	100	100
ISA Hardware s.r.o. (ii)	Czech Republic	100	100
ISA Hardware d.o.o. (ii)	Croatia	100	100
ISA Hardware Hungary Commercial Limited Liability Co – dormant (ii)	Hungary	100	100
ISA Hardware International SRL (ii)	Romania	100	100
ISA Hardware s.r.o. Slovakia – dormant (ii)	Slovakia	100	100
ISA Hardware d.o.o. Beograd (ii)	Serbia	100	100
ISA Hardware s.r.o. Slovenia (ii)	Slovenia	100	100
Prestigio Plaza (formerly ISA Hardware Sp.z.o.o.) (ii)	Poland	100	100

(i) Held by Asbis Ukraine Limited
(ii) Held by ISA Hardware Limited – Cyprus in 2007
(iii) Held by Canyon Technology Ltd in 2007
(iv) Held by Prestigio Technologies (Cyprus) Ltd in 2007

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

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15. Acquisitions

Acquisition 2007 - the group

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

The net carrying value of underlying separately identifiable assets and liabilities transferred to the group during the year were as follows:

	2007 US$
Tangible and intangible assets	79.365
Inventories	548.547
Receivables	619.014
Other receivables	17.874
Payables and accruals	(1.313.099)
Cash and cash equivalents	(125.217)
Net identifiable assets and liabilities	(173.516)
Goodwill	222.963
Total purchase consideration	49.447

Net cash outflow arising on acquisition:

Total purchase consideration	(49.447)
Cash and cash equivalents acquired	(125.217)
Net cash outflow	(174.664)

The difference between carrying value of the net liabilities transferred to the group and the consideration paid is the goodwill of US$ 222.963.

Acquisitions 2006 - the group

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.

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15. Acquisitions (continued)

The net carrying value of underlying separately identifiable assets and liabilities transferred to the group during the year were as follows:

	2006
	US$
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

16. Investments

	Country of incorporation	***Percentage of participation***	**2007**	**2006**
The Group			**US$**	**US$**
Shares 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%	9.580	9.580
			99.580	99.580
The Company			**US$**	**US$**
Shares at cost of acquisition				
E-Vision Limited (i)	Cyprus	18%	90.000	90.000

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

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17. Other current liabilities

The Group	**2007 US$**	**2006 US$**
Factoring creditors (i)	13.707.714	9.670.740
Non-trade accounts payable (ii)	11.544.367	3.228.154
Salaries payable and related costs	1.903.354	605.448
VAT payable	8.886.163	4.265.374
Amount due to directors – executive	38.318	53.366
Amounts due to directors – non-executive	28.411	21.000
Creditors for construction of buildings	2.182.023	-
Accruals and deferred income	6.344.776	5.116.237
	44.635.126	22.960.319

(i) As at 31 December 2007 the group enjoyed factoring facilities of US$ 32.008.699 (2006: US$ 25.030.728).

(ii) The amount of non-trade creditors includes a balance of US$ 7.3 million which relates to advances from a customer and carries interest at the rate of 4% per annum. This amount has been fully settled after the year end.

The Company	**2007 US$**	**2006 US$**
Accruals and deferred income	4.088.627	3.360.521
Non-trade accounts payable	1.637.413	632.880
Salaries payable and related costs	556.065	85.737
Amount due to subsidiary companies (Note 24)	9.721.350	1.589.396
Amount due to directors – executive (Note 24)	38.318	53.366
Amounts due to directors – non-executive (Note 24)	28.411	21.000
VAT payable	154.210	-
	16.224.394	5.742.900

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

18. Bank overdrafts and short term loans

The Group	**2007 US$**	**2006 US$**
Bank overdrafts (Note 22)	15.911.426	14.677.165
Bank short term loans	24.577.864	19.494.450
Current portion of long term loans	278.508	205.557
	40.767.798	34.377.172

Summary of borrowings and overdraft arrangements

As at 31 December 2007, the group enjoyed the following financing facilities with banks in the countries that the company and its subsidiaries are operating:

- overdraft facilities of US$ 25.980.656 (2006: US$ 16.590.934)
- short term loans/revolving facilities US$ 30.134.980 (2006: US$ 19.819.699)
- bank guarantee facilities of US$ 6.581.440 (2006: US$ 4.210.843)

The group had for the year 2007 cash lines (overdrafts, loans and revolving facilities) and factoring lines. The weighted average cost of debt (cash lines and factoring lines) for 2007 was 8,6% (2006: 9,0%).

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18. Bank overdrafts and short-term loans (continued)
The Group
Summary of borrowings and overdraft arrangements

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
- Third floating charge over all assets of the company for a total amount of US$ 1.200.000
- Fourth floating charge over all assets of the company for a total amount of US$ 3.000.000
- Mortgage on land and buildings that the group owns in Cyprus, Czech Republic, Ukraine and Slovakia
- Charge over receivables and inventories
- Corporate guarantees and, in some cases, cross guarantees by all group companies to the extent of facilities granted
- Assignment of insurance policies
- Pledged deposits of US$ 2.901.663
- Personal guarantees of the Chief Executive Officer for certain facilities granted to the Cyprus company

The Company	**2007 US$**	**2006 US$**
Bank overdrafts (Note 22)	618.526	1.103.256
Bank short term loans	8.609.107	4.536.534
	9.227.633	5.639.790

The company, as at 31 December 2007 enjoyed the following financing facilities from its bankers:

- overdraft facilities of US$ 5.150.919 (2006: US$ 4.576.000)
- revolving / short term loan facilities US$ 8.500.000 (2006: US$ 4.500.000)
- bank guarantee facilities US$ 5.920.000 (2006: US$ 2.745.728)

The company had for the year 2007 cash lines (overdrafts and revolving facilities) with average cost for the year 2007 of 7,0% (2006: 7,6%).

(Expressed in United States Dollars)

18. Bank overdrafts and short-term loans (continued)

The Company

The overdraft, revolving and factoring facilities granted to the company 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
- Third floating charge over all assets of the company for a total amount of US$ 1.200.000
- Fourth floating charge over all assets of the company for a total amount of US$ 3.000.000
- Mortgage on land and building that the company owns in Cyprus
- Pledge of inventories
- Pledged deposits of US$ 2.793.162
- Personal guarantees of the Chief Executive Officer

19. Long term liabilities

The Group	**2007 US$**	**2006 US$**
Bank loans	2.136.096	612.602
Other long term liabilities	121.401	53.456
	2.257.497	666.058

20. Finance leases

	2007 US$	**2006 US$**
Obligation under finance lease	123.554	219.242
Less: Amount payable within one year	(68.676)	(144.527)
Amounts payable within 2-5 years inclusive	54.878	74.715

21. Share capital

	2007 US$	**2006 US$**
Authorised		
63.000.000 (2006: 63.000.000) shares of US$ 0,20 each	12.600.000	12.600.000
Issued, called-up and fully paid		
55.500.000 (2006: 48.000.000) ordinary shares of US$ 0,20 each	11.100.000	9.600.000

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

On 31 December 2007 the issued and fully paid share capital of the company consisted of 55.500.000 ordinary shares of US $0,20 each.

22. Cash and cash equivalents

The Group	**2007 US$**	**2006 US$**
Cash at bank and in hand	45.197.152	27.927.606
Bank overdrafts (Note 18)	(15.911.426)	(14.677.165)
	29.285.726	13.250.441

The cash at bank and in hand balances include an amount of US$ 2.901.663 (2006: US$ 3.885.064) which represents pledged deposits.

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22. Cash and cash equivalents (continued)

The Company	**2007 US$**	**2006 US$**
Cash at bank and in hand	23.721.318	17.525.996
Bank overdrafts (Note 18)	(618.526)	(1.103.256)
	23.102.792	16.422.740

The cash at bank and in hand balances include an amount of US$ 2.793.162 (2006: US$ 2.823.945) which represents pledged deposits.

23. Commitments and contingencies

As at 31 December 2007 the group and the company were committed in respect of purchases of inventories of a total cost value of US$ 4.832.250 (2006: US$ 13.543.819) which were in transit and delivered in January 2008. Such inventories and the corresponding liability towards the supplier had not been included in these financial statements since, according to the terms of purchase, title of the goods had not passed to the company as at the year end.

As at 31 December 2007:

- the group was contingently liable in respect of bank guarantees of US$ 6.581.440 (2006: US$ 4.210.843) extended mainly to its vendors
- the company had extended bank guarantees of US$ 5.920.000 (2006: US$ 2.745.728) mainly to its vendors.

These amounts are reflected in the financial statements under trade payables.

As at 31 December 2007 the group had capital commitments of approximately US$ 1.570.000 representing the estimated cost of completion of the building under construction in Slovakia.

As at 31 December 2007 the company was contingently liable for the amount of US$ 52.880.000 (2006: US$ 37.400.000) in respect of corporate guarantees given to financial institutions as security for financing facilities granted to the subsidiary companies. The liabilities of the subsidiary companies covered by the said corporate guarantees are reflected in note 18 of the financial statements.

As at 31 December 2007 the group and the company had no other legal commitments and contingencies.

24. Related party transactions and balances

Controlling party

The main shareholder of the company is K.S. Holdings Limited, a company incorporated in Cyprus. The following table presents shareholders possessing more than 5% of the company's shares as at 31 December 2007:

Name	**Number of votes/shares**	**% of votes/share capital**
KS Holdings Ltd	25.676.361	46.26%
Maizuri Enterprises Ltd	4.800.000	8.65%
Alpha Ventures S.A.	3.200.000	5.76%
Sangita Enterprises Ltd	2.800.000	5.05%
Other	19.023.639	34.28%
Total	**55.500.000**	**100.00%**

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24. Related party transactions and balances (continued)

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

The Group and the Company	2007 US$	2006 US$
Purchases of services and computer software from E-Vision Limited	575.000	570.000
Interest income	7.844	8.096

Related party balances	2007 US$	2006 US$
Loan due from fellow subsidiary company (Note 11)		
E-Vision Limited	117.844	118.096

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

The Company

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

Intercompany transactions

	Sales of goods		Purchases of goods	
	2007 US$	2006 US$	2007 US$	2006 US$
Subsidiary companies	348.642.329	244.510.693	21.651.278	16.697.767

	Sales of services		Purchases of services	
	2007 US$	2006 US$	2007 US$	2006 US$
Subsidiary companies	2.189.953	1.991.470	3.248.264	2.426.322

Intercompany balances

	Amounts owed by related parties		Amounts owed to related parties	
	2007 US$	2006 US$	2007 US$	2006 US$
Subsidiary companies	48.756.301	27.212.930	9.721.350	1.589.396

A provision for doubtful debts of US$ 1.593.616 (2006: nil) had been made for an amount owed by related parties.

	2007 US$	2006 US$
Loans due from subsidiary companies (Note 11)	834.175	1.310.737

The loans due from subsidiary companies consist of two loans, one of which is interest free and another bearing interest at 6% per annum.

(Expressed in United States Dollars)

24. Related party transactions and balances (continued)

Transactions and balances of key management	2007 US$	2006 US$
Directors' remuneration - executive	622.707	562.709
Directors' remuneration - non executive	136.178	21.000
	758.885	583.709
Amount due to directors - executive	38.318	53.366
Amount due to directors - non executive	28.411	21.000
	66.729	74.366
Amounts due from directors (Note 11)	-	120.130

25. Personnel expenses and average number of employees

The Group

	2007 US$	2006 US$
Salaries and other benefits	22.921.329	15.249.975
The average number of employees was	958	788

The Company	2007 US$	2006 US$
Salaries and other benefits	4.482.542	3.074.077
The average number of employees was	122	99

26. Earnings per share

	2007 US$	2006 US$
Profit for the year attributable to members	18.685.526	9.473.000
Weighted average number of shares for the purposes of basic and diluted earnings per share	49.250.000	48.000.000
	Cents	**Cents**
Basic and diluted earnings per share	37,94	19,74

27. Dividends

	2007 US$	2006 US$
Dividend paid	960.000	960.000

(Expressed in United States Dollars)

27. Dividends (continued)

The Board of Directors proposes the payment of a final dividend of US$ 0,06 per share for the year ended 31 December 2007 (total proposed dividend – US$ 3.330.000). The proposed dividend will be submitted for approval at the forthcoming annual general meeting. The proposed dividend for the year 2007 had not been recognized as a liability as at 31 December 2007 in accordance with revised IAS10 – Post Balance Sheet Events, where proposed dividends are recognized in the Income Statement and in the Balance Sheet of the company after their approval at the annual general meeting.

The proposed dividend for the year 2006 was approved at the 2007 annual general meeting of the company and was paid during the year.

28. Financial risk management

1.Financial risk factors

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

1.1.Credit risk

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

The group had established and systematically follows a thorough procedure prior registering new customers into its system. Every new customer is checked both internally and via various reputable credit sources prior such registration and, more importantly, prior to granting of any credit. The group runs an internal credit department consisting of local, regional and corporate credit managers. Corporate managers decide for all significant credit line requests and review the work of regional and local managers. The group uses all available credit tools – i.e. credit insurance, credit information bureaus – to safeguard itself from the credit risk. During 2007 (same for 2006) none of the group's customers accounted for more than 3% of total sales; it is of strategic importance for the group not to rely on any single customer.

1.2.Interest rate risk

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

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

The Group	**2007 US$**	**2006 US$**
Variable rate instruments		
Overdrafts	15.911.426	14.677.165
Short-term loans	24.856.372	19.700.007
Long-term loans	2.136.096	612.602
Factoring advances	13.707.714	9.670.740
	56.611.608	44.660.514

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28. Financial risk management (continued)

1.2.Interest rate risk (continued)

The Company	2007 US$	2006 US$
Variable rate instruments		
Overdrafts	618.526	1.103.256
Short-term loans	8.609.107	4.536.534
	9.227.633	5.639.790

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2007 would have decreased equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. For a decrease of 100 basis points there would be an equal and opposite impact on the profit and loss and equity.

The Group	Equity and Profit & loss	
	2007	2006
Variable rate instruments	US$	US$
Overdrafts	159.114	146.772
Short-term loans	248.564	197.000
Long-term loans	21.361	6.126
Factoring advances	137.077	96.707
	566.116	446.605

The Company	Equity and Profit & loss	
	2007	2006
Variable rate instruments	US$	US$
Overdrafts	6.185	11.033
Short-term loans	86.091	45.365
	92.276	56.398

1.3.Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The group/company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following tables detail the group's/company's remaining contractual maturity for its financial liabilities. The tables had been drawn up based on the earliest date on which the group/company can be required to pay and include only principal cash flows.

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28. Financial risk management (continued)

1.3.Liquidity risk (continued)

The Group

31 December 2007	Carrying amounts US$	3 months or less US$	3-12 months US$	1-2 years US$	2-5 years US$	More than 5 years US$
Bank loans	26.992.468	-	24.856.372	849.570	584.784	701.742
Bank overdrafts	15.911.426	15.911.426	-	-	-	-
Factoring advances	13.707.714	13.707.714	-	-	-	-
Trade and other payables	212.777.565	212.777.565	-	-	-	-
Other short and long term liabilities	244.955	-	68.676	176.279	-	-
Total	269.634.128	242.396.705	24.925.048	1.025.849	584.784	701.742

31 December 2006	Carrying amounts US$	3 months or less US$	3-12 months US$	1-2 years US$	2-5 years US$	More than 5 years US$
Bank loans	20.312.609	-	19.791.078	77.492	444.039	-
Bank overdrafts	14.677.165	14.677.165	-	-	-	-
Factoring advances	9.670.740	9.670.740	-	-	-	-
Trade and other payables	130.742.939	130.742.939	-	-	-	-
Other short and long term liabilities	272.698	-	53.456	144.527	74.715	-
Total	175.676.151	155.090.844	19.844.534	222.019	518.754	-

The Company

31 December 2007	Carrying amounts US$	3 months or less US$	3-12 months US$	1-2 years US$	2-5 years US$	More than 5 years US$
Bank loans	8.609.107	-	8.609.107	-	-	-
Bank overdrafts	618.526	618.526	-	-	-	-
Trade and other payables	126.069.370	126.069.370	-	-	-	-
Total	135.297.003	126.687.896	8.609.107	-	-	-

31 December 2006	Carrying amounts US$	3 months or less US$	3-12 months US$	1-2 years US$	2-5 years US$	More than 5 years US$
Bank loans	4.536.534	-	4.536.534	-	-	-
Bank overdrafts	1.103.256	1.103.256	-	-	-	-
Trade and other payables	85.140.827	85.140.827	-	-	-	-
Total	90.780.617	86.244.083	4.536.534	-	-	-

28. Financial risk management (continued)

1.4.Currency risk

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

The group has a policy to hedge external foreign exchange risks on balances and material transactions denominated in currencies other than US Dollars, the group's reporting currency. As a significant portion of the group's cash flows is denominated in Euro and Euro-linked currencies and Russian Rouble, the group raises debt in such currencies in order to hedge against foreign exchange risk.

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

The Group

2007	**Cash and cash equivalents**	**Receivables**	**Trade and other liabilities**	**Bank overdrafts short and long term loans**
	US$	**US$**	**US$**	**US$**
US Dollars	29.263.703	123.366.248	(141.030.963)	(8.794.206)
Euro	4.283.172	8.459.028	(17.296.719)	(433.275)
Russian Rouble	5.486.707	21.839.188	(30.118.113)	-
Polish Zloty	753.076	10.033.491	(7.826.194)	(1.970.426)
Czech Koruna	690.759	3.375.970	(2.227.208)	(2.640.507)
Slovak Koruna	37.946	16.754.924	(8.679.165)	(11.819.271)
Croatian Kuna	1.112.213	4.342.600	(61.994)	(4.011.669)
Romanian New Lei	426.558	7.555.862	(1.519.307)	(2.901.315)
Bulgarian Lev	769.309	2.113.364	(871.471)	(2.253.556)
Hungarian Forint	300.538	1.793.847	(609.741)	(1.169.912)
Ukraine Hryvna	279.391	5.762.609	(4.892.697)	(1.662.832)
UAE Dirham	1.418.692	518.525	(2.528.595)	(1.653.251)
Other	375.088	8.975.250	(8.823.112)	(3.838.629)
	45.197.152	**214.890.906**	**(226.485.279)**	**(43.148.849)**

2006	**Cash and cash equivalents**	**Receivables**	**Trade and other liabilities**	**Bank overdrafts short and long term loans**
	US$	**US$**	**US$**	**US$**
US Dollars	19.488.401	96.672.737	(108.151.600)	(7.734.672)
Euro	3.037.917	3.234.235	(8.427.819)	(373.682)
Russian Rouble	171.841	10.190.982	(395.070)	-
Polish Zloty	372.866	5.576.281	(4.142.213)	(343.314)
Czech Koruna	1.027.969	2.867.844	(1.621.126)	(599.578)
Slovak Koruna	37.046	13.229.720	(5.496.448)	(8.819.363)
Croatian Kuna	471.541	1.803.002	(378.078)	(2.688.943)
Romanian New Lei	234.792	5.550.566	(723.561)	(1.401.171)
Bulgarian Lev	686.577	1.662.415	(261.342)	(659.492)
Hungarian Forint	310.625	1.784.682	(1.066.531)	(1.565.599)
Ukraine Hryvna	644.933	2.627.810	(2.838.050)	(990.099)
UAE Dirham	220.849	235.245	(2.149.578)	(1.671.664)
Other	1.222.249	8.081.208	(4.762.263)	(8.414.895)
	27.927.606	**153.516.727**	**(140.413.679)**	**(35.262.472)**

28. Financial risk management (continued)

1.4.Currency risk (continued)

A strengthening of the group's major currencies in which it transacts against the US Dollar positively affects the group's net profit and equity's foreign exchange reserve. In 2007 and 2006, Euro and Euro-linked currencies and Russian Rouble appreciated to the US Dollar. In 2007 and 2006 the group's profit and loss had been affected as follows:

- Positive effect on gross profit of US$ 2.303.317 (2006: US$ 2.531.569)
- Positive effect on financial expenses of US$ 328.884 (2006: US$ 19.811)
- Negative effect on administration and selling expenses of US$ 2.436.567 (2006: US$ 451.502)

Overall, there was a positive effect from exchange rate fluctuations on net profit before tax of US$ 195.634 (2006: US$ 2.099.878). Additionally, the group's investment in subsidiaries in other currencies had a positive impact on equity amounting to US$ 942.199 (2006: US$ 642.248).
The impact on the group's Profit and Loss and Equity from an appreciation of Euro, Euro-linked currencies and Russian Rouble in the future, is expected to be similar to 2007 results, if all other variables (such as operating volume and currency structure) remain stable. An impact in the opposite direction is expected from a strengthening of US Dollar against the currencies in which the group transacts.

The Company

2007	**Cash and cash equivalents**	**Receivables**	**Trade and other liabilities**	**Bank overdrafts short and long term loans**
	US$	**US$**	**US$**	**US$**
US Dollars	21.337.962	138.868.307	(120.069.066)	(8.794.206)
Euro	2.339.972	2.929.264	(4.224.461)	(433.275)
Czech Koruna	37.688	-	(160.193)	-
Other	5.696	39.367	(1.615.650)	(152)
	23.721.318	**141.836.938**	**(120.069.370)**	**(9.227.633)**

2006	**Cash and cash equivalents**	**Receivables**	**Trade and other liabilities**	**Bank overdrafts short and long term loans**
	US$	**US$**	**US$**	**US$**
US Dollars	16.617.601	96.638.414	(83.200.064)	(5.266.108)
Euro	663.787	1.434.625	(1.267.243)	(373.682)
Czech Koruna	1.822	-	(96.302)	-
Other	242.786	22.000	(577.218)	-
	17.525.996	**98.095.039**	**(85.140.827)**	**(5.639.790)**

The company is not exposed to any material foreign exchange risk, as most of its operations are conducted in US Dollars, the company's reporting currency.

(Expressed in United States Dollars)

28. Financial risk management (continued)

2.Fair values

The Group and The Company

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

3.Capital risk management

The group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximizing the return to stakeholders through optimization of debt and equity. The group's overall strategy remains unchanged from 2006.

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

Gearing ratio

The group's risk management committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risk associated with it. The group has a target gearing ratio of 30% determined as the proportion of net debt to equity. Based on the committee's recommendations, the group expects to increase its gearing ratio through raising of new debt and the payment of dividends.

The gearing ratio at the year end was as follows:

	2007 US$	**2006 US$**
Debt (i)	56.611.608	44.660.514
Cash and cash equivalents	(45.197.152)	(27.927.606)
Net debt	11.414.456	16.732.908
Equity (ii)	95.700.495	60.152.566
Net debt to equity ratio	12%	28%

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

(ii) Equity includes all capital and reserves.

29. Other risks

Operational risk

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

(Expressed in United States Dollars)

29. Other risks (continued)

Compliance risk

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

Litigation risk

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

Reputation risk

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

Other risks

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

30. Operating lease arrangements

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

Non-cancellable operating lease arrangements

	2007		**2006**	
	Cars	**Offices and Warehouses**	**Cars**	**Offices and Warehouses**
	US$	**US$**	**US$**	**US$**
Within 1 year	535.340	833.821	563.409	742.459
Between 2 to 5 years	153.038	428.336	66.225	525.456
More than 5 years	-	325.125	-	372.634
	688.378	**1.587.282**	**629.634**	**1.640.549**

The payment recognised as an expense during the year amounted to US$ 2.501.216 (2006: US$ 2.093.054).

31. Events after the balance sheet date

The company cancelled its listing from the Alternative Investment Market (AIM) of the London Stock Exchange (LSE) on the 18th March 2008.

The group is considering opening a new subsidiary in the Kingdom of Saudi Arabia. This is after Toshiba franchised Asbis for the country. It is expected that this will boost both the revenues and profits from the Middle East region as this is one of the fastest growing markets.

The group is in the final stages of establishing local operations in Turkey. A country with more than 60 million inhabitants and a total market exceeding 2 million PCs in 2007, is expected to bring significant value to the group going forward.