

ASBISc Enterprises plc



**REPORT ON APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES
IN THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2007**

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PART I

List of corporate governance principles which were not adhered to by the issuer, stating the circumstances and reasons for not applying the given principle and the manner in which the Company intends to remove possible consequences of not applying the given principle or what steps it intends to undertake to mitigate the risk of not applying the given principle in the future.

Since the Company is incorporated in Cyprus, it has to comply with Cypriot law, as well as with provisions relating to corporate governance issues in the Company's certificate of incorporation based on Cypriot law. However, as the Company is not listed in Cyprus it does not have to comply with the Cypriot stock exchange's corporate governance rules.

The Company intended to abide by the corporate governance principles to the fullest extent possible, and specified which principles it did not intend to comply with, as well as provided the reasons for such non-compliance. Certain principles of the Corporate Governance Rules of the Warsaw Stock Exchange applied to the Company only to the extent permitted by Cypriot law and subject to the Company's corporate structure. In particular, the Company does not have two separate governing bodies (supervisory board and management board), which are obligatory in Polish joint stock companies. Instead, the Company's Board of Directors, comprising both executive and non-executive Directors, performs the combined roles of a supervisory board and a management board in a Polish company. As a result, the Company applied those principles of the Corporate Governance Rules of the Warsaw Stock Exchange which refer to the relationship between the supervisory and management boards not directly, but generally in seeking to adhere to their spirit. In addition, the Company's compliance with certain rules was limited by the provisions of Cypriot law, the many differences between Polish and Cypriot law systems, the Company's by-laws, procedures and accepted practice. In particular, the Company did not comply with the rules set forth in the following items of the Corporate Governance Rules of the Warsaw Stock Exchange:

Rule No. 2: "A request made by entitled parties for a general meeting to be convened and certain issues to be put on the agenda shall be justified. Draft resolutions proposed for adoption and other key documents should be presented to all shareholders with a justification and supervisory board opinion sufficiently before the general meeting to allow the same to be reviewed and evaluated.";

Although generally the Cyprus legal system provides mechanisms aimed at furnishing shareholders with sufficient information on matters resolved by the shareholders' meeting, due to the differences between the Polish and Cyprus legal systems and corporate laws, it is difficult to address particular rules set forth in this item 2 of the Best Practices.

In particular a Cyprus Company has no Supervisory Board. However every attempt is made to inform the Shareholders in time and give them the necessary information to take an informed decision

Rule No. 6: "The general meeting should have by-laws setting forth how meetings are conducted and resolutions adopted. The by-laws should, in particular, contain provisions on elections, including elections to the supervisory board, by voting in separate groups. They should not be subject to frequent changes, and any changes should enter into force from the following general meeting.";

A meeting of shareholders is not deemed to have separate bylaws or rules of conduct. The rules governing the holding of general meetings are stipulated in the Cyprus Companies Law Cap.113 and the Articles of Incorporation of the Company There is no voting by separate groups with respect to the election of members of the Board of Directors.

Rule No. 18: "The supervisory board submits a concise evaluation of the company's standing to the general meeting every year. The evaluation should be made available to all shareholders early enough to allow them to become acquainted with the contents before the annual general meeting.";

There is no supervisory board. The Directors and Auditors report together with the accounts are available to shareholders before the holding of the Annual General Meeting. A copy of every set of financial statements which is to be laid before the Company in an Annual general

meeting, together with a copy of the Directors' and Auditors' report, shall be sent to every shareholder of the Company not less than twenty-one days before the date of the meeting.

Rule No. 20:

- "(a) At least half the members of the supervisory board should be independent members, subject to point (d) below. Independent members of the supervisory board should not have relations with the company and its shareholders or employees which could significantly affect the independent member's ability to make impartial decisions.
- (b) Detailed independence criteria should be laid down in the company's statutes.
- (c) Without the consent of the majority of independent supervisory board members, no resolutions should be adopted on the following issues:
- performances of any kind by the company and any entities associated with the company in favour of management board members;
 - consent to the execution by the company or a subsidiary of a key agreement with an entity associated with the company, a member of the supervisory board or management board, or with their associated entities; and
 - appointment of an auditor to audit the company's financial statements.
- (d) In companies where one shareholder holds a block of shares carrying over 50% of all voting rights, the supervisory board should consist of at least two independent members, including an independent chairman of the audit committee, should such a committee be set up.";

The Company always aims to have a number of non-executive directors in its Board. However, because under Cyprus law there is only one Board and the management of the business and the conduct of the affairs of the Company are vested in the Directors it is not possible to have at least half of the Directors to be non-executive since it may hinder the operations of the Company.

The Audit and Remuneration Committees of the Company are chaired by non-executive directors

Rule No. 22: "Supervisory board members should take the relevant action to receive from the management board regular and complete information on any and all significant issues concerning the company's operations and on any risks related to the business and ways of managing such risks.";

Under Cyprus law there is only one Board of Directors. However the executive directors will inform the non-executive directors on significant issues of the Company.

Rule No. 23: "A supervisory board member should inform the other members of the board of any conflict of interest that arises, and should refrain from participating in discussions and from voting on any resolution on the issue in respect of which the conflict of interest has arisen.";

Cyprus Companies have only one Board. Individual Board members are obliged to disclose to the board any conflict of interest in connection with the performed function or of the risk of such conflict.

Rule No. 25: "Supervisory board meetings should be open to management board members, except for issues which directly concern the management board or its members, especially their removal, liability and remuneration.";

Under Cyprus law, companies have only one Board of directors

Rule No. 26: "A supervisory board member should make it possible for the management board to present publicly and in an appropriate manner information on the transfer or acquisition of shares in the company or in its dominant company or subsidiary and of transactions with such companies, provided that such information is relevant to his financial standing.";

There is only one Board of Directors. However any significant transactions between the Company and any of its Directors should be disclosed to the whole Board

Rule No. 29: "The agenda of a supervisory board meeting should not be amended or supplemented during the meeting to which it relates. This requirement does not apply if all the supervisory board members are present and agree to the amendment or supplementation, and if certain actions have to be taken by the supervisory board to protect the company against damage and in the case of a resolution assessing whether there is a conflict of interests between a supervisory board member and the company.";

There is no prohibition on the amendment or supplementation of the agenda of a Board meeting.

Rule No. 30: "A supervisory board member delegated by a group of shareholders to exercise supervision shall submit relevant detailed reports to the supervisory board.";

There is no voting by separate groups with respect to the election of members of the Board of Directors. There is also no provision for designation by shareholders of a member of the Board of Directors to exercise specific supervision of the Company.

Rule No. 37: "Management board members should inform the supervisory board whenever a conflict of interests arises, or if there is a risk of a conflict of interests arising in connection with the function performed.";

Cyprus Companies have only one Board. Individual Board members are obliged to disclose to the board any conflict of interest in connection with the performed function or of the risk of such conflict.

Rule No. 39: "The aggregate remuneration of all management board members, and the remuneration of each individual management board member, broken-down to particular components, should be disclosed in the annual report, together with information regarding the procedures and principles of determining the remuneration. If the amount of remuneration of individual management board members differs significantly, it is recommended that a relevant explanation be published."

The Company discloses the remuneration of Board Members in its annual accounts. However itemized reporting is not required under Cyprus Law

Rule No. 40: "The management board should set forth in its by-laws clear and generally available principles and procedures for operating and allocating powers.";

The management of the business and the conduct of the affairs of the Company are vested in the Directors. The Directors may delegate any of their powers to committees consisting of such member or members of their body as they think fit; any committee so formed will in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Directors.

Rule No. 43: "The auditor should be selected by the supervisory board on the recommendation of the audit committee, or by the general meeting on the recommendation of the supervisory board containing the audit committee recommendation. If an auditor other than the one recommended by the audit committee is chosen by either the board or the general meeting, detailed reasons should be given. Information on the selection of an auditing entity together with the relevant justification should be disclosed in the annual report."

Under Cyprus law there is no legal requirement to select auditors by the Non-executive Directors upon receiving recommendations from the audit committee or by the general meeting upon a recommendation of the Board of Directors reflecting the recommendations of the audit committee. The auditors are selected solely by the Board of Directors at its own discretion. However the Company's audit committee is responsible for ensuring that the Company's financial performance is properly monitored, controlled and reported. The Company's audit committee meets with the auditors and reviews reports from the auditors relating to accounts and internal control system. The audit committee meets with the auditors once a year.

Additionally following principles of the Corporate Governance Rules of the Warsaw Stock Exchange are not applicable to the Company:

Rule No. 7: " A person opening the general meeting should procure an immediate election of the chairman of the meeting, and should refrain from any substantial or formal decisions.";

A meeting of shareholders of a Cyprus company is chaired by the Chairman of the Board of Directors and in the absence of a Chairman by a member of the Board of Directors.

Rule No. 9:" A general meeting should be attended by members of the supervisory board and the management board. An expert auditor should be present at an annual general meeting and at an extraordinary general meeting if financial matters of the company are to be discussed thereat. The absence of any member of the supervisory board or management board from the general meeting should be justified. Such justification should be presented at the general meeting."

There are no management board and supervisory board.

There is no requirement under Cyprus law that all members of the Board of Directors and all officers attend a meeting of shareholders so there is no need to present any justification in case of absence of any officer of the Company or member of the Board of Directors.

An auditor is usually present at the Annual General Meeting and at an extraordinary general meeting if financial matters of the Company are to be discussed.

Rule No. 16: " Due to the fact that the Code of Commercial Companies does not provide for court control in the event where a resolution is not adopted by the general meeting, the management board or the chairman of the meeting should form the resolutions in such a way that each person who does not agree with a decision being the subject of the resolution, have the possibility of challenging the same; provided that he is entitled to do so."

There is no procedure or accepted practice under Cyprus law, or the Articles of Association for a shareholder to challenge or seek to reverse at a meeting of shareholders a resolution adopted at a meeting of shareholders, provided that shareholders may make proposals at the meeting of shareholders and are empowered to elect the directors as well as change the composition of the Board of Directors at the annual meeting of shareholders by the requisite majority of votes. A shareholder can challenge the validity of a resolution in a court of competent jurisdiction if the resolution is contrary to applicable legislation, regulations, the articles of association or amounts to oppression on the minority.

Rule No. 17: " At the request of a participant in the general meeting, his written statement is recorded in the minutes."

It is not typical for minutes (i.e., a transcript of spoken words) to be kept at a shareholder meeting.

Rule No. 28: "The supervisory board should operate in accordance with its by-laws which should be available to the public. The by-laws should provide for the appointment of at least two committees:

- an audit committee; and
- a remuneration committee.

The audit committee should be comprised of at least two independent members and at least one member with qualifications and expertise in the area of accounting and finance. The supervisory board by-laws should specify the responsibilities of the committees, which should provide the supervisory board with annual reports on their activities. The company should make these reports available to its shareholders."

Although the Board of Directors of a Cyprus company does not have separate bylaws or rules of conduct, the Company does have the Audit Committee and the Remuneration committee which are chaired by non-executive directors.

Rule No. 32: "Bearing in mind the interest of the company, the management board sets forth the strategy and the main objects of the company's operations, and submits them to the supervisory board. The management board is liable for the implementation and performance of the same. The management board cares for transparency and effectiveness of the company management system and the conduct of its business in accordance with the legal regulations and best practice."

Due to the differences between the Polish and Cyprus legal systems and corporate laws, it is difficult to address particular rules set forth in this item 32 of the Best Practices. While the principles listed are generally applicable to the management of a Cyprus company, it is the Board of Directors that sets forth the strategy and the main objects of the company's operations.

The management of the business and the conduct of the affairs of the Company are vested in the Directors who act as a board. The decisions of the Board of Directors are made by majority voting. In case of an equality of votes, the Chairman shall have a casting vote. The Board of Directors may delegate any of its powers to individual Directors or committees.

Rule No. 44: " The entity acting at a given time, or at any time during the reporting period, as the auditor for a company or its subsidiaries cannot act as a special purpose auditor for the same company."

Under Cyprus law, a shareholders' meeting is not authorized to appoint a special purpose auditor.

PART II

Operations and main powers of the General Meeting, and rights of the shareholders together with the way of their execution.

Operations of the General Meeting of Asbis Enterprises Plc

The General Meeting operates pursuant to the Articles of Association of Asbisc Enterprises Plc adopted by means of the resolution of the Annual General Meeting of the Company of 23 April 2007.

Shareholders who have submitted to the Company inscribed deposit certificates at least two days before the date of the General Meeting and will not collect such certificates before the end of the Meeting and members of the Board of Directors may take part in the General Meeting (such Directors are not entitled to vote unless they are shareholders. Moreover, the Board of Directors may invite

guests and experts to take part in the General Meeting as observers (§ 2).

After each subsequent matter on the agenda has been presented the Chairman of General Meeting shall open a discussion giving floor to speakers in the sequence in which they have submitted their willingness to speak. Upon the consent of the General Meeting several points from the agenda may be discussed (§ 11.1).

The participants may rise to speak only in the matters which have been put on the agenda and are considered at the time (§ 12.1).

Each shareholder has the right to ask questions in every matter on the agenda (§ 13).

Subject to situations set forth in the Articles of Association of the Company or the Cyprus Company Law Cap.113 resolutions of the General Meeting shall be adopted by a simple majority of votes cast (§ 18).

Voting shall be by show of hands or in the case of participation by a telephone or other telecommunication connection, by an oral declaration, unless a poll is (before or on the declarations of the result of the show of hands or by oral declaration) demanded:

- (a) by the Chairman; or
- (b) by at least three Members present in person or by proxy; or
- (c) by a Member or Members present in person or through a telephone or other telecommunication connection or by proxy and representing not less than 10% of the total voting rights of all the Members having the right to vote at the meeting; or
- (d) by a Member or Members present in person or through a telephone or other telecommunication connection, holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than 10% of the total sum paid on all the shares conferring that right.

Main powers of General Meeting

The General Meeting is the body of the Company that has the ultimate power in the Company. Every company under Cyprus law must hold at least one General Meeting every year which is called the Annual General Meeting. Any other general meetings other than the Annual General Meeting are called Extraordinary General Meetings. The main issues on which the General Meetings decide on are:

1. review and approval of the financial statement and report on the Company's activity in the previous financial year
2. distribution of profits
3. confirming proper execution of duties by the members of the Board of Directors of the Company and approving the annual report of the Board of Directors.
4. change of the object of the Company's activity
5. amendment of the Articles of Association, including an increase or reduction of the capital of the Company
6. appointment and removal of the members of the Board of Directors
7. generally any issue put on the agenda by the Board of Directors or shareholders of the Company holding 10% of the shares of the Company.

Rights of the shareholders and the way of their execution

Pursuant to the Cyprus Company Law Cap. 113 and the Articles of Association of the Company the shareholders have, among others, the following rights:

1. The Shareholders representing at least 10% of the issued shares of the Company may request the Board of Directors to convene an Extraordinary General Meeting.
2. to vote at the General Meetings.
3. to participate in the distribution of dividends declared by the General Meeting after recommendation by the Board of Directors.
4. to appoint the Directors of the Company
5. to review and have a copy of the annual financial statements of the Company
6. to express his opinion on any subject which is on the agenda of the General Meeting.

PART III

Composition and operations of the managing and supervising bodies of the company and their committees

Composition of the Board of Directors of Asbis Enterprises Plc

Our Board of Directors presently consists of seven members. The table below presents first and last names, position held, year of appointment and year in which the currently term of office expires for all members of the Board of 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 2007	British
Siarhei Kostevitch	1965	Chief Executive Officer	30 August 1999	31 December 2007	Belarusian
Marios Christou	1968	Chief Financial Officer	28 December 2001	31 December 2007	Cypriot
Constantinos Tziamalis	1975	Corporate Credit Controller & Investor Relations	23 April 2007	31 December 2007	Cypriot
Laurent Journoud	1970	Director, Executive Vice-President Sales and Marketing	26 June 2003	31 December 2007	French
Paul Swigart	1969	Non Executive Director	4 September 2006	4 September 2007	American
Henri Richard	1958	Non Executive Director	31 January 2008	31 January 2009	French

Operations of the Board of Directors of Asbisc Enterprises Plc

The scope of the Board's remit includes the management of all aspects of the Company's affairs, with the exception of those matters which are stipulated by the Cyprus Company Law Cap.113 and the Company's Articles of Association as being within the competence of the General Meeting of Shareholders. The responsibilities and obligations of the Board, together with its rules of procedure, are defined in the Articles of Association. Particular executive members of the Board of directors manage the areas of the Company's operations dedicated to each of them. The members of the Board which are non-executive are independent and do not work for the Company.

The Directors may delegate any of their powers to committees consisting of such member or members of their body as they think fit; any committee so formed will in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Directors.

The Company currently has the following committees:

Audit committee

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.

Remuneration committee

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.

Nominations committee

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.

PART IV

Internal control and risk management

The Group's risk management committee is responsible for reviewing the effectiveness of the Group's system of internal control and risk management established by the Board of Directors. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The key elements of this system include the following procedures:

- An internal audit function, which reports directly to the Board of Directors. The internal audit program is annually reviewed by the Audit Committee which also analyses the Company's Internal Audit reports.

- The Company conducts ongoing assessments of the quality of risk management and control. As part of this process, a Risk Map which identifies and classifies the Group's financial and nonfinancial risks is maintained. This map was developed as a self-assessment exercise.
- Procedures were implemented in order to identify, report and monitor significant risks (i.e. legal, regulatory, environmental and operational) effectively on an ongoing basis. It provides a framework for the Internal Audit Department's ongoing risk-controlling activities.

In 2007, the Company again completed a comprehensive assessment of the Group's processes of Internal control over financial reporting. Main deficiencies both in design and in effectiveness of the internal control have been either identified and remediated or appropriate action points have been launched. As a result of the assessment, the Management concluded that there were no weaknesses that would materially impact the internal control over the financial reporting at 31 December 2007.

The external auditors also report to the Board of Directors and the Audit Committee on control weaknesses which they may find during their financial statements audit. The recommendations arising from the review of risk management procedures and systems of internal controls are analyzed successively implemented.