ASBISc Enterprises Plc

ANNUAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

Limassol, March 28th, 2019

Siarhei Kostevitch

Chairman & CEO

Dear Shareholders,

On behalf of the Board of Directors of ASBISc Enterprises Plc, I am pleased to present our consolidated annual report entailing the financial results for 2018.

In 2018, consolidated revenues were the highest in almost 30 years of ASBISc history. Revenues amounted to almost USD 2.1 billion and increased by nearly 40% on a year-on-year basis. The Group's profit from operations reached nearly USD 30 million and net profit after taxation amounted to USD 12 million, an increase of more than 20% and almost 75% respectively when compared to 2017.

ASBIS remains the distributor of first choice for many global IT producers, and the Group's strategy is to deliver the best possible results for its shareholders. In 2018, the largest share in the Group's revenues was held by the Former Soviet Union (52% share) and Central & Eastern Europe (28% share) regions. All major product lines recorded significant sales increases in 2018, as compared to 2017. The biggest contributor to increased 2018 sales was on smartphones, which increased by 90% as compared to 2017.

In 2018, the Group expanded its portfolio of own brands with a higher margin by adding two new brands:

- Perenio - is currently developing its own platform in the Internet of Things (IoT) – segment, in the field of smart video surveillance, smart security, smart energy saving and smart control,
- Atlantech - includes products such as servers, data storage, and data center solutions.

We are continuing the transformation towards becoming a value-added distributor (VAD) and own brands in the most promising IT segments, both in commercial and consumer segments. The dynamics of smartphones is not given forever. We are looking for new solutions, especially in the segment of corporate services - VAD and own brands. The vision of the Group is to become the leading Value Add Distributor, OEM and Solutions Provider of IT, IoT, AI across Central & Eastern Europe, the Former Soviet Union and the Middle East and Africa regions. That is why we add to the distribution our own brands, a third layer of competencies: the Internet of Things (IoT) and Artificial Intelligence (AI) through project activities and specialist services.

We expect that our two new own brands, Perenio and Atlantech, together with the existing ones, i.e., Canyon and Prestigio, will have a significant contribution towards the Company's profitability. We hope that FY2019 will prove to be as good for the Group as the previous year. Asbisc's Board of Directors will do the best to achieve this goal, although we realize this is a challenging task; however, we look optimistically into FY 2019.

I would like to thank the shareholders for their trust, clients for a successful cooperation, as well as all employees without whom such satisfactory results could not be achieved. We hope to continue such positive relations, and as a Board of Directors, will do our best to put faith in the potential of the Group to continue to generate positive financial results and grow our market share.

Siarhei Kostevitch
Chairman & CEO

Directors’ report on the Group operations

For the fiscal year ended 31 December 2018

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

The Group distributes IT components (to assemblers, system integrators, local brands and retail), as well as A-branded finished products like desktop PCs, laptops, servers, and networking to SMB and retail customers. 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 Apple, Intel, Advanced Micro Devices ("AMD"), Seagate, Western Digital, Samsung, Microsoft, Toshiba, Dell, Acer, Lenovo and Hitachi. In addition, an important part of our revenue is comprised of sales of IT products and mobile devices under our private labels, Prestigio, Canyon and Perenio.

ASBIS commenced business in 1990 in Belarus and in 1995 we incorporated our holding Company in Cyprus and moved our headquarters to Limassol. Our Cyprus headquarters support, through two master distribution centers (located in the Czech Republic and the United Arab Emirates), our network of 31 warehouses located in 26 countries. This network supplies products to the Group's in-country operations and directly to its customers in approximately 60 countries.

The Company's registered and principal administrative office is at Diamond Court, 43 Kolonakiou Street, Ayios Athanasios, CY4103 Limassol, Cyprus.

We have prepared this annual report as required by Paragraph 60 section 1 point 3 of the Regulation of the Ministry of Finance dated 29 March 2018 on current and periodic information to be published by issuers of securities and rules of recognition of information required by the law of non-member country as equivalent. In this annual report, all references to the Company apply to ASBISc Enterprises Plc and all references to the Group apply to ASBISc Enterprises Plc and its consolidated subsidiaries. Expressions such as "we", "us", "our" and similar apply generally to the Group (including its particular subsidiaries, depending on the country discussed) unless from the context it is clear that they apply to the stand-alone Company. "Shares" refers to our existing ordinary shares traded on the Warsaw Stock Exchange.

Forward-Looking Statements

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

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

Industry and Market Data

In this annual report, we set out information relating to our business and the market in which we operate and compete.

The information regarding our market, market 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 and GfK - leading research companies on IT,
- IDC – a dedicated organization on publishing data for IT industry, and
- Other independent research conducted on our sector

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. The data of independent surveyors might not have taken into consideration recent developments in the markets we operate and therefore in certain instances might have become outdated and not represent the real market trends.

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 has been verified by any independent sources.

Financial and Operating Data

This annual report contains financial statements and financial information relating to the Group. In particular, this annual report contains our audited consolidated financial statements for the twelve months ended 31 December 2018. 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 zloty, the "effective NBP exchange rate", expressed in Polish Zloty per dollar and Polish Zloty per Euro. The exchange rates set out below may differ from the actual exchange rates used in the preparation of our consolidated financial statements and other financial information appearing in this annual report. Our inclusion of the exchange rates is not meant to suggest that the U.S. dollars amounts actually represent such polish Zloty or Euro amounts or that such amounts could have been converted into Polish Zloty or Euros at any particular rate, if at all.

	Year ended December 31,				
Year (Polish Zloty to U.S. dollar)	**2014**	**2015**	**2016**	**2017**	**2018**
Exchange rate at end of period	3.51	3.90	4.18	3.48	3.76
Average exchange rate during period(1)	3.18	3.79	3.97	3.74	3.62
Highest exchange rate during period	3.55	4.04	4.25	4.23	3.83
Lowest exchange rate during period	3.00	3.56	3.72	3.48	3.32

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

Month (Polish Zloty to U.S. dollar)	**Highest exchange rate during the month**	**Lowest exchange rate during the month**
January 2018	3.50	3.33
February 2018	3.43	3.32
March 2018	3.45	3.37
April 2018	3.50	3.36
May 2018	3.73	3.56
June 2018	3.77	3.61
July 2018…………………………………………………………………………	3.78	3.65
August 2018……………………………………………………………………...	3.79	3.65
September 2018…………………………………………………………………	3.73	3.64
October 2018…………………………………………………………………….	3.82	3.69
November 2018………………………………………………………………….	3.83	3.74
December 2018………………………………………………………………….	3.81	3.73

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

Year ended December 31 (Euro to U.S. dollar)	**2014**	**2015**	**2016**	**2017**	**2018**
Exchange rate at end of period	0.8228	0.9154	0.9447	0.8347	0.8743
Average exchange rate during period(1)	0.7586	0.9063	0.9067	0.8819	0.8487
Highest exchange rate during period	0.8228	0.9489	0.9629	0.9607	0.8702
Lowest exchange rate during period	0.7163	0.8293	0.8706	0.8289	0.8008

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

Month (Euro to U.S. dollar)	Highest exchange rate during the month	Lowest exchange rate during the month
January 2018	0.8368	0.8039
February 2018	0.8153	0.8000
March 2018	0.8144	0.8062
April 2018	0.8257	0.8074
May 2018	0.8635	0.8372
June 2018	0.8645	0.8459
July 2018	0.8586	0.8528
August 2018	0.8786	0.8589
September 2018	0.8638	0.8522
October 2018	0.8820	0.8615
November 2018	0.8835	0.8721
December 2018	0.8855	0.8720

Selected Financial Data

The following table set forth our selected historical financial data for the years ended December 31, 2018, and 2017 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 2018, have been converted into Euro and PLN as follows:

- Individual items of the balance sheet – based at average exchange rates quoted by the National Bank of Poland 31 December 2018, that is 1 US$ = 3.7597 PLN and 1 EUR = 4.3000 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 2018, that is 1 US$ = 3.6227 PLN and 1 EUR = 4.2669 PLN.

	Period from 1 January to 31 December			
	2018			2017
	USD	PLN	EUR	USD
Revenue	**2,069,564**	**7,497,461**	**1,757,115**	**1,484,913**
Cost of sales	(1,971,471)	(7,142,097)	(1,673,831)	(1,408,177)
Gross profit	**98,093**	**355,364**	**83,284**	**76,736**
Selling expenses	(46,030)	(166,754)	(39,081)	(34,745)
Administrative expenses	(22,653)	(82,066)	(19,233)	(17,585)
Profit from operations	**29,410**	**106,544**	**24,970**	**24,406**
Financial expenses	(18,622)	(67,462)	(15,811)	(16,006)
Financial income	4,452	16,128	3,780	1,598
Other gains and losses	(81)	(293)	(69)	(985)
Share of (loss)/profit from associates	(30)	(109)	(25)	-
Profit before taxation	**15,129**	**54,808**	**12,845**	**9,013**
Taxation	(3,092)	(11,201)	(2,625)	(2,104)
Profit after taxation	**12,037**	**43,607**	**10,220**	**6,909**
Attributable to:				
Non-controlling interests	0	0	0	(47)
Owners of the Company	**12,037**	**43,607**	**10,220**	**6,956**
	12,037	**43,607**	**10,220**	**6,909**
	USD (cents)	**PLN (grosz)**	**EUR (cents)**	**USD (cents)**
Earnings per share Weighted average basic and diluted earnings per share from continuing operations	21.69	78.58	18.42	12.53

	USD	PLN	EUR	USD
Net cash inflows from operating activities	(11,426)	(41,393)	(9,701)	42,111
Net cash outflows from investing activities	(3,132)	(11,346)	(2,659)	(2,163)
Net cash outflows from financing activities	26,734	96,850	22,698	(554)
Net increase in cash and cash equivalents	**12,176**	**44,110**	**10,338**	**39,394**
Cash at the beginning of the period	**45,933**	**166,403**	**38,998**	**6,537**
Cash at the end of the period	**58,109**	**210,513**	**49,336**	**45,933**

	As of 31 December 2018			As of 31 December 2017
	USD	PLN	EUR	USD
Current assets	474,614	1,784,406	414,978	495,566
Non-current assets	29,187	109,734	25,520	28,356
Total assets	**503,801**	**1,894,141**	**440,498**	**523,922**
Liabilities	404,568	1,521,054	353,734	429,454
Equity	99,233	373,086	86,764	94,468

Risk Factors

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

Risk factors relating to our business and industry

The in-country financial conditions affecting our major markets, gross profit and gross profit margin

Throughout the years of operation, the Company has from time to time suffered from specific in-country problems, emanating from the deterioration of the specific country's financial situation, due to a number of issues including but not limited to the political instability. We need to monitor any developments, react fast and weather every risk showing up in a specific market to secure our results.

We always need to keep in mind that different in-country problems might arise at any time and affect our operations. Despite the fact that we improved our procedures, we cannot be sure that all risks are mitigated.

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.

The Company's reporting currency is the U.S. dollar. In 2018 approximately 30% of our revenues were denominated in U.S. dollars, while the balance is denominated in Euro, Ruble, UAH, KZT and other currencies, certain of which are linked to the Euro. Our trade payable balances are principally (about 80%) denominated in U.S. dollars. In addition, approximately half of our operating expenses are denominated in U.S. dollars and the other half in Euro or other currencies, certain of which are linked to the Euro. As a result, reported results are affected by movements in exchange rates, particularly in the exchange rate of the U.S. dollar against the Euro and other currencies of the countries in which we operate, including the Russian Ruble, the Ukrainian Hryvnia, the Czech Crown, the Polish Zloty, the Croatian Kuna, the Kazakhstani Tenge and the Hungarian Forint.

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 revenues and gross profit, 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 and gross profit, as reported in U.S. dollars, which would have a positive impact on operating and net profit despite a negative impact on our operating expenses. In addition, foreign exchange fluctuation between the U.S. dollar and the Euro or other currencies of the countries in which we operate may result in translation gains or losses affecting foreign exchange reserve. Furthermore, a major devaluation or depreciation of any such currencies may result in a disruption in the international currency markets and may limit the ability to transfer or to convert such currencies into U.S. dollars and other currencies.

Despite all efforts of the Company, there can be no assurance that fluctuations in the exchange rates of the Euro and/or other currencies of the countries in which we operate against the U.S. dollar will not have a material adverse effect on our business, financial condition and results of operations. Therefore, careful observation of the currency environment remains a crucial factor for our success.

Worldwide financial environment

The Group is exposed to the global financial environment, which always affects all markets we operate in. Traditionally we suffer if any of the major economies we trade in face challenges.

There are many uncertainties about the world economy following turmoil in different countries, volatility of currencies and fragility of demand in many markets. Additionally, from time to time, unpredictable situations may happen in selected markets. A recent example is the trade war between the USA and China.

This is undoudebtly one of our major risk factors since the financial and economic situation dictates the business environment in which the Company operates. Demand might be negatively affected and the results of the Company could be negatively impacted, despite the experience we have gained from the management of similar situations in the past.

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 position.

The Company buys IT products from its suppliers on its own account and resells them to its customers. The Company extends credit to some of its customers at terms ranging from 21 to 90 days or, in a few cases, to 120 days. The Company's payment obligations towards its suppliers under such agreements are separate and distinct from its customers' obligations to pay for their purchases, except in limited cases where the Company's arrangements with its suppliers require the Company to resell to certain resellers or distributors. Thus, the Company is liable to pay its suppliers regardless of whether its customers pay for their respective purchases. As the Company's profit margin is relatively low compared to the total price of the products sold, in the event where the Company is not able to recover payments from its customers, it is exposed to financial liquidity risk. The Company has in place credit insurance which covers such an eventuality for approximately 70% of its revenue.

Despite all efforts to secure our revenues, certain countries remained non-insured (Ukraine and Belarus) therefore is very important to ensure that we find other sources of securities which help us minimize our credit risk. The Group directors has decided to enhance risk management procedures. These do not guarantee that all issues will be avoided, however, these have granted the Company with confidence that is in a position to weather any possible major credit issue that may arise.

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

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

1. International IT and CE distributors with a presence in all major markets we operate

2. Regional IT and CE distributors who cover mostly a region but they are quite strong

3. Strong local distributors who focus mostly on a single market but they are very strong

4. International IT and mobile phones brokers, who sell opportunistically in any region and/or country

Competition and price pressures from market competitors and new market entrants may lead to significant reductions in the Company's sales prices. Such pressures may also lead to a loss of market share in certain of the Group's markets.

Price pressures can have a material adverse effect on the Company's profit margins and its overall profitability, especially in view of the fact that its gross profit margins, like those of most of its competitors, are low and sensitive to sales price fluctuations.

This was also visible for the twelve months of 2018, where the Group had to sacrifice some of its gross profit margins in order to gain market share against competitors.

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

The Company's business is both a traditional distribution of third-party products and own brand. This allows the Company to deliver healthier gross profit margins when conditions are favorable. However, the own brand business has been significantly affected by new entrants and the margins have been lowered.

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

In an effort to increase gross margins, the Company has developed its own brand business, that allows for higher gross profit margins. It has also invested in the VAD Business Unit which is also expected to deliver higher gross profit margins. It is very important for the Company to address all risks associated with these business lines and avoid negative surprises which might lead to significant losses.

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

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

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

For the own brand business division, the Company needs to balance between satisfying consumer demand on one side and the risk of inventory obsolescence or price erosion on the other, by having a proper level of inventory.

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.

The part of our business consisting of the distribution of third-party products is dependent on the decisions and actions of a limited number of suppliers. In the year ended 31 December 2018, the Company held contracts with Apple, Intel, Advanced Micro Devices (AMD), Seagate, Microsoft, Dell, Toshiba, Acer, Lenovo and other international suppliers. 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 a risk of termination of our distribution agreements, in the event that we do not perform pursuant to the supplier's expectations or for any other reason, including a number of factors outside our control. Changes in the suppliers' business strategies, including moving part or all of their distribution arrangements to our competitors, or directly distributing products to end-users, could result in the termination of the respective distribution contracts. Any of these suppliers may merge with, acquire or be acquired by, any of our competitors which already has its own distribution network in the market. Any supplier may consider us redundant as a distributor and may terminate our distribution agreement or may experience financial difficulties, as a result of which it may not be able to grant beneficial credit terms and/or honour 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 favourable terms with key customers and suppliers could have a material adverse effect on our business, operating results and financial condition.

In the part of our business related to the distribution of third-party products, 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 refuse 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.

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

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

Our business depends upon the contribution of a number of our executive Directors, key senior management and personnel, including Siarhei Kostevitch, our Chief Executive Officer and Chairman of the Board of Directors. 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.

High cost of debt

The distribution business entails a higher need for cash available to support growth. The Group has managed to raise cash from various financial institutions, however, in certain cases, the cost of this financing is quite high. The Company has already negotiated improved terms with some of its supply-chain financiers and banks and is currently undertaking certain extra steps to further lower cost of financing. However, the sanctions imposed to Russia and tensions related to the Ukrainian crisis have resulted in increased cost of financial facilities in these countries and this may limit our efforts to further decrease the average cost of debt. In the course of the twelve months of 2018, we have experienced a stable cost of financing in the F.S.U. and this is reflected in our overall financial cost.

Development of own brand business

The Company's strategy is to focus more on profitability than on revenues, thus we continue to develop the own brand business that allows for higher gross profit margins. This includes the development of smartphones, tablets and other product lines that are sold under Prestigio and Canyon brands in all regions of the Company's operations. The Company has also invested in two new own brands - Perenio, which contains the sales of smart home and smart security sensors and other products and ATLANTECH, aiming to become a leading pan-regional OEM in servers, data storage, data centre solutions and pro- services across CEE, FSU, EMEA.

In order to keep quality under control and get the maximum possible gross profit margins, the Company's Directors have decided to go under a back-to-back scheme. This implies that orders are placed with ODMs, only if they are in advance confirmed by customers.

The Company is undertaking a number of quality control measures to mitigate this risk, but given the volumes and a large number of factories used to produce these products, these controls might not be sufficient. Moreover, competition has already been intensified and the Company may not be able to sustain its profitability levels.

Despite the Company's efforts, there can be no assurance of a similar development pace in the own brand business in future periods. This is because there may be a significant change in market trends, customer preferences or technology changes that may affect the development of own-brand business and therefore, its results.

Warranty claims from own brand products

The own-brand business requires us to put extra efforts to avoid any problems with the quality of devices. Despite all our efforts, we have noticed significant returns on specific models produced in the recent past, though this situation has much improved in the course of the twelve months of 2018.

This risk has negatively affected our results in the past when certain ODMs have not honored their contractual obligations on products with epidemic failure. The Group is undertaking all possible steps towards ensuring proper compensation for past expenses.

In the same time, in an effort to avoid such problems in the future, a much more scrutinized selection of suppliers is currently in place, which, however, does not guarantee elimination of the risk of warranty losses.

ITEM 2. Information on the Company

History and Development of Asbisc Enterprises Plc and Business Overview

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

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

The Group distributes IT components (to assemblers, system integrators, local brands and retail), mobile devices such as smartphones and tablets to retailer and A-branded finished products like desktop PCs, laptops, servers, and networking to SMB and retail customers.

Our product portfolio encompasses a wide range of IT components, blocks and peripherals, and mobile systems. We currently purchase the majority of our products from leading international manufacturers, including Apple, Intel, Advanced Micro Devices ("AMD"), Seagate, Western Digital, Samsung, Microsoft, Toshiba, Dell, Acer, Lenovo and Hitachi. In addition, a significant part of our revenue is comprised of sales of IT products under our private labels, Prestigio, Canyon and Perenio.

ASBISc commenced business in 1990 in Belarus and in 1995 we incorporated our holding Company in Cyprus and moved our headquarters to Limassol. Our Cypriot headquarters support, through two master distribution centers (located in the Czech Republic and the United Arab Emirates), our network of 31 warehouses located in 26 countries. This network supplies products to the Group's in-country operations and directly to its customers in approximately 60 countries.

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

Our revenues amounted to U.S. $ 2,069,563 in 2018, compared to U.S. $ 1,484,912 in 2017, following a strategy to increase profitable business and improve market share alongside with stabilization of gross profit margins. As a consequence, the Company significantly improved its net result and posted a net profit after tax of U.S.$ 12,037 in comparison to U.S.$ 6,909 in 2017. Our headquarters are home to our centralized purchasing department and global control function, which centrally monitors and controls our global activities, including purchasing, warehousing and transportation operations. In line with our strategy of focusing on automation and innovation in order to increase our cost-efficiency, in 2002, we began developing the IT4Profit platform, our online purchasing platform for electronic trading with our customers (B2B) and electronic data interchange for the Company and its subsidiaries. Within this platform, we have also implemented our end-to-end online supply chain management system, in order to effectively manage our multinational marketplace and to increase automation and reporting transparency both internally and vis-à-vis our suppliers. We combine the international experience of our central management team with the local expertise of our offices in each of the 26 countries in which we operate. With our broad local presence, we have developed an in-depth knowledge and understanding of fast-growing markets in regions such as Central and Eastern Europe "(CEE") and FSU 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, in the markets we operate.

History of the Group

We were established in Minsk, Belarus in 1990 by Mr Siarhei Kostevitch and our main activity was the distribution of Seagate Technology products in the territory of the Former Soviet Union. Then, in 1995, we were incorporated in Cyprus and moved our headquarters to Limassol. In 2002, in order to fund further growth, we privately placed U.S. $ 6,000 worth of shares with MAIZURI Enterprises Ltd (formerly named Black Sea Fund Limited), and U.S. $ 4,000 with Alpha Ventures SA. In 2006, we listed our common stock on Alternative Investment Market of London Stock Exchange (AIM), however after the successful listing on the Warsaw Stock Exchange (October 2007) the Board of Directors took a decision and cancelled the AIM listing as at 18 of March 2008. The changes in the shareholders' structure that occurred in 2018 were the following:

1) On April 23rd, 2018, the BOD has received from Nationale-Nederlanden Otwarty Fundusz Emerytalny (Fund) notification that total share of this Fund descended below the threshold of 5% of total number of votes at the Company's General Meeting of Shareholders. According to the notification, before the abovementioned change of share, the Fund had 2,792,890 Company's shares that were equal to 5.03% in the Company's share capital and had 2,792,890 votes from these shares, that were equal to 5.03% of a total number of votes. According to the notification, as of April 19th, 2018, the Fund held 2,692,890 Company's shares, equal to 4.85% in the Company's share capital and had 2,692,890 votes from these shares, equal to 4.85% of a total number of votes.

2) On May 15th, 2018 the Company has received from NOBLE Funds Towarzystwo Funduszy Inwestycyjnych S.A. acting on behalf of managed investment funds - Noble Funds Otwarty Fundusz Inwestycyjny Otwarty (UCITS), Open Finance Fundusz Inwestycyjny Otwarty (UCITS), Noble Funds Specjalistyczny Fundusz Inwestycyjny Otwarty (AIF) and Noble Fund Opportunity FIZ (AIF) ("Funds") notification that total share of these Funds moved above the threshold of 5% of the total voting rights of the Company. According to the notification, the increase above the 5% threshold in the Company followed transactions conducted in the regulated market on May 14th, 2018. According to the notification, before the abovementioned change of share, the Funds had 2,756,299 Company's shares that were equal to 4,97% in the Company's share capital and had 2,756,299 votes from these shares, that were equal to 4,97% of a total number of votes. According to the notification, as of May 15th, 2018, the Funds held 2,866,299 of the Company's shares, equal to 5,16% in the Company's share capital and had 2,866,299 votes from these shares, equal to 5,16% of a total number of votes.

3) On September 24th, 2018 the Company has received from NOBLE Funds Towarzystwo Funduszy Inwestycyjnych S.A. acting on behalf of managed investment funds - Noble Funds Otwarty Fundusz Inwestycyjny Otwarty (UCITS), Open Finance Fundusz Inwestycyjny Otwarty (UCITS), Noble Funds Specjalistyczny Fundusz Inwestycyjny Otwarty (AIF) and Noble Fund Opportunity FIZ (AIF) ("Funds") notification that the total share of these Funds jointly fell below the threshold of 5% of the total voting rights of the Company. According to the notification, the decrease below the 5% threshold in the Company followed transactions conducted on the Warsaw Stock Exchange on September 21st, 2018. According to the notification, before the abovementioned change of share, the Funds had 2,814,736 Company's shares that were equal to 5,07% in the Company's share capital and had 2,814,736 votes from these shares, that were equal to 5,07% of the total number of votes. According to the notification, as of September 24th, 2018, the Funds held 2,769,303 of the Company's shares, equal to 4,99% in the Company's share capital and had 2,769,303 votes from these shares, equal to 4,99% of the total number of votes.

Strengths of the Group

The Directors consider that our key strengths are:

- Broad geographic coverage combined with a strong local presence.

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

- Experienced management team, combined with local expertise.

Our management team consists of experienced executives. Our Chief Executive Officer has been with the Company since inception in 1990, while all of our key executives have served for seventeen 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.

- A critical mass of operations.

Having revenues of almost 2.1 billion U.S. Dollars, sales in approximately 60 countries and facilities in 26 countries, we believe that we have become a strong partner for leading international suppliers of IT components and finished products, including Apple, Intel, AMD, Seagate, Samsung, Microsoft, Hitachi, Dell, Toshiba, Logitech, etc. 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 at the event market prices decline or such inventory becomes obsolete. See "*Our Main Suppliers - Price Protection Policy and Stock Rotation Policy*". In contrast, in some of the countries in which we operate, many of our major competitors tend to buy from the open market, which leaves them exposed to the risk of price changes and obsolete stock.

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

We distribute a broad range of IT components, blocks, peripherals and finished products supplied by a large number of leading international suppliers. As a result, we serve as a one-stop-shop, providing complete solutions to producers and integrators of the 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.

- Own brands business improving our profitability

In the past years, we have invested in the development of our own brands and built a strong market position. In 2018 the amount of own brand business has remained stable, following our decision to continue with a more balanced approach. We try to keep revenues from own brands at sustainable levels based on expected profitability and good cash flow. The Directors consider our own brands to be a valuable reinforcement to our profitability if it is developed as an addition to the distribution business. Thus, the development of this segment will be continued.

- Ability to adjust our cost structure to the new business environment and the company needs.

This is considered a very big advantage of the Company. It has been proven that we can adjust very quickly to any turbulent business environment and this enables the group to develop its core competences.

Group Structure and Operations

The following table presents our corporate structure as at December 31st, 2018:

Company	Consolidation Method
ASBISC Enterprises PLC	**Mother**
Asbis Ukraine Limited (Kiev, Ukraine)	Full (100%)
Asbis PL Sp.z.o.o (Warsaw, Poland)	Full (100%)
Asbis Poland Sp. z o.o. (Warsaw, Poland)	Full (100%)
Asbis Romania S.R.L (Bucharest, Romania)	Full (100%)
Asbis Cr d.o.o (Zagreb, Croatia)	Full (100%)
Asbis d.o.o Beograd (Belgrade, Serbia)	Full (100%)
Asbis Hungary Commercial Limited (Budapest, Hungary)	Full (100%)
Asbis Bulgaria Limited (Sofia, Bulgaria)	Full (100%)
Asbis CZ,spol.s.r.o (Prague, Czech Republic)	Full (100%)
UAB Asbis Vilnius (Vilnius, Lithuania)	Full (100%)
Asbis Slovenia d.o.o (Trzin, Slovenia)	Full (100%)
Asbis Middle East FZE (Dubai, U.A.E)	Full (100%)
Asbis SK sp.l sr.o (Bratislava, Slovakia)	Full (100%)
Asbis Limited (Charlestown, Ireland)	Full (100%)
FPUE Automatic Systems of Business Control (Minsk, Belarus)	Full (100%)
E.M. Euro-Mall Ltd (former ISA Hardware Limited–Group) (Limassol, Cyprus)	Full (100%)
OOO ‘ Asbis’-Moscow (Moscow, Russia)	Full (100%)
Asbis Morocco Limited (Casablanca, Morocco)	Full (100%)
Prestigio Plaza Sp. z o.o in liquidation (Warsaw, Poland)	Full (100%)
Prestigio Plaza Ltd (formerly Prestigio Technologies) (Limassol, Cyprus)	Full (100%)
Perenio IoT spol. s.r.o. (Prague, Czech Republic) (former Prestigio Europe s.r.o)	Full (100%)
Asbis Kypros Ltd (Limassol, Cyprus)	Full (100%)
Asbis TR Bilgisayar Limited Sirketi (Istanbul, Turkey)	Full (100%)
SIA “ASBIS LV” (Riga, Latvia)	Full (100%)
Asbis d.o.o. (former Megatrend d.o.o.) (Sarajevo, Bosnia Herzegovina)	Full (90%)
ASBIS Close Joint-Stock Company (former CZAO ASBIS) (Minsk, Belarus)	Full (100%)
ASBIS Kazakhstan LLP (Almaty, Kazakhstan)	Full (100%)
Euro-Mall SRO (Bratislava, Slovakia)	Full (100%)
Prestigio China Corp. (former AOSBIS TECHNOLOGY (SHENZHEN) CORP.)	Full (100%)
ASBIS DE GMBH, (Munchen, Germany)	Full (100%)
EUROMALL BULGARIA EOOD (Sofia, Bulgaria)	Full (100%)
Advanced Systems Company LLC (Riyadh, Kingdom of Saudi Arabia)	Full (100%)
SHARK Computers a.s. (merged with SHARK ONLINE a.s.) (Bratislava,	Full (100%)
E-vision Production Unitary Enterprise (Minsk, Belarus)	Full (100%)
ASBIS CLOUD Ltd (Moscow, Russia)	Full (100%)
ASBIS SERVIC Ltd (Kiev, Ukraine)	Full (100%)
I ON Ltd (Kiev, Ukraine)	Full (100%)
ASBC MMC LLC (Baku, Azerbaijan)	Full (65.85%)
ASBC KAZAKHSTAN LLP (Almaty, Kazakhstan)	Full (100%)
Atlantech Ltd (Ras Al Khaimah, U.A.E)	Full (100%)

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

Changes in the Group's structure

During the year ended December 31st, 2018 there were the following changes in the structure of the Company and the Group:

- During 2018 ASBIS ESTONIA AS and PRESTIGIO PLAZA NL BV have both been liquidated, being dormant and empty companies. Also, a subsidiary company named Prestigio Europe spol. s.r.o. (Prague, Czech Republic) changed its name to Perenio IoT spol. s.r.o.

  Moreover:

- On August 13rd, 2018, the Issuer has acquired 100% shares of the company named ASBC KAZAKHSTAN LLP (Almaty, Kazakhstan). The Issuer holds 100% in this subsidiary, being equal to share capital of USD 300,000. We acquired this entity to expand the retail business with Apple stores.

- On September 26th, 2018, S.C. EUROMALL 2008 S.R.L (formerly ISA Hardware International S.R.L) (Bucharest, Romania) has been liquidated , being a dormant company

- On November 21st, 2018, S.C. EUROMALL CZ s.r.o. (formerly ISA Hardware s.r.o.) (Prague, Czech Republic) has been liquidated, being a dormant company.

- On December 26th, 2018, the company named Atlantech Ltd (Ras Al Khaimah, U.A.E) has been incorporated into the Capital Group of Asbis. The parent company of issuer - Asbis Middle East holds 100% shares of this company, being equal to share capital of USD 13,605. We incorporated this entity to manage our server business in a more efficient manner.

Regional operations

We operate as a one-stop-shop for the desktop PC, server, laptop, tablet PC, smartphones and software segments. The management believes that the Company is currently the only IT component and A-branded finished products distributor that covers substantially all of Eastern Europe, as part of a single supply chain with highly integrated sales and distribution systems. We also have operations in the Baltic States, the Balkans, the Former Soviet Union, the United Arab Emirates and other Middle East countries.

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 an in-depth knowledge of their respective product lines.

Our sales staff are also trained by our suppliers, such as Apple, Intel, AMD, Seagate, Western Digital, Samsung, Microsoft, Hitachi and others, as a result of our status as an authorized distributor of their products. The Directors consider that this organizational process allows us to provide added value to our customers and differentiate us from our competitors.

Key markets and regions

Historically, the regions of Central Eastern Europe ("CEE") and the Former Soviet Union ("FSU") have been the larger revenue contributors of the Group. This has not changed in 2018.

The following table presents a breakdown of our revenue by regions for the years ended 31 December 2018, 2017 and 2016:

	Year ended 31 December		
	2018	**2017**	**2016**
	%	**%**	**%**
Former Soviet Union	52.45	48.45	39.12
Central and Eastern Europe	27.79	33.40	37.45
Middle East & Africa	9.79	10.95	14.77
Western Europe	7.91	6.31	6.13
Other	2.06	0.89	2.53
Total revenue	**100**	**100**	**100**

Products

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

We engage in the following primary lines of business:

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

- Value-add distribution ("VAD") of Apple products in certain Former Soviet Union countries

- Sales of accessories and gaming products (like Logitech)

- Sales of a wide range of finished products from worldwide manufacturers (Dell, Apple, Acer) as well as software (Microsoft and antivirus software producers)

- Sales of a range of private label products (such as tablet PCs, smartphones, multiboards, data storage devices, GPS devices, peripherals, accessories, security solution, products in the field of servers, mass storage, solutions for data centers) with larger volumes and profit potential selected by us and manufactured by ODM/OEM producers in the Far East under our own private label brands, Canyon, Prestigio, Perenio and Atlantech.

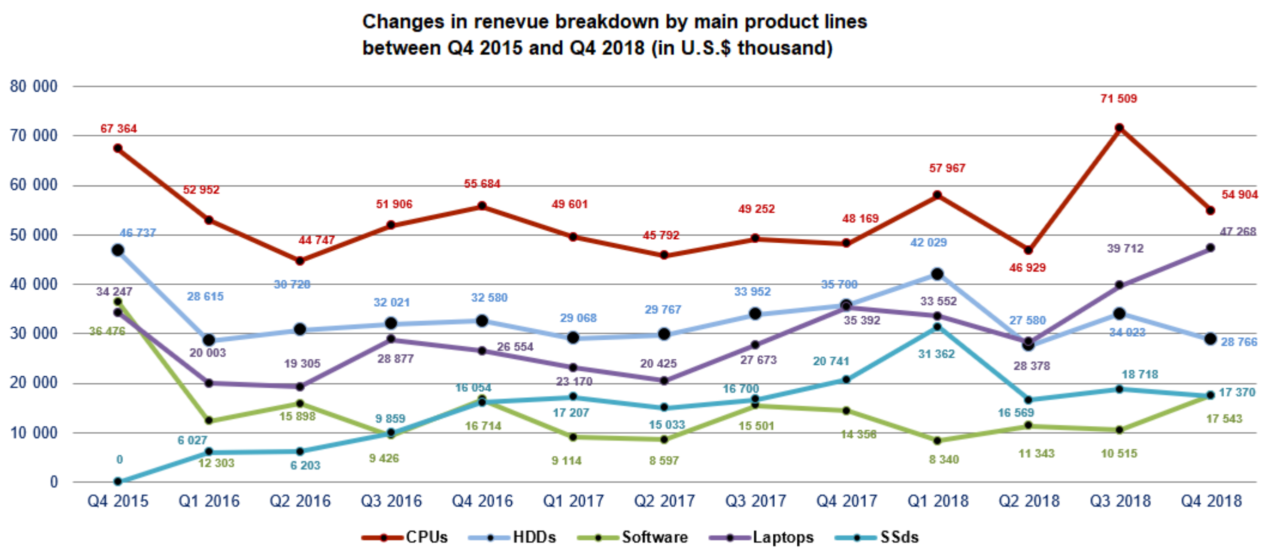
The products that are purchased from suppliers and distributed by us are divided into various categories and are presented in the table below:

	Year ended 31 December	
	2018	2017
	(U.S. $)	
Smartphones	799,059	421,155
Central processing units (CPUs)	231,308	192,814
PC mobile (laptops)	148,910	106,661
Accessories & multimedia	142,872	79,800
Hard disk drives (HDDs)	132,398	125,487
SSDs	84,018	69,681
Servers & server blocks	80,967	68,595
Tablets	75,841	61,186
Memory modules (RAM)	54,964	49,214
Networking products	50,660	46,537
PC desktop	50,105	31,456
Software	47,741	47,567
Mainboards & VGA cards	42,893	48,089
Peripherals	39,784	38,525
Display products	34,899	28,988
Flash memory	11,793	11,211
Optical & floppy drives	1,641	1,542
Other	39,712	56,405
Total revenue	**2,069,564**	**1,484,913**

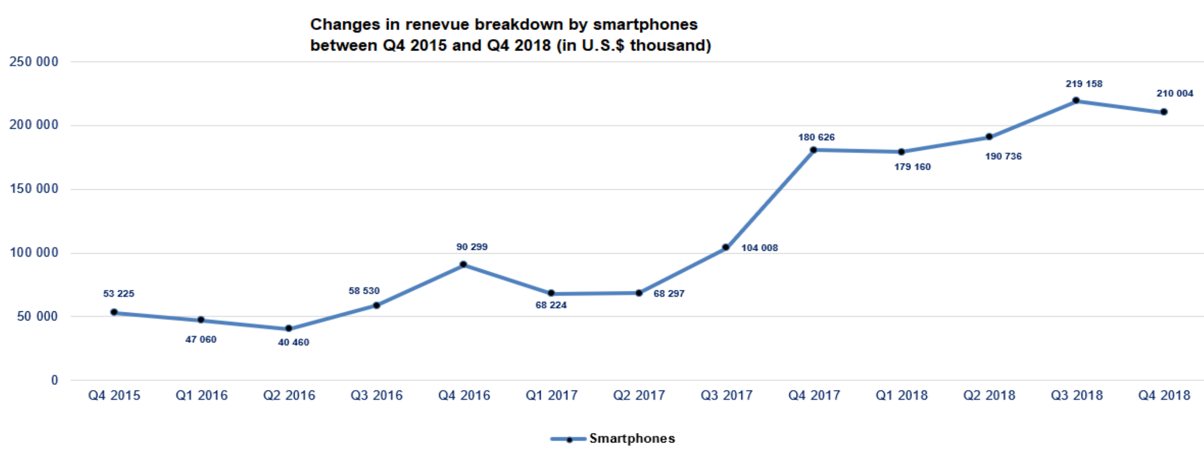
Revenues showed a significant growth year-on-year. The structure of our product portfolio has significantly changed in favor of smartphones, storage and other products.

In 2018 we continued our efforts to increase revenues, mainly through gaining new markets and by focusing on specific product groups. This was possible because ASBIS remains the distributor of first choice for many worldwide suppliers. A major and good example is Apple that has entrusted us for iPhone and other products distribution for Ukraine, Belarus, Kazakhstan and other CIS markets.

The chart below indicates the trends in sales per product line



The chart below indicates trends in smartphones sales



Private labels: Prestigio, Canyon, Perenio and Atlantech

We have developed our private label brands - Canyon, Prestigio and recently added Perenio and Atlantech. We, mainly through our purchasing office in China, select products or ranges of products with high-profit potential from a number of ODM/OEM producers in the Far East, particularly in China, and purchase these products at larger volumes to benefit from economies of scale. We then resell these products in the markets in which we operate under our own brand at more competitive prices than similar products sold by competitors.

Canyon. Canyon was launched in 2003 as a supplier of motherboards and video graphics adaptors (VGA) cards to Eastern European markets. The brand has evolved and currently primarily targets retail chains with IT and consumer electronic peripherals and accessories, supplying products such as RAM and flash memory modules, web cams, mice, networking products, external HDD, MP3 players, handbags, phone accessories and speakers. Canyon is perceived to be a brand targeting younger customers who want good quality products at affordable prices.

Canyon uses attractive colours and packaging to promote this image.

During 2017 Canyon launched several new products which proved very successful and we plan to continue these projects going forward – but only to the extent we want to develop own brands. Our focus is on fewer products and models with better profitability. During 2018 Canyon introduced fitness smartwatches with own application and platform.

Prestigio. Prestigio was launched at the end of 2002 with the aim of becoming a supplier of premium quality products and devices, multiboards, tablet PCs and smartphones. Prestigio brand slogan "Your life, your way" reflects the positioning of these products in this premium, high-specification design segment. In 2011 Prestigio was recognized as the leading GPS Navigator device in the F.S.U. and CEE regions. In 2013 we have also decided to enter the smartphones segment with our own brand and started successfully selling Prestigio Multi-phones from Q4 2013. These moves were connected with anticipated and observed changes in the markets and proved the Company’s ability to benefit from its experience and know-how in order to improve its market share. Prestigio is now developing a smart TV that will be produced in factories in Belarus and Russia. In June 2019 we will start production of a device which is a combination of a keyboard and a touchpad under the Prestigio brand.

Alongside this, we entered the market with two new brands: Perenio and Atlantech.

Perenio is currently developing its own platform in the Internet of Things (IoT) segment in the field of device smart video surveillance, smart security, smart energy saving and smart control.

Atlantech was launched at the end of 2018 with the aim of becoming a leading pan-regional OEM in servers, data storage, data centre solutions and pro-services across CEE, FSU and EMEA regions.

Suppliers and Procurement

Our Main Suppliers/Partners

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

In 2018, a significant portion of our revenues was generated from the ten biggest suppliers. However, the management believe that we place no reliance on anyone of our suppliers since we carry for every product category a wide portfolio 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 a decline 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, with whom 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 a stock rotation policy, we have the right to return to the supplier, within a predefined 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, holding weekly meetings to review and approve requirements. We strive to keep our stock, including stock in transit, for our main product lines at a level of four weeks of sales revenues, and to cover four to five weeks of sales revenues for other product lines in order to ensure adequate supply, while reducing the length of time over which we hold our inventory at our warehouses. Since we maintain a stable supplier base, there is no need for any formal supplier take-on procedures.

Sales and Marketing

We focus on developing an efficient online sales infrastructure and a rewarding profit commission scheme, as well as on investing in training our sales managers in order to instill a thorough understanding of our product offerings with the goal of enhancing customer satisfaction. We also have the possibility to use some of our main supplier's marketing funds, to increase our sales and our clients' satisfaction.

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

Our marketing team consists of the Central Marketing Group and the Local Marketing Coordinators, both of which work in close coordination with suppliers, product managers and sales teams.

Distribution

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 two master distribution centres, 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 two distribution centres. On the other hand, products such as memory modules and our private label products with small size, high-price dynamics and high value are supplied directly to our local in-country operations from the suppliers' factories.

Distribution centres. Our two master distribution centres are located in Dubai and Prague.

The facility in Prague is responsible for distribution across whole Europe; Dubai serves our operations in the Middle East and Africa and certain Central Asian countries.

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

Facility Location	Office area (m^2)	Warehouse area (m^2)	Total area (m^2)	Ownership
Prague	575	4,473	5,048	Leased
Dubai	1,086	6,475	7,025	Owned

In order to ensure visibility and bottom-line efficiencies of our warehousing environment, we have connected our warehouse management system ("WMS") to IT4Profit. Thus, when an order is placed on IT4Profit, this is communicated to our relevant master distribution centre, which can then process the order for delivery. This WMS is currently functional in the Prague and Dubai warehouses. The Directors believe that the advantages of operating the WMS connected through IT4Profit include the ability to meet or exceed shipping commitments, instant visibility of inventory movements, consistency of inventory management records, reduction of inventory write-offs and simplicity in shipment planning, lot replenishment and storage activities.

In-Country Operations. We operate through 31 local offices in 26 countries. Customer orders are mainly served through the supply of local offices, and in the event that local inventory levels are insufficient, additional inventory is drawn from one of the three distribution centres. Each local office operates its own logistics function and is responsible for direct shipments to its customers. Our headquarters monitor and assess the performance of each local logistics center by using a number of key performance indicators, including transit time of incoming shipments, order fulfilment, (such as pick, pack and ship time and the percentage of orders shipped to commitment by date and time), on-time delivery, transport, cost per kilogram shipped and cycle count performance.

Distribution Operations Management - "Asbis on IT4Profit"

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

IT4Profit is our online supply chain management software owned by us, which was internally developed, and which we continuously improve. 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 centres, subsidiaries and customers. Local subsidiaries place their orders online through our e-market place on www.IT4Profit.com and receive their goods directly from one of the three distribution centres. 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:

- 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.

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, Dell 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, we have our storage space resources in Lithuania for performing daily back-ups. In the event of a system failure, we can restore applications and recover data. In such an instance, this will enable us to continue operating with electronic means and servicing our clients. ASP services have a different scheme of high availability. On the main host in Lithuania, the services have fully duplication hardware according to the active-standby scheme with full online replication. Additionally, data is being replicated with 15 minutes delay to the standby host in Prague and every day a full back-up of each service is taken.

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Customers

We served 33,000 customers in approximately 60 countries in 2018. We have no reliance on any single customer, as our biggest customer is only responsible for about 6% of total revenues. Approximately 60% of our total sales were conducted on-line, based on our IT4Profit platform described above.

Industry overview and competition

Market characteristics

The markets we operate in are characterized by multi-culture environment and significantly lower per capita income when compared to the Western European markets.

Despite differences in GDP per person, our markets have been proving quite technology-oriented that consist of very much educated and demanding consumers.

Distributors are considered to be a basic component of the industry since the major suppliers of technology would rather deal with distribution, instead of own in-country operational investment.

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 a 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. At the same time, leading manufacturers of IT do not want to rely solely on multinational OEMs and world-wide distributors for distribution as this would reduce producers' bargaining power.

For companies having own brands business, like us, it is important to find new niches all the times and leverage on market position and brand recognition. The need for new product lines is very important since we need to timely replace saturated product segments.

Market trends

During 2018 we have experienced significant growth in revenues in all major markets we operate. Markets accepted the products we deliver and demand was significantly increased. The key drivers of this growth were mostly mobile devices (smartphones) across all markets we were franchised as Value-Add-Distributors (''VAD'').

Another development of 2018 was the strong growth of the servers and server blocks segment in the commercial segment, especially solutions for data centres and other cloud providers. For 2019, independent analysts forecast this market to grow by a single digit.

Thus, our focus will be mostly on increasing margins while growing revenues to a reasonable extent. On the other hand though, we continue to search for new opportunities that will be supported by big vendors, like cloud services and internet of things ("IoT").

The policy described above and the fact that the Company built a solid market position and gained recognition from customers, allows the Company's management to be optimistic about 2019. This is particularly true because the Company is flexible enough to move between product lines, since its business is built on multiple pillars.

Competitive Landscape – traditional distribution

Distribution of IT and mobile devices in Central and Eastern Europe and the Former Soviet Union is fragmented. Major multinational players who dominate the U.S. and Western European markets 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 have the largest share in each of the countries.

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

We compete with local distributors but the Directors consider that none of them has 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.

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

Competitive Landscape – Private Labels

The private labels, Canyon, Prestigio, Perenio and Atlantech are competing with a variety of brands in all markets we operate. The market leaders of the tablet and smartphone segments are Apple and Samsung. We do not consider our Prestigio brand to be competing with these conglomerates since we are not considered as an A-brand. We are positioning ourselves as a B-Brand with a limited amount of product offerings and limited countries of presence. Recently the market was flooded by cheap brands, thus we have decided not to compete on price but rather on quality and decreased product lines and a number of models to achieve better margins. We continue our own brands business on a back-to-back basis and expect it to be responsible for a good share of our total revenues. This will allow us to benefit from its higher profitability, try not to carry any other related risks, such as inventory obsolescence.

Directions of further development

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

We intend to achieve this by:

a) increasing or retaining sales and market share in particular countries of the Former Soviet Union, Central and Eastern Europe and the Middle East and Africa and taking advantage of the weaknesses of the competition

b) benefiting from increased smartphones business, keep enhancing the IT component business, adding more third-party products to our portfolio and improving the gross profit margin

c) further optimizing our private label business

d) further developing of the VAD business

e) decreasing cost of financing

f) engaging in IoT and new technologies

g) controlling our cost structure, enhancing operating efficiency and automated processes, including our online sales channels

h) continuing our successful foreign exchange hedging

a) Increasing or retaining sales and market share in particular countries of the Former Soviet Union, Central and Eastern Europe, Middle East and Africa and taking advantage of the weaknesses of the competition

The Group has shown significant dynamics and 2018 was a year of growth, across all markets of operations. We have built very solid foundations to continue this growth at least for the foreseeable future.

The recent world's financial crisis has led some of our competitors to bankruptcy or to the decision of moving out from particular markets. We have signed a number of agreements with suppliers for many countries, including Slovakia, Ukraine and the Middle East countries. We have also developed sales of our own brands in almost all regions of our operations.

We have changed our strategy and product portfolio and addressed the market with more Apple products (i.e. we became the sole distributor in Ukraine, opened Azerbaijan and Georgia), more solutions to data centres and cloud-related products. This allowed us to increase our sales and market share in all major regions, but the most important being FSU and CEE markets. However, we had to achieve it quickly, and therefore sometimes at a cost of lower gross profit margin. This strategy was proven successful as our 2018 results grew significantly, both in terms of the top line, as well as in the terms of profitability.

b) Benefiting from increased smartphones business, keep enhancing the IT component business, adding more third-party products to our portfolio and improving gross profit margin;

The smartphones segment grew significantly in 2018 following our increased cooperation with Apple, the introduction of its products, mainly iPhone, to new territories and the 15 Apple Premium Reseller network in 5 countries of the FSU. For 2019, we plan to maintain a strong position on the Apple products market, following a year of a quite high sales growth. It is important to mention that independent analysts indicate that the smartphones segment is expected to decline this year.

The traditional IT components segment is characterized by high volumes, low gross profit margins. The component business is the backbone of our company. The example of growth in servers and server blocks proves that components are going to continue to play a significant role in our success.

Thus, the Company continues its efforts to rebuild its product portfolio by adding more finished-goods, namely networking, accessories and other products in order to benefit from growing sales and better margins. This strategy paid off well in 2018 and therefore the Company will continue, in order to increase its overall gross profit margin in the future.

c) Further optimizing of Private Labels

Our private label (branded) product lines, Canyon, Prestigio, Perenio and Atlantech are manufactured by leading Original Equipment Manufacturers ("OEM") in the Far East (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 keeping the share of private label business in our total revenues at healthy levels will have a positive impact on the overall profitability, as these products deliver a higher profit margin, compared to international suppliers' products distributed by us. We will increase such sales only to the extent this does not drive up our financial expenses nor affect our cashflows. We aim to continue expanding the range of our private label products and strengthening their promotion in our markets and we expect that this will have a positive impact on our profitability.

d) Further developing of the VAD business

Development of Value-Added-Distribution (VAD) solutions is a key priority of the Group. Following the changes in the market trends and the significant increase in storage as well as other commercial services leave no room but to ensure that we are joining this segment which seems to gain a large chunk of the IT-Industry.

e) Decreasing cost of financing

Distribution business entails a higher need for cash available to support growth. The Group has managed to raise cash from various financial institutions, however, in certain cases, the cost of this financing is expensive. The Company has already negotiated better terms with some of its supply-chain financiers and banks and is currently undertaking certain extra steps to further lower cost of financing.

The Company already significantly decreased its cost of bank facilities and we have experienced a stable cost of financing in the F.S.U. and this is reflected in our overall financial cost in 2018.

f) **Controlling our cost structure, enhancing operating efficiency and automated processes, including online sales channels;**

We continue to focus on improving our operating efficiency and enhancing our automated processes, with a view to reducing operating expenses and increasing our profit margins. Our cost structure has been significantly decreased during 2018 as a ratio to revenues, however, in absolute numbers, it grew due to our investments to support growing sales and entrance into new business segments. The cost structure will continue to be under strict control in the coming years.

g) Continuing our successful foreign exchange hedging;

In 2018 our FX hedging strategy has successfully shielded our results. However, since there is no such thing as perfect hedging, the currency environment needs to be closely monitored and FX hedging strategies updated as soon as new developments are visible in the markets.

Real property and other tangible assets

The table below presents our main real properties:

		Area (m^2)			
Name of company	**Country**	**Land**	**Office**	**Warehouse**	**Total**
ASBISc Enterprises Plc	Cyprus	530	1,630	200	1,830
Asbis CZ, spol s.r.o.	Czech Republic	5,000	232	1,300	1,532
Asbis Ukraine Limited	Ukraine	-	2,646	348	2,994
ASBC Ltd	Belarus	-	1,056	-	1,056
Asbis SK sp.l. sr.o.	Slovakia	10,397	2,276	4,622	6,898
Asbis Middle East FZE	United Arab Emirates	-	1,086	4,477	5,563
CJSC ASBIS (Asbis BY)	Belarus	-	1,205	1,030	2,235
ASBIS Bulgaria Ltd	Bulgaria	3,855	-	-	3,855

Our remaining premises are under lease.

Information regarding real property owned by us and the relevant encumbrances are provided in the annual consolidated audited financial statements included elsewhere in this report. Other than this real property, we do not hold any other significant tangible assets***.***

Intellectual Property

We have registered the following trademarks, including their word and graphical representations in colour and design.

a) ASBIS
b) "CANYON";
c) "PRESTIGIO" and its product group trademarks, which include Nobile, Cavaliere, Signore, Visconte, Emporio, Prestigio Multi-Pad and Prestigio Grace
d) “Euromall”; and
e) “PrestigioPlaza.com”

Most of these trademarks are registered and protected in the countries in which we operate, both under international, regional and national registration schemes and systems, to the extent and other terms set forth in the provisions based on which they were registered. The registrations are mostly in the international class of goods 09, computers and IT products, and related classes of services.

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 or “cargo” 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, and thereafter.

Under our product insurance policy, covering the twenty-four months ending 1 January 2021 with tacit renewal thereafter our products are insured for a maximum of U.S. $ 4,000 from any single shipment of computers, monitors and supplies of accessories transported from country to country or warehouse to warehouse. Typical shipment values for each warehouse are as follows: Czech Republic: U.S. $ 120 and the Middle East: U.S. $ 140.

Furthermore, goods held in storage at both distribution centers (i.e., both the Czech Republic and Middle East) and certain local warehouses are insured up to US 10,000.

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

Credit Insurance: We have a major credit insurance policy in place with Atradius Credit Insurance N.V. reducing our exposure in respect to possible non-recoverability of our receivables. The insurers have agreed to indemnify us for losses due to bad debts in respect of goods delivered and services performed during the policy period, which covers a term of twelve months, subject to annual renewal. We insured about 70% of our 2018 revenues.

The major insurance policy is held with Atradius Credit Insurance N.V. which was signed in April 2008 and is renewed every year. It covers Asbisc Enterprises PLC, Asbis Middle East FZE, Asbis D.o.o. (Slovenia), Asbis Doo (Serbia), Asbis OOO (Russian Federation), ASBIS Kazakhstan and ASBIS Hungary. Each buyer, primarily our large customers, who have an approved credit limit is insured for a coverage amounting to 85%. Atradius also offers us a discretionary credit limit up to a maximum of U.S. $ 60.

We also hold stand-alone credit insurance policies with Atradius in Slovakia covering the receivables of the country. Finally, for the receivables of the Czech Republic, we insure through a standalone policy with Euler Hermes.

ITEM 3. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following Management's discussion and analysis of our financial position and results of operations review our historical financial results as at, and for the years ended, 31 December 2018 and 2017. The reader shall read the following discussion in conjunction with our audited financial statements as at 31 December 2018 and 2017, including the accompanying notes thereto, which are included elsewhere in this Annual Report, and have been prepared in accordance with IFRS and audited by KPMG Limited, our independent auditors and in conjunction with the information set forth under "*Risk Factors"* and *"Information on the Company*".

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

Summary

The principal events of 2018 were as follows:

- Revenues in 2018 increased by 39% to U.S. $ 2,069,564 from U.S. $ 1,484,913 in 2017.
- Gross profit in 2018 increased by 28% to U.S. $ 98,093 from U.S. $ 76,736 in 2017.
- Gross profit margin in 2018 decreased to 4.74% from 5.17% in 2017.
- Selling expenses in 2018 increased by 32% to U.S. $ 46,030 from U.S. $ 34,745 in 2017 as a result of higher sales and gross profit.
- Administrative expenses in 2018 have increased by 29% to U.S. $ 22,653 from U.S. $ 17,585 in 2017.
- EBITDA in 2018 amounted to U.S. $ 31,978 in comparison to U.S. $ 26,642 in 2017.

- As a result, we had a much improved year over 2017. In 2018 the Company posted a net profit after tax of U.S. $ 12,037 in comparison to U.S. $ 6,909 in 2017. This is a significant, more than 74% improvement year on year.

Principal Factors Affecting Financial Condition and Results of Operations

In 2018, the Company's results of operations have been affected and are expected to continue to be affected by a number of factors.

Below we present all factors that have affected and continue to affect our business:

The in-country financial conditions affecting our major markets, gross profit and gross profit margin

Throughout the years of operation, the Company has from time to time suffered from specific in-country problems, emanating from the deterioration of specific countries' financial situation, due to a number of issues including but not limited to the political instability. We need to monitor any developments, react fast and weather every risk showing up in a specific market to secure our results.

The Company needs to keep in mind that different in-country problems might arise at any time and affect our operations. Despite the fact that we have improved our procedures, we cannot be certain that all risks are mitigated.

Currency fluctuations

The Company's reporting currency is the U.S. dollar. About 30% of the Company's revenues are denominated in U.S. dollars, while the balance is denominated in Euro, Ruble, UAH, KZT and other currencies, some of which are pegged to the Euro.
Since most of the Company's trade payable balances are denominated in U.S. dollars (about 80%), the Company is exposed to foreign exchange risk that remains a crucial risk factor that might affect the Group's results in the future. Although the problem still persists and will persist as the Euro and other Eastern European currencies fluctuate in a steep manner against the U.S. dollar, the Group has adopted hedging strategies to tackle this problem and this has been successful despite large volatility of some currencies. Especially, and given the fact that our FSU business is growing, the risk of devaluation of currencies of countries like Kazakhstan, Belarus and Ukraine, might cause significant losses to the Group. The management believes that hedging is very important in our industry and we shall continue enhancing it going forward, by adapting to new market realities and finding solutions to hedge all exotic currencies in the region.

Competition and price pressure

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

1. International IT and CE distributors with a presence in all major markets we operate

2. Regional IT and CE distributors who cover mostly a region but they are quite strong

3. Strong local distributors who focus mostly on a single market but they are very strong

4. International IT and mobile phones brokers, who sell opportunistically in any region and/or country

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

This was also visible in 2018, where the Group had to sacrifice some of its gross profit margin in order to gain market share against competitors.

Low gross profit margins

The Company's business is both a traditional distribution of third-party products and own brand. This allows the Company to deliver healthier gross profit margins when conditions are favourable. However, the own brand business has been significantly affected by new entrants and the margins have been lowered.

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

In an effort to increase gross margins, the Company has developed its own brand business that allows for higher gross profit margins. It has also invested in the VAD Business Unit which is also expected to bring higher gross profit margins. It is very important for the Company to address all risks associated with these business lines and avoid negative surprises which might lead to significant losses.

Inventory obsolescence and price erosion

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

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

For the own brand business division, the Company needs to balance between satisfying consumer demand on one side and the risk of inventory obsolesces or price erosion on the other, by having a proper level of inventory.

Credit risk

The Company buys components and finished products from its suppliers on its own account and resells them to its customers. The Company extends credit to some of its customers at terms ranging from 21 to 90 days or, in a few cases, to 120 days. The Company's payment obligations towards its suppliers under such agreements are separate and distinct from its customers' obligations to pay for their purchases, except in limited cases where the Company's arrangements with its suppliers require the Company to resell to certain resellers or distributors. Thus, the Company is liable to pay its suppliers regardless of whether its customers pay for their respective purchases. As the Company's profit margin is relatively low compared to the total price of the products sold, in the event where the Company is not able to recover payments from its customers, it is exposed to financial liquidity risk. The Company has in place credit insurance which covers such an eventuality for approximately 70% of its revenue.

Despite all efforts to secure our revenues, certain countries remained uninsured (Ukraine and Belarus) therefore is very important for us to ensure that we find other sources of securities which help us minimize our credit risk. The Group Directors have decided to enhance risk management procedures. These do not guarantee that all issues will be avoided, however, these have granted the Company with confidence that is in a position to weather any possible major credit issue that may arise.

Worldwide financial environment

The world's financial crisis has eased throughout the last few years. Following partial recovery, the Company has undertaken certain efforts to benefit from this recovery both in revenues and profitability. The revised strategy and adaptation to the new environment, i.e., by rebuilding our product portfolio, has paid off in terms of increased market share and sales. However, there are many uncertainties about the world economy following turmoil in different countries, the volatility of currencies and fragility of demand in many markets. Additionally, from time to time, unpredictable situations may happen in selected markets. A recent example is the trade war between the USA and China. We believe that the Company is much more flexible and better prepared to weather any obstacles that may arise due to the worldwide financial environment.

Seasonality

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

Development of own brand business

The Company's strategy is to focus more on profitability than on revenues, thus we continue to develop the own brand business that allows for higher gross profit margins. This includes the development of smartphones, tablets and other product lines that are sold under Prestigio and Canyon brands in all regions of the Company's operations. The Company has also invested in two new brands - Perenio, which contains the sales of smart home and smart security sensors and other products and Atlantech - solutions for data centre, embedded computing, servers and data storage.

In order to keep quality under control and get the maximum possible gross profit margins, the Company's Directors have decided to go under a back-to-back scheme. This implies that orders are placed with ODMs, only if they are in advance confirmed by customers.

The Company is undertaking a number of quality control measures to mitigate this risk but given the volumes and a large number of factories used to produce these products, these controls might not be sufficient. Moreover, competition has already been intensified and the Company may not be able to sustain its profitability levels.

Despite the Company's efforts, there can be no assurance of a similar development pace in the own brand business in future periods.

This is because there may be a significant change in market trends, customer preferences or technology changes that may affect the development of own-brand business and therefore, its results.

Warranty claims from own brand products

The own-brand business requires us to put extra efforts to avoid any problems with the quality of devices. Despite all our efforts, we have noticed significant returns on specific models produced in the recent past, though this situation has much improved in 2018.

This risk has negatively affected our results in the past when certain ODMs have not honored their contractual obligations on products with epidemic failure. The Group is undertaking all possible steps towards ensuring proper compensation for past expenses.

In the same time, in an effort to avoid such problems in the future, a much more scrutinized selection of suppliers is currently in place, which, however, does not guarantee elimination of the risk of warranty losses.

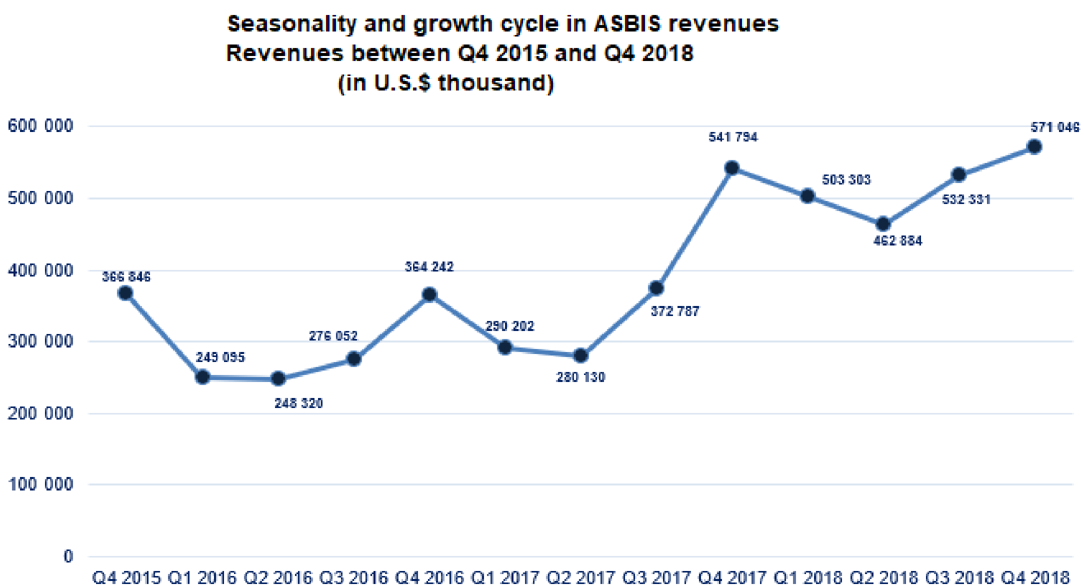
The high cost of debt

The distribution business entails a higher need for cash available to support growth. The Group has managed to raise cash from various financial institutions, however, in certain cases, the cost of this financing is quite high. The Company has already negotiated improved terms with some of its supply-chain financiers and is currently undertaking certain extra steps to further lower cost of financing. However, the sanctions imposed to Russia and tensions related to the Ukrainian crisis have resulted in significantly increased cost of financial facilities in these countries and this may limit our efforts to further decrease our average cost of debt. In 2018 we have experienced a stable cost of financing in the F.S.U. and this is reflected in our overall financial cost.

Financial position and results of operations / in U.S.$ thousand/

Year ended December 31, 2018 compared to year ended December 31, 2017

Revenues: Revenues in 2018 increased by 39% to U.S. $ 2,069,563 from U.S. $ 1,484,912 in 2017.



The table below sets forth a breakdown of revenues, by product, for the years ended 31 December 2018 and 2017:

	2018		2017	
	U.S. $ thousand	% of total revenues	U.S. $ thousand	% of total revenues
Smartphones	799,059	38.61%	421,155	28.36%
Central processing units (CPUs)	231,308	11.18%	192,814	12.98%
PC-mobile (laptops)	148,910	7.20%	106,661	7.18%
Accessories & multimedia	142,872	6.90%	79,800	5.37%
Hard disk drives (HDDs)	132,398	6.40%	125,487	8.45%
SSDs	84,018	4.06%	69,681	4.69%
Servers and server blocks	80,967	3.91%	68,595	4.62%
Tablets	75,841	3.66%	61,186	4.12%
Memory modules (RAM)	54,964	2.66%	49,214	3.31%
Networking products	50,660	2.45%	46,537	3.13%
Other	268,566	12.98%	263,782	17.76%
Total revenue	**2,069,564**	**100%**	**1,484,913**	**100%**

ASBIS remains the distributor of the first choice for many worldwide suppliers. In 2018 the Company continued its strategy to broaden its product portfolio and invest in brands which have been on top of the technological trends. All changes in our product portfolio have to comply with our main focus, which is the increase in margins and profitability.

For FY 2018 sales growth has mainly arisen from product lines such as smartphones, accessories & multimedia, PC desktop and laptops.

Sales of CPUs increased by 20% in the 12M 2018. Sales of HDDs increased by 6% in the 12M 2018. Revenues from software sales increased by 0.4% in the 12M 2018. Sales of laptops increased by 40% in the 12M 2018. Sales of SSDs increased by 21% in 12M 2018.

Sales of smartphones, which is a key contributor towards sales growth, increased by 90% in 12M 2018.

PC desktop sales increased by 59% in the 12M 2018. The tablets segment recorded an increase of 24% in 12M 2018.

Among other product lines, the Company recorded a positive trend in the 12M 2018 on the sale of accessories and multimedia (+79%) and flash memory (+ 5%).

Revenues from own brand business were stable year-on-year as a result of our strategy to keep this segment under better operative and financial control, focusing on back-to-back deals.
The Company's intention is to continue developing its own brand sales to the extent they bring targeted gross margin and deliver healthy cash flow. In 2019 we do expect double-digit sales growth for own brands.

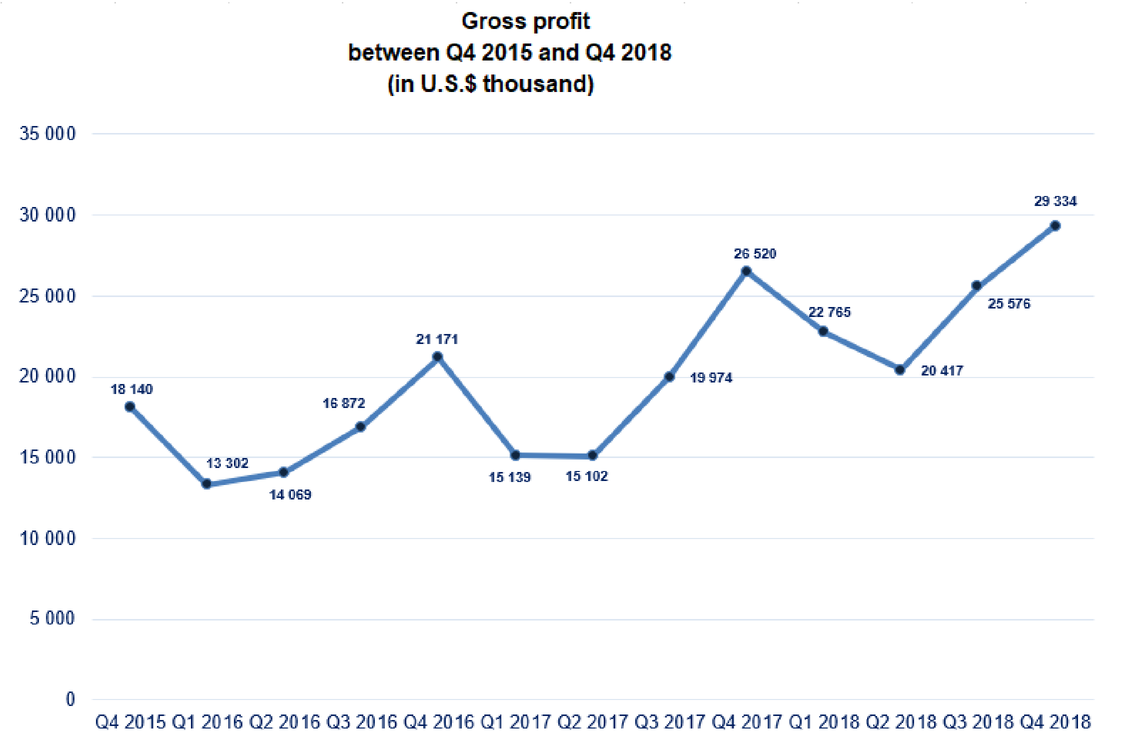
The table below presents a geographical breakdown of sales for the years ended 31 December 2018 and 2017:

	2018		2017	
	U.S. $ thousand	% of total revenues	U.S. $ thousand	% of total revenues
Former Soviet Union	1,085,559	52.45%	719,388	48.45%
Central and Eastern Europe	575,107	27.79%	496,007	33.40%
Middle East and Africa	202,664	9.79%	162,610	10.95%
Western Europe	163,672	7.91%	93,666	6.31%
Other	42,561	2.06%	13,241	0.89%
Total	**2,069,564**	**100%**	**1,484,913**	**100%**

The table below presents a country-by-country breakdown of sales for our most important markets for the years ended 31 December 2018 and 2017:

	2018			2017		
	Country	Sales in U.S. $ thousands	% of total revenues	Country	Sales in U.S. $ thousands	% of total revenues
1.	Russia	369,040	17.83%	Russia	241,724	16.28%
2.	Ukraine	297,944	14.40%	Ukraine	211,666	14.25%
3.	Kazakhstan	198,803	9.61%	Slovakia	170,921	11.51%
4.	Slovakia	191,667	9.26%	Kazakhstan	147,500	9.93%
5.	United Arab Emirates	152,663	7.38%	United Arab Emirates	113,269	7.63%
6.	Belarus	119,377	5.77%	Czech Republic	81,889	5.51%
7.	Czech Republic	83,520	4.04%	Belarus	79,748	5.37%
8.	The Netherlands	72,718	3.51%	Romania	70,177	4.73%
9.	Romania	71,220	3.44%	The Netherlands	44,144	2.97%
10.	Hungary	35,104	1.70%	Bulgaria	30,499	2.05%
11.	Other	477,507	23.07%	Other	293,378	19.76%
	TOTAL	**2,069,564**	**100%**	**TOTAL**	**1,484,913**	**100%**

Gross Profit: Gross profit in 2018 increased by 28% to U.S. $ 98,093 from U.S. $ 76,736 in 2017.



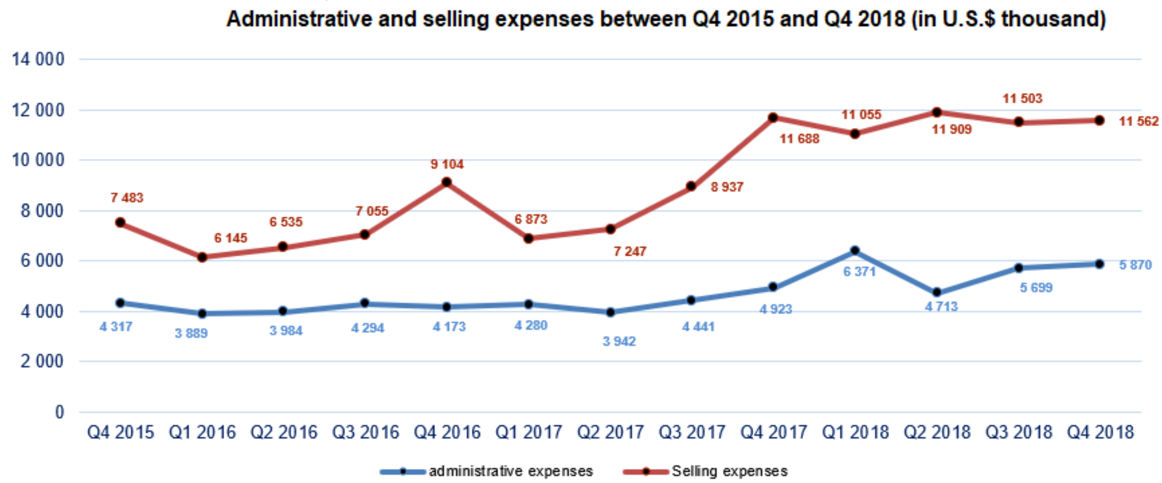
Gross profit margin (gross profit as a percentage of revenues): Gross profit margin in 2018 decreased to 4.74% from 5.17% in 2017. This was a cost we had to pay to gain more market share.

Selling Expenses: largely comprise of salaries and benefits paid to sales employees (sales, marketing and logistics departments), marketing and advertising fees, commissions, and travelling expenses. Selling expenses usually grow together (but not in-line) with growing sales and, most importantly, gross profit.

Selling expenses in 2018 increased by 32% to U.S. $ 46,030 from U.S. $ 34,745 in 2017 as a result of higher sales and gross profit.

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

Administrative expenses in 2018 have increased by 29% to U.S. $ 22,653 from U.S. $ 17,585 in 2017.



***EBITDA**:* EBITDA in 2018 was positive and amounted to U.S. $ 31,978 in comparison to U.S. $ 26,642 in 2017.

Profit After Taxation: As a result of strong growth in revenues and gross profit and controlled expenses, in 2018 the Company posted a net profit after tax of U.S. $ 12,037 in comparison to U.S. $ 6,909 in 2017. This is a significant 74,2% improvement year-on-year.

Liquidity and Capital Resources

The Company has in the past funded its liquidity requirements, including ongoing operating expenses and capital expenditures and investments, for the most part, through operating cash flows, debt financing and equity financing. Cash flow for 2018 was strong despite the strong growth in revenues, increased working capital utilization and dividend and interim dividend payout. Nevertheless, the management team has managed to turn the full year cash from operations positive.

The following table presents a summary of cash flows for the twelve months ended December 31st, 2018 and 2017 (in U.S. $ thousand):

	Twelve months ended December 31st	
	2018	**2017**
Net cash outflows from operating activities	(11,426)	42,111
Net cash outflows from investing activities	(3,132)	(2,163)
Net cash inflows from financing activities	26,734	(554)
Net increase in cash and cash equivalents	12,176	39,394

Net cash inflows from operations

Net cash outflows from operations amounted to U.S. $ (11,426) in 2018, compared to inflows of U.S. $ 42,111 in the corresponding period of 2017.

Net cash outflows from investing activities

Net cash outflows from investing activities were U.S. $ 3,132 in 2018, compared to U.S. $ 2,163 in 2017.

Net cash inflows from financing activities

Net cash inflows from financing activities were U.S. $ 26,734 in 2018, compared to outflows of U.S. $ 554 in 2017.

Net increase in cash and cash equivalents

Because of increased working capital efficiency, increased revenues and dividend and interim dividend payments, in 2018 cash and cash equivalents have increased by U.S. $ 12,176 compared to an increase of U.S. $ 39,394 in 2017.

Capital Resources

The Company's management believe that we have enough resources to finance operations, as described in the audited financial statements attached to this annual report, going forward.

As at 31 December 2018, we had a total short-term and long-term debt (excluding amounts due to factoring creditors) of U.S. $ 69,404 (including U.S. $ 87 of current maturities due within one year from 31st, December 2018), compared to U.S. $ 70,821 (including U.S. $ 70,652 of current maturities, as at 31 December 2017).

The table below presents our principal debt facilities as at 31 December 2018:

ENTITY	***Financial institution***	***Type of facilities***	***Credit limit***	***Currency***	***Rate***	***US$ Equivalent***	***Valid from***	***Valid till***
Asbisc Enterprises Plc	Cyprus Development Bank	Overdraft	2 500 000	Euro	0,87	$ 2 859 757	23.Sep.10	30.Jan.19
Asbisc Enterprises Plc	Cyprus Development Bank	L/C-Bank Guarantees	3 933 000	USD	1,00	$ 3 933 000	23.Sep.10	30.Jan.19
Asbisc Enterprises Plc	Cyprus Development Bank	Overdraft	3 100 000	USD	1,00	$ 3 100 000	23.Sep.10	30.Jan.19
Asbisc Enterprises Plc	Cyprus Development Bank	Loan	51 884	Euro	0,87	$ 59 350	23.Sep.10	31.Mar.19
Asbisc Enterprises Plc	Barclays Bank Plc	Bank Guarantees	10 000 000	USD	1,00	$ 10 000 000	23.Dec.15	22.Dec.19
Asbisc Enterprises Plc	Bank of Cyprus	Overdraft-Multicurrency	10 971 951	USD	1,00	$ 10 971 951	14.Apr.10	non term
Asbisc Enterprises Plc	Bank of Cyprus	L/C-Bank Guarantees	250 000	Euro	0,87	$ 285 976	14.Apr.10	non term
Asbisc Enterprises Plc	Bank of Cyprus	SBLC	22 000 000	USD	1,00	$ 22 000 000	10.Sep.18	10-Sep-19
Asbisc Enterprises Plc	Bank of Cyprus Factors	Factoring	9 000 000	USD	1,00	$ 9 000 000	1.Jan.15	non term
Asbisc Enterprises Plc	Raiffeisen Bank International	Overdraft	2 000 000	USD	1,00	$ 2 000 000	21.Sep.17	non term
Asbisc Enterprises Plc	Societe Generale Cyprus	SBLC	3 000 000	USD	1,00	$ 3 000 000	30.Sep.18	30.Sep.19

Asbisc Enterprises Plc	Societe Generale Cyprus	Overdraft	2 000 000	USD	1,00	$ 2 000 000	31.May.18	non term
Asbisc Enterprises Plc	National Bank of Greece - Cyprus	Overdraft	3 500 000	USD	1,00	$ 3 500 000	7.Mar.18	non term
ASBIS Kypros Ltd	Bank of Cyprus	Factoring	800 000	Euro	0,87	$ 915 122	18-Jul-12	non term
ASBIS Kypros Ltd	Bank of Cyprus	Overdraft	500 000	Euro	0,87	$ 571 951	20-Aug-08	non term
ASBIS Kypros Ltd	Ancoria Bank	Overdraft	100 000	Euro	0,87	$ 114 390	16-Jan-18	15-Jan-19
Prestigio Plaza	Bank of Cyprus	Overdraft	50 000	Euro	0,87	$ 57 195	30-Jul-16	non term
Asbis CZ, spol s.r.o	CSOB bank	Revolving	80 000 000	CZK	21,97	$ 3 641 826	14.sty.16	non term
Asbis CZ, spol s.r.o	CSOB bank	Overdraft	15 000 000	CZK	21,97	$ 682 842	14.sty.16	non term
Asbis CZ, spol s.r.o	ČSOB Factoring	Factoring	120 000 000	CZK	21,97	$ 5 462 740	07.sty.16	non term
Asbis Poland	BOŚ Bank S.A.	Overdraft	3 200 000	PLN	3,76	$ 851 132	13.lis.15	12-Feb-19
Asbis Poland	Credit Agricole Bank Polska S.A.	SBLC Line	1 000 000	USD	1,00	$ 1 000 000	11.maj.16	10-May-19
Asbis Romania SRL	ALPHA BANK	Overdraft	17 000 000	RON	4,07	$ 4 173 213	15-Nov-18	15-Jul-19
Asbis Romania SRL	BRD-GSG	Factoring	1 000 000	RON	4,07	$ 245 483	1-Oct-16	non term
Asbis Romania SRL	BRD-GSG	Factoring	2 000 000	RON	4,07	$ 490 966	1-Nov-16	non term
Asbis Romania SRL	BRD-GSG	Factoring	4 700 000	RON	4,07	$ 1 153 771	13-Dec-17	non term
Asbis Romania SRL	CITI	Factoring	10 000 000	RON	4,07	$ 2 454 831	30-Oct-17	non term
Asbis SK spol s.r.o	Tatrabanka a.s.	Overdraft	20 000 000	Euro	0,87	$ 22 878 060	1-Nov-17	31-Oct-19
Asbis SK spol s.r.o	CSOB Leasing	Financial Leasing	19 895	Euro	0,87	$ 22 757		
Asbis SK spol s.r.o	Tatrabanka a.s.	Factoring	8 000 000	Euro	0,87	$ 9 151 224	13-Nov-15	31-Oct-19
Asbis SK spol s.r.o	Všeobecná úverová banka a.s.	Overdraft - committed line	25 000 000	Euro	0,87	$ 28 597 575	18-Jul-18	31-Aug-19
ASBIS Cr d.o.o	Erste&Steiermarkische bank d.d.	Short term Loan	15 000 000	HRK	6,47	$ 2 318 682	24-Aug-18	24-Aug-19
ASBIS Cr d.o.o	Erste&Steiermarkische bank d.d.	Short term Loan	3 375 000	HRK	6,47	$ 521 703	24-Aug-18	30-Sep-19
ASBIS Cr d.o.o	Societe Generale-Splitska Banka D.D	bank guarantee	300 000	HRK	6,47	$ 46 374	5-Jul-18	5-Jul-19
Asbis D.o.o Beograd	Eurobank	Short term Loan	2 000 000	RSD	103,4	$ 116 066	21.Mar.18	21.Mar.19
Asbis D.o.o Beograd	Eurobank	Revovling Credit	37 000 000	RSD	103,4	$ 357 871	21.Mar.18	21-Mar-19
Asbis D.o.o Beograd	Eurobank	Customs Guarantee	15 000 000	RSD	103,4	$ 145 083	28-Feb-18	28-Feb-19
Asbis D.o.o Beograd	Addiko Bank (former Hypo Alpe Adria)	Revovling Credit	37 000 000	RSD	103,4	$ 357 871	18-Apr-18	18-Apr-19
Asbis D.o.o Beograd	Addiko Bank (former Hypo Alpe Adria)	Overdraft	10 000 000	RSD	103,4	$ 96 722	18-Apr-18	18-Apr-19
Asbis D.o.o Beograd	Addiko Bank (former Hypo Alpe Adria)	Long Term Loan	18 000 000	RSD	103,4	$ 174 099	20-Apr-17	20-Apr-19
Asbis D.o.o Beograd	Addiko Bank (former Hypo Alpe Adria)	Bank Guarantees line	17 729 190	RSD	103,4	$ 171 480	20-Apr-17	20-Apr-19
Asbis Hungary Ltd	Erste Bank	Short term Loan	600 000 000	HUF	280,94	$ 2 135 687	27-Apr-18	27-Apr-19

Asbis Siovenia d.o.o	Addiko bank d.d.	Short term Loan	300 000	Euro	0,87	$ 343 171	1-Dec-18	30-Nov-19
Asbis Siovenia d.o.o	Addiko bank d.d.	Long Term Loan	130 000	Euro	0,87	$ 148 707	8-Dec-16	7-Dec-19
Asbis Bulgaria Ltd	Unicredit Bulbank Plc	Revolving loan	4 420 000	BGN	1,67	$ 2 641 929	30-Jun-16	30-Jun-19
Asbis Bulgaria Ltd	Unicredit Factoring EAD	Factoring line	1 000 000	BGN	1,67	$ 597 721	31-Dec-16	30-Jun-19
Asbis Bulgaria Ltd	Citibank N.A. - Sofia Branch	Factoring line	1 000 000	BGN	1,67	$ 597 721	13-Sep-13	non term
Asbis Bulgaria Ltd	DSK Factoring	Factoring line	500 000	BGN	1,67	$ 298 861	19-Apr-18	19-Apr-19
Asbis Middle East FZE	National Bank of Fujairah	Trust Receipt Loan	15 500 000	Dirham	3,68	$ 4 217 687	26.Dec.06	till date
Asbis Middle East FZE	National Bank of Fujairah	Factoring / Discounting	10 000 000	Dirham	3,68	$ 2 721 088	26.Dec.06	till date
Asbis Middle East FZE	National Bank of Fujairah	Short term Loan (via invoice discounting)	3 000 000	Dirham	3,68	$ 816 327	8.Feb.18	till date
OOO Asbis-Moscow	Sberbank	Overdraft	250 000 000	Rur	69,47	$ 3 598 645	4-May-18	29-Apr-19
OOO Asbis-Moscow	Sberbank	Short term Loan	200 000 000	Rur	69,47	$ 2 878 916	10-Apr-17	9-Apr-19
OOO Asbis-Moscow	Sberbank	Short term Loan	150 000 000	Rur	69,47	$ 2 159 187	24-May-17	23-May-19
OOO Asbis-Moscow	Sberbank	Short term Loan	200 000 000	Rur	69,47	$ 2 878 916	26-Jun-18	26-Dec-19
OOO Asbis-Moscow	Sberbank	Factoring	778 000 000	Rur	69,47	$ 11 198 982	30-May-16	till date
OOO Asbis-Moscow	Alfa Bank	Factoring	50 000 000	Rur	69,47	$ 719 729	23-Aug-16	till date
OOO Asbis-Moscow	Absolut Bank	Factoring	147 700 000	Rur	69,47	$ 2 126 079	2-Sep-15	till date
OOO Asbis-Moscow	Zenit	Factoring	1 350 000 000	Rur	69,47	$ 19 432 681	25-Sep-18	uncertain term
OOO Asbis-Moscow	NFK	Factoring	115 221 454	Rur	69,47	$ 1 658 564	10-May-17	till date
OOO Asbis-Moscow	OTP	Factoring	160 000 000	Rur	69,47	$ 2 303 133	29-Jun-18	till date
ASBIS Bosnia	SBERBANK BH d.d.	Overdraft	350 000	KM	1,71	$ 204 972	6-Sep-18	2-Feb-22
ASBIS Bosnia	SBERBANK BH d.d.	Revolving	1 150 000	KM	1,71	$ 673 479	6-Sep-18	2-Feb-22
ASBIS Bosnia	SBERBANK BH d.d.	Bank guarantees	500 000	KM	1,71	$ 292 817	6-Sep-18	2-Feb-22
ASBIS Bosnia	Raiffeisen Bank d.d.	Revolving	700 000	KM	1,71	$ 409 944	30-Jun-17	30-Jun-19
ASBIS Bosnia	Raiffeisen Bank d.d.	Overdraft	300 000	KM	1,71	$ 175 690	30-Jun-17	30-Jun-19
ASBIS Bosnia	Raiffeisen Bank d.d.	Bank guarantees	600 000	KM	1,71	$ 351 380	30-Jun-17	30-Jun-19
ASBIS Bosnia	Vakufska Banka d.d.	Overdraft	300 000	KM	1,71	$ 175 690	3-May-17	3-May-19
ASBIS Bosnia	Vakufska Banka d.d.	Revolving	200 000	KM	1,71	$ 117 127	3-May-17	3-May-19
Asbis Latvia	OP BANK	Factoring	550 000	EUR	0,87	$ 629 147	28-Aug-17	till date
Asbis Latvia	OP BANK	Overdraft	1 000 000	EUR	0,87	$ 1 143 903	15.Aug.18	15.Aug.19
Zao Asbis (Asbis Belarus)	Bank Moscow-Minsk	Short Term Loan	4 500 000	USD	1,00	$ 4 500 000	29-Mar-16	28-Mar-19
Zao Asbis (Asbis Belarus)	Bank Moscow-Minsk	Overdraft	2 700 000	BYN	2,16	$ 1 250 116	22-Apr-15	21-Apr-19

Zao Asbis (Asbis Belarus)	Bank Moscow-Minsk	Short Term Loan	1 500 000	USD	1,00	$ 1 500 000	10-May-18	10-Mar-19
Zao Asbis (Asbis Belarus)	Bank Moscow-Minsk	Factoring	2 500 000	BYN	2,16	$ 1 157 515	25-Jul-18	24-Jul-20
Zao Asbis (Asbis Belarus)	Bank BelVEB	Short Term Loan	4 000 000	BYN	2,16	$ 1 852 023	25-May-17	30-Jul-21
Zao Asbis (Asbis Belarus)	Priorbank (RBI Group)	Factoring	2 250 000	BYN	2,16	$ 1 041 763	9-Dec-16	25-Oct-19
ASBC (707)	Bank "BelVEB"	Short Term Loan	495 000	BYN	2,16	$ 229 188	26-May-17	24-May-19
ASBIS Kazakhstan	Alfabank	Short Term Loan	600 000 000	KZT	384,20	$ 1 561 687	8-Aug-14	8-Aug-21
ASBIS Kazakhstan	Alfabank	Factoring	11 900 000 000	KZT	384,20	$ 30 973 451	4-May-14	4-May-21
ASBIS Ukraine	OTP Bank	Short Term Loans	50 000 000	UAH	27,69	$ 1 805 819	14-Nov-14	21-Jul-21
ASBIS Ukraine	First Ukrainian International bank	Factoring	161 000 000	UAH	27,69	$ 5 814 738	2-Aug-17	27-Oct-19
ASBIS Ukraine	OTP Bank	Factoring facility	200 000 000	UAH	27,69	$ 7 223 277	21-Jul-17	19-Jul-19
ASBIS Ukraine	OTP Bank	Overdraft facility	18 000 000	UAH	27,69	$ 650 095	21-Jul-17	20-Jul-19
Asbis Ukraine	Credit Agricole	Short Term Loans	75 000 000	UAH	27,69	$ 2 708 729	12-Jun-18	30-Apr-19
Prestigio Europe	ČSOB bank	overdraft	2 000 000	CZK	21,97	$ 91 046	1.Sep.14	non term

Capital Expenditure

Our total capital expenditure for tangible and intangible assets amounted to U.S. $ 3,014 for the year ended 31 December 2018, compared to U.S. $ 2,332 for the year ended 31 December 2017.

Commitments and contingencies

Commitments and contingencies are presented in the 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 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 believe 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.

Financial forecast for the year 2019

The 2018 results have shown strong growth in revenues and net profit. The Board of Directors believes 2019 will prove to be as good for the Company as the previous year. Thus, on March 27th, 2019 the Company announced its official financial forecast for 2019.

The Company forecasts that for 2019 will reach the following:
- Sales revenue at the level between USD 1.7 billion and USD 1.9 billion,
- Net profit after tax at the level between USD 8.5 million and USD 10.0 million

Forecasted values result from the Company's strategy including - but not limited to - more focus on sales in the FSU and CEE regions, increase in third-party brands' distribution and continuation of stable back-to-back own brands business.

The significant assumptions made on the forecasted results are the following:
- The situation in our major markets of Russia, Ukraine, Kazakhstan, Belarus and Slovakia will not deteriorate, as compared to 2018
- There will not be any major devaluations of the currencies of Russia, Belarus, Kazakhstan and Ukraine, and therefore it will not negatively affect demand on those markets
- There would be no significant disturbance in the general economic environment in other markets where the Company operates
- Competition in all major segments will remain similar to that of 2018, with no new significant market entrants
- The Group will continue enjoying favorable terms from its key suppliers
- Smartphones segment will not deteriorate more than 10% in the markets we operate.

ITEM 4. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Board of Directors

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

The following table sets out our current Directors:

Name	Year of Birth	Position	Appointed to the Board	Expiry of term	Nationality
Siarhei Kostevitch	1964	Chairman, Chief Executive Officer	30 August 1999	8 May 2020	Cypriot
Marios Christou	1968	Chief Financial Officer	28 December 2001	8 May 2020	Cypriot
Constantinos Tziamalis	1975	Director of Risk & Investor Relations	23 April 2007	14 June 2020	Cypriot
Yuri Ulasovich	1962	Director, COO	29 September 2015	8 May 2020	Cypriot
Demos Demou	1969	Non-Executive Director	7 August 2015	14 June 2020	Cypriot

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

Siarhei Kostevitch, born in 1964, holds a Master's 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 worldwide specialist magazines. In 1990, Siarhei established a design and manufacturing business in Minsk, Belarus, and within 15 years has built it into the leading computer component distributor in Eastern Europe and the Former Soviet Union. Siarhei is the Chairman and the CEO of the Group.

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

Constantinos Tziamalis, born in 1975, holds a B.Sc. in Banking and Financial Services (1998) and a Masters (M.Sc.) in Finance (1999) from the University of Leicester. Constantinos Tziamalis worked at the private banking department of BNP Paribas in Cyprus and then joined a brokerage house, Proteas Asset Management Limited, for 3 years as Investor Accounts Manager. Constantinos joined the Company in January 2002 as Financial Project Manager. He was promoted to his current position as Corporate Credit Controller & Investor Relations in March 2003 and became Director of Risk and Investor Relations as of 23 April 2007. In January 2010 Constantinos has been also appointed as head of the FX Risk Management team.

Yury Ulasovich, born in 1962, joined the Group in 1995. He received a Master's degree from Novosibirsk High Military School (1983) and a Master's degree (with Honors) in Philosophy and Economics from the Moscow Academy of Armed Forces (1992), a postgraduate degree from the Institute for Higher Education of Belarus (Economic Theory and Industrial Economics) in 1995. Mr Ulasovich joined the Company in 1995 as a Regional Sales Director and was promoted to the position of Vice President - Product Marketing in 2004. He became Chief Operating Officer from August 2015.

Demos Demou, born in 1969, joined the Group in 2015. His career includes a number of managerial positions, mainly in the Shipping and Banking Industry. Currently, he is the managing director of Fidelius Management Services Ltd. In the past, he was working for a number of companies including the Limassol Cooperative Savings Bank Ltd where he held the position of the Financial Manager for 5 years, V.Ships Ltd, Comarine Ltd, Oesterreichischer Lloyd Ship Management (Cyprus) Ltd, Acomarit (Cyprus) Ltd, Blasco Ship Management (Cyprus) Ltd, Unicom Management Services Ltd and Nikos Karantokis Holdings. He is a member of the Institute of Certified Public Accountants of Cyprus since 1995, a fellow member of the Association of Chartered Certified Accountants of the United Kingdom, a member of the Society of Trust and Estate Practitioners and a graduate of the International Management Development Institute / University of Pittsburgh. Demos is the Company's Non-Executive Director.

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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 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 profit meets certain pre-set budgetary figures. All such bonus amounts are included in the remuneration tables set forth below.

The following table presents the remuneration (including bonuses) of Directors for the years ended 31 December 2018 and 2017, respectively (U.S.$):

Name			**2018 Total**			**2017 Total**
	Salary	Other benefits		Salary	Other benefits	
Siarhei Kostevitch	434	-	434	185	-	185
Marios Christou	97	-	97	63	-	63
Constantinos Tziamalis	97	-	97	61	-	60
Yuri Ulasovich	138	-	138	125	-	125
Demos Demou	1	-	1	1	-	1
Chris Pavlou *	1	-	1	1	-	1
TOTAL	**768**	**-**	**768**	**436**	**-**	**436**

* On 26th of March 2019, Chris Pavlou – Non-Executive Director has resigned from his position.

Information about non-financial remuneration components due to each board member and key manager

Executive members of the Board of Directors are entitled to a car and medical insurance.

Significant amendments of the remuneration policy in the last financial year or information about their absence;

During 2018 there were no significant changes in remuneration policy.

Assessment of the implementation of the remuneration policy

The Board of Directors positively evaluates the functioning of the remuneration policy from the point of view of achieving its objectives, in particular, the long-term shareholder value growth and the stability of the Company's operations.

Shares ownership

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

Name	Number of Shares	% of the share capital
Siarhei Kostevitch (directly and indirectly)	20,443,127	36.83%
Constantinos Tziamalis	555,000	1.00%
Marios Christou	463,061	0.83%
Yuri Ulasovich	210,000	0.38%
Demos Demou	0	0%

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

To the best of the Company's knowledge, the members of the Board of Directors do not have any rights to the Company's shares.

During 2018 there were no changes in the number of shares possessed by the Directors.

Committees

The Audit Committee of the Company, during 2018 and till 26th of March 2019, was comprising by Chris Pavlou (on 26th of March 2019, Chris Pavlou - non-executive Director has resigned from his position) and Demos Demou (both non-executive Directors) and Marios Christou (as attending member) is chaired by Demos Demou. The Audit Committee meets at least twice a year. The Audit Committee is responsible for ensuring that the Group's financial performance is properly monitored, controlled and reported. It also meets the auditors and reviews reports from the auditors relating to accounts and internal control systems. The Audit Committee meets at least once a year with the auditors.

The Remuneration Committee of the Company, during 2018 and till 26th of March 2019, was comprising by Chris Pavlou (on 26th of March 2019, Chris Pavlou - non-executive Director has resigned from his position) and Demos Demou (both nonexecutive Directors) and Siarhei Kostevitch (as attending member) was chaired by Chris Pavlou. It sets and reviews the scale and structure of the executive Directors' remuneration packages, including share options and terms of their service contracts. The remuneration and the terms and conditions of the nonexecutive Directors are determined by the Directors with due regard to the interests of the Shareholders and the performance of the Group. The Remuneration Committee also makes recommendations to the Board concerning the allocation of share options to employees.

Changes in main management rules

In 2018, there has been an increase in the packages of certain executive directors.

List of all agreements signed with directors that gives the right to compensation in a case the person resigns or is fired

There were no changes in the service agreements of any of the directors.

Information about ownership of shares of any related parties - owned by the Directors

None of our Directors holds shares of any of our subsidiary companies, other than disclosed.

Employees

During 2018 we employed an average number of 1,401 employees, of whom 123 were employed by the Company and the remainder in the rest of the Company's offices worldwide. The split of employees by area of activity as at 31 December 2018 and 2017 is as follows:

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

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*	20,443,127	36,83%	20,443,127	36,83%
ASBISc Enterprises Plc (buy-back program)	16,389	0,03%	16,389	0,03%
Free-float	35,040,484	63,14%	35,040,484	63,14%
TOTAL	**55,500,000**	**100%**	**55,500,000**	**100%**

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

In 2018 the Company has received the following information about changes in its shareholders' structure:

1) On April 23rd, 2018, the BOD has received from Nationale-Nederlanden Otwarty Fundusz Emerytalny (Fund) notification that total share of this Fund descended below the threshold of 5% of total number of votes at the Company's General Meeting of Shareholders. According to the notification, before the abovementioned change of share, the Fund had 2,792,890 Company's shares that were equal to 5.03% in the Company's share capital and had 2,792,890 votes from

these shares that were equal to 5.03% of a total number of votes. According to the notification, as of April 19th, 2018, the Fund held 2,692,890 Company's shares, equal to 4.85% in the Company's share capital and had 2,692,890 votes from these shares, equal to 4.85% of a total number of votes.

2) On May 15th, 2018 the Company has received from NOBLE Funds Towarzystwo Funduszy Inwestycyjnych S.A. acting on behalf of managed investment funds - Noble Funds Otwarty Fundusz Inwestycyjny Otwarty (UCITS), Open Finance Fundusz Inwestycyjny Otwarty (UCITS), Noble Funds Specjalistyczny Fundusz Inwestycyjny Otwarty (AIF) and Noble Fund Opportunity FIZ (AIF) ("Funds") notification that total share of these Funds moved above the threshold of 5% of the total voting rights of the Company. According to the notification, the increase above the 5% threshold in the Company followed transactions conducted in the regulated market on May 14th, 2018. According to the notification, before the abovementioned change of share, the Funds had 2,756,299 Company's shares that were equal to 4,97% in the Company's share capital and had 2,756,299 votes from these shares, that were equal to 4,97% of a total number of votes. According to the notification, as of May 15th, 2018, the Funds held 2,866,299 of the Company's shares, equal to 5,16% in the Company's share capital and had 2,866,299 votes from these shares, equal to 5,16% of a total number of votes.

3) On September 24th, 2018 the Company has received from NOBLE Funds Towarzystwo Funduszy Inwestycyjnych S.A. acting on behalf of managed investment funds - Noble Funds Otwarty Fundusz Inwestycyjny Otwarty (UCITS), Open Finance Fundusz Inwestycyjny Otwarty (UCITS), Noble Funds Specjalistyczny Fundusz Inwestycyjny Otwarty (AIF) and Noble Fund Opportunity FIZ (AIF) ("Funds") notification that the total share of these Funds jointly fell below the threshold of 5% of the total voting rights of the Company. According to the notification, the decrease below the 5% threshold in the Company followed transactions conducted on the Warsaw Stock Exchange on September 21st, 2018. According to the notification, before the abovementioned change of share, the Funds had 2,814,736 Company's shares that were equal to 5,07% in the Company's share capital and had 2,814,736 votes from these shares, that were equal to 5,07% of the total number of votes. According to the notification, as of September 24th, 2018, the Funds held 2,769,303 of the Company's shares, equal to 4,99% in the Company's share capital and had 2,769,303 votes from these shares, equal to 4,99% of the total number of votes.

Related Party Transactions

During the year ended 31 December 2018, the Company did not have any materially related party transactions other than typical or routine transactions. For the ordinary course of business transactions, please refer to the notes on the audited financial statement attached on this annual report.

In the year 2018, a number of transactions have 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 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 significant proceedings pending against us or any of the members of our Group.

Information on loans granted to any other party

During the year ended 31st December 2018, we have not granted any loan to any other party other than our subsidiaries which are disclosed in another part of this report (audited financial statements).

Information on granted guarantees

We grant certain guarantees to some of our vendors and to certain customs authorities. All our guarantees are reported in the financial statements section of this annual report.
The total corporate guarantees the Company has issued, as at December 31st, 2018 to support its subsidiaries' local financing, amounted to U.S.$ 191,300,000. The total bank guarantees and letters of credit raised by the Group (mainly to Group suppliers) as at December 31st, 2018 was U.S.$ 41,226,000 – as per note number 17 to the financial statements.

Evaluation of financial resources management (including the ability to pay back commitments) and information about actions undertaken to avoid risks

This has been discussed in note 32 of our financial statements to this annual report under the headline Financial Risk management.

Evaluation of the possibility of realization of investment intentions

The Company has completed almost all of its current investments in prior years and in 2019 intends to mainly grow organically, therefore there is low risk connected with the realization of current investment intentions.

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

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

a) note 13 - Trade receivables - Ageing analysis of receivables
b) note 32 – Financial risk management – point 1.3. Liquidity risk

Information about the structure of main deposits and capital investments in 2018

There were no deposits other than those disclosed as pledged deposits in the financial statements to this annual report.

There were no other capital investments than the ones disclosed in note 9 of the financial statements included in this annual report.

Information about relevant off-balance sheet positions as at December 31st, 2018

There were no relevant off-balance sheet positions as at December 31st, 2018 other than Bank Guarantees disclosed in note 23 of the audited financial statements.

DIVIDEND POLICY

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

The Board taking into consideration the strong growth in 2017 and continuation of this trend in 2018, decided to propose to the AGM a dividend payout from the Company's profit for 2017 of U.S.$ 0.06 cents per share and in December 2018 an interim dividend from the Company's profit for 2018 of U.S.$ 0.05 cents per share. Moreover, on 27th of March, 2019, the Board of Directors decided to propose to the AGM the payment of a final dividend of US$ 0.05 per share for the year 2018, based on improved 2018 profitability.

Any future dividends will be solely at the discretion of the Board of Directors and the General Meeting of shareholders after considering various factors, including business prospects, future earnings, cash requirements, financial position, expansion plans and requirements of the Cyprus law.

The Cyprus law does not limit dividends that may be paid out except that it states that dividends may only be paid out of profits and may not be higher than recommended by the Board of Directors.

Throughout recent years the Group has always followed a steady Dividend Policy, by not paying anything more than 50% of the profitability of the precedent year.

Significant Contracts

During 2018 neither the Company nor any of the members of our Group have concluded any significant contracts.

PART II

ITEM 7. PRINCIPAL ACCOUNTANT FEES AND SERVICES

We enter into agreements with our principal auditors, KPMG 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 last agreement has been signed on 20th July 2018.
The following table presents a summary of accountant fees and services for the twelve months ended December 31, 2018, and 2017:

(U.S. $)	**2018**	**2017**
Auditors fees regarding annual report (1)	378	392
Auditors fees regarding other approval services	0	0
Auditors fees for tax advisory	9	0
Auditors fees for other services	0	0
Total fees	**387**	**392**

(1) Positions in the table include fees and expenses for certain services (i.e. in relation to reviews and audits of financial statements) for the periods covered by the fiscal year, notwithstanding when the fees and expenses were billed.

ITEM 8. ASBISC ENTERPRISES PLC STATEMENT ON NON-FINANCIAL INFORMATION FOR THE YEAR 2018

According to art. 55.2b of the Polish Bill of Accounting (which implements the 2014/95/EU Directive into Polish law), ASBISc Enterprises Plc presents separately a consolidated report on non-financial information for Y2018.
The report includes all non-financial information regarding the ASBISc Enterprises Plc Group in the period from January 1 to December 31, 2018.
The report is available at the Company website http://investor.asbis.com/csr-reports

Signatures:

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

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

....
Constantinos Tziamalis
Director of Credit and Investor Relations
Member of the Board of Directors

....
Yuri Ulasovich
Director
Member of the Board of Directors

PART III

ITEM 9. FINANCIAL STATEMENTS

The consolidated financial statements of ASBISc Enterprises Plc presented as a part of this annual report are included on pages 1 through 67 as follows:

MANAGEMENT REPRESENTATIONS

In accordance with the requirements of the Decree of the Minister of Finance of March 29th, 2018 on current and periodic information to be published by issuers of securities and on rules of recognition of information required by law of a non-member country as equivalent, the Board of Directors of ASBISc Enterprises Plc hereby represents that:

a) 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',

b) The report gives a true view of the Group's development, achievements and position, including a description of the basic risks and threats;

c) The Company adheres to the provisions regarding the appointment, composition and functioning of the audit committee, including the fulfilment of independence criteria by its members and the requirements for knowledge and skills in the industry in which ASBISc Enterprises Plc operates and in the field of accounting or auditing

d) The audit committee performed the tasks provided for in the applicable regulations

e) The auditing company and the members of the audit team met the conditions for drawing up an unbiased and independent audit report on the annual consolidated financial statements in accordance with applicable regulations, professional standards and professional ethics,

f) The applicable regulations related to the rotation of the auditing company and the key statutory auditor and mandatory grace periods are observed

g) The issuer has a policy regarding the selection of the audit company and the policy for providing the issuer by the auditing company, an entity related to the auditing company or a member of its network of additional non-audit services, including services conditionally exempt from the prohibition by the audit company

Signatures:

……………………………………………………

Siarhei Kostevitch

Chairman, Chief Executive Officer

Member of the Board of Directors

....

Marios Christou

Chief Financial Officer

Member of the Board of Directors

....

Constantinos Tziamalis

Director of Credit and Investor Relations

Member of the Board of Directors

....

Yuri Ulasovich

Director

Member of the Board of Directors

Limassol, 27th of March 2019

ASBISC ENTERPRISES PLC

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

ASBISC ENTERPRISES PLC

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

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

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

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

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

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

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

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

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

Members of the Board of Directors

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

Financial Controller

Loizos Papavassiliou	....

Limassol, 27 March 2019

MANAGEMENT REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

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

Review of the development, financial performance and current position of the Group and the Company and the description of its major risks and uncertainties
The Group's and the Company's development to date, financial results and position are presented in the financial statements on pages 11 to 70.

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

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

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

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

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

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

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

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

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

MANAGEMENT REPORT (continued)

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

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

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

Dividends
Our dividend policy is to pay dividends at levels consistent with our growth and development plans, while maintaining a reasonable level of liquidity.
During the year, the following dividends were declared and paid by the Company:

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

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

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

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

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

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

The Board of the Company has two committees:

- the Audit Committee and
- the Remuneration Committee

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

MANAGEMENT REPORT (continued)

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

Name	Number of votes/shares	Votes/share capital %
Siarhei Kostevitch and KS Holdings Ltd	20,443,127	36.83
Asbisc Enterprises Plc (share buyback program)	16,389	0.03
Free float	35,040,484	63,14
Total	55,500,000	100.00

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

Auditors
The auditors of the Company, Messrs KPMG Limited, have expressed their willingness to continue in office and a resolution authorizing the Board of Directors to fix their remuneration will be submitted at the forthcoming annual general meeting.

BY ORDER OF THE BOARD OF DIRECTORS

Director

…………………….

Limassol, 27 March 2019

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ASBISC ENTERPRISES PLC

Report on the audit of the consolidated and separate financial statements

Opinion

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

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

Basis for opinion

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

Key audit matters

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

Key audit matter 1 - Investments in subsidiaries	
Refer to Notes 2 and 10 to the financial statements	
The key audit matter	***How the matter was addressed in our audit***
There is a risk of irrecoverability of the Company's investments in subsidiaries. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of recoverability, significant judgment is required.	Our audit procedures included testing of the principles and integrity of the Company's valuation model. These included evaluating the methodology and assumptions used by the Company and comparing the Company's assumptions to our own assessments in relation to key inputs.

Key audit matter 2 - Valuation of inventory	
Refer to Notes 2 and 13 to the financial statements	
The key audit matter	***How the matter was addressed in our audit***
There is an increased need to hold inventory to serve as a buffer in anticipation of customer needs. Given that the IT industry is characterized by rapid changes in technology and short product shelf lives, inventory may rapidly become obsolete. Significant judgment is required in determining the appropriate carrying amount of inventories.	Our audit procedures included understanding and evaluating the process applied by the Company and the Group in the determination of the impairment provision. We tested the accuracy of the inventory ageing report and we assessed the ageing of inventory, inventory levels and selling prices by reference to post year-end sales and price lists for a sample of inventory items and by comparing year on year key indicators, including stock turnover and gross profit margins.

Key audit matter 3 - Valuation of trade receivables	
Refer to Notes 2 and 14 to the financial statements	
The key audit matter	***How the matter was addressed in our audit***
The Company and the Group have significant trade receivables as at the year end. Due to the market developments following the credit crisis that affected all countries the Group operates in, credit risk is an important factor that might impact results. Despite the fact that a large portion of these is credit insured, credit insurance companies are becoming more risk averse in granting credit limits to customers. Given the size of trade receivables and the risk that some of them may not be recoverable, significant judgment is required to estimate the level of the allowance required to reflect the risk. In addition the (first time) adoption of IFRS 9 could increase the risk of misstatement as it is a new and complex accounting standard which requires considerable judgments to be made. Specifically, a new model has been developed by management to calculate IFRS 9 impairment losses applying judgement in a number of significant areas, in particular around the calculation of Expected Credit Losses. The model's processes and data have not been subject to testing previously.	Our audit procedures included understanding and evaluating the process applied by the Company and the Group in the determination of the impairment provision. We tested the accuracy of the trade receivables ageing report and we discussed with the responsible credit officers and the responsible Company director the recoverability and the procedures followed for the collection of significant overdue balances. For a sample of balances, we assessed the recoverability of overdue amounts by reference to subsequent receipts from customers or, where there were no subsequent receipts, to sales and payment track records, we inspected relevant correspondence with customers and legal advisors, as applicable, and inspected insurance documents for the insured customers. We also evaluated the reasonableness of management's key judgements made in applying IFRS 9 on the calculation of impairment losses, including the selection of method, model, assumptions and data sources and in particular around the calculation of Expected Credit Losses. We tested the mathematical accuracy of the model and assessed the completeness, accuracy and relevance of the data and assessed whether the related financial statements disclosure was in line with the requirements of IFRS 9.

Reporting on other information

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

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

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

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

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

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

The Board of Directors is responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with IFRS-EU and the requirements of the Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

Report on other regulatory and legal requirements

Other regulatory requirements

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

Date of our appointment and period of engagement

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

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

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

Provision of non-audit services ("NAS")

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

Other legal requirements

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

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

Other matters

Reporting responsibilities

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

Audit committee

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

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

Sylvia A. Loizides
Certified Public Accountant and Registered Auditor
for and behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors

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

Limassol, 27 March 2019

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018
(in thousands of US$)

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

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

(in thousands of US$)

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

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

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Constantinos Tziamalis
Director

Marios Christou
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018
(in thousands of US$)

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

The retained earnings shown above at 31 December 2018 were readily distributable up to the amount of US$ 28,388 which represents the retained earnings of the Company. The remaining amount in retained earnings of US$ 47,299 represents the earnings retained in the subsidiary companies of the Group. Share premium represents the difference between the issue price of the shares of the Company and their nominal value. The share premium can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law, Cap. 113 on reduction of share capital. The translation reserve comprises all foreign currency differences from the translation of the financial statements of foreign operations.
Treasury stock represents the remaining balance of own shares bought back during 2011 and 2012 (note 16).

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

(in thousands of US$)

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

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

(in thousands of US$)

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

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

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

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

....	....
Constantinos Tziamalis	**Marios Christou**
Director	**Director**

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018
(in thousands of US$)

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

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

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

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

ASBISC ENTERPRISES PLC

PARENT COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018
(in thousands of US$)

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

1. Incorporation and principal activities

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

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

2. Significant accounting policies

Changes in significant accounting policies

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

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

A. IFRS 15 Revenue from Contracts with Customers

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

B. IFRS 9 Financial Instruments

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

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

i. Classification and measurement of financial assets and financial liabilities

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

(in thousands of US$)

2. Significant accounting policies (continued)

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

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

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

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

Statement of compliance

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

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

Basis of preparation

The financial statements which are expressed in United States Dollars, the Group's presentation and the Company's presentation and functional currency, have been prepared under the historical cost convention except for certain financial instruments that are measured at fair value, as explained in the accounting policies below.
The financial statements are presented in US dollars (USD), and all values are presented in USD thousand unless otherwise stated.

Use of estimates and judgements

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

2. Significant accounting policies (continued)

Information about judgments made in applying accounting policies and the estimates and assumptions, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed in note 2 on pages 34 and 36.

Adoption of new and revised International Financial Reporting Standards

In the current year, the Group and the Company have adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for annual periods beginning on 1 January 2018. This adoption did not have a material effect on the financial statements of the Company.

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

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

New standards

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

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

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

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

2. Significant accounting policies (continued)

IFRS 16 Leases

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

Leases in which the Company is a lessee
2. Significant accounting policies (continued)

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

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

Transition

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

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

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

Basis of consolidation

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

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

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

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

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

2. Significant accounting policies (continued)

Business combinations

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

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

Investments in subsidiary and associates

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

2. Significant accounting policies (continued)

Goodwill

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

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

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

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

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

Segmental reporting

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

Revenue recognition

The Group recognises revenue mainly from the following major sources:

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

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

Sale of goods

The Group sells IT components and finished products mainly to small-medium businesses and retail market. Revenue represents amounts invoiced to customers in respect of sales of goods during the year and is stated net of trade discounts, rebates, customer returns and other similar allowances. Based on historical data and using the "most likely amount" method, the expected returns for the year were of insignificant value. Therefore, a significant reversal of revenue was not expected and the effect of the returns was recorded as occurred.

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

2. Significant accounting policies (continued)

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

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

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

Sale of optional warranties

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

Sale of software licenses

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

Dividend and interest income

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

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

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

Borrowing costs

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

Employee benefits

Defined contribution pension plans

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

Contributions to the Government Social Insurance Fund

The Company and the employees contribute to the Government Social Insurance Fund at the prevailing statutory rate which is applied on employees' salaries. The scheme is funded by payments from employees and by the Company. The Company's contributions are expensed as incurred and are included in staff costs.

The Company has no further payment obligations once the contributions have been paid. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

2. Significant accounting policies (continued)

Share-based payment transactions

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

Foreign currencies

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

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

Exchange differences are recognized in the profit and loss in the period in which they arise. For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in United States Dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the date of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).
On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are reclassified to other comprehensive income.

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

Tax

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

Current tax

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

2. Significant accounting policies (continued)

Deferred tax

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

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

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

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

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized in other comprehensive income, in which case the tax is also recognized in equity.

Dividend distribution

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

Property, plant and equipment

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

Properties in the course of construction for production, rental or administrative purposes, are carried at cost less any recognized impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and are ready for their intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.
Depreciation is provided at rates calculated to write off the cost less the estimated residual value of property, plant and equipment (other than freehold land and properties under construction) on a straight-line basis over their estimated useful economic lives as follows:

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

No depreciation is provided on land.

2. Significant accounting policies (continued)

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

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

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

Intangible assets

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

Computer software	3 - 10 years
Patents and licenses	3 years

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

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

Repairs and maintenance

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

Impairment of tangible and intangible assets excluding goodwill

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimated of future cash flows have not been adjusted.
If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

2. Significant accounting policies (continued)

Leasing

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

Finance leases

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

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

Operating leases

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

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

Financial instruments

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

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

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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

(i) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair Value through Other Comprehensive Income – debt investment; Fair Value through Other Comprehensive Income – equity investment; or Fair value through profit or loss.
Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

2. Significant accounting policies (continued)

- *Financial assets at FVTPL*

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

- *Financial assets at amortized cost*

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

Trade receivables including factored trade receivables

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

Loans granted

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

Cash and cash equivalents

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

- *Debt investments at FVOCI*

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

- *Equity investments at FVOCI*

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

(ii) Derecognition

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

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

2. Significant accounting policies (continued)

<u>Financial liabilities</u>

(i) Classification and subsequent measurement

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

Financial guarantee contracts

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

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

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

Bank borrowings

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

(ii) *Derecognition*

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

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

<u>*Effective interest method*</u>

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

2. Significant accounting policies (continued)

Inventories

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

Equity instruments

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

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

Provisions

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

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

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

Warranties

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

Impairment

(i) Financial assets

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

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

2. Significant accounting policies (continued)

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

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

(ii) Non-financial assets

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

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

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

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

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

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

2. Significant accounting policies (continued)

Revenue recognition

In making its judgment, management considered the detailed criteria for the recognition of revenue from the sale of goods as set out in IFRS 15 Revenue from Contracts with Customers and, in particular, whether the Company/Group had transferred to the buyer the significant risks and rewards of ownership of the goods. The timing of the transfer of control is decided based on related incoterms. The management is satisfied that the significant risks and rewards have been transferred and the recognition of the revenue in the current year is appropriate.

Provision for bad and doubtful debts

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

Calculation of loss allowance

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

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

Provision for obsolete and slow-moving inventory

The Company/Group reviews its inventory records for evidence regarding the salability of inventory and its net realizable value on disposal. The provision for obsolete and slow-moving inventory is based on management's past experience, taking into consideration arrangements with suppliers for price protection and for returning defective stock; the value of inventory as well as the movement and the level of stock of each category of inventory.
The amount of provision is recognized in the income statement. The review of the net realizable value of the inventory is continuous and the methodology and assumptions used for estimating the provision for obsolete and slow-moving inventory are reviewed regularly and adjusted accordingly.

Useful lives of property, plant and equipment and intangible assets

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

2. Significant accounting policies (continued)

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

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

Warranty provisions

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

Impairment of goodwill

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

Income taxes

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

(in thousands of US$)

3. Revenue

3.1 Disaggregation of revenue from contracts with customers

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

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

Revenue analysis by geographical market

The Group and the Company

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

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

Timing of revenue recognition

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

(in thousands of US$)

3. Revenue (continued)

Revenue analysis by currency

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

3.2 Contract balances

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	US$	**US$**	**US$**	**US$**
Trade and other receivables	174,580	238,192	20,166	39,003

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

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

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

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

(in thousands of US$)

3. Revenue (continued)

The Group and the Company

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

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

4. Other gains and losses

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

5. Profit before tax

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

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6. Financial expense, net

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

7. Tax

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

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

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

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

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

(in thousands of US$)

7. Tax (continued)

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

Tax charge for the year

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

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

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

(in thousands of US$)

8. Property, plant and equipment

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

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

(in thousands of US$)

8. Property, plant and equipment (continued)

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

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

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9. Intangible assets

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

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

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

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

(in thousands of US$)

10. Investments

Investment in subsidiary companies

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

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

(ii) In addition, the Company acquired the remaining 15% of the share capital of Asbis Cloud Ltd for the amount of US$ 21.
During 2017, the Company increased its investment in its wholly owned subsidiary Asbis Ukraine Ltd for the amount of US$ 300. The Company also acquired 65.85% and 85% of the share capital of ASBC LLC and Asbis Cloud Ltd respectively, and established I ON Ltd and ASBIS Service Ltd for a total of US$ 378.

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

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

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

(in thousands of US$)

10. Investments (continued)

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

(i) Liquidated during 2018/or under liquidation
(ii) Held by E.M. Euro-Mall Ltd – Cyprus
(iii) Established/acquired during 2018
(iv) Held by Prestigio Plaza Ltd
(v) Held by Asbis Middle East FZE
(vi) Held by Euro-mall s.r.o
(vii) Held by Asbis Ukraine Ltd

(in thousands of US$)

11. Equity-accounted investees

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

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

12. Financial assets at fair value through other comprehensive income

The details of the investments are as follows:

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

13. Inventories

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

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

(in thousands of US$)

13. Inventories (continued)

The Company

As at 31 December 2018, inventories pledged as security for financing purposes amounted to US$ 13,500 (2017: US$ nil).
Inventory written off during the year recognized in profit or loss was US$ nil (2017: US$ 2,238).

Movement in provision for slow moving and obsolete stock	The Group		The Company	
	2018	2017	2018	2017
	US$	US$	US$	US$
On 1 January	4,729	7,129	3,985	6,384
Provisions during the year	1,844	403	1,240	138
Provided stock written off	(3,327)	(2,905)	(3,065)	(2,537)
Exchange difference	(64)	102	-	-
On 31 December	3,182	4,729	2,160	3,985

14. Trade receivables

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

The Group

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

The Company

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

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

(in thousands of US$)

14. Trade receivables (continued)

The Group

Ageing of trade receivables

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

Ageing of impaired receivables (provision for bad debts)

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

The Company

Ageing of trade receivables

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

Ageing of impaired receivables (provision for bad debts)

Year	Total US$	Overdue between 1-90 days US$	Overdue between 90-120 days US$	Overdue more than 120 days US$
2018	671	-	-	671
2017	479	-	-	479

(in thousands of US$)

15. Other current assets

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

16. Share capital

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

	2018 US$	2017 US$
Authorized		
63,000,000 (2017: 63,000,000) shares of US$ 0.20 each	12,600.000	12,600,000
Issued and fully paid		
55,500,000 (2017: 55,500,000) ordinary shares of US$ 0.20 each	11,100,000	11,100,000

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

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

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

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

17. Short term borrowings

	The Group		The Company	
	2018 US$	2017 US$	2018 US$	2017 US$
Current borrowings				
Bank overdrafts (Note 27)	43,316	47,468	953	1,290
Current portion of long term loans	114	299	59	204
Bank short-term loans	55,930	22,819	30,104	-
Short term obligations under finance leases (Note 20)	61	66	-	-
Total short term debt	99,421	70,652	31,116	1,494
Factoring creditors	47,14	65,84		
	5	0	7,764	5,617
	146,566	136,492	38,880	7,111

(in thousands of US$)

17. Short term borrowings (continued)

Summary of borrowings and overdraft arrangements

The Group

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

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

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

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

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

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

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

The Company

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

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

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

The Company had cash lines (overdrafts and revolving facilities) with average cost for the year of 6.2% (2017: 5.6%).
The overdraft, revolving and factoring facilities granted to the Company are secured by:

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

18. Long term borrowings

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

(in thousands of US$)

19. Other long term liabilities

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

20. Finance leases

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

21. Deferred tax

The Group

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

The Company

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

(in thousands of US$)

21. Deferred tax (continued)

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

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

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

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

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

Note (iv)

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

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

22. Other current liabilities

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

(in thousands of US$)

23. Commitments and contingencies

The Group

As at 31 December 2018 the Group was committed in respect of purchases of inventories of a total cost value of US$ 9,365 (2017: US$ 2,218) which were in transit at 31 December 2018 and delivered in January 2019. Such inventories and the corresponding liability towards the suppliers have not been included in these financial statements since, according to the terms of purchase, title of the goods has not passed to the Group at year end.

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

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

The Company

As at 31 December 2018 the Company was committed in respect of purchases of inventories of a total cost value of US$ 9,365 (2017: US$ 2,218) which were in transit at 31 December 2018 and delivered in January 2019. Such inventories and the corresponding liability towards the suppliers have not been included in these financial statements since, according to the terms of purchase, title of the goods has not passed to the Group at year end.

As at 31 December 2018, the Company was contingently liable to banks in respect of bank guarantees and letters of credit of US$ 39,219 (2017: US$ 21,732) which the Company has extended to its suppliers and other counterparties.
The liabilities towards the Company's suppliers covered by these guarantees are reflected in the financial statements under trade payables.
In addition the Company has issued corporate guarantees to banks in respect of financing facilities extended to its subsidiaries in the amount of US$191,300 (2017: US$ 184,909).

24. Operating segments

The Group

1.1 Segment information

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

1.2 Segment revenues and results

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

(in thousands of US$)

24. Operating segments (continued)

1.3 Segment capital expenditure (CAPEX) and depreciation & amortization

The following is an analysis of the Group's capital expenditure in both tangible and intangible assets as well as their corresponding charges in the income statement:

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

1.4 Segment assets and liabilities

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

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

1.5 Geographical information

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

1.6. Information about major customers

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

25. Derivative financial liabilities

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

(in thousands of US$)

25. Derivative financial liabilities (continued)

Fair value measurement of derivative financial liabilities

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

The Company

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

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

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

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

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

(in thousands of US$)

26. Derivative financial assets

	The Group 2018 US$	The Group 2017 US$	The Company 2018 US$	The Company 2017 US$
Derivative financial assets carried at fair value through profit or loss				
Foreign currency derivative contracts	1,088	373	1,050	-

The Group	Nominal amount 2018 US$	Nominal amount 2017 US$	Fair value 2018 US$	Fair value 2017 US$
Buying US$/Selling KZT	2,000	-	62	-
Buying US$/Selling RUB	15,067	-	774	-
Buying US$/Selling UAH	10,920	10,600	15	371
Buying US$/Selling EUR	15,989	4,107	31	(65)
Buying US$/Selling RON	8,027	-	150	-
Buying US$/Selling BGN	-	1,926	-	(18)
Buying US$/Selling HRK	-	779	-	1
Buying US$/Selling GBP	135	-	4	-
Buying EUR/Selling HRK	-	414	-	2
Buying EUR/Selling US$	2,907	-	18	-
Charges on open contracts	-	-	34	82
	55,045	17,826	1,088	373

The Company	Nominal amount 2018 US$	Nominal amount 2017 US$	Fair value 2018 US$	Fair value 2017 US$
Buying US$/Selling EUR	15,989	-	31	-
Buying US$/Selling RUB	15,067	-	774	-
Buying US$/Selling RON	8,027	-	150	-
Buying US$/Selling GBP	135	-	4	-
Buying EUR/Selling US$	2,907	-	17	-
Charges on open contracts	-	-	74	-
	42,125	-	1,050	-

Fair value measurement of derivative financial assets

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

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

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

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

(in thousands of US$)

27. Cash and cash equivalents

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

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

The Company

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

28. Related party transactions and balances

Main shareholders

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

Name	Number of votes/shares	Votes/share capital %
Siarhei Kostevitch and KS Holdings Ltd	20,443,127	36.83
Asbisc Enterprises Plc (share buyback program)	16,389	0.03
Free float	35,040,484	63,14
Total	55,500,000	100.00

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

The Company

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

Intercompany (trading) transactions

	Sales of goods		**Purchases of goods**	
	2018	**2017**	**2018**	**2017**
	US$	**US$**	**US$**	**US$**
Subsidiaries	867,977	621,148	43,763	32,176

	Sales of services		**Purchases of services**	
	2018	**2017**	**2018**	**2017**
	US$	**US$**	**US$**	**US$**
Subsidiaries	312	142	2,236	1,224

(in thousands of US$)

28. Related party transactions and balances (continued)

Intercompany (trading) balances

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

Loans to subsidiary companies

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

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

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

The total interest received from subsidiary companies is analyzed below:

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

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

Loans from subsidiary companies

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

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

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

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(in thousands of US$)

28. Related party transactions and balances (continued)

The total interest paid to subsidiary companies is analyzed below:

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

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

Transactions and balances of key management

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

Share-based payment arrangements

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

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

Share option program (equity-settled)

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

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

29. Personnel expenses and average number of employees

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

(in thousands of US$)

30. Earnings per share

	2018 US$	2017 US$
Profit for the year attributable to members	12,038	6,956
Weighted average number of shares for the purposes of basic and diluted earnings per share	55,500,000	55,500,000
	US$ cents	**US$ cents**
Basic and diluted earnings per share	21,69	12.53

31. Business combinations

The Group

1. Acquisitions

1. 1. Acquisitions of subsidiaries to 31 December 2018

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

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

Acquisitions of subsidiaries to 31 December 2017

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

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

1.2. Goodwill arising on acquisitions

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

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

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

(in thousands of US$)

31. Business combinations (continued)

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

	2018 US$	2017 US$
iPoint Kazakhstan LLP	(360)	-
SHARK Computers a.s.	-	(1,173)
	(360)	(1,173)

1.3. Impairment testing

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

2. Liquidation of subsidiaries

liquidation in the year ended 31 December 2018

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

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

Liquidation in the year ended 31 December 2017

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

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

32. Financial risk management

1. Financial risk factors

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

1.1. Credit risk

Credit risk is defined as the risk of failure of debtors to discharge their obligations towards the Group. The Group sets up and maintains specific controls to mitigate its credit risk, as it realizes its importance for the Group's viability.
The Group had established and systematically follows a thorough procedure prior to registering new customers into its system. Every new customer is checked both internally and via various reputable credit sources prior to such registration and, more importantly, prior to granting of any credit. The Group runs an internal credit department consisting of local, regional and corporate credit managers. Corporate managers decide for all significant credit line requests and review the work of regional and local managers. The Group uses all available credit tools – i.e. credit insurance, credit information bureaus, letter of guarantee – to safeguard itself from the credit risk. We have insured about 72% of our 2018 receivables.
During 2018 none of the Group's customers accounted individually for more than 6% (2017: 7%) of total sales; it is of strategic importance for the Group not to rely on any single customer.

(in thousands of US$)

32. Financial risk management (continued)
1.1. Credit risk (continued)

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

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

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

The Group

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

<u>The Company</u>

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

(in thousands of US$)

32. Financial risk management (continued)
1.1. Credit risk (continued)

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

Trade receivables and contract assets
Expected credit loss assessment for individual customers as at 31 December 2018

The Group

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

The Company

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

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

1.2. Interest rate risk

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

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

(in thousands of US$)

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

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

Sensitivity analysis
An increase of 100 basis points in interest rates at 31 December 2018 would have decreased by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant, as well as it assumes that financial facilities outstanding at the end of the reporting period were also outstanding for the whole year. For a decrease of 100 basis points there would be an equal and opposite impact on the profit and loss.

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

1.3. Liquidity risk

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

The following tables detail the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the earliest date on which the Group/Company can be required to pay and include only principal cash flows.

The Group

31 December 2018	**Carrying amounts US$**	**Contractual cash flows US$**	**3 months or less US$**	**3-12 months US$**	**1-2 years US$**	**2-5 years US$**
Bank loans	25,985	25,985	16,829	9,112	42	3
Bank overdrafts	73,420	73,420	33,904	39,516	-	-
Factoring advances	47,145	47,145	38,844	8,301	-	-
Trade and other payables	256,944	256,944	254,747	2,196	-	-
Other short and long term liabilities	1,038	1,038	364	54	595	25
	404,532	404,532	344,688	59,179	637	28

31 December 2017	**Carrying amounts US$**	**Contractual cash flows US$**	**3 months or less US$**	**3-12 months US$**	**1-2 years US$**	**2-5 years US$**
Bank loans	23,275	23,275	14,842	8,276	157	-
Bank overdrafts	47,468	47,468	4,967	42,501	-	-
Factoring advances	65,840	65,840	54,065	11,775	-	-
Trade and other payables	291,625	291,625	289,748	1,877	-	-
Other short and long term liabilities	1,188	1,188	791	15	382	-
	429,396	429,396	364,413	64,444	539	-

(in thousands of US$)

32. Financial risk management (continued)

1.3. Liquidity risk (continued)

The Company

31 December 2018	Carrying amounts US$	Contractual cash flows US$	3 months or less US$	3-12 months US$	1-2 years US$	2-5 years US$
Bank loans	59	59	59	-	-	-
Bank overdrafts	34,974	34,974	34,974	-	-	-
Factoring advances	7,764	7,764	7,764	-	-	-
Trade and other payables	169,688	169,688	169,688	-	-	-
Other short and long term liabilities	307	307	307	-	-	-
	212,792	212,792	212,792	-	-	-

31 December 2017	Carrying amounts US$	Contractual cash flows US$	3 months or less US$	3-12 months US$	1-2 years US$	2-5 years US$
Bank loans	265	265	51	153	61	-
Bank overdrafts	1,290	1,290	1,290	-	-	-
Factoring advances	5,617	5,617	5,617	-	-	-
Trade and other payables	200,832	200,832	200,832	-	-	-
Other short and long term liabilities	639	639	639	-	-	-
	208,643	208,643	208,429	153	61	-

1.4. Currency risk

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

The Group uses short-term derivative financial instruments to minimize the risk on balances and material transactions denominated in currencies other than US Dollars, the Group's reporting currency. As a significant portion of the Group's cash flow is denominated in Russian Ruble, Euro and other local currencies (i.e. the Czech Crown, the Polish Zloty, the Hungarian Forint, etc.), the Group raises debt in such currencies in order to hedge against foreign exchange risk.
The carrying amounts of the monetary assets and monetary liabilities at the reporting date are denominated in the following currencies:

The Group

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

(in thousands of US$)

United Arab Emirates Dirham	3,706	-	-	(4,210)
Other	590	3,168	(637)	(664)
	101,425	193,113	(257,302)	(146,566)

(in thousands of US$)

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

The Group

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

The Company

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

The Company

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

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

(in thousands of US$)

32. Financial risk management (continued)

2. Fair values

The Group and the Company

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

3. Capital risk management

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

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

Gearing ratio

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

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

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

(i) Debt includes short-term (factoring advances, overdrafts and short-term loans) and long-term borrowings.
(ii) Equity includes all capital and reserves.

The Company

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

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

(i) Debt includes short-term (factoring advances, overdrafts and short-term loans) and long-term borrowings.
(ii) Equity includes all capital and reserves.

32. Financial risk management (continued)

4. Fair value estimation

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

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

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

	The Group Level 2 US$	The Company Level 2 US$
Assets		
Derivative financial assets	1,088	1,050
Liabilities		
Derivative financial liabilities	1,383	-

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

33. Other risks

Operational risk

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

Compliance risk

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

Litigation risk

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

Reputation risk

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

Other risks

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

34. Operating lease arrangements

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

The Group

Non-cancellable operating lease arrangements

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

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

The Company

The Company had no operating leases during 2018 and 2017.

35. Dividends

Our dividend policy is to pay dividends at levels consistent with our growth and development plans, while maintaining a reasonable level of liquidity.
During the year, the following dividends were declared and paid by the Company:

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

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