**LOGICOM PUBLIC LIMITED**

REPORT AND CONSOLIDATED
FINANCIAL STATEMENTS

Year ended 31 December 2010

**LOGICOM PUBLIC LIMITED**

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

CONTENTS



We confirm that the information on pages 1 to 93 are a true translation of the Consolidated Financial Statements of the Group and the Board of Director's Report as approved by the Board of Directors on 7 April 2011.

Director

FoR LOGICOM PUBLIC LTD
VARNAVAS IRINARCHOS

Secretary

Δια ADAMINCO SECRETARIAL LIMITED
ΓΙΩΤΑ ΠΑΣΧΑΛΗ, Διοικητικός Σύμβουλος

# LOGICOM PUBLIC LIMITED

## BOARD OF DIRECTORS AND PROFESSIONAL ADVISERS

### DIRECTORS

**Adamos K. Adamides**, Chairman

**Varnavas Irinarchos**, Vice Chairman and Managing Director

**Sparsis Modestou**, Director

**Aristodemos A. Anastasiades,** Director

**Takis Klerides,** Director

**Nicos Michaelas,** Director

**Michalis Sarris,** Director

**George Papaioannou,** Director

**GROUP FINANCIAL CONTROLLER**
**Anthoulis Papachristoforou**

**SECRETARY**
**Adaminco Secretarial Limited**
Eagle Star House, 1st floor
35 Theklas Lysioti Street
3030 Limassol

**REGISTERED OFFICE**
Eagle Star House, 1st floor
35 Theklas Lysioti Street
3030 Limassol

**MANAGEMENT OFFICE**
26 Stasinou Street, Ayia Paraskevi
2003 Strovolos, Nicosia

**INDEPENDENT AUDITORS**
**KPMG Limtied**
14 Esperidon street
1087 Nicosia

**LEGAL ADVISERS**
**Adamos K. Adamides & Co**
Eagle Star House, 1st floor
35 Theklas Lysioti Street
3030 Limassol

**FINANCIAL CONSULTANTS**
**Marfin CLR Public Co Ltd**
CLR House, Vironos 26
1096 Nicosia

**BANKERS**
Hellenic Bank Public Company Limited
Marfin Popular Bank Public Company Limited
Bank of Cyprus Public Company Limited
National Bank of Greece (Cyprus) Ltd
Bank of Cyprus -Greece
HSBC Bank Middle East
Banque Audi SAL
Marfin Egnatia Bank (Greece) Ltd
ALPHA Bank Ltd
Societe Generale Cyprus Ltd
Standard Chartered Bank
BNP Paribas Cyprus Ltd
BNP Paribas Dubai Ltd
EFG Eurobank Ergasias S.A.
The Cyprus Development Bank Public Company Limited
Unicredit Bank
Credito Artigiano S.p.A.
Piraeus Bank
Societe Generale Lebanon
Garanti Bank
The Housing Bank for Trade & Finance
CIB Bank Ltd
Eurobank EFG Cyprus
Commercial Bank

**LOGICOM PUBLIC LIMITED**

**Statement of the members of the Board of Directors and the officials of the Company responsible for the financial statements**

According to article 9, sections (3)(c) and (7) of the Conditions for Transparency (Movable Securities for Trading in Controlled Market) Law of 2007 ("Law"), we the members of the Board of Directors and Anthoulis Papachristophorou, BA (Hons) FCCA, Group Financial Controller responsible for the preparation of the financial statements, of the Group and the Company Logicom Public Ltd, for the year ended 31 December 2010, we confirm that to the best of our knowledge:

(a) the annual consolidated financial statements that are presented in pages 9 to 92:
   - (i) were prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union, and in accordance with the provisions of Article 9, section (4) of the Law, and
   - (ii) give a true and fair view of the assets and liabilities, of the financial position and of the profit or losses of Logicom Public Ltd and the businesses that are included in the Consolidated Financial Statements as a whole, and

(b) the directors' report gives a fair review of the developments and the performance of the business as well as the financial position of Logicom Public Ltd and the businesses that are included in the Consolidated Financial Statements as a whole, together with a description of the main risks and uncertainties which are faced.

Members of the Board of Directors

Adamos K. Adamides, Chairman

Varnavas Irinarchos, Vice Chairman and Managing Director

Sparsis Modestou, Director

Aristodemos A. Anastasiades, Director

Takis Klerides, Director

Nicos Michaelas, Director

Michalis Sarris, Director

George Papaioannou, Director

GROUP FINANCIAL CONTROLLER
Anthoulis Papachristoforou

Nicosia, 7 April 2011

**LOGICOM PUBLIC LIMITED**

BOARD OF DIRECTORS' REPORT

The Board of Directors of Logicom Public Limited (the "Company") presents to the members its report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") and the separate financial statements of the Company for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Group continued in 2010 the distribution of high technology products, the supply of services and complete information technology, telecommunication and software solutions.

REVIEW OF RESULTS

There are no significant variances between the results reported in the consolidated financial statements and the indicative results of 2010 announced on 25/02/2011.

During 2010, the Group's turnover became €459,6 million in relation to €365,2 million in 2009, which corresponds to an increase of 25,9%. The largest increase comes from the distribution segment by €75,9 million and in percentage terms by 22,1%. The turnover from the segment for software solutions and complete information technology solutions shows an increase of 82,9% mainly due to the contribution of Newcytech Business Solutions Ltd. The revenue from abroad has increased by 23,9%, while the revenue from Cyprus has increased by 38,6%. The share of revenue from abroad for 2010 amounted to €392,6 million, or in percentages terms 85,4% of the Group's total revenue.

The Gross Profit for the year has increased by €7.634.879 and in percentage terms by 28,1%. The gross profit margin increased to 7,6% compared to 7,4% in 2009.

The Other Income mainly relates to contributions from suppliers for promotion of their products as well as from services offered to third parties, they increased during the current year.

Administrative Expenses have increased by €5.228.215, and in percentage terms by 23,5%, mainly due to the consolidation of the expenses Newcytech Business Solutions Ltd (€3.790.841), whose acquisition was completed on 30/10/2009, due to the increase in credit insurance cost by €645.344 as a result of the continued global economic crisis, and due the expansion of the operations and infrastructure of the Group in the markets that it operates, mainly in United Arab Emirates.

The Profit from Operating Activities has increased as a result of the increase in turnover. The term "operating activities" includes all the activities of the Group.

The increase of the Finance Expense amounting to €3.928.738 and in percentage terms to 443,5% is mainly due to the negative effect of the fluctuation of the US Dollar against the Euro on the Group's results and amounts to a loss of €1.421.157, compared to a profit of €1.005.364 in 2009.

**LOGICOM PUBLIC LIMITED**

BOARD OF DIRECTORS' REPORT (continued)

REVIEW OF RESULTS (continued)

It is clarified that the adoption of the provisions of IAS 39 in relation to Hedge Accounting from 1/1/2010 limited the negative effect on Group's results. Profit of €1.770.717 that arose on the conversion of the net investment in foreign subsidiaries was hedged in reserves with a loss of €1.770.717 that arose on the conversion of long-term and short-term loans. The bank facilities that were used for the Group's operating activities have also increased, the cost of which, including interest payable and receivable and related bank charges, amounts to €3.393.514 in 2010 from €1.891.297 in 2009. The increase is mainly due to the increase in loan interest, the decrease in deposit interest as well as to the increase in bank facilities for servicing the financing of acquisitions, projects for which income has not been recognised in the current year and the increase of turnover.

The Group's profit before tax amounted to €3.574.214 for the year 2010 in comparison to €4.958.334 in 2009 that corresponds to a decrease in percentage terms of 27,9%. The Group's profit after tax has decreased by €1.898.636 and in percentage terms by 36,7%.

The Earnings per Share and the Diluted Earnings per Share in 2010 decreased by 37,4% compared to 2009 to 4,52 cents.

The Cash and Cash Equivalents compared to the Bank Overdrafts present a credit balance of €40,2 millions at the end of 2010 compared to €6,1 million at the end of 2009. The Short-term Loans decreased to €2,3 million from €12,7 million. The Long-term Loans have increased to €28,9 million from €25,1 million.

Together with the positive results from the acquisitions and the increase in turnover despite the continued global economic crisis, the strengthening of US Dollar against Euro affected negatively the profitability of the business activities of the Group and 2010 results in general.

DIVIDEND POLICY

The Board of Directors decided to propose for approval at the Annual General Meeting of the shareholders, a final dividend of €1.481.592 for 2010, which corresponds to €0,02 cents per share and in percentage terms to 45,3% of the profits for the year.

SHARE CAPITAL

During 2010, there was an increase of the issued share capital by 1.828.873 new shares, which were issued during the third and final period of the exercise of the Warrants 2008/2010 for total amount of €621.817 (for €0,34 cents per warrant).

All shares are listed and are traded in Cyprus Stock Exchange, have the same and equal rights and have no limitations in their transfer. Detailed information in relation to the Company's share capital is presented in note 20 of the consolidated financial statements.

BOARD OF DIRECTORS

The members of the Board of Directors as at the date of this report are set out on page 1. According to article 94 of the Company's articles of association Adamos Adamides, Varnavas Irinarchos and Aristodemos Anastasiades resign by rotation, but can be re-elected and they offer themselves for re-election.
There were no significant changes in the assignment of responsibilities of the Directors.

## BRANCHES

The Group operates branches in Kuwait, Oman, Qatar, Bahrain, Pakistan, Malta, Spain and Poland. The Group operates through subsidiary companies in United Arab Emirates, Saudi Arabia, Lebanon, Jordan, Greece, Italy, Turkey, Romania, Bulgaria, Hungary, Ukraine and Germany.

## MAIN RISKS

The main risks faced by the Group and the Company are stated and analysed in note 30 of the consolidated financial statements.

## EVENTS AFTER THE YEAR END

Events after the year end are stated and analysed in note 36 of the consolidated financial statements.

## SIGNIFICANT INFORMATION, ESTIMATIONS, GOALS AND PROSPECTS

The Company through its subsidiary company Netcom Ltd and in a joint venture with a 50% portion proceeds to the execution of the project for construction of Desalination Unit in Episkopi based on relevant agreement with the Water Development Department dated 7 August 2009. As announced as per agreement dated 20/07/2010 Dementra Investments Public Ltd, participates indirectly to the execution and operation of the desalination project in Episkopi with 40% share of the Company's interest in the joint venture.

In 2010 and despite the negative effects from the continued global economic crisis, the turnover and the profit from operations show an increase. However, there was a decrease in the net profitability of the Company, mainly due to reasons that are analysed in the Review of the Results above. Under the conditions of the continued global economic crisis and the negative business environment, the 2010 results are considered to be satisfactory and within the Board of directors estimates.

The aim is for further increase in turnover with special notice to the provision of credit taking into account the negative business environment, as well as improving the factors that affect the profitability of the Group.

Despite the current generally negative conditions, on the basis of the data to date, a relative increase is expected on the profitability.

## STATEMENT OF DIRECTORS PARTICIPATION IN COMPANY'S SHARE CAPITAL

The percentages of participation in the Company's share capital that was held directly or indirectly by the members of the Board of Directors of the Company on 31 December 2010 and on 7 April 2011 are presented in notes 31 and 32 of the consolidated financial statements.

## EXECUTIVE DIRECTOR'S CONTRACTS

The contracts of the Executive Directors are stated in note 33 of the consolidated financial statements.

INDEPENDENT AUDITORS

The independent auditors of the Company, KPMG Limited have expressed their willingness to continue in office. A resolution for re-election of the independent auditors and an authorisation to the Board of Directors for fixing their remuneration will be submitted at the Annual General Meeting.

By order of the Board of Directors

Adaminco Secretarial Ltd
Secretary

Nicosia, 07 April 2011

# Independent Auditors' Report

# To the Members of Logicom Public Limited

## Report on the Consolidated and Company's Separate Financial Statements

We have audited the consolidated financial statements of Logicom Public Limited (the "Company") and its subsidiaries (the "Group") and the Company's separate financial statements on pages 9 to 92, which comprise the statements of financial position of the Group and the Company as at 31 December 2010, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

*Board of Directors' Responsibility for the Financial Statements*

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

*Auditors' Responsibility*

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

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

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

*Opinion*

In our opinion, the consolidated and Company's separate financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2010, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

**Report on Other Legal and Regulatory Requirements**

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

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion, and to the best of the information available to us and according to the explanations given to us, the financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 3 to 6 is consistent with the financial statements.

Pursuant to the requirements of the Directive DI190-2007-04 of the Cyprus Securities and Exchange Commission, we report that a corporate governance statement has been made for the information relating to paragraphs (a), (b), (c), (f) and (g) of article 5 of the said Directive, and it forms a special part of the Report of the Board of Directors.

**Other Matter**

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

KPMG Limited

Chartered Accountants

Nicosia, 7 April 2011

# LOGICOM PUBLIC LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

| | Note | 2010 € | 2009 € |
|---|---|---|---|
| Revenue | 4 | 459.597.253 | 365.192.935 |
| Cost of sales | | (424.803.747) | (338.034.308) |
| **Gross Profit** | | 34.793.506 | 27.158.627 |
| Other income | 6 | 1.052.722 | 836.266 |
| Administrative expenses | 5 | (27.457.343) | (22.229.128) |
| **Profit from operations** | | 8.388.885 | 5.765.765 |
| Net foreign exchange (loss)/profit | | (1.421.157) | (1.005.364) |
| Interest receivable | | 1.244.381 | 1.445.838 |
| Interest payable and bank charges | | (4.637.895) | (3.347.135) |
| **Net finance expense** | 7 | (4.814.671) | (885.933) |
| Share of profit of associated company | 13 | - | 78.502 |
| **Profit before tax** | 4 | 3.574.214 | 4.958.334 |
| Taxation | 8 | (300.363) | 214.153 |
| **Profit for the year** | | 3.273.851 | 5.172.487 |
| **Other comprehensive income** | | | |
| Exchange differences in relation to foreign operations | | 1.089.487 | (1.803.100) |
| Exchange differences in relation to hedge of a net investment in foreign operation | | (1.770.717) | - |
| Deferred taxation arising from net exchange differences in relation to foreign operations | | 37.716 | (12.654) |
| Deferred taxation arising on revaluation of land and buildings | | 101.996 | 3.161 |
| Net change in the fair value of investments available for sale | | (23.801) | 157.901 |
| **Other comprehensive income for the year** | | (565.319) | (1.654.692) |
| **Total comprehensive income for the year** | | 2.708.532 | 3.517.795 |
| Earnings per share | 10 | 4,52 cents | 7,14 cents |
| Diluted earnings per share | 10 | 4,52 cents | 7,14 cents |

The notes on pages 19 to 92 form an integral part of the consolidated financial statements.

**LOGICOM PUBLIC LIMITED**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

| | Note | 2010 € | 2009 € |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 11 | 9.247.262 | 8.796.519 |
| Intangible assets | 12 | 7.602.507 | 7.985.560 |
| Investments at fair value through profit or loss | 15 | 27.568 | 51.095 |
| Investments available for sale | 16 | 2.134.100 | 2.157.901 |
| Deferred taxation | 25 | 535.894 | 848.706 |
| **Total non-current assets** | | 19.547.331 | 19.839.781 |
| Inventories | 17 | 52.849.043 | 43.184.952 |
| Tax refundable | 23 | 451.024 | 335.652 |
| Trade and other receivables | 18 | 112.771.052 | 94.711.763 |
| Cash and cash equivalents | 19 | 37.038.206 | 42.973.484 |
| **Total current assets** | | 203.109.325 | 181.205.851 |
| **Total assets** | 4 | 222.656.656 | 201.045.632 |
| **Equity** | | | |
| Share capital | 20 | 25.187.064 | 24.565.247 |
| Reserves | 21 | 28.721.119 | 28.173.162 |
| **Total equity** | | 53.908.183 | 52.738.409 |
| **Liabilities** | | | |
| Long-term loans | 24 | 18.568.417 | 18.281.180 |
| Deferred taxation | 25 | 245.922 | 813.240 |
| Contingent liabilities | | 930.311 | 1.573.405 |
| **Total non-current liabilities** | | 19.744.650 | 20.667.825 |
| Bank overdrafts | 24 | 77.211.396 | 49.055.236 |
| Short-term loans | 24 | 2.323.614 | 12.743.275 |
| Current portion of long-term loans | 24 | 10.350.498 | 6.847.906 |
| Tax payable | 23 | 153.533 | 351.490 |
| Trade and other payables | 22 | 58.572.265 | 58.289.567 |
| Contingent liabilities | 13 | 392.517 | 351.924 |
| **Total current liabilities** | | 149.003.823 | 127.639.398 |
| **Total liabilities** | 4 | 168.748.473 | 148.307.223 |
| **Total equity and liabilities** | | 222.656.656 | 201.045.632 |

The consolidated financial statements were approved by the Board of Directors on 7 April 2011.

Adamos K. Adamides
Chairman

Varnavas Irinarchos
Managing Director

The notes on page 19 to 92 form an integral part of the consolidated financial statements.

# LOGICOM PUBLIC LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Years ended 31 December 2010

| | Share Capital | Difference arising from the conversion of share capital into Euro | Share Premium Reserve | Consolidated Retained Earnings | Revaluation Reserve | Fair Value Reserve | Translation Reserve | Hedging Reserve | Statutory Reserve | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | € | € | € | € | € | € | € | € | € | € |
| **Balance 1 January 2009** | 24.357.870 | 116.818 | 10.364.083 | 18.488.533 | 3.064.475 | - | (4.814.148) | - | 221.946 | 51.799.577 |
| Total comprehensive income for the year | - | - | - | 5.172.487 | 3.161 | 157.901 | (1.815.754) | - | - | 3.517.795 |
| Proposed dividend for 2008 that was paid in 2009 (note 9) | - | - | - | (2.865.632) | - | | - | - | - | (2.865.632) |
| Issued share capital | 207.377 | - | - | - | - | - | - | - | - | 207.377 |
| Share premium reserve | - | - | 79.292 | - | - | - | - | - | - | 79.292 |
| Revaluation reserve realised through use | - | - | - | 28.252 | (28.252) | - | - | - | - | - |
| Transfer to statutory reserve | - | - | - | 92.383 | - | - | - | - | (92.383) | - |
| **Balance 31 December 2009** | 24.565.247 | 116.818 | 10.443.375 | 20.916.023 | 3.039.384 | 157.901 | (6.629.902) | - | 129.563 | 52.738.409 |
| Total comprehensive income for the year | - | - | - | 3.273.851 | 101.996 | (23.801) | 1.089.487 | (1.770.717) | - | 2.670.816 |
| Proposed dividend for 2009 that was paid in 2010 (note 9) | - | - | - | (2.528.775) | - | - | - | - | - | (2.528.775) |
| Issued share capital | 621.817 | - | - | - | - | - | - | - | - | 621.817 |
| Share premium reserve | - | - | - | - | - | - | - | - | - | 405.916 |
| Revaluation reserve realised through use | - | - | - | 18.287 | (18.287) | - | - | - | - | - |
| Transfer to statutory reserve | - | - | - | (79.799) | - | - | - | - | 79.799 | - |
| **Balance 31 December 2010** | 25.187.064 | 116.818 | 10.443.375 | 21.599.587 | 3.529.009 | 134.100 | (5.540.415) | (1.770.717) | 209.362 | 53.908.183 |

The notes on pages 19 to 92 form an integral part of the consolidated financial statements.

**LOGICOM PUBLIC LIMITED**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2010

As of 1 January 2003, Cypriot companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 15% will be payable on such deemed dividend to the extent that the shareholders (individuals and companies) at the end of the period of the two years from the end of the year of assessment to which the profits refer are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the Company for the account of the shareholders.

**LOGICOM PUBLIC LIMITED**

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2010

| | Note | 2010<br>€ | 2009<br>€ |
|---|---|---|---|
| **Cash flows from operations** | | | |
| Profit for the year | | 3.273.851 | 5.172.487 |
| *Adjustments for:* | | | |
| Exchange differences | | (490.834) | (508.733) |
| Depreciation | | 1.190.508 | 836.122 |
| Interest payable | | 2.815.142 | 1.854.056 |
| Interest receivable | | (1.244.381) | (1.455.838) |
| Loss on revaluation of investments at fair value through profit or loss | | 23.527 | 10.799 |
| Loss/(profit) on sale of property, plant and equipment | | 32.322 | (31.352) |
| Amortisation of development costs | | 42 | 42 |
| Taxation | | 300.363 | (214.153) |
| | | 5.900.540 | 5.663.430 |
| Change in inventories | | (9.664.091) | 4.948.908 |
| Change in trade and other receivables | | (18.059.289) | 2.162.842 |
| Change in trade and other payables | | 282.698 | 13.733.751 |
| | | (21.540.142) | 26.508.931 |
| Interest paid | | (2.815.142) | (1.854.056) |
| Taxation paid | | (1.017.129) | (311.018) |
| **Net cash flow used in operation** | | (25.372.413) | (24.343.857) |
| **Cash flows used in investing activities** | | | |
| Payments to acquire investments at fair value through profit or loss | | - | (4.800) |
| Payments to acquire investments available for sale | | - | (2.000.000) |
| Proceeds from sale of property, plant and equipment | | - | 38.883 |
| Payments for acquisition of subsidiary net of cash and cash equivalents acquired | 13 | (350.569) | (7.535.670) |
| Payments to acquire property, plant and equipment | | (1.076.047) | (1.733.685) |
| Interest received | | 1.244.381 | 1.455.838 |
| **Net cash flow used in investing activities** | | (182.235) | (9.779.434) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of share capital | | 621.817 | 286.669 |
| Proceeds from new loans | | 12.961.349 | 27.136.919 |
| Repayment of loans | | (19.591.181) | (23.212.276) |
| Dividends paid | | (2.528.775) | (2.865.632) |
| **Net cash flow (used in)/from financing activities** | | (8.536.790) | 1.345.680 |
| **Net flow in cash and cash equivalents** | | (34.091.438) | 15.910.103 |
| **Cash and cash equivalents at the beginning of the year** | | (6.081.752) | (21.991.855) |
| **Cash and cash equivalents at the end of the year** | 26 | (40.173.190) | (6.081.752) |

The notes on pages 19 to 92 form an integral part of the consolidated financial statements.

**LOGICOM PUBLIC LIMITED**

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

| | Note | 2010 € | 2009 € |
|---|---|---|---|
| Revenue | | 78.964.650 | 68.108.637 |
| Cost of sales | | (76.051.404) | (65.333.170) |
| **Gross Profit** | | 2.913.246 | 2.775.467 |
| Other income | 6 | 3.712.666 | 4.113.645 |
| Administrative expenses | 5 | (4.915.387) | (4.680.871) |
| **Profit from operations** | | 1.710.525 | 2.208.241 |
| Net foreign exchange gain | | (918.346) | 870.171 |
| Interest receivable | | 962.078 | 1.114.828 |
| Interest payable and bank charges | | (2.779.946) | (1.558.024) |
| **Net finance expense** | 7 | (2.736.214) | 426.975 |
| **(Loss)/profit before tax** | | (1.025.689) | 2.635.216 |
| Taxation | 8 | 176.693 | 577.498 |
| **(Loss)/profit for the year** | | (848.996) | 3.212.714 |
| **Other comprehensive income** | | | |
| Net change in the fair value of investments available for sale | | (23.801) | 157.901 |
| Deferred taxation arising on revaluation of land and buildings | | (101.999) | 2.104 |
| **Other comprehensive income for the year** | | (125.800) | 160.005 |
| **Total comprehensive income for the year** | | (974.796) | 3.372.719 |
| (Loss)/earnings per share | 10 | (1,17 cents) | 4,44 cents |
| Diluted (loss)/earnings per share | 10 | (1,17 cents) | 4,44 cents |

The notes on pages 19 to 92 form an integral part of the consolidated financial statements.

**LOGICOM PUBLIC LIMITED**

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

| | Note | 2010 € | 2009 € |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 11 | 5.179.715 | 4.340.017 |
| Investments in subsidiary companies | 14 | 5.127.317 | 4.021.308 |
| Investments at fair value through profit or loss | 15 | 24.868 | 46.295 |
| Deferred taxation | 25 | 1.153.741 | 556.151 |
| Investments available for sale | 16 | 2.134.100 | 2.157.901 |
| Long-term loans to subsidiary companies | 35 | 9.997.755 | 9.273.219 |
| **Total non-current assets** | | 23.617.496 | 20.394.891 |
| Inventories | 17 | 2.771.402 | 1.998.810 |
| Tax refundable | 23 | 131.059 | 131.059 |
| Balances with subsidiary companies | 35 | 71.761.071 | 64.076.886 |
| Trade and other receivables | 18 | 17.790.510 | 8.157.342 |
| Cash and cash equivalents | 19 | 26.042.089 | 23.533.322 |
| **Total current assets** | | 118.496.131 | 97.897.419 |
| **Total assets** | | 142.113.627 | 118.292.310 |
| **Equity** | | | |
| Share capital | 20 | 25.187.064 | 24.565.247 |
| Reserves | 21 | 9.954.038 | 12.768.057 |
| **Total equity** | | 35.141.102 | 37.333.304 |
| **Liabilities** | | | |
| Long-term loans | 24 | 19.392.489 | 17.933.328 |
| Deferred taxation | 25 | 935.808 | 473.360 |
| **Total non-current liabilities** | | 20.328.297 | 18.406.688 |
| Bank overdrafts | 24 | 49.697.479 | 26.675.924 |
| Short-term loans | 24 | 2.231.253 | 2.490.629 |
| Current portion of long-term loans | 24 | 9.245.524 | 6.443.809 |
| Tax payable | 23 | 8.759 | 32.303 |
| Trade and other payables | 22 | 25.461.213 | 26.909.653 |
| **Total current liabilities** | | 86.644.228 | 62.552.318 |
| **Total liabilities** | | 106.972.525 | 80.959.006 |
| **Total equity and liabilities** | | 142.113.627 | 118.292.310 |

The financial statements were approved by the Board of Directors on 7 April 2011.

Adamos K. Adamides
Chairman

Varnavas Irinarchos
Managing Director

The notes on pages 19 to 92 form an integral part of the consolidated financial statements.

**LOGICOM PUBLIC LIMITED**

STATEMENT OF CHANGES IN EQUITY

Years ended 31 December 2010

| | Share Capital € | Difference arising from the conversion of share capital into Euro € | Share Premium Reserve € | Retained Earnings € | Revaluation Reserve € | Fair Value Reserve € | Total € |
|---|---|---|---|---|---|---|---|
| **Balance 01 January 2009** | 24.357.870 | 116.818 | 10.364.083 | (434.219) | 2.134.996 | - | 36.539.548 |
| Total comprehensive income for the year | - | - | - | 3.212.714 | 2.104 | 157.901 | 3.372.719 |
| Issued share capital | 207.377 | - | - | - | - | - | 207.377 |
| Share premium reserve | - | - | 79.292 | - | - | - | 79.292 |
| Proposed dividend for 2008 that was paid in 2009 (note 9) | - | - | - | (2.865.632) | - | - | (2.865.632) |
| Revaluation reserve realised through use | - | - | - | 17.678 | (17.678) | - | - |
| **Balance 31 December 2009** | 24.565.247 | 116.818 | 10.443.375 | (69.459) | 2.119.422 | 157.901 | 37.333.304 |
| Total comprehensive income for the year | - | - | - | (848.996) | (101.999) | (23.801) | (974.796) |
| Issued share capital | 621.817 | - | - | - | - | | 621.817 |
| Revaluation of land and buildings | - | - | - | - | 689.522 | - | 689.522 |
| Proposed dividend for 2009 that was paid in 2010 (note 9) | - | - | - | (2.528.775) | - | - | (2.528.775) |
| Revaluation reserve realised through use | - | - | - | 18.287 | (18.287) | - | - |
| **Balance 31 December 2010** | 25.187.064 | 116.818 | 10.443.375 | (3.428.943) | 2.688.688 | 134.100 | 35.141.102 |

The notes on pages 19 to 92 form an integral part of the consolidated financial statements.

**LOGICOM PUBLIC LIMITED**

STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2010

As of 1 January 2003, Cypriot companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 15% will be payable on such deemed dividend to the extent that the shareholders (individuals and companies) at the end of the period of the two years from the end of the year of assessment to which the profits refer are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the Company for the account of the shareholders.

The notes on pages 19 to 92 form an integral part of the consolidated financial statements.

**LOGICOM PUBLIC LIMITED**

STATEMENT OF CASH FLOWS

Year ended 31 December 2010

| | Note | 2010 € | 2009 € |
|---|---|---|---|
| **Cash flows from operations** | | | |
| (Loss)/profit for the year | | (848.996) | 3.212.714 |
| *Adjustments for:* | | | |
| Depreciation | | 276.069 | 233.547 |
| Interest payable | | 2.209.097 | 1.358.404 |
| Interest receivable | | (962.078) | (1.114.828) |
| Dividends receivable | | (2.834.339) | (3.516.448) |
| Profit from sale of property, plant and equipment | | (5.609) | (100) |
| Loss on revaluation of investments at fair value through profit or loss | | 21.427 | 10.799 |
| Taxation | | (176.693) | (577.498) |
| | | (2.321.122) | (393.410) |
| Change in inventories | | (772.592) | 1.181.255 |
| Change in trade and other receivables | | (9.633.168) | 5.743.813 |
| Change in balances with subsidiary companies | | (8.408.721) | (13.670.742) |
| Change in trade and other payables | | (1.448.440) | 4.146.988 |
| | | (22.584.043) | (2.992.096) |
| Interest paid | | (2.209.097) | (1.358.404) |
| Taxation paid | | (60.080) | (129.001) |
| **Net cash flow used in operations** | | (24.853.220) | (4.479.501) |
| **Cash flows from investing activities** | | | |
| Payments to acquire property, plant and equipment | | (444.518) | (229.252) |
| Payments to acquire share capital of subsidiary company | | (27.600) | (210.000) |
| Payments to acquire investments available for sale | | - | (2.000.000) |
| Payments for increase of investment in subsidiary companies | | (3.493.564) | - |
| Proceeds from disposal of subsidiary company | | 2.415.155 | - |
| Dividends received | | 2.834.339 | 3.516.448 |
| Interest received | | 962.078 | 1.114.828 |
| **Net cash flow from investing activities** | | 2.245.890 | 2.192.024 |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of share capital | | 621.817 | 286.669 |
| Proceeds from issue of new loans | | 12.935.938 | 16.290.568 |
| Repayment of loans | | (8.934.438) | (13.446.078) |
| Dividends paid | | (2.528.775) | (2.865.632) |
| **Net cash flow from financing activities** | | 2.094.542 | 265.527 |
| **Net flow in cash and cash equivalents** | | (20.512.788) | (2.021.950) |
| **Cash and cash equivalents at beginning of year** | | (3.142.602) | (1.120.652) |
| **Cash and cash equivalents at the end of the year** | 26 | (23.655.390) | (3.142.602) |

The notes on pages 19 to 92 form an integral part of the consolidated financial statements.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

## 1. STATUS AND PRINCIPAL ACTIVITY

Logicom Public Limited (the "Company") was incorporated in Cyprus on 9 December 1986 as a private company with limited liability. The principal activity of the Company is the distribution of high technology products and the assembly of computers. On 23 July 1999 the Company became public in accordance with the provisions of the Cyprus Companies Law and on 4 January 2000 commenced the trading of its shares in the Cyprus Stock Exchange.

The address of the registered office of the Company is the following:
Eagle Star House
1st Floor
Theklas Lysioti 35
3030 Limassol

The address of the management office of the Company is the following:
Stasinou 26
Ayia Paraskevi
2003 Strovolos
Nicosia

On 1 January 1999, Logicom Public Limited acquired the whole share capital of Logicom (Overseas) Limited of €17.100. The principal activity of Logicom (Overseas) Limited is the distribution of high technology products and the assembly of computers. The company remained dormant during 2010.

On 1 January 2000, Logicom Public Limited acquired the whole share capital of SOLATHERM ELECTRO – TELECOMS "SET" Limited, of €5.135 which was renamed to ENET Solutions Limited on 11 January 2001. The principal activity of ENET Solutions Limited is the supply of solutions and services for networks and telecommunications. The company ENET Solutions Limited was renamed to Logicom Solutions Limited on 30 January 2009. The operations of the companies DAP Noesis Business Solutions Ltd and Netvision Ltd were transferred to Logicom Solutions Ltd in January 2009. The share capital of Logicom Solutions Ltd was transferred to Logicom Services Holdings Ltd for €2.398.056 on 31 December 2010.

On 27 April 2000, Netcom Limited was incorporated in Cyprus with a share capital of €17.086, which is wholly owned by Logicom Public Limited. The principal activity of Netcom Limited is the execution of infrastructure projects with the first project being the construction of a desalination plant in Episkopi Limassol. On 20 July 2010 the whole share capital of Netcom Limited was acquired by Verendrya Ventures Limited. The company remained dormant during 2010.

On 25 July 2000, Logicom (Middle East) SAL was incorporated in Lebanon, with a share capital of LBP 75.000.000 which is wholly owned by Logicom Public Limited. The principal activity of Logicom (Middle East) SAL is the distribution of high technology products.

On 21 February 2001, ENET Solutions – Logicom S.A. was incorporated in Greece with a share capital of €601.083, which is wholly owned by Logicom Public Limited. The principal activity of ENET Solutions – Logicom S.A. is the distribution of high technology products.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

1. STATUS AND PRINCIPAL ACTIVITY (continued)

On 7 August 2001, Logicom Jordan LLC was incorporated in Jordan, with a share capital of JD 50.000, which is wholly owned by Logicom Public Limited. The principal activity of Logicom Jordan LLC is the distribution of high technology products.

On 3 October 2001, Logicom FZE was incorporated in the United Arab Emirates, with a share capital of AED 1.000.000, which is wholly owned by Logicom Public Limited. The principal activity of Logicom FZE is the distribution of high technology products.

On 7 November 2001, Logicom Dubai LLC was incorporated in the United Arab Emirates, with a share capital of AED 300.000, which is wholly owned, directly and indirectly, by Logicom Public Limited. The principal activity of Logicom Dubai LLC is the distribution of high technology products.

On 14 June 2005, Logicom Italia s.r.l. was incorporated in Italy, with a share capital of €10.000, which is wholly owned by Logicom Public Limited. The principal activity of Logicom Italia s.r.l. is the distribution of high technology products.

On 1 December 2005 Logicom IT Distribution Ltd was incorporated in Turkey with a share capital of 5.000 Turkish liras which, is owned evenly by subsidiary companies ENET Solutions – Logicom S.A. and Logicom FZE. On 30 March 2007 there was an increase in the share capital of Logicom IT Distribution Ltd to 140.000 Turkish liras, which is owned by 40 % from Enet Solutions – Logicom S.A. and by 60% from Logicom FZE. On 27 December 2007 there was a further increase in the share capital of Logicom IT Distribution Ltd to 1.540.000 Turkish liras which is owned by 4% from Enet Solutions – Logicom S.A. and by 96% from Logicom FZE. The principal activity of Logicom IT Distribution Ltd is the distribution of high technology products.

On 1 August 2006 Rehab Technologies Ltd was incorporated in Saudi Arabia with a share capital of SAR 500.000 that is held by a trustee on behalf of Logicom Public Ltd. Logicom Public Ltd has full control of the operations of Rehab Technologies Ltd through a contractual agreement. The principal activity of Rehab Technologies Ltd is the distribution of high technology products. The activities of Rehab Technologies Ltd were transferred to Logicom Saudi Arabia LLC on 08/06/2010 and the company has since remained dormant.

On 19 March 2007 Logicom Information Technology Distribution S.R.L. was incorporated in Romania with a share capital of 200 Romanian Lei, which is wholly owned by Logicom Public Limited. The principal activity of Logicom Information Technology Distribution S.R.L. is the distribution of high technology products.

On 12 April 2007 Logicom Bulgaria EOOD was incorporated in Bulgaria, with a share capital of 20.000 Bulgarian Lev, which is wholly owned by Logicom Public Limited. The principal activity of Logicom Bulgaria EOOD is the distribution of high technology products.

On 15 June 2007 Logicom Hungary Ltd was incorporated in Hungary, with a share capital of 3.000.000 Hungarian Forint which is wholly owned by Logicom Public Limited. The principal activity of Logicom Hungary Ltd is the distribution of high technology products.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

1. STATUS AND PRINCIPAL ACTIVITY (continued)

On 30 May 2008, Noesis Ukraine LLC was incorporated in Ukraine, with share capital of 184.176 Ukraine Hryvnia which belongs both to Logicom Public Ltd by 46% and to its subsidiary DAP Noesis Business Solutions Ltd by 54%. The principal activity of Noesis Ukraine LLC is the provision of software solutions and services.

On 30 January 2008, Verendrya Ventures Ltd was incorporated in Cyprus, with share capital of EUR1.000 which belongs both to Logicom Public Ltd and to Demetra Investments Public Ltd. The principal activity of Verendrya Ventrures Ltd is the execution of projects relating to the construction of desalination units.

On 6 May 2009, Logicom Services Holdings Ltd was incorporated in Cyprus, with a share capital of €10.000, which is wholly owned by Logicom Public Limited. The principal activity of Logicom Services Holdings Ltd is the holding of investments.

On 28 July 2009, the Group acquired, through its subsidiary Logicom Services Holdings Ltd, the 36,77% of the company Newcytech Business Solutions Ltd. The main activity of Newcytech Business Solutions Ltd is the provision of complete IT solutions. On 30 October 2009 Logicom Services Holdings Ltd acquired the 100% of the share capital of Newcytech Business Solutions Ltd amounting to €756.776.

With the acquisition of Newcytech Business Solutions Ltd the Group acquired also the 100% of the company Newcytech Distribution Ltd with share capital of €8.550. The main activity of Newcytech Distribution Ltd is the import and wholesale of computers in the local market. The share capital of Newcytech Distribution Ltd was transferred to Logicom Services Holdings Limited on 30 June 2010.

On 16 August 2009, Logicom Solutions LLC was incorporated, in United Arab Emirates, with share capital of AED300.000. The main activity of Logicom Solutions LLC is the provision of complete IT solutions.

On 29 September 2009, Logicom Saudi Arabia LLC was incorporated in Saudi Arabia, with share capital of SAR 26.800.000 which is owned by 75% from Logicom FZE and by 25% from trustee on behalf of Logicom Public Ltd. Logicom Public Ltd has contractually the full control of the operations of Logicom Saudi Arabia LLC. The main activity of Logicom Saudi Arabia LLC is the distribution of high technology products.

On 3 November 2009, ICT Logicom Solutions SA was incorporated, with share capital of €100.000. The main activity of ICT Logicom Solutions SA is the provision of complete IT solutions.

On 29 September 2010, Logicom Distribution Germany Gmbh was incorporated in Germany, with share capital of EUR 27.000 which is wholly owned by Logicom Public Ltd. The main activity of Logicom Distribution Germany Gmbh is the distribution of high technology products.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

## 2. BASIS OF PREPARATION

Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and in accordance with the Cyprus Companies Law, Cap. 113 and the requirements of the Stocks and Cyprus Stock Exchange laws and regulations.

The consolidated financial statements separate of the Company were approved by the Board of Directors on 7 April 2011.

Basis of presentation

The consolidated and separate financial statements have been prepared in accordance with the historical cost convention, except for the land and buildings, investments at fair value through profit or loss and investments available for sale which are stated at their fair value. The methods used to measure fair values are discussed further in note 3.

Functional and presentation currency

The consolidated and separate financial statements are expressed in Euro which is the functional currency of the Company.

Estimates and judgments

The preparation of the consolidated and separate financial statements in conformity with the International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about judgements in applying accounting policies that have significant effects on the amounts recognised in the consolidated and separate financial statements are included in the following notes:

- Note 28 – Lease classification

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following note:

- Note 12 – Measurement of the recoverable amount of goodwill
- Note 25 – Utilisation of losses

## 3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently to all periods presented in the consolidated and separate financial statements of the Company, and have been applied consistently by all Group entities.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

*Subsidiary companies*

The consolidated financial statements include the Company and the subsidiary companies which the Group controls. Control exists when the Group has the power to govern the financial and operating policies of a financial entity so as to obtain benefits from its activities. The consolidation of the companies acquired during the year is made from the date that control commences until the date that control ceases to exist.

*Associated companies*

The associated companies are all entities in which the Group exercises significant influence and is in general accompanied with a share between 20% and 50% in the voting rights but which they are not under the control of the Group.

Investments in related companies are accounted for using the Equity method and are recognised initially at cost. The investment of the Group includes goodwill that was recognised on the acquisition following the deduction of any accumulated impairment. The consolidated financial statements include the share of profit from the associated company.

*Transactions between Group companies*

All balances, transactions and any unrealised income and expenses arising from transactions between the Group companies, are eliminated during the preparation of the consolidated financial statements.

Revenue

Revenue from sales is recognised when the significant risks and rewards of ownership have been transferred to the buyer, there are no material doubts regarding the repayment of the due amount, related expenses or possible return of products which can be estimated, there is no continuing management involvement with the products and the amount of revenue can be measured reliably. Income from services is recognised in proportion of the stage of completion at the end of the year. Revenue represents amounts invoiced for products sold or services rendered during the year and are stated after the deduction of trade discounts and returns. In addition, revenue includes amounts received or are receivable from the European Union for research and technological development projects.

Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. When the outcome of the construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Cost of sales

Cost of sales is presented after the deduction of rebates from suppliers and provisions for decrease in the net realisable value of inventories.

### Other income

Other income is recognised when it is considered as receivable. The income from dividend is recognized at the date the right to receive payment is established from the Group.

### Grants for research and development

Grants comprise of amounts received or are receivable from the European Union. In case there are amounts not recoverable these are expensed in the year they are incurred. These amounts represent reimbursements of expenses on contracts financed by the European Union for research and technological development projects. Grants are recognised when there is reasonable assurance that the Company will comply with the conditions attached to it, and that the grant will be received. Research and development costs incurred to gain scientific and technical knowledge, are recognised in the year they are incurred.

### Finance income/expenses

Finance income comprises interest receivable on funds invested, interest receivable for prepayment of suppliers and gains arising from foreign exchange differences. Interest income is recognised in profit or loss, using the effective interest method.

Finance expenses comprise interest payable on borrowings calculated using the effective interest method, bank charges, losses arising on foreign exchange differences and losses arising for the use of financing instruments. Interest payable is recognised in profit or loss using the effective interest method. Foreign currency gains and losses are reported on a net basis.

### Property, plant and equipment and depreciation

Items of property, plant and equipment are stated at cost or at revalued amount less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in the profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation is provided to write off the cost or the revalued amount less the estimated residual value of items of property, plant and equipment on a straight line basis over their expected useful economic lives as follows:

| | % |
|---|---|
| Buildings | 4 |
| Furniture and fittings | 10 |
| Computers | 20 – 33,3 |
| Motor vehicles | 20 |

There is no depreciation on land.

Depreciation is calculated on a daily basis from the date that the property, plant and equipment was acquired until the date of their disposal.

Depreciation methods, estimated useful economic lives and estimated residual values of all property, plant and equipment are reviewed at the reporting date of the accounts.

Expenses for replacement improvement or repair of buildings

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised.

The costs of repair and maintenance of the buildings and other parts of property, plant and equipment are charged in profit or loss during the year they are incurred.

Revaluation and provision for impairment of parts of property, plant and equipment

Every year or earlier if necessary, assessments are performed to estimate the fair value amount of property, plant and equipment. If it is determined that the net recoverable amount of a part is significantly lower than its net value as it appears in the books of the Company and this difference is considered to be permanent, then the book value is reduced to the net recoverable amount. Approximately every three years, or earlier if necessary, assessments are performed to estimate the net values of land and buildings. The revaluation is made by professional independent valuers.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories are assigned by using the first in first out method. The cost calculation includes the cost of purchase, transportation costs to the warehouse and freight charges.

The net realisable value is the estimated selling price in which the inventories can be sold in the ordinary course of business, less costs to sell.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Construction work in progress

Construction work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed the date of the financial statements. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction work in progress is presented as part of trade and other receivables in the Statement of Financial Position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as deferred income in the Statement of Financial Position.

### Non-derivative financial instruments

The Group has the following non-derivative financial instruments: trade and other receivables, trade and other payables, cash and cash equivalents, investments at fair value through profit or loss, investments available for sale and interest bearing loans.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously

### Trade and other receivables

Trade and other receivables are initially recognized at fair value plus any attributable transaction costs and subsequently these are stated at amortized cost using the effective interest method less any impairment losses.

### Trade and other payables

Trade and other payables are initially recognized at fair value plus any attributable transaction costs and subsequently these are stated at amortized cost using the effective interest method less any impairment losses.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

The Group has classified all its investments in shares to the category fair value through profit or loss and to investments available for sale. Investments at fair value through profit or loss comprise of investments held for trading and are presented as assets in the statement of financial position based on their fair value.

The investments are firstly recognised at cost and then adjusted to fair value. For publicly available securities, the fair value is estimated by reference to the closing bid prices of the stock exchange at the end of the year. For non publicly available securities, the fair value is determined based on the net asset position at the end of the year. Any surplus or deficit that arises from the revaluation at fair value is recognised in the profit or loss.

Investments available for sale comprise of bonds and are presented as assets based on their fair value. Any surplus or deficit that arises from the revaluation at fair value, except from the cases of impairment described below, is recognised in other comprehensive income and are presented in equity in the fair value reserve.

When an investment is derecognised, the cumulative gain or los in other comprehensive income is transferred to profit or loss.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand. Bank overdrafts that are repayable on demand, form part of the Group’s cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Impairment of assets

*Financial assets*

A financial asset not carried at fair value through profit or loss is assessed at the end of the year to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate. Losses on assets are recognised as an expense of the year. When an event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets (continued)
Impairment losses on investments available for sale are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired investment available for sale increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired investment available for sale is recognised in other comprehensive income.

*Non-financial assets*
The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at end of the year to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives the recoverable amount is estimated each year at the same time.

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.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of the year for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised

Investments in subsidiary companies
The investments in subsidiary companies are stated in the parent Company's books at cost less adjustments for any permanent impairment in the value of the investments. Any adjustments that arise are recorded in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Taxation comprises current and deferred tax. Taxation is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the end of the year, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the year.

Deferred tax assets and liabilities are offset if there is a legally enforceable right from the Group to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at the end of the year and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Foreign currency transactions

Transactions in foreign currencies are translated using the exchange rates enacted at the date of the transaction at the respective functional currency of each company of the Group. Monetary assets and liabilities denominated in foreign currencies at the end of the year are translated to the functional currency at the exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Translation of results of foreign subsidiary companies

The results of foreign subsidiary companies are translated to Euro at the average exchange rate prevailing during the year, while assets and liabilities are translated to Euro at the rate prevailing at the end of the year. Any foreign currency differences on translation are transferred to the other comprehensive income.

Long term loans that represent part of the Group's net investment in foreign subsidiary companies

All foreign exchange differences arising on long term loans to foreign subsidiaries are recorded in other comprehensive income in the financial statements of the Group and are transferred to profit or loss at the disposal of the subsidiary company.

All foreign exchange differences arising on long-term loans, are recognised in profit or loss in the year they are incurred in the parent Company's financial statements.

Deferred taxation arising from net foreign exchange differences that arise from the long-term loans is transferred to other comprehensive income.

Hedge of a net investment in foreign operation

The Group applies hedge accounting to exchange differences arising between the functional currency of the investment in foreign operation and the Company's functional currency, irrespectively of whether the net investment is held directly or through a different Group company.

Exchange differences arising on the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in other comprehensive income to the extent that the hedge is effective, and are presented within equity in the Translation Reserve. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged net investment is disposed of, the relevant amount in the translation reserve is transferred to profit or loss as part of the profit or loss on disposal.

Non-derivative financial instruments including hedge accounting

On initial designation of the non derivative financial instrument as the hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80 – 125 percent.

Intangible assets

Software development and licensing costs for the use and distribution of computer software are capitalized and amortised in profit or loss on a straight line basis over their useful economic lives.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Intangible assets are amortised as follows:

| | |
|---|---|
| Development costs | 5 years |
| License fees | 2 years |

Goodwill arising from the difference between the acquisition cost and the net assets of subsidiary companies at the acquisition is capitalised and is assessed annually for impairment. Provision for impairment is recognised in profit or loss.

Negative goodwill that arises from the difference of the net assets of subsidiary companies and the cost of acquisition at the acquisition is recognised in profit or loss in the same year.

Provident fund

The provident fund operates under a defined contribution scheme. According to the provident fund scheme of the parent company of the Group, the percentage of contributions to the fund is 3% to 10% on behalf of the member and 3% on behalf of the employer on the earnings of members. The contributions of the employer (Company) are recognised in the period to which they relate and are transferred within personnel costs.

Operating segments

Operating segments relate to components of the Group which may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance.

Lease

Leases where a significant part of the risks and rewards of the property remains with the lessor are classified as operating leases. All operating lease payments (after deduction of motives received from the lessor) are charged using the straight line method during the period of the lease.

Warranties

No provision is made for warranties given by the Group on computers and computer components because all computers and computer components carry a warranty from suppliers equal to the warranties given.

Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event and its probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Income

Deferred income consists of sales of services based on contracts, and relates to services that were incurred in the period after the year end. The deferred income is included in trade and other payables.

Deferred expenditure

Deferred expenditure are the expenses that consist of purchases of services based on contracts, and relates to services that were incurred in the period after the year end. The deferred expenditure is included in trade and other receivables.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to risks arising from exchange differences from operational or financing activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. The derivative financial instruments are recognised initially at fair value and the attributable transaction costs are recognised in profit or loss. Subsequent to initial recognition, they are measured at fair value and the gain or loss arising from the measurement at fair value is recognised in profit or loss. The fair value of the forward exchange contracts for rate of exchange is their quoted market price at the end of the year, being the present value of the quoted forward price.

Events after the balance sheet date

Assets and liabilities are adjusted for events that occurred during the period from the year end to the date of approval of the financial statements by the Board of Directors, when these events provide additional information for the valuation of amounts relating to events existing at the year end or imply that the going concern concept in relation to part or the whole of the Group is not appropriate.

Share capital

i. Ordinary shares

Ordinary shares issued and fully paid are classified as share capital. Incremental costs directly attributable to the issue of ordinary shares are recognised as a reduction from equity, net of any tax effects.

ii. Dividends

Dividends are recognised as a liability in the year they are declared, according to IAS 10.

Earnings per share

The Company presents basic and diluted earnings per share that corresponds to the shareholders. The basic earnings per share is calculated by dividing the profit attributable to the shareholders of the Company by the weighted average number of issued shares outstanding during the year. The diluted earnings per share are calculated by adjusting the profit attributable to the shareholders of the Company and the weighted average number of issued shares outstanding for the effect of Warrants.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Comparative amounts

Where necessary, comparative amounts are restated in order to comply with the changes in accounting policies, the application of new and revised International Financial Reporting Standards and the presentation of the current financial year.

Adoption of new and revised International Financial Reporting Standards and Interpretations

As from 1 January 2010, the Group adopted all the IFRSs and International Accounting Standards (IAS), that are relevant to its operations. The adoption of these Standards did not have a material effect on the financial statements of the Group.

The following Standards, Amendments to Standards and Interpretations had been issued but are not yet effective for the year ended 31 December 2010:

| **Standard/Interpretations** | **Effective for annual periods beginning on or after** |
|---|---|
| **(i) Standards and Interpretations adopted by the EU** | |
| • Improvements to IFRSs issued in May 2010 | 1 July 2010/ 1 January 2011 |
| • IFRS1 (amendment): Limited exemption from comparative IFRS7 disclosures for first time adopters | 1 July 2010 |
| • IAS 24 "Related Party Disclosures" (revised) | 1 January 2010 |
| • IAS 32 "Classification of rights issues" (amendments) | 1 February 2010 |
| • IFRIC 14 Prepayments of a Minimum Funding Requirement (amendments) | 1 January 2011 |
| • IFRIC 19: "Extinguishing Financial Liabilities with Equity Instruments" | 1 July 2010 |
| **(ii) Standards and Interpretations not adopted by the EU** | |
| • IFRS 1 – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters (amendments) | 1 July 2011 |
| • IFRS 7 Financial Instruments (amendments): Disclosures - Transfers of Financial Assets | 1 July 2011 |
| • IFRS 9 "Financial Instruments" | 1 January 2013 |
| • IAS 12 - "Deferred tax": Recovery of Underlying Assets (amendments) | 1 January 2012 |

The Board of Directors expects that the adoption of the above Financial Reporting Standards in future periods will not have a material effect on the financial statements of the Group with the exception of:

- The adoption of IFRS9 could change the classification and measurement of financial assets. The extent of the impact has not yet been determined.

## 4. OPERATING SEGMENTS

The Group can be divided in to two important segments, the distribution segment and the services segment. The distribution segment that mainly operates in the distribution of high technology products and the production of computers is divided in three main geographical segments as described below. The services segment operates mainly in the provision of solutions and services for networks and telecommunications and the provision of solutions and services for software for customers in Cyprus and abroad. The following summary describes the operations in each of the Group's Reportable Segments:

- European markets distribution segment – This segment operates mainly in the distribution of high technology products and the production of computers in Cyprus, Greece and Italy.
- UAE and Saudi Arabia distribution segment – This segment operates mainly in the distribution of high technology products and the production of computers in United Arab Emirates and Saud Arabia.
- Other markets distribution segment – This segment operates mainly in the distribution of high technology products and the production of computers in other countries that the Group operates in, other than the countries mentioned above.
- Services segment – This segment operates in the provision of solutions and services for networks and telecommunications and the provision of solutions and services for software for customers in Cyprus and abroad.

Information regarding the results of each reportable segment is presented below. The information is used for the preparation of the consolidated and separate financial statements. The performance is evaluated based on the profit before taxation of each segment, as presented in management reports which are examined by the Board of Directors. The profit of each segment is used for the evaluation of the performance since the management believes that this information is the most appropriate for the evaluation of the results of all segments that are reported. The accounting policies of the operating segments are presented in note 3.

Sales and total non-current assets that relate to intangible assets and property, plant and equipment are allocated between Cyprus and abroad as follows:

| | Revenue | | Total non-current assets | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | € | € | € | € |
| Cyprus | 67.028.317 | 48.346.844 | 14.593.665 | 14.088.639 |
| Greece | 88.388.828 | 98.932.555 | 445.763 | 521.167 |
| United Arab Emirates | 178.963.957 | 119.945.896 | 670.758 | 926.322 |
| Abroad | 125.216.151 | 97.967.640 | 1.139.583 | 1.245.951 |
| | 459.597.253 | 365.192.935 | 16.849.769 | 16.782.079 |

Major Customer

Revenue from one customer of the Group's European Markets Segment represents approximately €25.000.000 (2009: €30.000.000) of the Group's total revenue.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

4. OPERATING SEGMENTS (continued)

| | European Markets Distribution Segment | | Middle East Markets Distribution Segment | | All other segments | | Services Segment | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 € | 2009 € | 2010 € | 2009 € | 2010 € | 2009 € | 2010 € | 2009 € | 2010 € | 2009 € |
| External revenue | 142.347.834 | 148.820.086 | 206.901.021 | 140.578.955 | 69.485.700 | 53.456.892 | 40.862.698 | 22.337.003 | 459.597.253 | 365.192.935 |
| Intersegment revenue | 76.412.635 | 59.976.083 | 36.619.882 | 29.701.503 | 6.405.758 | 2.648.370 | 704.490 | 259.206 | 120.142.765 | 92.585.162 |
| Other Income | 3.963.436 | 4.296.696 | 377.313 | 808.823 | 99.735 | 48.681 | 660.835 | 314.340 | 5.101.319 | 5.468.541 |
| Depreciations and amortisation | 528.587 | 497.353 | 140.444 | 147.434 | 142.201 | 116.486 | 488.286 | 154.351 | 1.299.518 | 915.624 |
| Personnel costs | 5.187.026 | 5.109.890 | 3.224.617 | 2.743.170 | 2.377.156 | 2.697.093 | 5.598.021 | 2.299.826 | 16.386.820 | 12.849.978 |
| Travelling expenses | 351.802 | 348.940 | 84.666 | 73.043 | 158.943 | 132.672 | 203.917 | 137.502 | 799.328 | 692.157 |
| Provision for bad debts | 29.199 | 346.834 | 883.821 | 791.729 | 41.596 | 27.306 | 147.410 | 64.981 | 1.102.026 | 1.230.850 |
| Other professional fees | 727.742 | 305.964 | 186.615 | 11.785 | 228.708 | 128.291 | 365.807 | 238.017 | 1.508.872 | 684.057 |
| Rent | 373.841 | 340.523 | 366.217 | 246.893 | 234.497 | 216.788 | 283.917 | 154.601 | 1.258.472 | 958.804 |
| Credit insurance | 1.281.163 | 439.488 | - | 255.500 | 85.021 | 17.352 | - | 8.500 | 1.366.184 | 720.840 |
| Transportation expenses | 345.133 | 279.106 | 87.824 | 63.991 | 298.442 | 96.884 | 68.312 | 7.162 | 799.711 | 447.144 |
| **Profit from operations** | 3.062.950 | 3.875.555 | 3.298.259 | 3.371.665 | 424.526 | (339.868) | 4.777.823 | 2.179.940 | 11.563.558 | 9.087.292 |
| Net foreign exchange gains / (loss) | (2.384.337) | 1.160.425 | 64.025 | (25.157) | (423.609) | (251.465) | 137.630 | (74.913) | (2.606.291) | 808.890 |
| Interest receivable | 963.968 | 1.119.819 | - | - | 10.931 | 36.595 | 268.476 | 299.424 | 1.243.375 | 1.455.838 |
| Interest payable and bank charges | (4.175.508) | (3.036.084) | (135.784) | (122.552) | (71.249) | (68.699) | (254.899) | (119.799) | (4.637.440) | (3.347.135) |
| **Net finance expense** | (5.595.877) | (755.840) | (71.759) | (147.719) | (483.927) | (283.569) | 151.207 | 104.712 | (6.000.356) | (1.082.405) |
| Share profit of associated company | - | - | - | - | - | - | - | 78.502 | - | 78.502 |
| **Profit before tax** | (2.532.927) | 3.119.715 | 3.226.500 | 3.223.956 | (59.401) | (623.437) | 4.929.030 | 2.363.154 | 5.563.202 | 8.083.388 |
| Acquisition of property plant and equipment | 491.331 | 334.241 | 49.984 | 99.315 | 38.480 | 83.576 | 496.252 | 22.102 | 1.076.047 | 539.234 |
| Total assets | 197.419.429 | 168.510.016 | 51.513.206 | 49.674.401 | 31.696.824 | 22.506.806 | 43.393.755 | 47.473.444 | 324.023.214 | 288.164.667 |
| Total liabilities | 159.374.577 | 200.949.669 | 29.763.329 | 38.506.492 | 32.283.464 | 23.016.100 | 31.439.658 | 31.211.211 | 252.861.028 | 293.683.472 |

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

4. OPERATING SEGMENTS (continued)

The elements that are allocated to the operating segments are reconciled with those reported in the consolidated statement of comprehensive income:

| | Revenue | Other income | Depreciation and amortisation | Other professional fees | Net foreign exchange gain/ (loss) | Profit before tax |
|---|---|---|---|---|---|---|
| **31 December 2010** | € | € | € | € | € | € |
| Total as per table of allocation in the Operating segments | 579.740.018 | 5.101.319 | 1.299.518 | 1.508.872 | (2.606.291) | 5.563.202 |
| Intersegment transaction | (120.142.765) | (4.048.597) | (109.010) | (928.992) | 1.185.134 | (1.988.988) |
| Total as per Consolidated Financial Statements | 459.597.253 | 1.052.722 | 1.190.508 | 579.880 | (1.421.157) | 3.574.214 |
| **31 December 2009** | | | | | | |
| Total as per table of allocation in the Operating segments | 26.167.382 | 5.468.541 | 915.624 | 684.057 | 808.891 | 8.083.389 |
| Intersegment transaction | 991.245 | (4.632.275) | (79.502) | (45.000) | 196.473 | (3.125.055) |
| Total as per Consolidated Financial Statements | 27.158.627 | 836.266 | 836.122 | 639.057 | 1.005.364 | 4.958.334 |

The elements that are allocated between the Operating segments are reconciled with those reported in the Consolidated Statement of Financial Position:

| | **31 December 2010** | | | **31 December 2009** | | |
|---|---|---|---|---|---|---|
| | Acquisition of property plant and equipment | Total assets | Total liabilities | Acquisition of property plant and equipment | Total assets | Total liabilities |
| | € | € | € | € | € | € |
| Total as per table of allocation in the Operating segments | 1.076.047 | 324.023.214 | 252.861.028 | 539.232 | 288.164.667 | 293.683.472 |
| Intersegment transactions | - | (101.366.558) | (84.112.555) | - | (87.119.035) | (145.376.249) |
| Total as per Consolidated Financial Statements | 1.076.047 | 222.656.656 | 168.748.473 | 539.232 | 201.045.632 | 148.307.223 |

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

## 5. ADMINISTRATIVE EXPENSES

**THE GROUP**

(a) Personnel costs

| | 2010 € | 2009 € |
|---|---|---|
| Staff salaries | 13.700.059 | 10.257.184 |
| Social insurance and related costs | 1.624.913 | 1.471.159 |
| Contributions to Provident Fund | 182.661 | 161.345 |
| Other personnel costs | 179.551 | 330.394 |
| | 15.687.184 | 12.220.082 |

The average number of employees during the year was 562 (2009: 443).

(b) Other administrative expenses

| | 2010 € | 2009 € |
|---|---|---|
| Depreciation | 1.190.508 | 836.122 |
| Directors fees - Non executives directors | 66.150 | 66.200 |
| - Executive directors | 633.486 | 563.697 |
| Audit fees | 221.159 | 163.647 |
| Legal fees | 214.155 | 266.265 |
| Other professional fees | 579.880 | 639.057 |
| Traveling expenses | 799.328 | 692.157 |
| Maintenance expenses | 57.439 | 51.043 |
| Rent | 1.258.472 | 958.804 |
| Subcontractors' fees | 417.025 | 329.990 |
| Promotion and advertising expenses | 368.326 | 316.082 |
| Doubtful debts allowance | 1.102.026 | 1.230.850 |
| Insurance | 302.858 | 286.435 |
| Credit insurance | 1.366.184 | 720.840 |
| Staff training expenses | 95.286 | 36.676 |
| Subscriptions and donations | 119.111 | 105.291 |
| Telephone expenses | 603.020 | 505.325 |
| Electricity and water | 256.091 | 189.163 |
| Software maintenance expenses | 25.451 | 66.507 |
| Transportation expenses | 649.711 | 447.144 |
| Sundry expenses | 1.444.493 | 1.537.751 |
| | 11.770.159 | 10.009.046 |
| Total administrative expenses | 27.457.343 | 22.229.128 |

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

5. ADMINISTRATIVE EXPENSES (continued)

**THE COMPANY**

(a) Personnel expenses

| | 2010 € | 2009 € |
|---|---|---|
| Staff salaries | 2.262.081 | 1.803.357 |
| Social insurance and related costs | 242.974 | 240.342 |
| Contributions to Provident Fund | 58.621 | 49.534 |
| Other personnel costs | (242.654) | - |
| | 2.321.022 | 2.093.233 |

The average number of employees during the year was 79 (2009: 71).

(b) Other administrative expenses

| | 2010 € | 2009 € |
|---|---|---|
| Depreciation | 276.069 | 233.547 |
| Director fees - Non executive directors | 66.150 | 66.200 |
| - Executive directors | 158.900 | 158.900 |
| Audit fees | 39.200 | 35.000 |
| Legal fees | 60.501 | 219.282 |
| Other professional fees | 123.550 | 250.939 |
| Traveling expenses | 158.007 | 133.647 |
| Maintenance expenses | 27.003 | 20.742 |
| Rent | 81.809 | 42.356 |
| Subcontractors' fees | 306.282 | 253.347 |
| Promotion and advertising expenses | 83.997 | 95.288 |
| Doubtful debts allowance | (106.571) | 45.564 |
| Insurance | 25.822 | 14.876 |
| Credit insurance | 788.701 | 455.973 |
| Staff training expenses | 8.103 | 9.753 |
| Subscriptions and donations | 48.394 | 69.026 |
| Telephone expenses | 80.157 | 68.633 |
| Electricity and water | 51.233 | 45.488 |
| Transportation expenses | 82.931 | 45.073 |
| Sundry expenses | 234.127 | 324.004 |
| | 2.594.365 | 2.587.638 |
| Total administrative expenses | 4.915.387 | 4.680.871 |

Note 1

The total fees for the services of the lawyers and legal advisors of the law office Adamos K. Adamides & Co, to which Adamos Adamides is partner, amount to €88.790 and are included in the legal fees and other professional fees.

The total fees for the services of secretary of the company Adaminco Secretarial Ltd, amount to €17.400 and are included in other professional fees.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

6. OTHER INCOME

| | 2010 | 2009 |
|---|---|---|
| **THE GROUP** | € | € |
| (Loss)/profit on disposal of property, plant and equipment | (32.322) | 31.352 |
| Loss from revaluation of investments at fair value through profit or loss | (23.527) | (10.799) |
| Commissions and other income | 1.108.571 | 815.713 |
| | 1.052.722 | 836.266 |
| **THE COMPANY** | | |
| Dividends receivable from subsidiary companies | 2.834.339 | 3.516.448 |
| Profit on disposal of property, plant and equipment through profit or loss | 5.609 | 100 |
| Loss from revaluation of investments at fair value | (21.427) | (10.799) |
| Commissions and other income | 894.145 | 607.896 |
| | 3.712.666 | 4.113.645 |

7. NET FINANCE EXPENSES

| | 2010 | 2009 |
|---|---|---|
| | € | € |
| **THE GROUP** | | |
| Finance income | | |
| Interest receivable | 1.244.381 | 1.455.838 |
| Net foreign exchange gain | - | 1.005.364 |
| | 1.244.381 | 2.461.202 |
| Finance expense | | |
| Interest payable and bank charges | (4.637.895) | (3.347.135) |
| Net foreign exchange loss | (1.421.157) | - |
| | (6.059.052) | (3.347.135) |
| Net finance expense | (4.814.671) | (885.933) |
| **Net finance expenses recognized in other comprehensive income** | | |
| Exchange differences in relation to foreign operations | (718.946) | (1.803.100) |
| Deferred taxation arising from net exchange differences in relation to foreign operations | 37.716 | (12.654) |
| Net change in the fair value of investments available for sale | (23.801) | 157.901 |
| | (705.031) | (1.657.853) |

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

7. NET FINANCE EXPENSES (continued)

| | 2010 | 2009 |
|---|---|---|
| | € | € |
| **THE COMPANY** | | |
| Finance income | | |
| Interest receivable | 962.078 | 1.114.828 |
| Net foreign exchange gain | - | 870.171 |
| | 962.078 | 1.984.999 |
| Finance expenses | | |
| Interest payable and bank charges | (2.779.946) | (1.558.024) |
| Net foreign exchange loss | (918.346) | - |
| | (3.698.292) | (1.558.024) |
| Net finance income | (2.736.214) | 426.975 |
| **Net finance expenses in other comprehensive income** | | |
| Net change in fair value of investments available for sale | (23.801) | 157.901 |
| | (23.801) | 157.901 |

8. TAXATION

| | 2010 | 2009 |
|---|---|---|
| | € | € |
| **THE GROUP** | | |
| Corporation tax | 584.812 | 549.175 |
| Adjustment for prior years | 31.733 | - |
| Special defence contribution | 87.255 | 165.546 |
| Deferred taxation | (403.437) | (928.874) |
| | 300.363 | (214.153) |

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

8. TAXATION (continued)

The subsidiary companies of the Group are taxed in the countries they operate as follows:

| Company | Country | Tax rate % |
|---|---|---|
| Logicom (Overseas) Limited | Cyprus | 10 |
| Logicom Solutions Limited | Cyprus | 10 |
| Netcom Limited | Cyprus | 10 |
| Netvision Limited | Cyprus | 10 |
| DAP Noesis Business Solutions Limited | Cyprus | 10 |
| Logicom (Middle East) SAL | Lebanon | 15 |
| ENET Solutions – Logicom S.A. | Greece | 24 |
| Logicom FZE | United Arab Emirates | 0 |
| Logicom Dubai LLC | United Arab Emirates | 0 |
| Logicom Jordan LLC | Jordan | 14 |
| Logicom Italia s.r.l. | Italy | 31,4 |
| Logicom IT Distribution Ltd | Turkey | 20 |
| Rehab Technologies Limited | Saudi Arabia | 20 |
| Logicom Hungary Ltd | Hungary | 10 |
| Logicom Bulgaria EOOD | Bulgaria | 10 |
| Logicom Information Technology Distribution s.r.l. | Romania | 16 |
| Noesis Ukraine LLC | Ukraine | 25 |
| Logicom Services Holdings Ltd | Cyprus | 10 |
| Logicom Solutions LLC | United Arab Emirates | 0 |
| ICT Logicom Solutions SA | Greece | 24 |
| Logicom Saudi Arabia LLC | Saudi Arabia | 20 |
| Newcytech Business Solutions Ltd | Cyprus | 10 |
| Newcytech Distribution Ltd | Cyprus | 10 |

There were no changes in the tax rates from 2009 except for the companies in Jordan, Saudi Arabia, Hungary and Romania.

| | 2010 € | 2009 € |
|---|---|---|
| **THE COMPANY** | | |
| Special defence contribution | 60.448 | 136.266 |
| Deferred taxation | (237.141) | (713.764) |
| | (176.693) | (577.498) |

The Company is subject to corporation tax at 10% on all of its profits.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

8. TAXATION (continued)

Reconciliation of taxation with the taxation based on accounting profit

| | 2010 € | 2009 € |
|---|---|---|
| **THE GROUP** | | |
| Profit before tax | 3.574.214 | 4.958.334 |
| Effective tax rate | 6,94% | 13,46% |
| Tax for the year based on accounting profit | 248.138 | 667.390 |
| Tax effect for: | | |
| Depreciation | 23.921 | 41.472 |
| Capital allowances | (20.981) | (35.222) |
| Income not allowed in computation of taxable income | (582.926) | (658.652) |
| Expenses not allowed in computation of taxable income | 80.029 | 355.102 |
| Adjustments for prior years | 31.733 | - |
| Tax losses carried forward | 836.631 | 190.420 |
| Special defence contribution | 87.255 | 165.546 |
| Deferred taxation | (403.437) | (940.209) |
| | 300.363 | (214.153) |

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

8. TAXATION (continued)

Reconciliation of taxation with taxation based on accounting profit

**THE COMPANY**

| | 2010 € | 2009 € |
|---|---|---|
| Profit before taxation | (1.025.689) | 2.635.216 |
| Effective tax rate | 10% | 10% |
| Tax for the year based on accounting profit | (102.569) | 263.522 |
| Tax effect for: | | |
| Depreciation | 27.607 | 23.355 |
| Capital allowances | (24.250) | (20.960) |
| Income not allowed in computation of taxable income | (733.567) | (463.139) |
| Expenses not allowed in computation of taxable income | 12.992 | 216.327 |
| Adjustments from previous years | - | - |
| Tax losses carried forward | 819.787 | (19.105) |
| Special defence contribution | 60.448 | 136.266 |
| Deferred taxation | (237.141) | (713.764) |
| | (176.693) | (577.498) |

Deferred taxation recognised in other comprehensive income

| | 2010 € | 2009 € |
|---|---|---|
| **THE GROUP** | | |
| Temporary differences arising from foreign exchange differences | (37.716) | 12.654 |
| Revaluation of land and buildings | (101.996) | (3.161) |
| | (139.712) | 9.493 |
| **THE COMPANY** | | |
| Revaluation of land and buildings | (100.479) | (2.104) |
| | (100.479) | (2.104) |

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

## 9. DIVIDEND

| | 2010<br>€ | 2009<br>€ |
|---|---|---|
| Dividend paid | 2.528.775 | 2.865.632 |

During the year a final dividend for 2009 of €2.528.775 was paid. This corresponds to €0,035 cents per share. In accordance with IAS 10, dividends are recognised in the year in which they are declared.

The proposed final dividend for 2010 of €1.481.592, which corresponds to €0,02 cents per share, in accordance with IAS 10, will be recognized during 2011, the year in which it will be declared.

## 10. EARNINGS PER SHARE

**THE GROUP**

Basic and diluted earnings per share

The calculation of basic and diluted earnings per share is based on the profit attributable to the shareholders of the parent Company, the weighted average number of issued shares and the weighted average number of issued shares as adjusted for the effect of the warrants during the year as follows:

| | 2010 | 2009 |
|---|---|---|
| Profit attributable to shareholders (€) | 3.273.851 | 5.172.487 |
| Weighted average number of shares that were issued during the year | 72.551.364 | 71.868.431 |
| Basic earnings per share (cents) | 4,52 | 7,14 |
| Diluted weighted average number of shares | 72.551.364 | 71.888.586 |
| Diluted earnings per share (cents) | 4,52 | 7,14 |

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

10. EARNINGS PER SHARE (continued)

**THE COMPANY**

Basic and diluted earnings per share

The calculation of basic and diluted earnings per share is based on the profit attributable to the shareholders of the parent Company, the weighted average number of issued shares and the weighted average number of issued shares as adjusted from the effect of the warrants during the year as follows:

| | 2010 | 2009 |
|---|---|---|
| (Loss)/profit attributable to shareholders (€) | (848.996) | 3.212.714 |
| Weighted average number of shares that were issued during the year | 72.551.364 | 71.868.431 |
| Basic earnings per share (cents) | (1,17) | 4,44 |
| Diluted weighted average number of shares | 72.551.364 | 71.888.586 |
| Diluted earnings per share (cents) | (1,17) | 4,44 |

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

## 11. PROPERTY, PLANT AND EQUIPMENT

| | Land and buildings € | Computers € | Furniture and fittings € | Motor vehicles € | Total € |
|---|---|---|---|---|---|
| **THE GROUP** | | | | | |
| **Acquisition cost or revaluation** | | | | | |
| **2009** | | | | | |
| 1 January 2009 | 6.268.942 | 1.611.988 | 1.520.323 | 1.394.402 | 10.795.655 |
| Exchange differences | (136.807) | 115.457 | 139.050 | (190.424) | (72.724) |
| Additions for the year | 9.584 | 278.190 | 127.092 | 124.368 | 539.234 |
| Disposals for the year | (3.411) | (10.602) | (57.306) | (93.966) | (165.285) |
| Additions through business combinations | - | 993.977 | 85.281 | 115.195 | 1.194.453 |
| 31 December 2009 | 6.138.308 | 2.989.010 | 1.814.440 | 1.349.575 | 12.291.333 |
| **2010** | | | | | |
| 1 January 2010 | 6.138.308 | 2.989.010 | 1.814.440 | 1.349.575 | 12.291.333 |
| Exchange differences | 137.016 | 122.776 | (70.778) | 947 | 189.961 |
| Additions for the year | - | 706.855 | 216.515 | 152.677 | 1.076.047 |
| Disposals for the year | (5.320) | (37.836) | (26.553) | (56.561) | (126.270) |
| Revaluation for the year | 58.437 | - | - | - | 58.437 |
| 31 December 2010 | 6.328.441 | 3.780.805 | 1.933.624 | 1.446.638 | 13.489.508 |
| **Depreciation** | | | | | |
| **2009** | | | | | |
| 1 January 2009 | 289.970 | 1.058.915 | 685.148 | 807.709 | 2.841.742 |
| Exchange differences | (25.854) | 85.412 | 37.706 | (122.560) | (25.296) |
| Charge for the year | 151.292 | 252.900 | 231.099 | 200.831 | 836.122 |
| On disposals for the year | (825) | (7.516) | (55.447) | (93.966) | (157.754) |
| 31 December 2009 | 414.583 | 1.389.711 | 898.506 | 792.014 | 3.494.814 |
| **2010** | | | | | |
| 1 January 2010 | 414.583 | 1.389.711 | 898.506 | 792.014 | 3.494.814 |
| Exchange differences | 14.916 | (72.217) | 96.042 | (801) | 37.940 |
| Charge for the year | 166.025 | 597.042 | 213.517 | 213.924 | 1.190.508 |
| On disposals for the year | - | (43.702) | (3.302) | (48.336) | (95.340) |
| On revaluations | (385.676) | - | - | - | (385.676) |
| 31 December 2010 | 209.848 | 1.870.834 | 1.204.763 | 956.801 | 4.242.246 |
| **Net book value** | | | | | |
| 31 December 2009 | 5.723.725 | 1.599.299 | 915.934 | 557.561 | 8.796.519 |
| 31 December 2010 | 6.118.593 | 1.909.971 | 728.861 | 489.837 | 9.247.262 |

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

11. PROPERTY, PLANT AND EQUIPMENT (continued)

| | Land and buildings € | Computers € | Furniture and fittings € | Motor vehicles € | Total € |
|---|---|---|---|---|---|
| **THE COMPANY** | | | | | |
| **Acquisition cost or revaluation** | | | | | |
| **2009** | | | | | |
| 1 January 2009 | 3.999.320 | 740.726 | 390.863 | 522.846 | 5.653.755 |
| Additions for the year | - | 148.866 | 9.976 | 70.410 | 229.252 |
| 31 December 2009 | 3.999.320 | 889.592 | 400.839 | 593.256 | 5.883.007 |
| **2010** | | | | | |
| 1 January 2010 | 3.999.320 | 889.592 | 400.839 | 593.256 | 5.883.007 |
| Additions for the year | - | 291.695 | 82.075 | 70.748 | 444.518 |
| Disposals for the year | (5.320) | - | - | (53.572) | (58.892) |
| Revaluation for the year | 481.000 | - | - | - | 481.000 |
| 31 December 2010 | 4.475.000 | 1.181.287 | 482.914 | 610.432 | 6.749.633 |
| **Depreciation** | | | | | |
| **2009** | | | | | |
| 1 January 2009 | 103.496 | 619.006 | 304.733 | 282.208 | 1.309.443 |
| Charge for the year | 44.676 | 58.435 | 38.867 | 91.569 | 233.547 |
| 31 December 2009 | 148.172 | 677.441 | 343.600 | 373.777 | 1.542.900 |
| **2010** | | | | | |
| 1 January 2010 | 148.172 | 677.441 | 343.600 | 373.777 | 1.542.990 |
| Charge for the year | 60.397 | 125.288 | 18.722 | 71.662 | 276.069 |
| On disposals of the year | - | - | - | (40.572) | (40.572) |
| On revaluation | (208.569) | - | - | - | (208.569) |
| 31 December 2010 | - | 802.729 | 362.322 | 404.867 | 1.569.918 |
| **Net book value** | | | | | |
| 31 December 2009 | 3.851.148 | 212.151 | 57.239 | 219.479 | 4.340.017 |
| 31 December 2010 | 4.475.000 | 378.558 | 120.592 | 205.565 | 5.179.715 |

On December 1998 the Company acquired land and buildings at Strovolos. At the end of the same month the land and buildings were revalued by independent professional valuers. The transfer of ownership of the building in the Land Registry Department was made in March 1999.

On 31 December 2010, a fourth revaluation of the land and buildings was performed by independent professional valuers. The total surplus on revaluation that amounted to €691.502 was transferred to the revaluation reserve.

## 11. PROPERTY, PLANT AND EQUIPMENT (continued)

On 31 December 2010, a fourth revaluation of the factory in Larnaca was performed by independent professional valuers. The surplus on revaluation that amounted to €21.229 was transferred to the revaluation reserve.

On 31 December 2010, a second revaluation of the land and buildings of Logicom FZE was performed by independent professional valuers. The deficit on revaluation that amounted to €283.342 was transferred to the revaluation reserve that arose from previous revaluation.

The revaluations were made according to the comparative valuation method for the computation of market value, with the cost of construction method for the purchase price of the building and also on the basis of the future prospects of the immovable properties under examination. These valuations were made by independent professional valuers.

On 31 December 2010 the Group assesses that the net book value of land and buildings of Logicom (Middle East) SAL in Lebanon is not materially different from its fair value.

On 31 December 2010 the Group assesses that the net book value of land and buildings of Logicom Jordan LLC in Jordan is not materially different from its fair value.

The provision for deferred taxation arising from the revaluation of land and buildings is presented in note 25.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

11. PROPERTY, PLANT AND EQUIPMENT (continued)

If the total amounts of land and buildings were carried out at historic cost, these would have been as follows:

| | 2010 | 2009 |
|---|---|---|
| | € | € |
| Cost | 2.488.150 | 2.486.437 |
| Depreciation | (874.680) | (789.318) |
| | 1.613.470 | 1.697.119 |

The value of the land which is not depreciated is as follows:

| | 2010 | 2009 |
|---|---|---|
| | € | € |
| Balance 31 December | 354.091 | 354.091 |

The subsidiary company Logicom (Overseas) Limited acquired buildings (land, offices and warehouse) in the Larnaca Free Zone Area in December 1994. Land was acquired on a long term lease agreement from the Cyprus Government to the subsidiary, ending on 30 September 2016 with an option for renewal for another two lease periods of 33 years each. There is no commitment on behalf of the Company for renewal of the lease. The buildings are owned by the Group with an initial cost of €130.178 followed by additions of cost €29.672 and the annual lease payment is €2.893.

In the Group's motor vehicles there is a vehicle acquired under finance lease. The net book value of the motor vehicle on 31 December 2010 was €30.070.
The subsidiary company Logicom FZE acquired land in the Free Trade Zone Area in Jebel Ali. The land is under an operating lease for 10 years from the 1 August 2007 with an option for renewal. The annual lease payment is €95.493.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

12. INTANGIBLE ASSETS

**THE GROUP**

| | Development costs € | Licensing costs € | Goodwill € | Total € |
|---|---|---|---|---|
| **Cost** | | | | |
| **2009** | | | | |
| 1 January 2009 | 101.603 | 9.814 | 1.102.924 | 1.214.341 |
| Additions through business combinations (note 13) | - | - | 7.535.670 | 7.535.670 |
| 31 December 2009 | 101.603 | 9.814 | 8.638.594 | 8.750.011 |
| **2010** | | | | |
| 1 January 2010 | 101.603 | 9.814 | 8.638.594 | 8.750.011 |
| Decrease for the year | - | - | (383.023) | (383.023) |
| 31 December 2010 | 101.603 | 9.814 | 8.255.571 | 8.366.988 |
| **Amortization** | | | | |
| **2009** | | | | |
| 1 January 2009 | 101.426 | 9.814 | 653.169 | 764.409 |
| Impairment for the year | 42 | - | - | 42 |
| 31 December 2009 | 101.468 | 9.814 | 653.169 | 764.451 |
| **2010** | | | | |
| 1 January 2010 | 101.468 | 9.814 | 653.169 | 764.451 |
| Impairment for the year | 30 | - | - | 30 |
| 31 December 2010 | 101.498 | 9.814 | 653.169 | 764.481 |
| **Net book value** | | | | |
| 31 December 2009 | 135 | - | 7.985.425 | 7.985.560 |
| 31 December 2010 | 105 | - | 7.602.402 | 7.602.507 |

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

12. INTANGIBLE ASSETS (continued)

Goodwill

*Logicom Solutions Limited / DAP Noesis Business Solutions Limited*

Goodwill amounting to €1.102.924 arose on the acquisition of the subsidiary company Logicom Solutions Limited on 1 January 2000 and on the acquisition of the subsidiary company DAP Noesis Business Solutions Limited on 20 March 2002. Goodwill that arose on the acquisition of the above named subsidiaries had been capitalized and was amortized annually in the Income Statement until 31 December 2004. As of 1st January 2005, in accordance to IFRS 3, goodwill is no longer amortized, but is assessed annually for impairment.

The carrying amount of goodwill that arose from DAP Noesis Business Solutions Limited has been impaired with an amount equal to its net book value as at 31 December 2005. The recoverable amount of the goodwill of Logicom Solutions Limited is assessed annually during the reporting date by calculating the greater of the value in use and the fair value less costs to sell. Based on the fact that the fair value cannot be measured, the recoverable amount equals with the value in use which is calculated as present value of the estimated future cash flows, using a discount rate of 11% for a period of 3 years. There is no impairment on the goodwill at the end of the year because the net value of the goodwill is lower than its recoverable amount.

*Newcytech Business Solutions Ltd*

Goodwill amounting to €7.535.670 arose on the acquisition of the subsidiary company Newcytech Business Solutions Limited ("Newcytech") on 30 October 2009. The acquisition cost was based on a valuation report for Newcytech that was prepared by external advisors. The calculation of the value was based on assumption of a growth rate of 1% and weighted average cost of capital of 15,59%.

During the current year and as a result to the change of the value of contingent consideration as analysed below, the amount of goodwill was reduced by €383.023. As a result the total amount of goodwill on 31 December 2010 amounts to €7.152.467.

The management estimates that there is no need for impairment of the goodwill that arose on the acquisition of Newcytech on the basis that the recoverable amount exceeds the carrying amount of goodwill. The recoverable amount equals the value in use that is calculated as the present value of the estimated future cash flows for a period of 3 years and the terminal value of the company. For the determination of the terminal value the cash flows after 2013 were used divided with the difference of the weighted average cost of capital and the growth rate. The weighted average cost of capital was calculated to 11% and the growth rate to perpetuity to 2%.

The main assumptions that were used in calculation the present value of the estimated future cash as assessed and evaluated by the Management are:

*Discount rate*

The discount rate is calculated at the same level as the weighted average cost of capital of the Group. For the calculation the interest rate on 5 year government bonds, the cost of financing, the market interest rate and the effect of changes in the market on the Company were taken into account.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

## 12. INTANGIBLE ASSETS (continued)

*Growth rate for terminal value*
The rate is calculated based on previous experience of the company's growth rate and the Company's segments of operations, and by also taking into account the ongoing technological development, expertise and experience of the company. The rate is compared with the growth rate of the Gross National Product of Cyprus, the country in which the company is operating.

*Estimated future inflows*
The future inflows of the company are calculated based on the growth rates of the company in recent years and the business development plans of the company:

- The budget for 2011 shows an increase of 49% as it takes into account projects that the company expects to perform during the year as well as achieving the planned growth plan.
- The growth for 2012 and 2013 is estimated at 8%. The growth is considered achievable as it is expected that there will be an exit from the economic crisis that limits the international markets thus allowing broader economic recovery in the country which the company operates.
- The growth after 2013 is expected to be within the expectations of the Management based on growth data for the country and segment of operations of the Company.

Management does not consider that there will be a change in the above main assumptions that will affect the recoverable amount of goodwill so that it will be lower than the carrying amount.

Development/licensing costs
The software development costs and licensing costs arose on the acquisition of the subsidiary company DAP Noesis Business Solutions Limited on 20 March 2002.

These costs relate to the use and distribution of software, are capitalized and then amortized in profit or loss on a straight line basis over their useful economic life as follows:

| | |
|---|---|
| Development costs | 5 years |
| Licensing costs | 2 years |

## 13. ACQUISITION OF SUBSIDIARY COMPANY

On 27 July 2009, the Company acquired the 36,77% of the shares of Newcytech Business Solutions Limited for €3.015.000. On 30 October 2009, the Company acquired the remaining 63,23% for €5.300.000. The total cost of the subsidiary which amounts to €10.240.329, includes contingent consideration of €1.925.329. The consideration was reassessed during 2010 and adjusted accordingly based on the recent achievement rates.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

13. ACQUISITION OF SUBSIDIARY COMPANY (continued)

The contingent consideration was adjusted as follows:

| | € |
|---|---|
| 1 January 2010 | 1.925.329 |
| Provision readjustment | (383.023) |
| Unwinding of interest | 131.091 |
| Payment during the year | (350.569) |
| 31 December 2010 | 1.322.828 |

The contingent consideration is analysed to short term and long term liability as follows:

| | 2010 € | 2009 € |
|---|---|---|
| Long-term | 930.311 | 1.573.405 |
| Short-term | 392.517 | 351.924 |
| | 1.322.828 | 1.925.329 |

The analysis of the cost of acquisition of Newcyetch Business Solutions Ltd as it was adjusted during 2010 is presented below:

| | € |
|---|---|
| On 1st January 2010 | 10.240.329 |
| Provision adjustment | (383.023) |
| Unwinding of interest | 131.091 |
| | 9.988.397 |

The provision relates to the contingent consideration for the acquisition of the subsidiary company Newcytech Business Solutions Limited. The contingent consideration is payable subject to the achievement of the targets set for the annual profit before tax of Newcytech Business Solutions Limited for the years 2009 to 2012, as determined in the acquisition agreement. The consideration will be payable in partial payments within 30 days from the finalization of the audited financial statements of Newcytech Business Solutions Limited for each of the years stated above.

For the period 27 July 2009 to 30 December 2009 profit of €78.502 was recognised from an associated company.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

## 14. INVESTMENTS IN SUBSIDIARY COMPANIES

The Company has the following investments in subsidiary companies:

| | Cost € | Country | Percentage 2010 | Percentage 2009 |
|---|---|---|---|---|
| Logicom (Overseas) Limited | - | Cyprus | 100% | 100% |
| Logicom Solutions Limited | - | Cyprus | 100% | 100% |
| Netcom Limited | - | Cyprus | - | 100% |
| Logicom (Middle East) SAL | 52.652 | Lebanon | 100% | 100% |
| ENET Solutions – Logicom S.A. | 601.083 | Greece | 100% | 100% |
| Logicom FZE | 3.296.728 | United Arab Emirates | 100% | 100% |
| Logicom Dubai LLC | 92.124 | United Arab Emirates | 100% | 100% |
| Logicom Jordan LLC | 78.372 | Jordan | 100% | 100% |
| Logicom Italia s.r.l. | 834.834 | Italy | 100% | 100% |
| Rehab Technologies Ltd | 100.382 | Saudi Arabia | 100% | 100% |
| Logicom Hungary Ltd | 12.217 | Hungary | 100% | 100% |
| Logicom IT Distribution s.r.l. | 63 | Romania | 100% | 100% |
| Logicom Bulgaria EOOD | 10.048 | Bulgaria | 100% | 100% |
| Noesis Ukraine LLC | 11.214 | Ukraine | 46% | 46% |
| Logicom Services Holdings Ltd | 10.000 | Cyprus | 100% | 100% |
| Verendrya Ventures Ltd | 600 | Cyprus | 60% | 60% |
| Logicom Distribution Germany Gmbh | 27.000 | Cyprus | 100% | - |
| Total | 5.127.317 | | | |

The Company owns indirectly, through the subsidiary company Logicom Services Holdings Ltd, 100% of Logicom Solutions Ltd in Cyprus with share capital of €8.550.

The Company owns indirectly, through the subsidiary companies Enet Solutions – Logicom S.A. and Logicom FZE, 100% of Logicom IT Distribution Ltd in Turkey with share capital of €892.719.

The Company owns indirectly, through the subsidiary company Logicom Solutions Ltd, the remaining 54% of the subsidiary in Ukraine, Noesis Ukraine LLC.

The Company owns indirectly, through the subsidiary company Verendrya Ventures Ltd, the 100% of the subsidiary in Cyprus, Netcom Ltd.

The Company owns indirectly, through the subsidiary company Logicom FZE, 100% of the subsidiary, Logicom Saudi Arabia LLC with share capital of €4.950.896.

The Company owns indirectly, through the subsidiary company Logicom Services Holdings Ltd, 100% of Newcytech Business Solutions Ltd in Cyprus with share capital of €756.776.

The Company owns indirectly, through the subsidiary company Logicom Services Holdings Ltd, 100% of Newcytech Distribution Ltd in Cyprus with share capital of €8.550.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

14. INVESTMENTS IN SUBSIDIARY COMPANIES (continued)

The Company owns indirectly, through the subsidiary company Logicom Services Holdings Ltd, 100% of the subsidiary in United Arab Emirates, Logicom Solutions LLC with share capital of €56.589.

The Company owns indirectly, through the subsidiary company Logicom Services Holdings Ltd, 100% of the subsidiary in Greece, ICT Logicom Solutions SA with share capital of €100.000.

On 31 December 2010, the Company made an assessment for any impairment loss of its investments by comparing the net asset value of each investment with the carrying amount. There was no indication for impairment in the value of the investments in subsidiaries other than Rehab Technologies Ltd and Logicom Italia s.r.l. based on the criteria discussed above.

Management has examined the budgets and the forecasts of the above stated subsidiaries which are positive. On this basis, it was decided that no impairment should be recognized as it expects that the recoverable value of these investments will exceed the carrying amount in the near future.

The following table presents the dates of acquisition, the nominal values and the number of shares of the main subsidiary companies:

| | Date of acquisition/ incorporation | Nominal Value | Number of shares |
|---|---|---|---|
| Logicom (Overseas) Limited | 01/01/1999 | EUR 1,71 | 10.000 |
| Logicom Solutions Limited | 01/01/2000 | EUR 1,71 | 5.000 |
| Netcom Limited | 27/04/2000 | EUR 1,71 | 10.000 |
| Logicom (Middle East) SAL | 25/07/2000 | LBP 15.000 | 5.000 |
| ENET Solutions – Logicom S.A. | 21/02/2001 | EUR 2,94 | 204.450 |
| Logicom Jordan LLC | 07/08/2001 | JOD 1 | 50.000 |
| Logicom FZE | 03/10/2001 | AED 1Million | 1 |
| Logicom Dubai LLC | 07/11/2001 | AED 100 | 3.000 |
| Logicom Italia s.r.l. | 14/06/2005 | EUR 10.000 | 1 |
| Logicom IT Distribution Ltd | 01/12/2005 | YTL 1 | 1.540.000 |
| Rehab Technologies Ltd | 01/08/2006 | SAR 500 | 1.000 |
| Logicom IT Distribution s.r.l. | 19/03/2007 | RON 20 | 10 |
| Logicom Bulgaria EOOD | 12/04/2007 | BGN 100 | 200 |
| Logicom Hungary Ltd | 15/06/2007 | HUF 3 Million | 1 |
| Noesis Ukraine LLC | 30/05/2008 | UAH 184.176 | 1 |
| Logicom Services Holdings Ltd | 06/05/2009 | EUR 1 | 10.000 |
| Logicom Solutions LLC | 16/08/2009 | AED1.000 | 300 |
| ICT Logicom Solutions SA | 03/11/2009 | EUR 1 | 100.000 |
| Logicom Saudi Arabia LLC | 29/09/2009 | SAR 10 | 2.680.000 |
| Newcytech Business Solutions Ltd | 30/10/2009 | EUR 1,71 | 442.559 |
| Newcytech Distribution Ltd | 30/10/2009 | EUR 1,71 | 5.000 |
| Logicom Distribution Germany GmbH | 29/09/2010 | EUR 1 | 25.000 |

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

## 15. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2010 € | 2009 € |
|---|---|---|
| **THE GROUP** | | |
| Shares of the companies listed in CSE | 19.025 | 42.552 |
| Other investments | 8.543 | 8.543 |
| | 27.568 | 51.095 |
| **THE COMPANY** | | |
| Shares of the companies listed in CSE | 16.325 | 37.752 |
| Other investments | 8.543 | 8.543 |
| | 24.868 | 46.295 |

During the year the net realizable value of the investments at fair value through profit or loss in shares of companies listed in the CSE was decreased by €23.527.

As at 7 April 2011, the date of the approval of the financial statements, the value of the shares traded in the CSE was €18.725.

The movement of the investments at fair value through profit or loss is analyzed as follows:

| | 2010 € | 2009 € |
|---|---|---|
| **Balance at the beginning of the year** | 51.095 | 57.093 |
| Acquisitions through business combination | - | 4.801 |
| Decrease in value of investments | (23.527) | (10.799) |
| **Balance at the end of the year** | 27.568 | 51.095 |

## 16. INVESTMENTS AVAILABLE FOR SALE

The Company acquired during the year investments available for sale. The investments consist of corporate capital bonds with fixed annual interest rate of 7% which is payable every quarter. The titles are traded in the Cyprus Stock Exchange and have been classified as available for sale investments. The estimated recoverable value of the investment available for sale investments decreased by €23.801.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

## 16. INVESTMENTS AVAILABLE FOR SALE (continued)

The movement of investment available for sale is analysed as follows:

| | 2010 € | 2009 € |
|---|---|---|
| **Balance at the beginning of the year** | 2.157.901 | - |
| Additions | - | 2.000.000 |
| (Decrease)/increase in value of investments | (23.801) | 157.901 |
| **Balance at the end of the year** | 2.134.100 | 2.157.901 |

## 17. INVENTORIES

| **THE GROUP** | 2010 € | 2009 € |
|---|---|---|
| Net value of inventories at 31 December | 52.849.043 | 43.184.952 |

The provision for the decrease in the value of inventories was increased by €274.112 (2009: decrease €296.719) as a result of the sale of inventories for which there was a provision in previous years of €108.052 (2009: €405.517) and the increase in the provision of the year by €382.164 (2009: €108.798).

| **THE COMPANY** | 2010 € | 2009 € |
|---|---|---|
| Net value of inventories at 31 December | 2.771.402 | 1.998.810 |

The provision for the decrease in the value of inventories of the Company was decreased by €58.968 (2009: increase €26.131) as a result of the sale of inventories for which there was a provision in previous years of €108.052 (2009: €27.452) and the increase in the provision of the year by €49.084 (2009: €53.583).

Inventories consist of finished goods for sale and spare parts. Part of the spare parts can sometimes be sold on their own as finished goods. Work in progress has been considered by management as immaterial and therefore they are not presented separately in inventories. Inventories are stated net of any provision for inventory obsolescence.

Inventory includes products relating to work in progress amounting to €- (2009: €206.698).

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

## 18. TRADE AND OTHER RECEIVABLES

| | 2010 | 2009 |
|---|---|---|
| | € | € |
| **THE GROUP** | | |
| Trade receivables | 105.202.168 | 92.529.850 |
| Other receivables | 6.795.348 | 1.477.733 |
| Prepayments | 773.536 | 704.180 |
| | 112.771.052 | 94.711.763 |
| **THE COMPANY** | | |
| Trade receivables | 6.008.345 | 7.733.425 |
| Other receivables | 11.782.165 | 423.917 |
| | 17.790.510 | 8.157.342 |

Trade and other receivables are stated after the deduction of doubtful debts allowance which amounted to €4.625.992 (2009: €3.648.164) for the Group and €188.783 (2009: €286.734) for the Company.

Part of trade receivables of Logicom Public Ltd in Cyprus and the subsidiary Enet Solutions – Logicom S.A. in Greece and Logicom FZE in United Arab Emirates have been settled through the factoring agreement without recourse. The total amount of debtors that were settled on 31 December amounted to €25.784.400 (2009: €28.860.896).

The risks in relation to trade and other receivables are presented in note 30.

## 19. CASH AND CASH EQUIVALENTS

| | 2010 | 2009 |
|---|---|---|
| | € | € |
| **THE GROUP** | | |
| Cash in hand | 13.944 | 74.100 |
| Current accounts with banks | 37.024.262 | 42.899.384 |
| | 37.038.206 | 42.973.484 |
| **THE COMPANY** | | |
| Cash in hand | 800 | 13.846 |
| Current accounts with banks | 26.041.289 | 23.519.476 |
| | 26.042.089 | 23.533.322 |

The deposit interest rates for 2010 was 4% per annum (2009: 5%).

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

## 20. SHARE CAPITAL

| | **Authorised** | | **Issued and fully paid** | |
|---|---|---|---|---|
| | Ordinary shares | € | Ordinary shares | € |
| **2010** | | | | |
| Balance 1 January | 100.000.000 | 34.000.000 | 72.250.727 | 24.565.247 |
| Changes during the year | - | - | 1.828.873 | 621.817 |
| Balance 31 December | 100.000.000 | 34.000.000 | 74.079.600 | 25.187.064 |
| **2009** | | | | |
| Balance 1 January | 100.000.000 | 34.183.387 | 71.640.794 | 24.357.870 |
| Changes during the year | - | - | 609.933 | 207.377 |
| Balance 31 December | 100.000.000 | 34.000.000 | 72.250.727 | 24.565.247 |

During the first period of warrant exercise, in October 2008, 3.734.494 warrants were exercised at the price of €0,73 each. On 7 November 2008, 3.734.494 new shares of €0,34 each were allocated. The total amount of the share capital increase amounts to €1.269.727.

During the second period of warrant exercise, in October 2009, 609.933 warrants were exercised at the price of €0,47 each. On 11 November 2009, 609.933 new shares of €0,34 each were allocated. The total amount of the share capital increase amounts to €207.377.

During the third period of warrant exercise, in October 2010, 1.828.873 warrants were exercised at the price of €0,34 each. On 10 November 2010, 1.828.873 new shares of €0,34 each were allocated. The total amount of the share capital increase amounts to €621.817.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

## 21. RESERVES

| THE GROUP | Difference arising on the conversion the share capital to Euro<br>€ | Share Premium Reserve<br>€ | Consolidated Retained Earnings<br>€ | Revaluation Reserve<br>€ | Fair Value Reserve<br>€ | Translation Reserve<br>€ | Hedging Reserve<br>€ | Statutory Reserve<br>€ | Total<br>€ |
|---|---|---|---|---|---|---|---|---|---|
| **Balance 31 December 2008** | 116.818 | 10.364.083 | 18.488.533 | 3.064.475 | - | (4.814.148) | - | 221.946 | 27.441.707 |
| Profit for the year | - | - | 5.172.487 | - | - | - | - | - | 5.172.487 |
| Exchange differences in relation to foreign operations | - | - | - | - | - | (1.803.100) | - | - | (1.803.100) |
| Deferred taxation arising from net exchange differences in relation to foreign operations | - | - | - | - | - | (12.654) | - | - | (12.654) |
| Deferred taxation arising on revaluation of land and buildings | - | - | - | 3.161 | - | - | - | - | 3.161 |
| Net change in the fair value of available for sale | - | - | - | - | 157.901 | - | - | - | 157.901 |
| Total comprehensive income for the year | - | - | 5.172.487 | 3.161 | 157.901 | (1.815.754) | - | - | 3.517.795 |
| Proposed dividend for 2008 that was paid in 2009 (note 9) | | - | (2.865.632) | - | - | - | - | - | (2.865.632) |
| Share premium reserve | - | 79.292 | - | - | - | - | - | - | 79.292 |
| Revaluation reserve realised through use | - | - | 28.252 | (28.252) | - | - | - | - | - |
| Transfer to statutory reserve | - | - | 92.383 | - | - | - | - | (92.383) | - |
| | - | 79.292 | (2.744.997) | (28.252) | - | - | - | (92.383) | (2.786.340) |
| **Balance 31 December 2009** | 116.818 | 10.443.375 | 20.916.023 | 3.039.384 | 157.901 | (6.629.902) | - | 129.563 | 28.173.162 |

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

21. RESERVES (continued)

| THE GROUP | Difference arising on the conversion the share capital to Euro<br>€ | Share Premium Reserve<br>€ | Consolidated Retained Earnings<br>€ | Revaluation Reserve<br>€ | Fair Value Reserve<br>€ | Translation Reserve<br>€ | Hedging Reserve<br>€ | Statutory Reserve<br>€ | Total<br>€ |
|---|---|---|---|---|---|---|---|---|---|
| **Balance 31 December 2009** | 116.818 | 10.443.375 | 20.916.023 | 3.039.384 | 157.901 | (6.629.902) | - | 129.563 | 28.173.162 |
| Profit for the year | - | - | 3.273.851 | - | - | - | - | - | 3.273.851 |
| Exchange differences in relation to foreign operations | - | - | - | - | - | 1.051.771 | (1.770.717) | - | (718.946) |
| Deferred taxation arising from net exchange differences in relation to foreign operations | - | - | - | - | - | - | - | - | - |
| Deferred taxation arising on revaluation of land and buildings | - | - | - | 101.996 | - | - | - | - | 101.996 |
| Net change in the fair value of investments available for sale | - | - | - | - | (23.801) | - | - | - | (23.801) |
| Total comprehensive income for the year | - | - | 3.273.851 | 101.996 | (23.801) | 1.089.487 | (1.770.717) | - | 2.670.816 |
| Proposed dividend for 2009 that was paid in 2010 (note 9) | - | - | (2.528.775) | - | - | - | - | - | (2.528.775) |
| Share premium reserve | - | - | - | 405.916 | - | - | - | - | 405.916 |
| Revaluation reserve realised through use | - | - | 18.287 | (18.287) | - | - | - | - | - |
| Transfer to statutory reserve | - | - | (79.799) | - | - | - | - | 79.799 | - |
| | - | - | (2.590.287) | 387.629 | - | - | - | 79.799 | (2.122.859) |
| **Balance 31 December 2010** | 116.818 | 10.443.375 | 21.599.587 | 3.529.009 | 134.100 | (5.540.415) | (1.770.717) | 209.362 | 28.721.119 |

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

21. RESERVES (continued)

**THE COMPANY**

| | Difference arising on the conversion the share capital to Euro € | Share Premium Reserve € | Retained Earnings € | Revaluation Reserve € | Fair Value Reserve € | Total € |
|---|---|---|---|---|---|---|
| **Balance 31 December 2008** | 116.818 | 10.364.083 | (434.219) | 2.134.996 | - | 12.181.678 |
| Profit for the year | - | - | 3.212.714 | - | - | 3.212.714 |
| Net change in the fair value of investments available for sale | - | - | - | - | 157.901 | 157.901 |
| Deferred taxation arising on revaluation of land and buildings | - | - | - | 2.104 | - | 2.104 |
| Total comprehensive income for the year | - | - | 3.212.714 | 2.104 | 157.901 | 3.372.719 |
| Share premium reserve | - | 79.292 | - | - | - | 79.292 |
| Proposed dividend for 2008 that was paid in 2009 (note 9) | - | - | (2.865.632) | - | - | (2.865.632) |
| Revaluation reserve realised through use | - | - | 17.678 | (17.678) | - | - |
| | - | 79.292 | (2.847.954) | (17.678) | - | (2.786.340) |
| **Balance 31 December 2009** | 116.818 | 10.443.375 | (69.459) | 2.119.422 | 157.901 | 12.768.057 |

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

21. RESERVES (continued)

**THE COMPANY**

| | Difference arising on the conversion the share capital to Euro € | Share Premium Reserve € | Retained Earnings € | Revaluation Reserve € | Fair Value Reserve € | Total € |
|---|---|---|---|---|---|---|
| **Balance 31 December 2009** | 116.818 | 10.443.375 | (69.459) | 2.119.422 | 157.901 | 12.768.057 |
| Profit for the year | - | - | (848.996) | - | - | (848.996) |
| Net change in the fair value of investments available for sale | - | - | - | - | (23.801) | (23.801) |
| Deferred taxation arising on revaluation of land and buildings | - | - | - | (101.999) | - | (101.999) |
| Total comprehensive income for the year | - | - | (848.996) | (101.999) | (23.801) | (974.796) |
| Revaluation of property plant and equipment | - | - | - | 689.552 | - | 689.552 |
| Proposed dividend for 2009 that was paid in 2010 (note 9) | - | - | (2.528.775) | - | - | (2.528.775) |
| Revaluation reserve realised through use | - | - | 18.287 | (18.287) | - | - |
| | - | - | (2.510.488) | 671.265 | - | (1.839.223) |
| **Balance 31 December 2010** | 116.818 | 10.443.375 | (3.428.943) | 2.688.688 | 134.100 | 9.954.038 |

21. RESERVES (continued)

**THE COMPANY**

Retained earnings
The retained earnings includes accumulated gain or losses of the Company.

Share premium reserve
The share premium reserve consists of amounts incurred from the issue of shares at prices higher than the nominal value.

Reserve arising from the change of the nominal value of the shares
The reserve arising from the change of the shares nominal value consists of the difference arising from the change of the nominal value of the shares, following the adoption of the Euro as the official currency of the Republic of Cyprus.

Revaluation reserve
The revaluation reserve consists of the accumulated amounts of revaluations of land and buildings and the deferred taxation arising on revaluations.

Fair value reserve
The fair value reserve consists of the accumulated amounts of revaluations of investments available for sale at their fair value.

Translation Reserve
The translation reserve consists of the accumulated exchange differences that arise on the translation of the equity of the foreign subsidiary companies, using the exchange rate prevailing at the end of the year and the exchange differences that arise from the long-term loans of the parent company to the foreign subsidiary companies.

Exchange differences that arise from the long-term loans to foreign subsidiary companies are transferred to other comprehensive income and presented in the translation reserve in the financial statements of the Group. Exchange differences are transferred to profit or loss on the disposal of the subsidiary company. Deferred taxation arising from net exchange differences that arise from the translation of the long-term loans is transferred to other comprehensive income and is presented in the translation reserve.

Exchange differences arising from long-term loans are recognised in profit or loss in the year they are incurred in the financial statements of the parent Company.

Hedging Reserve
Hedging Reserve consists of the accumulated amounts of the hedging of the investment on foreign subsidiary companies with the liabilities of the Group at a foreign currency.

Statutory reserve in United Arab Emirates, in Lebanon and in Jordan
This reserve consists of amounts transferred every year from retained earnings to this reserve, according to the statutory requirements applicable in these countries.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

## 22. TRADE AND OTHER PAYABLES

| | 2010<br>€ | 2009<br>€ |
|---|---|---|
| **THE GROUP** | | |
| Trade payables | 49.853.082 | 49.804.496 |
| Accrued expenses | 3.459.454 | 1.316.751 |
| Other payables | 5.259.729 | 7.168.320 |
| | 58.572.265 | 58.289.567 |
| **THE COMPANY** | | |
| Trade payables | 23.620.143 | 25.175.078 |
| Accrued expenses | 488.837 | 106.727 |
| Other payables | 1.352.233 | 1.627.848 |
| | 25.461.213 | 26.909.653 |

The risks in relation to trade and other payables are presented in note 30.

## 23. TAX REFUNDABLE AND PAYABLE

| | 2010<br>€ | 2009<br>€ |
|---|---|---|
| **THE GROUP** | | |
| Tax refundable | 451.024 | 335.652 |
| **THE COMPANY** | | |
| Tax refundable | 131.059 | 131.059 |

| | 2010<br>€ | 2009<br>€ |
|---|---|---|
| **THE GROUP** | | |
| Tax payable | 153.533 | 351.490 |
| **THE COMPANY** | | |
| Tax payable | 8.759 | 32.303 |

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

## 24. LOANS AND BANK OVERDRAFTS

| | 2010 | 2009 |
|---|---|---|
| | € | € |
| **THE GROUP** | | |
| Long-term loans | 28.918.915 | 25.129.086 |
| Short-term loans | 2.323.614 | 12.743.275 |
| Bank overdrafts | 77.211.396 | 49.055.236 |
| | 108.453.925 | 86.927.597 |

The long-term loans of the Group are repayable as follows:

| | 2010 | 2009 |
|---|---|---|
| | € | € |
| - within one year | 10.350.498 | 6.847.906 |
| - between two and five years | 17.883.081 | 16.563.801 |
| - after more than five years | 685.336 | 1.717.379 |
| | 28.918.915 | 25.129.086 |

| | 2010 | 2009 |
|---|---|---|
| | € | € |
| **THE COMPANY** | | |
| Long-term loans | 28.638.013 | 24.377.137 |
| Short-term loans | 2.231.253 | 2.490.629 |
| Bank overdrafts | 49.697.479 | 26.675.924 |
| | 80.566.745 | 53.543.690 |

The long-term loans of the Company are repayable as follows:

| | 2010 | 2009 |
|---|---|---|
| | € | € |
| - within one year | 9.245.524 | 6.443.809 |
| - between two and five years | 18.707.153 | 16.215.949 |
| - after more than five years | 685.336 | 1.717.379 |
| | 28.638.013 | 24.377.137 |

## 24. LOANS AND BANK OVERDRAFTS (continued)

The long term loans of the Group and the Company consist of:

Loan in United States Dollars (USD) repayable in five years with 16 equal quarterly installments of USD558.588 (€418.042). The interest rate is equal to 3 month LIBOR + 2,20% annually and the first installment was paid on 31/03/2008.

Loan in United States Dollars (USD) repayable in five years with 20 equal quarterly installments of USD468.700 (€350.771). The interest rate is equal to 3 month LIBOR + 2,0% annually and the first installment was paid on 22/03/2009.

Loan in United States Dollars (USD) repayable in five years, including one year's grace period, with 16 equal quarterly installments of USD437.500 (€327.421). The interest rate is equal to 3 month LIBOR + 1,50% annually and the first installment was paid on 03/06/2009.

Loan in United States Dollars (USD) repayable in four years, with 15 equal quarterly installments of USD400.000 (€299.356). The interest rate is equal to 3 month LIBOR + 2,0% annually and the first installment was paid on 31/12/2009.

Loan in Euro repayable in eight years, with 15 equal quarterly installments of Euro225.000 payable every 6 months. The interest rate is equal to 6 month EURIBOR + 2,0% annually and the first installment was paid on 31/12/2009.

Loan in Euro repayable in eight years, with 15 equal quarterly installments of Euro408.000 payable every 6 months. The interest rate is equal to 6 month EURIBOR + 2,0% annually and the first installment was paid on 30/04/2010.

Loan in United States Dollars (USD) repayable in five years, with 19 equal quarterly installments of USD800.772 (€599.290). The interest rate is equal to 3 month LIBOR + 4,0% annually and the first installment will be paid on 30/11/2010.

Six loans in Euro of total amount Euro 280.898 repayable in two years, with 36 equal monthly instalments of total amount Euro 24.034.

Loan in Jordan Dinar (JOD) repayable in five years with 60 equal monthly installments of JOD 5.833 (€6.157). The interest rate is equal to 9% annually and the first installment was paid on 15/04/2007.

The weighted average cost of the bank overdraft is 5,5% (2010: 4%). The bank overdrafts are repayable on demand by the respective banks.

The interest rate of short-term loans is equal to 3 month LIBOR plus 2,0% annually and 6 month LIBOR plus 2% annually (2009: 3 month LIBOR plus 1,20% annually and 6 month EURIBOR plus 2,75% annually). Short-term loans are repayable within three months from the day they are incurred.

The undrawn balance of the bank overdrafts of the Group at 31 December 2010 amounted to €20,8 million (2009: €30,1 million) and of the Company to €2,9 million (2009: €9,5 million).

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

24. LOANS AND BANK OVERDRAFTS (continued)

The bank overdrafts, the short-term and the long term loans are secured with:

(a) Pledge of bonds with value €1.500.000.

(b) The guarantee of Logicom Solutions Limited for €32.000.000, €19.648.916, €3.000.000, €7.688.706 and €516.000.

(c) First mortgage with registration number Y2258/85 for factory and offices in Larnaca with registration number L8 on the name of Logicom (Overseas) Limited for €170.000 (it also secures the liabilities of Logicom (Overseas) Limited).

(d) First, second and third mortgage for €598.010 on building with registration number N1664 at Ayia Paraskevi owned by Logicom Public Limited.

(e) First mortgage with registration number Y1953/99 dated 15 September 1999 for plot with registration number N1665 in Nicosia (Ayia Paraskevi area, Strovolos) for €133.270, owned by Logicom Public Limited.

(f) Second mortgage with registration number Y5753/00 dated 21 July 2000 for plot with registration number N1665 in Nicosia (Ayia Paraskevi area, Strovolos) for €136.688, owned by Logicom Public Limited.

(g) Notice accounts of Logicom Public Limited, Logicom Solutions Limited and Logicom FZE.

(h) Pledge of 100% of the shares in Newcytech Business Solutions Ltd with reg. number 145820.

(i) Corporate guarantees on guarantee document NT6 dated 07/10/2005 of the company Logicom Solutions Limited for the amount of €20.503.217.

(j) Corporate guarantees on guarantee document NT6 dated 07/10/2005 of the company Logicom Solutions Limited for the amount of €2.562.902.

(k) Corporate guarantee of Logicom Public Ltd towards Newcytech Business Solutions Ltd for €4.121.875.

(l) Assignment of receivables of Logicom Public Limited for €1.528.298.

(m) The guarantee of Logicom (Overseas) Limited for €170.861.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

25. DEFERRED TAXATION

| | Liabilities 2010 € | Assets 2010 € | Transfer to other Reserves € | Transfer to Statement of Comprehensive € | Liabilities 2009 € | Assets 2009 € |
|---|---|---|---|---|---|---|
| **THE GROUP** | | | | | | |
| Deferred taxation arising from: | | | | | | |
| Temporary differences arising from differences between depreciation and capital allowances | (609.547) | - | - | (36.225) | (573.322) | - |
| Temporary differences arising from loss for the year | - | 1.592.987 | - | 898.220 | - | 694.767 |
| Revaluation of land and buildings | (612.972) | - | (101.996) | - | (510.976) | - |
| Temporary differences arising from administrative expenses | | | | | | |
| Temporary differences arising from unrealised exchange difference | (152.865) | - | (37.716) | (458.558) | - | 343.409 |
| Exchange difference | 1.129.462 | (1.057.093) | - | - | 271.058 | (189.470) |
| | (245.922) | 535.894 | (139.712) | 403.437 | (813.240) | 848.706 |
| **THE COMPANY** | | | | | | |
| Deferred taxation arising from: | | | | | | |
| Temporary differences arising from differences between depreciation and capital allowances | (7.085) | - | - | (24.928) | - | 17.843 |
| Temporary differences arising from loss for the year | - | 1.153.741 | - | 814.128 | - | 339.613 |
| Revaluation of land and buildings | (575.359) | - | (101.999) | - | (473.360) | - |
| Temporary differences arising from administrative expenses | | | | | | |
| Temporary differences arising from unrealised exchange difference | (353.364) | - | - | (552.059) | - | 198.695 |
| | (935.808) | 1.153.741 | (101.999) | 237.141 | (473.360) | 556.151 |

The Company calculates deferred taxation on debit balances for all deductible temporary differences and tax losses when it expects that tax liability will arise from future profits.

Deferred tax assets and liabilities are offset if there is a legal in enforceable right to offset current tax assets and liabilities and when the deferred taxes relate to the same tax authority.

On 31 December 2010 the companies of the Group had non recognised deferred tax assets of €54.714 (2009: €84.387).

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

26. CASH AND CASH EQUIVALENTS

| | 2010 | 2009 |
|---|---|---|
| | € | € |
| **THE GROUP** | | |
| Cash at bank and in hand | 37.038.206 | 42.973.484 |
| Bank overdrafts | (77.211.396) | (49.055.236) |
| | (40.173.190) | (6.081.752) |
| **THE COMPANY** | | |
| Cash at bank and in hand | 26.042.089 | 23.533.322 |
| Bank overdrafts | (49.697.479) | (26.675.924) |
| | (23.655.390) | (3.142.602) |

27. CONTINGENCIES AND LITIGATIONS

The most important contingencies are as follows:

(1) The Company has provided a bank guarantee of up to USD4.500.000 (€3.367.759) to a foreign supplier for providing a trading credit facility. This guarantee expired on 31 December 2010 and was renewed until 31 December 2011.
(2) The Company has provided a second bank guarantee of up to USD5.000.000 (€3.741.955) to a second foreign supplier for providing a trading credit facility. This guarantee is valid from 19 February 2010 until 18 February 2011.
(3) The Company has provided a third bank guarantee of up to €3.000.000 to a third foreign supplier for providing a trading credit facility. This guarantee is valid from 06 August 2010 and until 06 February 2011.
(4) The Company has provided a forth bank guarantee of up to €3.000.000 to a forth foreign supplier for providing a trading credit facility. This guarantee is valid from 05 March 2010 and until 05 March 2011.
(5) The Company has provided a fifth bank guarantee of up to €2.500.000 to a fifth foreign supplier for providing a trading credit facility. This guarantee is valid from 14 June 2010 and until 13 June 2011.
(6) The Company has provided a seventh bank guarantee of up to €34.172 to the Director of Customs and Excise Department for the use of a bonded warehouse in the Free Trade Zone in Larnaca.
(7) Companies of the Group provide bank guarantees in order to participate to government projects.
(8) The Company provided an eighth bank quarantee of up to €34.172 to the Director of Customs and Excise department for the use of a bonded warehouse in the Larnaca.
(9) Companies of the Group provide bank guarantees for participation Free Trade purposes to government projects.

Apart from the tax liabilities that have already been accounted for in the consolidated financial statements based on the existing information, it is possible that additional tax liabilities may arise during the examination of the tax and other affairs of the companies of the Group.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

27. CONTINGENCIES AND LITIGATIONS (continued)

Litigation

Trade and other receivables include USD1,6 million (€1,2 m.) due from a customer of subsidiary company Logicom FZE, that in 2007, ceased this operations in the Middle East. The company filed a legal claim demanding payment of outstanding invoices from the sale of computer systems. The court decision ordered the customer to pay the required amount of USD 1,6 m (€1,2 m). The lawyer of the company shall monitor the implementation of the action in this matter. A provision has been made in respect of 100% of the outstanding amount.

28. OPERATING LEASE

| | 2010 | 2009 |
|---|---|---|
| | € | € |
| **THE GROUP** | | |
| **Payments:** | | |
| Within one year | 658.603 | 730.617 |
| Between two and five years | 1.678.475 | 3.267.318 |
| After more than five years | 399.291 | 1.468.813 |

The Group rents a number of buildings, warehouses and motor vehicles. The Group assesses, the categorization to operating lease or hire purchase for the reason that firstly, the land is not transferable and secondly, because the rents are adjusted to the market rent prices at regular intervals and for the reason that the Group is not involved in the residual values of the buildings, it was assessed that substantially the risks and rewards remain with the owner. Based on the above factors, it is concluded that the leases, are operating leases.

The Group acquired land in the Larnaca Free Trade Zone Area in December 1994, on a long-term operating lease agreement ending on 30 September 2016 from the Cyprus Government, with an option for renewal for another two lease periods of 33 years each.

The Group acquired land in the Free Trade Zone Area in Jebel Ali through the subsidiary Logicom FZE in the United Arab Emirates. The land was acquired on a long-term operating lease agreement for 10 years from 1 August 2007, with an option for renewal.

The Group also acquired offices and a warehouse in Greece through the subsidiary Enet Solutions – Logicom S.A.

The amount of leases that was recognized during 2010 in the statement of comprehensive income is €718.089 (2009: €315.811).

Included in operating leases there is an amount which relates to hire purchases, which is considered as immaterial to be disclosed separately.

## 29. FAIR VALUES

Management believes that the fair values of the financial assets and liabilities of the Group and the Company are approximately equal to the amounts shown in the books at the end of the year.

## 30. RISK MANAGEMENT

The main financial assets held by the Group and the Company are cash at bank, investments and trade and other receivables. The main financial liabilities of the Group and the Company are bank facilities and loans and trade payables. The Group and the Company are exposed to the following risks from their financial assets and liabilities.

### (a) Credit risk

Credit risk is the risk of default by counter parties to transactions mainly from trade receivables of the Group and the Company. The Group and the Company ensure the application of appropriate mechanisms and ensure the maintenance of related monitoring procedures and controls over credits. Credit risk is monitored on an ongoing basis.

The Group entered into an agreement with Atradius Credit Insurance N.V. for the insurance of the credit that the Group offers to its customers. The issuance of such insurance agreement is considered to be the most appropriate method for hedging against credit risk.

The insurance agreements for the trade receivables and the procedures required by these agreements, have improved significantly the monitoring and control of trade receivables, mainly in the approval of credit limits, which is done in cooperation with the credit insurance company that has the resources for a better evaluation of the credibility of each debtor. It should be noted that the credit insurance covers all trade receivables other than governmental or semi-governmental organizations as well as physical persons.

Due to the adverse financial conditions and the global economic crisis prevailing today, credit insurance companies decrease and in some cases withdraw insured credit limits of trade receivables. The company manages with flexibility and increased checks these new variables aiming for the best results and to the extent that is possible reduction of credit risk.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

30. RISK MANAGEMENT (continued)

(a) Credit risk (continued)

The assets of the Group are presented as they are disclosed in the Consolidated Financial Statements:

| | 2010 | 2009 |
|---|---|---|
| | € | € |
| **THE GROUP** | | |
| Investments at fair value through profit or loss | 27.568 | 51.095 |
| Investments available for sale | 2.134.100 | 2.157.901 |
| Trade and other receivables | 112.771.052 | 94.711.763 |
| Cash and cash equivalents | 37.038.206 | 42.973.484 |
| | 151.970.926 | 139.894.243 |
| **THE COMPANY** | | |
| Investments at fair value through profit or loss | 24.868 | 46.295 |
| Investments available for sale | 2.134.100 | 2.157.901 |
| Trade and other receivables | 17.790.510 | 8.157.342 |
| Cash and cash equivalents | 26.042.089 | 23.533.322 |
| Balances with subsidiary companies | 71.761.071 | 73.350.105 |
| | 117.752.638 | 107.244.965 |

The maximum exposure to credit risk of the Group, for trade receivables by geographic region, is as follows:

| | 2010 | 2009 |
|---|---|---|
| | € | € |
| **THE GROUP** | | |
| Europe | 70.635.731 | 66.468.696 |
| Middle East | 34.566.437 | 26.061.154 |
| | 105.202.168 | 92.529.850 |
| **THE COMPANY** | | |
| Europe | 6.008.345 | 7.733.425 |
| Middle East | - | - |
| | 6.008.345 | 7.733.425 |

30. RISK MANAGEMENT (continued)

(a) Credit risk (continued)

In accordance with the above analysis 67% of the Group's trade receivables (2009: 72%) originate from Europe. 33% (2009: 28%) of the Group's trade receivables originates from the Middle East.

This fact limits the credit risk, as European markets and especially markets of countries which belong to the Eurozone are characterized by greater stability.

The ageing of the remaining trade receivables is as follows:

| | 2010 | 2009 |
|---|---|---|
| | € | € |
| **THE GROUP** | | |
| 0 until 90 days | 77.721.005 | 73.170.064 |
| 91 until 180 days | 9.588.732 | 12.180.444 |
| more than 180 days | 17.892.431 | 7.179.342 |
| | 105.202.168 | 92.529.850 |
| **THE COMPANY** | | |
| 0 until 90 days | 5.550.784 | 7.596.553 |
| 91 until 180 days | 411.400 | 64.544 |
| more than 180 days | 46.161 | 72.328 |
| | 6.008.345 | 7.733.425 |

It is not considered necessary to provide for the amount of trade receivables of the Group that are outstanding for a period longer than 180 days since the bigger part if of this amount comes from the services segment where the credit period is much higher, the credibility of the customers is at higher levels and the repayment is made based on special agreement. The amount that comes from distribution segment has been recovered in some cases after the year end or it is considered to be recoverable based the facts of on each case.

The ageing of the balances with subsidiary companies in the Company's books is as follows:

| | 2010 | 2009 |
|---|---|---|
| | € | € |
| **THE COMPANY** | | |
| 0 until 180 days | 71.761.071 | 64.076.886 |
| more than 180 days | 9.997.755 | 9.273.219 |
| | 81.758.826 | 73.350.105 |

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

30. RISK MANAGEMENT (continued)

(a) Credit risk (continued)

The provision for doubtful debts for the year has a minor increase in relation to the corresponding provision in 2009. The Management of the Group estimates that the credit insurance has reduced significantly the risk for doubtful debts. The provision for doubtful debts is analysed as follows:

| | 2010 | 2009 |
|---|---|---|
| | € | € |
| **THE GROUP** | | |
| Opening balance | 3.648.164 | 3.384.006 |
| Provision for doubtful debts | 1.244.453 | 264.158 |
| Decrease in provision for bad debts | (266.625) | - |
| Closing balance | 4.625.992 | 3.648.164 |

| | 2010 | 2009 |
|---|---|---|
| | € | € |
| **THE COMPANY** | | |
| Opening balance | 286.734 | 282.761 |
| Provision for doubtful debts | 10.000 | 3.973 |
| Decrease in provision for bad debts | (107.951) | - |
| Closing balance | 188.783 | 286.734 |

The Group estimates that the fair value of trade and other receivables is not significantly different from the carrying value in the financial statements, as the average repayment period of trade and other receivables is less than 6 months.

(b) Interest rate risk

Interest rate risk is the risk of fluctuations in the value of financial instruments due to movements in market interest rates. Income and cash flows from operations of the Group and the Company are dependent on changes of market interest rates, since the Group and the Company have material assets which bear interest. The Group and the Company are exposed to interest rate risk on borrowings. Borrowing in variable interest rates exposes the Group and the Company in interest rate risk that affects cash flows. Borrowing in fixed interest rates exposes the Group and the Company in interest rate risk that affects the fair value. The management of the Group and the Company is monitoring the fluctuations of interest rates on an ongoing basis and ensures that the necessary actions are taken.

The Group maintains almost all its borrowings and deposits in countries which belong to the Eurozone. These countries are assessed to have more stable economies and the fluctuation of interest rates in these countries is limited and thus the interest rate risk is reduced.

The interest rates and repayment dates applicable for loans and bank facilities are stated in note 24.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

30. RISK MANAGEMENT (continued)

(b) Interest rate risk (continued)

Sensitivity analysis on interest rates
A possible increase of the interest rates by 1% in relation to the weighted average interest rates of the year, would decrease the profit for the year. The analysis below assumes that all other parameters remain constant:

| | 2010 | 2009 |
|---|---|---|
| | € | € |
| **THE GROUP** | | |
| Long-term loans | (289.189) | (251.291) |
| Short-term loans | (23.236) | (127.433) |
| Bank overdrafts | (772.114) | (490.552) |
| Cash and cash equivalents | 370.243 | 428.994 |
| | (714.296) | (440.282) |
| **THE COMPANY** | | |
| Long-term loans | (286.380) | (243.771) |
| Short-term loans | (22.313) | (24.906) |
| Bank overdrafts | (496.975) | (266.759) |
| Cash and cash equivalents | 260.413 | 235.195 |
| | (545.255) | (300.241) |

A possible decrease of the interest rates by the same percentage would have an equal but opposite effect on the profit for the year.

(c) Foreign exchange risk
This risk arises from adverse movements in foreign exchange rates.

The Company and the Group are subject to foreign exchange risk on sales, purchases and loans in currencies other than the Company's and subsidiary companies functional currency, and on the long term loans to foreign subsidiaries. Management is aware of foreign exchange risk and is examining alternative methods to hedge the risk.

The hedging of foreign exchange risk is managed by the Group Financial Controller together with the Executive Directors. This issue is discussed and examined at Board of Directors meetings because the Company is materially affected from the movements in foreign currencies against the Euro.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

30. RISK MANAGEMENT (continued)

(c) Foreign exchange risk (continued)

Until today, the hedging methods that have been used against foreign exchange risk are the following:

1. Natural Hedging. The Company maintains to the maximum possible degree, assets (investments in foreign subsidiaries) and liabilities (bank overdrafts, short and long term loans) at the same currency, mainly the USD. In this way any gain or loss in assets is hedged by the corresponding loss or gain in liabilities.
2. The percentage of sales in foreign currency on total turnover, is approximately the same with the percentage of bank borrowing in foreign currency in relation to the total borrowings of the Group.
3. The bank borrowing is usually made in the currency that the suppliers invoice the Company.
4. In cases of projects were total cost of completion of the project is known from the time of the validation of the tender, then forward contracts are used, for the period required to complete the project, for the specific amount in foreign currency that the Company will be invoiced.
5. In addition, the Company enters into forward exchange contracts based on turnover at regular intervals e.g. weekly, for covering the payments to suppliers based on the credit period that they give to the Company. This way the purchase of foreign currency for payments to suppliers in future periods is secured with the receipts from trade receivables.
6. The hedging of net investment in foreign subsidiaries as analysed below.
   There were no forward contracts in use at the end of the year.

Hedging of net investment in foreign operation

From 1 January 2010 the Group applies hedge accounting to foreign exchange risk. More specifically, the equity and long-term loans that are part of the net investment in subsidiaries Logicom FZE, Logicom Dubai LLC, Logicom (Middle East) SAL, Logicom Jordan LLC and Logicom Saudi Arabia LLC, where the functional currency is the U.S. Dollar are counterbalanced with the bank borrowings of the Group in U.S. Dollar. Hedging is determined on a quarterly basis from January 1, 2010 and the amount is adjusted accordingly. The hedge effectiveness is assessed on the monthly basis and to the extent the hedging is ineffective the exchange differences are recognized in the statement of comprehensive income.

On December 31, 2010 the amounts that were counterbalanced were USD 36.000.000 of net investment in the above foreign companies and USD 36.000.000 of bank borrowings.

Assets and liabilities analysed by currency:

| | 31 December 2010 | | 31 December 2009 | |
|---|---|---|---|---|
| **THE GROUP** | EURO | USD | EURO | USD |
| Trade and other receivables | 291.502 | 9.275.184 | 268.393 | 3.870.317 |
| Trade and other payables | (197.528) | (36.410.842) | (663.875) | (28.132.008) |
| Long-term loans | - | (24.741.628) | - | (16.329.755) |
| Short-term loans | - | (2.231.253) | - | (2.490.629) |
| Bank overdrafts | 17.895 | (44.259.637) | 29.799 | (26.533.841) |
| | 111.869 | (98.368.176) | (365.683) | (69.615.916) |

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

30. RISK MANAGEMENT (continued)

(c) Foreign exchange risk (continued)

| **THE COMPANY** | 31 December 2010 USD | 31 December 2009 USD |
|---|---|---|
| Trade and other receivables | (40.308) | 110.499 |
| Trade and other payables | (20.951.887) | (23.918.586) |
| Long-term loans | (21.622.677) | (16.329.755) |
| Short-term loans | (2.231.253) | (2.490.629) |
| Bank overdrafts | (44.501.838) | (26.547.371) |
| Balances with subsidiary companies | 56.779.301 | 54.799.692 |
| | (32.568.662) | (14.376.150) |

The following foreign exchange rates were used in the preparation of the Consolidated Financial Statements:

| | Average Rate | | Rate as at the reporting date | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| USD 1 | 0,7543 | 0,7169 | 0,7484 | 0,6942 |

Sensitivity analysis on fluctuations of foreign exchange rates

A possible strengthening of the Euro against the US Dollar and the other currencies by 10% on 31 December 2010 would have increased/decreased respectively the profit for the year and the shareholders funds. The analysis below assumes that all other parameters and mainly interest rates remain constant:

Effect on profit or loss

| | 2010 € | 2009 € |
|---|---|---|
| **THE GROUP** | | |
| USD | 8.942.561 | 6.328.720 |
| **THE COMPANY** | | |
| USD | 2.960.787 | 1.306.923 |

Effect on the shareholders funds

| | 2010 € | 2009 € |
|---|---|---|
| **THE GROUP** | | |
| USD | 6.870.667 | 4.331.532 |
| **THE COMPANY** | | |
| USD | 2.960.787 | 1.306.923 |

A possible weakening of the Euro against the above currencies by 10% would have equal but opposite effect, if all other parameters remain constant.

30. RISK MANAGEMENT (continued)

(d) Liquidity risk

Liquidity risk is the risk that arises when the expiry date of assets and liabilities does not concur. When expiries do not concur, the performance can increase but at the same time the risk for losses can also increase. The Group and the Company have procedures in place to minimize such losses, like retaining sufficient amounts in cash and other highly liquid assets and retaining sufficient amounts in secured credit facilities in order to cover liabilities when they fall due.

The Management estimates that the ability of the Group to receive in advance its trade receivables through the factoring agreement without recourse in Greece reduces even further the liquidity risk.

Bank loans and overdrafts of the Group and the Company are presented in note 24.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

30. RISK MANAGEMENT (continued)

(d) Liquidity risk

The expected cash outflows based on the information included in the Consolidated Financial Statements are presented below:

**THE GROUP**

| | | Cash outflows arising from contractual liabilities | | | | |
|---|---|---|---|---|---|---|
| **Liquidity Risk** | **Balance** | 6 months or less | 6 - 12 months | 1 - 2 years | 2 - 5 years | More than 5 years |
| | € | € | € | € | € | € |
| 31 December 2010 | | | | | | |
| Long-term loans | 28.918.915 | 5.672.319 | 4.678.179 | 8.932.439 | 8.950.642 | 685.336 |
| Short-term loans | 2.323.614 | 2.323.614 | - | - | - | - |
| Operating leases | 2.736.369 | 330.165 | 328.438 | 698.271 | 980.204 | 399.291 |
| Trade and other payables | 58.572.265 | 58.572.265 | - | - | - | - |
| Bank overdrafts | 77.211.396 | 76.645.105 | - | - | - | - |
| Contingent liabilities | 1.322.828 | - | - | 392.517 | 930.311 | - |
| | 171.085.387 | 144.109.759 | 5.006.616 | 10.023.227 | 10.861.157 | 1.084.627 |
| 31 December 2009 | | | | | | |
| Long-term loans | 25.129.086 | 3.423.950 | 3.423.956 | 4.384.708 | 12.179.093 | 1.717.379 |
| Short-term loans | 12.743.275 | 12.743.275 | - | - | - | - |
| Operating leases | 5.466.748 | 372.375 | 358.242 | 1.148.980 | 2.118.338 | 1.468.813 |
| Trade and other payables | 58.289.567 | 58.289.567 | - | - | - | - |
| Bank overdrafts | 49.055.236 | 49.055.236 | - | - | - | - |
| Contingent liabilities | 1.925.329 | 351.924 | - | 422.731 | 1.150.674 | - |
| | 170.519.064 | 143.543.468 | 3.782.198 | 5.956.419 | 15.448.105 | 3.186.192 |

**THE COMPANY**

| | | Cash outflows arising from contractual liabilities | | | | |
|---|---|---|---|---|---|---|
| **Liquidity Risk** | **Balance** | 6 months or less | 6 - 12 months | 1 - 2 years | 2 - 5 years | More than 5 years |
| | € | € | € | € | € | € |
| 31 December 2010 | | | | | | |
| Long-term loans | 28.638.013 | 4.622.762 | 4.622.762 | 8.679.226 | 10.027.927 | 685.336 |
| Short-term loans | 2.231.253 | 2.231.253 | - | - | - | - |
| Operating leases | - | - | - | - | - | - |
| Trade and other payables | 25.461.213 | 25.461.213 | - | - | - | - |
| Bank overdrafts | 49.697.479 | 49.697.479 | - | - | - | - |
| | 106.027.958 | 82.012.707 | 4.622.762 | 8.679.226 | 10.027.927 | 685.336 |
| 31 December 2009 | | | | | | |
| Long-term loans | 24.377.137 | 3.221.904 | 3.221.905 | 4.053.989 | 12.161.960 | 1.717.379 |
| Short-term loans | 2.490.629 | 2.490.629 | - | - | - | - |
| Operating leases | - | - | - | - | - | - |
| Trade and other payables | 26.909.653 | 26.909.653 | - | - | - | - |
| Bank overdrafts | 26.675.924 | 26.675.924 | - | - | - | - |
| | 80.453.343 | 59.298.110 | 3.221.905 | 4.053.989 | 12.161.960 | 1.717.379 |

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

30. RISK MANAGEMENT (continued)

(e) Fair Value

Items of the assets and liabilities of the Group and the Company as these are classified in amortised cost or fair value are presented below:

Assets and liabilities in amortised cost**:**

| | 2010 | 2009 |
|---|---|---|
| | € | € |
| **THE GROUP** | | |
| Trade and other receivables | 112.771.052 | 94.711.763 |
| Cash and cash equivalents | 37.038.206 | 42.973.484 |
| Long term loans | (28.918.915) | (25.129.086) |
| Short term loans | (2.323.614) | (12.743.275) |
| Bank overdrafts | (77.211.396) | (49.055.236) |
| Trade and other payables | (58.572.265) | (58.289.567) |
| Contingent | (1.322.828) | (1.925.329) |
| | (18.539.760) | (9.457.246) |
| **THE COMPANY** | | |
| Balances with subsidiary companies | 81.758.826 | 73.350.105 |
| Trade and other receivables | 17.790.510 | 8.157.342 |
| Cash and cash equivalents | 26.042.089 | 23.533.322 |
| Long term loans | (28.638.013) | (24.377.137) |
| Short term loans | (2.231.253) | (2.490.629) |
| Bank overdrafts | (49.697.479) | (26.675.924) |
| Trade and other payables | (25.461.213) | (26.909.653) |
| | 19.563.467 | 24.587.426 |

The fair values of the financial assets and liabilities of the Group and the Company are almost the same as the amounts reported in the books at the end of year.

Assets and liabilities in fair value**:**

| | 2010 | 2009 |
|---|---|---|
| | € | € |
| **THE GROUP** | | |
| Investments in fair value through profit or loss | 27.568 | 51.095 |
| Investments available for sale | 2.134.100 | 2.157.901 |
| | 2.161.668 | 2.208.996 |
| **THE COMPANY** | | |
| Investments in fair value through profit or loss | 24.868 | 46.295 |
| Investments available for sale | 2.134.100 | 2.157.901 |
| | 2.158.968 | 2.204.196 |

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

30. RISK MANAGEMENT (continued)

(e) Fair Value

The table below analyses financial assets carried at fair value, by valuation method used to determine their value. The different levels have been defined as follows:

Level 1: investments measured at fair value using quoted prices in active markets.
Level 2: investments measured at fair value based on valuation models in which all significant inputs that affect significantly the fair value are based on observable market data.
Level 3: investments measured at fair value based on valuation models in which all significant inputs that affect significantly the fair value are not based on observable market data.

| | Επίπεδο 1 | Επίπεδο 2 |
|---|---|---|
| | € | € |
| **31 December 2010** | | |
| Investments in fair value through profit or loss | 27.568 | - |
| Investments available for sale | - | 2.134.100 |
| Total | 27.568 | 2.134.100 |
| **31 December 2009** | | |
| Investments in fair value through profit or loss | 51.095 | - |
| Investments available for sale | - | 2.157.901 |
| **Total** | 51.095 | 2.157.901 |

During both 2010 and 2009 there were no transfers between the three levels reported above.

The fair value of investments through profit and loss is based on the stock exchange prices at the reporting date.

The market for the investment available for sale was not considered to be active due to the small volume of transactions. The investments were valued using valuation models in which all elements that affect significantly the fair value are based in observable market data. Investments have been measured based on valuations of other investments in active markets. The investments and the markets used for the valuation have common characteristics with the Company's investments.

(f) Management of equity

The management of the Group and the Company has as a principle the maintenance of a strong capital base for the support of the credibility and trust of the investors and creditors as well as the market as a whole. The Management monitors continuously the return on equity.

## 31. DIRECTORS' INTEREST

The percentage of the share capital of the Company that was held by each member of the Board of Directors, directly or indirectly, is as follows:

| | 31/12/2010 Fully paid Shares % | 07/04/2011 Fully paid Shares % |
|---|---|---|
| Adamos Adamides [1] | 0,27 | 0,27 |
| Varnavas Irinarchos [2] | 51,55 | 51,55 |
| Sparsis Modestou | 0,06 | 0,06 |
| Aristodemos Anastasiades | 2,88 | 2,88 |
| Takis Klerides | 0,19 | 0,32 |
| Nikos Michaelas | - | - |
| Michalis Sarris | - | - |
| George Papaioannou | 0,14 | 0,29 |

1. The direct ownership of Mr. Adamos Adamides on 07 April 2011 is 0,25% and the indirect ownership that arises from the participation of the Company Adaminco Secretarial Limited is 0,02%, and his wife Mrs. Maro Adamidou, is 0,01%.
2. The indirect ownership of Mr. Varnavas Irinarchos on 07 April 2011 of 51,55% arises from the participation of the company Edcrane Ltd.

## 32. SHAREHOLDERS' INTEREST

The shareholders who held, directly or indirectly, more than 5% of the share capital of the Company were as follows:

| | 31/12/2010 % | 07/04/2011 % |
|---|---|---|
| Varnavas Irinarchos[1] | 51,55 | 51,55 |
| Demetra Investment Public Ltd | 10,03 | 10,28 |

1. The direct or indirect interest of Mr. Varnavas Irinarchos on 07 April 2011 is through the company Edcrane Ltd.

## 33. DIRECTORS' CONTRACTS

No important contract exists or existed at the end of the financial year and at the date of issuing the financial statements in which the members of managment, their spouses or their underage children have or had, direct or indirect significant interest, except from the employment contracts of Mr. Varnavas Irinarchos and Mr. Aristodemos Anastassiades.

## 33. DIRECTORS' CONTRACTS (continued)

**Material Contracts**

**i) Contract of Mr. Varnavas Irinarchos, Managing Director**

Employment contract as Managing Director of the Company for two years from 1 January 2005, with annual salary (13 months) of €93.973 which will be increasing at a proportion equal to the annual rate of inflation, as determined by the annual index on 31 January each year or at a rate equal to 4% over his last salary, whichever is higher. For 2010 the annual salary of the Managing Director was €133.271. The Company will also pay annually (12 months) for entertainment expenses an amount of €20.503, that will be increasing in every following annual period at a proportion equal to the rate of inflation, as determined by the annual index on 31 January each year or at a rate equal to 4%, whichever is higher. For 2010 the allowance for entertainment expenses amounted to €25.629.

In addition, the Company provides to the Director an appropriate vehicle and covers all related expenses.

The contract was renewed for one year from 1 January 2011, with the same annual salary (13 months) of €133.271. The Company will also pay annually (12 months), for entertainment expenses the same amount of €25.629.

Mr. Varnavas Irinarchos is committed not to form, assist or take part in any way in the incorporation of a company or business, which performs operations similar or competitive to the operations of the Company during his employment and for at least five years after his departure from the Company. Mr. Varnavas Irinarchos accepts that this constraint is by no means in contrast with the general principle of Restraint of Trade, and that it is considered reasonable as the employee benefited from the bonus issue of shares during the listing of the Company in the CSE.

**ii) Contract of Mr. Aristodemos Anastasiades, Director of the Networks and Telecommunications Sector**

Employment contract as Director of the Company for four years from 1 April 2004, with annual salary (13 months) of €81.464, increasing at a proportion equal to the rate of inflation, as determined by the annual index on 31 January each year or at a rate equal to 4% over his last annual salary, whichever is higher. For 2010 the annual salary of Mr. Anastasiades was €105.823.

The Company will also pay annually (12 months), for entertainment expenses, an amount of €17.940 that will be increasing in every following period, at a proportion equal to the the rate of inflation, as determined by the annual index on 31 January of each year or at a rate equal to 4%, whichever is higher. For 2010 entertainment expense allowance amounted to €22.279. In addition the Company provides to the Director an appropriate vehicle and covers all related expenses. For the year 2010 Mr. Anastasiades received bonus of €90.000 which was given based on the results of the subsidiary at which he is a Managing Director.

33. DIRECTORS' CONTRACTS (continued)

**Material Contracts**

**ii) Contract of Mr. Aristodemos Anastasiades, Director of the Networks and Telecommunications Sector (continued)**

The contract expired and was renewed until 31/03/2011 with annual salary of €110.056 and annual allowance for entertainment expenses of €23.170.

Mr. Aristodemos Anastasiades is committed not to form, assist or take part in any way in the incorporation of a company or business, which performs operations similar or competitive to the operations of the Company during his employment and for at least two years after his departure from the Company. Mr. Aristodemos Anastasiades accepts that this constraint is by no means in contrast with the general principle of Restraint of Trade.

34. REMUNERATION OF NON EXECUTIVE DIRECTORS

The remuneration of non-executive directors are analysed as follows:

| | 2010 | 2009 |
|---|---|---|
| | € | € |
| Adamos Adamides | 26.050 | 27.150 |
| Sparsis Modestou | 10.150 | 10.150 |
| Takis Klerides | 8.450 | 8.100 |
| Nicos Michaelas | 7.750 | 7.400 |
| Michalis Sarris | 7.750 | 7.400 |
| George Papaioannou | 6.000 | 6.000 |
| | 66.150 | 66.200 |

35. RELATED PARTY TRANSACTIONS

The companies of the Group buy and sell goods and services according to their needs from other Group companies. Transactions are mainly carried out at cost. There are cases where transactions are carried out at a price other than cost when this is agreed between the parties involved. When necessary, Logicom Public Limited charges every year its subsidiary companies with a fee for administration services.

The amounts that Logicom Public Limited charged its subsidiary companies were as follows:

| | 2010 | 2009 |
|---|---|---|
| | € | € |
| Administration Services | | |
| Logicom Solutions Limited | 162.000 | 130.000 |
| Logicom Italia s.r.l. | - | 10.000 |
| Commissions | | |
| Logicom Solutions Limited | 150.000 | 100.000 |

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

35. RELATED PARTY TRANSACTIONS (continued)

The sales made by Logicom Public Ltd to its subsidiary companies were as follows:

| | 2010 € | 2009 € |
|---|---|---|
| **Sales** | | |
| Logicom Solutions Limited | 2.401.451 | 599.636 |
| ENET Solutions - Logicom S.A. | 28.874.886 | 23.031.174 |
| Logicom Jordan LLC | 2.797.237 | 3.352.128 |
| Logicom FZE | 941 | 4.541 |
| Logicom (Middle East) SAL | 44.659 | 881.796 |
| Logicom Italia s.r.l. | 5.530.966 | 3.769.289 |
| Rehab Technologies Ltd | - | 19.805 |
| Logicom Hungary Ltd | 1.486.892 | 1.119.007 |
| Logicom IT Distribution s.r.l. | 4.260.090 | 5.043.078 |
| Logicom Bulgaria EOOD | 6.663.593 | 3.640.395 |
| Newcytech Business Solutions | 1.965.697 | 637.798 |
| Newcytech Distribution Ltd | 80.560 | - |

The balances between Logicom Public Ltd and its subsidiary companies in the books of the parent company were as follows:

**Long-term loans to subsidiary companies:**

| | 2010 € | 2009 € |
|---|---|---|
| ENET Solutions - Logicom S.A. | 1.917.378 | 1.778.426 |
| Logicom (Middle East) SAL | 3.574.540 | 3.315.493 |
| Logicom FZE | 2.218.680 | 2.057.893 |
| Logicom Jordan LLC | 2.287.157 | 2.121.407 |
| | 9.997.755 | 9.273.219 |

There is no written agreement between the parent and the subsidiary companies, regarding the long-term loans receivable from subsidiary companies. The loans bear no interest and there is no fixed repayment date.

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

35. RELATED PARTY TRANSACTIONS (continued)

| | 2010<br>€<br>Debit/<br>(Credit) | 2009<br>€<br>Debit/<br>(Credit) |
|---|---|---|
| **Balances with subsidiary companies** | | |
| Logicom (Overseas) Limited | (374.497) | (355.387) |
| Logicom (Middle East) SAL | 316.807 | (1.910.059) |
| Logicom Solutions Limited | 11.183.053 | 15.116.183 |
| ENET Solutions – Logicom S.A. | 8.457.598 | 5.188.959 |
| Logicom FZE | 7.630.458 | 8.517.703 |
| Logicom Dubai LLC | 2.382.596 | 1.594.902 |
| Logicom Jordan LLC | 1.610.045 | 2.596.818 |
| Netcom Limited | 57.073 | 60.571 |
| Logicom Italia s.r.l. | 3.746.518 | 1.227.417 |
| Logicom IT Distribution Ltd | 11.080.071 | 6.387.570 |
| Rehab Technologies Ltd | - | 9.383.540 |
| Logicom Bulgaria EOOD | 2.993.813 | 2.403.785 |
| Logicom Hungary Ltd | 2.738.523 | 2.574.599 |
| Logicom IT Distribution s.r.l. | 2.240.913 | 1.677.508 |
| Noesis Ukraine LLC | (55) | (55) |
| Logicom Services Holdings Ltd | 10.637.219 | 8.361.649 |
| Newcytech Business Solutions Ltd | 685.583 | 1.180.216 |
| Newcytech Distribution Ltd | (73.929) | - |
| Logicom Solutions LLC | 161.356 | 70.967 |
| Logicom Saudi Arabia LLC | 6.953.676 | - |
| ICT Logicom Solutions S.A. | 168.150 | - |
| Verendrya Ventures Ltd | (833.900) | - |
| | 71.761.071 | 64.076.886 |

The above balances are repayable according to the nature of each transaction.

The sales made by Logicom FZE to Group companies were as follows:

| | 2010<br>€ | 2009<br>€ |
|---|---|---|
| **Sales** | | |
| Logicom Public Limited | 33.749 | 100.804 |
| Logicom (Middle East) SAL | 2.291.578 | 543.489 |
| Logicom Jordan LLC | 2.051.299 | 1.909.904 |
| Logicom Dubai LLC | 23.762.719 | 15.938.237 |
| Logicom IT Distribution Ltd | 95.276 | 163.095 |
| Logicom Solutions LLC | 3.092 | - |
| Rehab Technologies Ltd | 7.806.258 | 10.192.398 |

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

## 35. RELATED PARTY TRANSACTIONS (continued)

The sales made by Logicom (Middle East) SAL to Group companies were as follows:

| | 2010 | 2009 |
|---|---|---|
| | € | € |
| **Sales** | | |
| Logicom Public Limited | 2.931 | 10.235 |
| Logicom Jordan LLC | 95.884 | 33.237 |
| Logicom Dubai FZE | 2.095.437 | 567.768 |
| Logicom Italia SRL | - | 850 |
| Rehab Technologies Ltd | 726 | 61 |

The sales made by Logicom Dubai LLC to Group companies were as follows:

| | 2010 | 2009 |
|---|---|---|
| | € | € |
| **Sales** | | |
| Logicom Public Limited | - | 2.020 |
| Logicom Solutions Ltd | 21.055 | - |
| Logicom Jordan LLC | 51 | - |
| Logicom (Middle East) SAL | 1.767 | - |
| Logicom FZE | - | 2.264 |

The sales made by Logicom Jordan LLC to Group companies were as follows:

| | 2010 | 2009 |
|---|---|---|
| | € | € |
| **Sales** | | |
| Logicom Public Ltd | 929 | - |
| Logicom (Middle East) SAL | 1.796 | 12.927 |
| Logicom FZE | 11.597 | 4.378 |
| Rehab Technologies Ltd | 811 | - |
| ENET Solutions – Logicom S.A. | - | 6.765 |

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

35. RELATED PARTY TRANSACTIONS (continued)

The sales made by ENET Solutions - Logicom S.A. to Group companies were as follows:

| | 2010<br>€ | 2009<br>€ |
|---|---|---|
| **Sales** | | |
| Logicom Public Ltd | 4.053.251 | 3.641.126 |
| Logicom IT Distribution Ltd | 15.013.472 | 11.964.414 |
| Logicom IT Distribution s.r.l. | 461.924 | 394.471 |
| Logicom Italia s.r.l. | 2.821 | - |
| Logicom Hungary Ltd | 506.651 | 141.130 |
| Logicom Bulgaria EOOD | 2.029.443 | 1.735.275 |
| Logicom Jordan LLC | 29.488 | - |

The sales made by Logicom Solutions Ltd to Group companies were as follows:

| | 2010<br>€ | 2009<br>€ |
|---|---|---|
| **Sales** | | |
| Logicom Public Ltd | 88.283 | 105.904 |
| Newcytech Business Solutions Ltd | 308.600 | 110.988 |

The sales made by Logicom Italia s.r.l. to Group companies were as follows:

| | 2010<br>€ | 2009<br>€ |
|---|---|---|
| **Sales** | | |
| Logicom Public Limited | 3.479 | 810 |
| ENET Solutions – Logicom S.A. | 4.498 | - |
| Logicom Jordan LLC | 161 | - |
| Logicom IT Distribution s.r.l. | 173 | - |
| Logicom Bulgaria EOOD | 6.049 | 60 |

The sales made by Logicom IT Distribution Ltd to Group companies were as follows:

| | 2010<br>€ | 2009<br>€ |
|---|---|---|
| **Sales** | | |
| Logicom (Middle East) SAL | - | 4.373 |
| Logicom FZE | 26.277 | 225.974 |

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

35. RELATED PARTY TRANSACTIONS (continued)

The sales made by Logicom Hungary Ltd to Group companies were as follows:

| | 2010<br>€ | 2009<br>€ |
|---|---|---|
| **Sales** | | |
| Logicom Public Limited | 9.529 | 6.746 |
| ENET Solutions – Logicom S.A. | 17.819 | 22.035 |
| Logicom Bulgaria EOOD | 54.415 | 176.295 |
| Logicom IT Distribution s.r.l. | 60.704 | 23.448 |

The sales made by Logicom IT Distribution s.r.l. to Group companies were as follows:

| | 2010<br>€ | 2009<br>€ |
|---|---|---|
| **Sales** | | |
| Logicom Public Limited | 38.377 | 17.958 |
| ENET Solutions – Logicom S.A. | 34.064 | 57.281 |
| Logicom Italia s.r.l. | - | 1.541 |
| Logicom Hungary Ltd | 16.804 | 22.490 |
| Logicom Bulgaria EOOD | 142.123 | 273.452 |

The sales made by Logicom Bulgaria EOOD to Group companies were as follows:

| | 2010<br>€ | 2009<br>€ |
|---|---|---|
| **Sales** | | |
| Logicom Public Limited | 318.297 | 49.722 |
| ENET Solutions – Logicom S.A. | 1.489.370 | 329.425 |
| Logicom Hungary Ltd | 530.207 | 258.654 |
| Logicom IT Distribution s.r.l. | 1.460.359 | 538.431 |
| Logicom (Middle East) SAL | - | 2.245 |
| Logicom Dubai FZE | (2.694) | 2.076 |

The sales made by Rehab Technologies Ltd to Group companies were as follows:

| | 2010<br>€ | 2009<br>€ |
|---|---|---|
| **Sales** | | |
| Logicom Public Limited | 2.711 | 2.232 |
| Logicom Jordan LLC | 41.088 | 18.247 |
| Logicom IT Distribution s.r.l. | - | 2.232 |
| Logicom Dubai FZE | 469.119 | - |
| Logicom IT Distribution Ltd | 11.538 | - |
| Logicom (Middle East) SAL | 25.154 | 55.754 |
| Logicom Dubai LLC | - | 770.825 |

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

35. RELATED PARTY TRANSACTIONS (continued)

The sales made by Noesis Ukraine LLC to Group companies were as follows:

| | 2010 € | 2009 € |
|---|---|---|
| **Sales** | | |
| Logicom Solutions Limited | - | 42.314 |

The sales made by Newcytech Business Solutions Limited to Group companies were as follows:

| | 2010 € | 2009 € |
|---|---|---|
| **Sales** | | |
| Logicom Public Ltd | 19.833 | - |
| Newcytech Distribution Ltd | 65.822 | - |
| Logicom Solutions Ltd | 187.352 | - |

The sales made by Newcytech Distribution Limited to Group companies were as follows:

| | 2010 € | 2009 € |
|---|---|---|
| **Sales** | | |
| Logicom Public Ltd | 99.273 | - |
| Newcytech Business Solutions Limited | 94.979 | - |

**LOGICOM PUBLIC LIMITED**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

35. RELATED PARTY TRANSACTIONS (continued)

The balances between Group companies and the parent Company are stated below:

| | 2010<br>€<br>Debit/<br>(Credit) | 2009<br>€<br>Debit/<br>(Credit) |
|---|---|---|
| **Balances with related companies** | | |
| Logicom (Overseas) Limited | 374.497 | 355.387 |
| Logicom (Middle East) SAL | (3.891.347) | (1.405.434) |
| Logicom Solutions Limited | (11.183.053) | (15.116.183) |
| ENET Solutions – Logicom S.A. | (10.374.976) | (6.967.385) |
| Logicom FZE | (9.849.138) | (10.575.596) |
| Logicom Dubai LLC | (2.382.596) | (1.594.902) |
| Logicom Jordan LLC | (3.897.202) | (4.718.225) |
| Netcom Limited | (57.073) | (60.571) |
| Logicom Italia s.r.l. | (3.746.518) | (1.227.417) |
| Logicom IT Distribution Ltd | (11.080.071) | (6.387.570) |
| Rehab Technologies Ltd | - | (9.383.540) |
| Logicom Bulgaria EOOD | (2.993.813) | (2.403.785) |
| Logicom Hungary Ltd | (2.738.523) | (2.574.599) |
| Logicom IT Distribution s.r.l. | (2.240.913) | (1.677.508) |
| Noesis Ukraine LLC | 55 | 55 |
| Logicom Services Holdings Ltd | (10.637.219) | (8.361.649) |
| Newcytech Business Solutions Ltd | (685.583) | (1.180.216) |
| Logicom Solutions LLC | (161.356) | (70.967) |
| Newcytech Distribution Ltd | 73.929 | - |
| Logicom Saudi Arabia LLC | (6.953.676) | - |
| ICT Logicom Solutions S.A. | (168.149) | - |
| Verendrya Ventures Ltd | 833.900 | - |

During the year the companies of the Group paid dividends to the Company, as follows:

| | € |
|---|---|
| Dividend for 2010 | |
| Logicom Solutions Ltd | 1.000.000 |
| Logicom FZE | 1.639.613 |
| Logicom Services Holdings Ltd | 194.726 |

36. EVENTS AFTER THE YEAR END

There have been no material events after the year end.