CAPITAL GROUP SECO/WARWICK

INTRODUCTION TO CONSOLIDATED FINANCIAL STATEMENT

FOR YEAR ENDED ON 31ST DECEMBER 2008

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GENERAL INFORMATION

I. Parent entity information

The parent entity of Capital Group SECO/WARWICK is SECO/WARWICK Spółka Akcyjna headquartered in Świebodzin. The said Company was created on 2nd January 2007 pursuant to decision of District Court of Law in Zielona Góra VIII Business Department of National Court Register which entered the Company into the register of entrepreneurs of National Court Register (KRS) under number KRS 0000271014.

Name:		**SECO/WARWICK S.A.**
Legal status:		Joint stock company
Headquarters:		66-200 Świebodzin, ul. Sobieskiego 8
Basic activity according to Polish Business Activity Classification PKD:		
	29,21,Z	Manufacturing of furnaces and furnace burners,
	29,24,B	Providing assembly, repairs and maintenance of general machinery, elsewhere not classified to the exception of service business,
	29,24,A	Manufacturing general machinery, elsewhere not classified to the exception of service business,
	29,40,A	Manufacturing of machine tools and tools to the exception of services business,
	29,40,B	Service business of assembly, repairs and maintenance of machine tools and mechanical tools,
	29,51,Z	Manufacturing machinery for metal industry,
	51,14,Z	Agency in sales of machinery, industrial equipment, ships and airplanes,
	51,61,Z	Wholesale of machine tools,
	51,70,Z	Other specialised wholesale,
	74,20,A	Construction, town planning and technical design,
	74,30,Z	Technical research and analysis,
	73,10,G	R&D in technical sciences.
KRS number:		KRS 0000271014
Company register numberREGON:		970011679

II. Duration of Capital Group

SECO/WARWICK S.A. and other entities of the Capital Group were created for unspecified time apart from the company SECO/WARWICK(Tianjin) Industrial Furnace Co. Ltd which was created for a specified period of 50 years.

III. Periods presented

Consolidated financial statement contains data for the period of 1st January 2008 to 31st December 2008. Comparative data are presented as of 31st December 007 for the balance sheet and for the period of 1st January 2007 to 31 December 2007 for the profit and loss account, cash flow statement and equity change statement.

IV. Structure of parent entity SECO/WARWICK S.A.

BOARD OF DIRECTORS		
Composition as of 31.12.2007.	Jeffrey William Boswell Andrzej Zawistowski Witold Klinowski Józef Olejnik	President of the Board Vice-President of the Board Director of the Board Director of the Board
Composition as of 31.12.2008	Jeffrey William Boswell Andrzej Zawistowski Witold Klinowski Józef Olejnik Wojciech Modrzyk	President of the Board Vice-President of the Board Director of the Board Director of the Board Director of the Board since 01.05.2008
On 01.03.2009 the composition changed into:	Leszek Przybysz Andrzej Zawistowski Witold Klinowski Józef Olejnik Wojciech Modrzyk	President of the Board Vice-President of the Board Director of the Board Director of the Board Director of the Board
SUPERVISORY BOARD		
Composition as of 31.12.2007	Henryk Pilarski Piotr Kowalewski Piotr Kula Artur Grygiel Marek Górny	President of Supervisory Board Vice-President of Supervisory Board Member of Supervisory Board Member of Supervisory Board Member of Supervisory Board
Composition as of 31.12.2008	Henryk Pilarski Piotr Kowalewski Piotr Kula Artur Grygiel Robert Legierski	President of Supervisory Board Vice-President of Supervisory Board Member of Supervisory Board Member of Supervisory Board Member of Supervisory Board since 28.02.2008

V. Major Stockholders of parent entity

As of 31.12.2008 the following stockholders held over 5 % votes at AGM:

Stockholders	Number of stocks	Participation in equity capital %	Number of votes	Participation in overall number of votes at AGM (%)
SW Poland Holding B.V. (Holandia)	4 119 508	43,04%	4 119 508	43,04%
Spruce Holding Limited Liability Company (USA)	1 726 174	18,03%	1 726 174	18,03%
ING NN OFE	724 419	7,57%	724 419	7,57%
PZU Asset Management S.A.	495 000	5,17%	495 000	5,17%
PKO TFI S.A.	482 316	5,04%	482 316	5,04%

VI. Controlled companies

SECO/WARWICK S.A. directly controls three controlled companies i.e.

- LZT Elterma S.A.
- SECO/WARWICK Corporation and
- OOO SECO/WARWICK Group, in which they have 100% equity capital and 100% of total votes at assemblies of stockholders/participants.

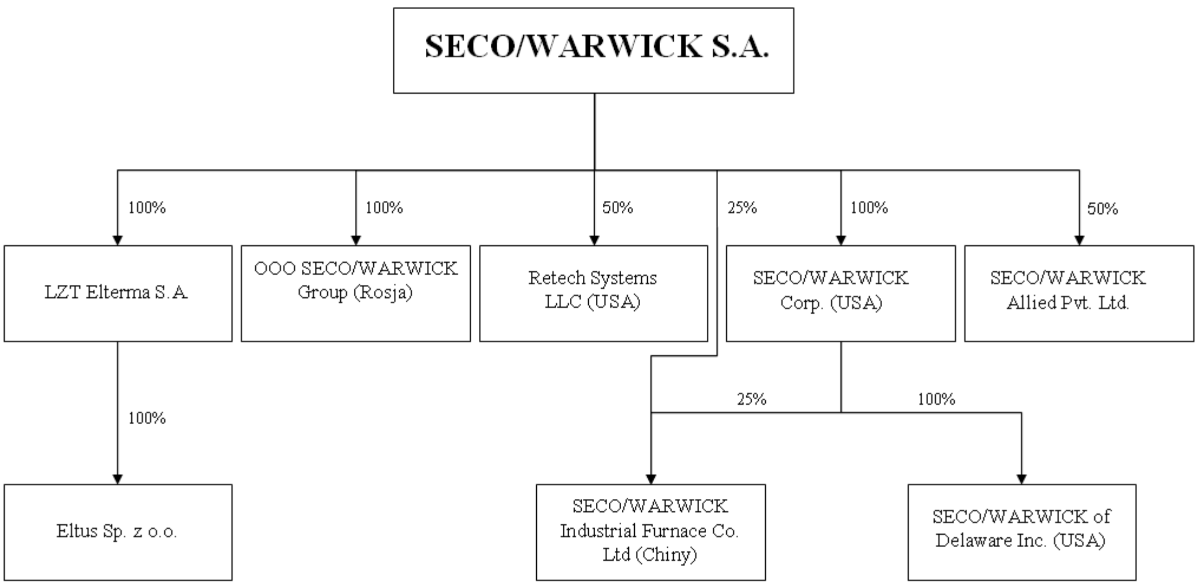
The Group also owns the following entities:

- PHU Eltus, in which the Parent Company through intermediacy of LZT Elterma possesses 100% of equity capital and 100% of total votes at AGM,
- SECO/WARWICK of Delaware Inc., in which the Parent Company through intermediacy of SECO/WARWICK Corporation possesses 100% of equity capital and 100% of total votes at AGM
- SECO/WARWICK (Tianjin) China, in which SECO/WARWICK S.A. directly owns 25% of equity capital (and overall votes) and a further 25% of equity and votes through SECO/WARWICK Corporation,

VII. Affiliated companies

- Retech Systems LLC, in which the Parent Company has 50% of general stocks and 50% of overall votes at AGM.
- SECO/WARWICK Allied Pvt. Ltd., in which the Parent Company has 50% of general stocks and 50% of overall votes at AGM.

VIII. Graphic presentation of the Capital Group:



IX. Selected financial data converted into EURO

Average exchange rates of PLN to EUR in the periods covered by financial statement as defined by National Bank of Poland were as follows:

Turnover year	31.12.2008	31.12.2007
Mean rate of exchange in the period *	3,5321	3,7768
Rate on the last day of period	4,1724	3,5820

**) average of rates on the last day of all months in the period*

Individual items of assets and liabilities in the consolidated balance sheet were converted at the NBP rates for EURO for the last day of a given period.

Individual items of consolidated profit and loss account and consolidated cash flow statement were converted at the rate made of arithmetic average of mean NBP rates for the last day of each month in a given period.

Basic items of balance sheet, profit and loss account and cash flow statement contained in the present financial statement and converted into Euro are shown in the following table:

Selected consolidated financial data

Item	2008	2007	2008	2007
	PLN 000's		EUR 000's	
Net revenue from sale of products, goods and materials	262 095	270 313	74 204	71 572
Cost of sales	-199 684	-212 776	-56 534	-56 338
Profit (loss) on operating activity	25 388	22 312	7 188	5 908
Gross profit (loss)	17 111	26 320	4 844	6 969
Net profit (loss)	14 678	21 680	4 156	5 740
Net cash flow from operating activity	1 672	12 288	474	3 254
Net cash flow from investing activity	-20 596	-18 579	-5 831	-4 919
Net cash flow from financing activity	-20 567	52 260	-5 823	13 837
Total assets	251 811	233 322	60 352	65 137
Total liabilities	86 291	90 461	20 681	25 254
Including: current liabilities	67 414	76 599	16 157	21 384
Equity	165 521	142 861	39 670	39 883
Initial capital	3 471	3 471	832	969

X. Declaration of the Board of Directors

Pursuant to the order of Minister of Finance of 19th February 2009 on ongoing and periodic information submitted by issuers of securities, the Board of Directors of Parent Company declares that to their best knowledge this consolidated financial statement and comparative data were made in accordance with applicable accounting principles and present material and financial position of the Capital Group and its financial result in a true, reliable and clear manner.

This financial statement was made with application of accounting principles, in accordance with International Financial Reporting Standards approved by European Union and as requested by the Order of Minister of Finance of 19th February 2009 on ongoing and periodic information submitted by issuers of securities (Journal of Law 2009 No. 33 item. 259). The report covers the period of 1st January to 31st December 2008 and a comparative period from 1st January to 31st December 2007.

The Board declares that the entity authorised to audit financial statements appointed to audit the consolidated financial statement was selected in accordance with applicable laws and that this entity and its chartered auditors fulfilled the conditions to submit an impartial and independent opinion from their audit according to applicable national laws. According to principles of corporate order approved by the Board, the chartered auditor was appointed by the Supervisory Board by resolution no. 16/2007 of 12th December 2007 on appointment of chartered auditor. The Supervisory Board made this appointment with a view to securing full independence and objectivity of the appointment procedure as well as performance of the chartered auditor.

Date: 14 April 2009

Leszek Przybysz

President

Andrzej Zawistowski

Vice- President

Wojciech Modrzyk

Director of Board

Józef Olejnik

Director of Board

Witold Klinowski

Director of Board

CAPITAL GROUP SECO/WARWICK

CONSOLIDATED FINANCIAL STATEMENT

FOR THE PERIOD FROM 1ST JANUARY TO 31ST DECEMBER 2008

MADE OUT IN PURSUANCE OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

CONSOLIDATED BALANCE SHEET (data in PLN thousands)

Assets		as of 31.12.2008 r.	as of 31.12.2007 r.
NON-CURRENT ASSETS		**108 673**	**74 329**
Property, plant and equipment	*10*	47 076	43 633
Investment property	*12*	461	475
Goodwill		4 452	3 660
Other intangible assets	*11*	6 861	6 444
Investments in subsidiaries associates	*14*	41 661	16 066
Financial assets available for sale		3	3
Long-term receivables			
Other assets			445
Loans made and originated receivables		3	13
Asset accruals			
Deferred tax assets	*6*	8 156	3 590
CURRENT ASSETS		**143 139**	**158 993**
Inventory	*14*	20 102	18 340
Trade receivables	*18*	67 086	50 176
Other current receivables	*18*	4 558	7 907
Asset accruals	*20*	2 947	2 342
Financial assets measured at fair value by financial result			
Loans made and originated receivables		12	11
Cash and cash equivalents	*21*	12 418	51 696
Contract settlements	*17*	36 016	28 521
ASSETS HELD FOR SALE	7		
TOTAL ASSETS		**251 811**	**233 322**

Liabilities		as of 31.12.2008 r.	as of 31.12.2007 r.
EQUITY		**165 521**	**142 861**
Share capital	*22*	3 471	3 471
Supplementary capital	*22*	135 792	116 610
Cash flow hedge	*22*	-2 211	
FX differences		3 007	-7 005
Retained profit/loss	*23*	10 783	8 105
Net profit/loss	*14*	14 678	21 680
Minority interests			
NON-CURRENT LIABILITIES		**18 877**	**13 863**
Credits and loans	*26*		2 131
Other debts		1 399	313
Provision for deferred income tax	*6*	13 640	11 241
Provision for pension and related benefits	*27*	3 657	176
Debt provisions			
Liability accruals	*20*	180	3
CURRENT LIABILITIES		**67 414**	**76 599**
Credits and loans	*24*	5 508	23 568
Derivative financial instruments	*19*	15 971	
Trade payables	*26*	20 266	24 308
Income tax liabilities	*26*	3 311	2 929
Other current liabilities	*26*	3 927	2 661
Provision for pension and related benefits	*27*	915	3 171
Other reserves	*27*	5 193	7 277
Liability accruals	*28*	12 323	12 685
LIABILITIES HELD FOR SALE	7		
TOTAL LIABILITIES		**251 811**	**233 322**

Date: 14 April 2009
Report made out by:
Piotr Walasek

Leszek Przybysz
President

Andrzej Zawistowski
Vice- President

Wojciech Modrzyk
Director of Board

Józef Olejnik
Director of Board

Witold Klinowski
Director of Board

CONSOLIDATED PROFIT AND LOSS STATEMENT (data in PLN thousands)

		for period 01.01.2008 – 31.12.2008	for period 01.01.2007 – 31.12..2007
Net revenue from sale of products, goods and materials; including:	*1,2*	**262 095**	**270 313**
Net revenue from sale of products		260 315	268 625
Net revenue from sale of goods and materials		1 780	1 689
Costs of products, goods and materials sold; including:	*2,3*	**-199 684**	**-212 776**
Manufacturing costs of products sold		-198 539	-211 842
Value of goods and materials sold		-1 145	-934
Gross profit (loss) on sales		**62 411**	**57 537**
Other operating revenue	*4*	1 319	982
Cost of sales	*1,2,3*	-10 384	-11 162
General administration costs	*1,2,3*	-25 290	-24 095
Other operating costs	*4*	-2 667	-950
Profit (loss) on operating activity		**25 388**	**22 312**
Financing income	*5*	2 709	3 516
Financing costs	*5*	-16 946	-1 439
Share in net profit (loss) of associates		5 960	1 932
Pre-tax profit (loss)		**17 111**	**26 320**
Income tax	*6*	-2 433	-4 641
Profit (loss) from continuing operations		**14 678**	**21 680**
Profit (loss) from abandoned operations			
Net profit (loss) for turnover year		**14 678**	**21 680**
Earnings per share (PLN)	*8*	1,53	2,55
Number of shares	*8*	9 572 003	8 498 531

Date: 14 April 2009
Report made out by:
Piotr Walasek

Leszek Przybysz
President

Andrzej Zawistowski
Vice- President

Wojciech Modrzyk
Director of Board

Józef Olejnik
Director of Board

Witold Klinowski
Director of Board

CONSOLIDATED CASH FLOW STATEMENT

(data in PLN thousands)

		for period 01.01.2008 – 31.12.2008	for period 01.01.2007 – 31.12.2007
OPERATING ACTIVITY			
Gross profit (loss)	29	**17 111**	**26 320**
Total adjustments; including:		**-11 762**	**- 7 824**
Share in net profit of associates		-5 960	-1 932
Amortization	3	4 331	4 138
Gains (losses) on FX differences		-4	242
Interest and share in profits (dividends)		483	1 216
Gain (loss) from investing activity		3 081	98
Derivative financial instruments		13 242	
Change in provisions		853	-824
Change in inventory		-1 117	236
Change in receivables		-11 453	-7 707
Change in current liabilities, except for financial liabilities		-5 434	964
Change in accruals		-7 591	-2 456
Other adjustments		-2 193	-1 800
Cash from operating activity		**5 348**	**18 496**
Income tax (paid)/refunded		-3 676	-6 208
Net cash flow from operating activity		**1 672**	**12 288**
INVESTING ACTIVITY			
Income		**140**	**2 619**
Revenue from disposal of intangible assets and property, plant and equipment		128	2 486
Revenue from disposal of financial assets			
Revenue from dividends and share in profits			98
Repayment of long-term loans made			
Interest income			26
Other income from financial assets		12	8
Expenditures		**20 736**	**21 198**
Investment expenditures on intangible assets and property, plant and equipment, and real estate investments		5 667	6 823
Expenditures on acquisition of associates		12 048	13 843
Expenditures on acquisition of financial assets			
Long-term loans made		2	
Cash from derivative financial instruments		3 018	
Other investment expenditures		1	533
Net cash flow from investing activity		**-20 596**	**-18 579**
FINANCING ACTIVITY			

Income	**4 212**	**63 346**
Net proceeds from issuance of shares (stock) and other capital instruments and additional paid-in capital		42 765
Credits and loans	4 212	20 582
Issuance of debt securities		
Other financing income		
Expenditures	**24 779**	**11 086**
Acquisition of own shares (stock)		
Dividends and other payments to owners		
Profit distribution payments other than payments to owners		
Repayment of credits and loans	24 000	7 206
Redemption of debt securities		
Expenditures for other financial liabilities		
Payments of liabilities under finance leasing agreements		231
Interest	296	1 242
Other financing expenditures	483	2 407
Net cash flow from financing activity	**-20 567**	**52 260**
Total net cash flow	**-39 490**	**45 969**
Balance sheet change in cash position; including	**-39 502**	**46 106**
- change in cash position for FX differences	207	65
Cash at start of period	**51 644**	**5 675**
Cash at end of period; including	**12 154**	**51 644**
- with restricted disposability	2 307	42 948

Date: 14 April 2009
Report make:
Piotr Walasek

Leszek Przybysz
President

Andrzej Zawistowski
Vice- President

Wojciech Modrzyk
Director of Board

Józef Olejnik
Director of Board

Witold Klinowski
Director of Board

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (data in PLN thousands)

	Share capital	Supplementary capital	Update capital	FX differences	Retained profit/losses	Minority interest	Total equity
Equity as of 1 January 2007	**3 129**	**36 493**	**0**	**41**	**30 592**	**0**	**70 255**
Correction of basic errors					(1 670)		**(1 670)**
Share issue	464	40 584					**41 048**
Provision for deferred income tax							
Distribution of profit		18 690			(18 690)		**0**
Translation of foreign companies				(5 416)			**(5 416)**
Net profit/loss					21 680		**21 680**
Change in net assets of an associate not related to profit or loss					(557)		**(557)**
Transfer to share capital		(277)					**(277)**
Equity as of 31 December 2007	**3 471**	**116 610**	**0**	**(7 005)**	**29 785**	**0**	**142 861**
Equity as of 1 January 2008	**3 471**	**116 610**	**0**	**(7 005)**	**29 785**	**0**	**142 861**
Correction of basic errors					6		**6**
Cash flow hedge			(2 211)				**(2 211)**
Liquidation of fixed assets		3			(3)		
Actuarial gains (losses)					(1 338)		**(1 338)**
Distribution of profit		21 482			(21 482)		
Translation of foreign companies				10 012			**10 012**
Net profit/loss					14 678		**14 678**
Coverage of loss		(2 303)			2 303		
Change in net assets of an associate not related to profit or loss					1 513		**1 513**
Equity as of 31 December 2008	**3 471**	**135 792**	**(2 211)**	**3 007**	**25 460**	**0**	**165 521**

Date: 14 April 2009
Report made out by: Piotr Walasek

Leszek Przybysz	Andrzej Zawistowski	Wojciech Modrzyk	Józef Olejnik	Witold Klinowski
President	*Vice- President*	*Director of Board*	*Director of Board*	*Director of Board*

CAPITAL GROUP SECO/WARWICK

SUPPLEMENTARY INFORMATION

TO CONSOLIDATED FINANCIAL STATEMENT

ENDED ON 31ST DECEMBER 2008

Description of accounting rules adopted

The principal accounting rules applied in preparing this consolidated financial report are described below. These rules were applied continuously in all periods presented, unless stated otherwise.

I Published standards and interpretations not yet adopted

The Group did not select the option of early adoption of the following standards and interpretations (already adopted or in the process of adoption by the European Union):

- IFRIC 12 "Service Concession Arrangements" applies to annual periods beginning from 1 January 2008. This interpretation has not been adopted by the European Union.
- IFRS 8 "Operating Segments" applies to annual periods beginning from 1 January 2009.
- Amendments to IAS 23 "Borrowing Costs" apply to annual periods beginning from 1 January 2009. This standard has not been adopted by the European Union.
- IFRIC 13 "Customer Loyalty Programs" applies to annual periods beginning from 1 July 2008. This interpretation has not been adopted by the European Union.
- IFRIC 14 "IAS 19 – The Limit on a Deferred Benefit Asset, Minimum Funding Requirements, and Their Interaction" applies to annual periods beginning from 1 January 2008. This interpretation has not been adopted by the European Union.
- Amendments to IAS 1 "Revised Requirements for Presentation of Some Financial Statements" apply to annual periods beginning from 1 January 2009. This standard has not been adopted by the European Union.
- Amendments to IFRS 3 "Business Combinations" apply to annual periods beginning from 1 July 2009. This standard has not been adopted by the European Union.
- Amendments to IAS 27 "Consolidated and Separate Financial Statements" apply to annual periods beginning from 1 July 2009. This standard has not been endorsed by the European Union.

The Group is currently studying the consequences and effect on financial statements of applying these new standards and interpretation.

II Permissible alternatives compliant with IFRS applied by the Company

Certain IFRS's allow alternative methods for valuing and classifying assets and liabilities. In this respect the Company selected:

Standard	Alternative approach applied
IAS 2 Inventories	Inventories are valued at acquisition cost, determined on a weighted average cost basis.
IAS 16 Property, plant and	Property, plant and equipment are carried at acquisition cost less accumulated depreciation and impairment.

equipment	
IAS 23 Borrowing costs	Borrowing costs incurred during construction or production of property, plant and equipment and intangible assets are capitalized.
IAS 38 Intangible assets	Intangible assets are carried at acquisition cost less accumulated depreciation and impairment.

III Presentation of financial reports

Presentation of balance sheet

Under IAS 1 “Presentation of Financial Statements,” assets and liabilities are presented in the balance sheet as current and non-current.

Under IFRS 5, non-current assets held for sale are presented separately in the balance sheet.

Presentation of profit and loss statement

Under IAS 1 “Presentation of Financial Statements,” in the profit and loss statement, costs are presented by function.

Earnings per share

Net earnings per share for each period are calculated as the quotient of the net profit for a given period divided by the weighted average number of shares during the period. The weighted average number of shares reflects the effect of dilution associated with the issuance of shares on the Warsaw Stock Exchange.

IV Accounting rules adopted

The consolidated financial report includes the financial reports of all subsidiaries directly or indirectly controlled by SECO/WARWICK S.A. Control occurs when the parent has the power to govern the financial and operating policies of the subsidiary so as to obtain economic benefit from its activities. All units in the SECO/WARWICK Capital Group apply uniform accounting rules in compliance with International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and associated interpretations in the form of decrees. The consolidated financial report was prepared in accordance with the principle of historical cost, except for financial instruments and land measured at fair value.

All values are stated in PLN thousands.

For consolidation purposes, all transactions and balances between fully consolidated units were eliminated.

As of the acquisition date, assets and liabilities of an acquired unit are measured at fair value. The excess of acquisition price over fair value of identifiable net assets of the acquired unit is recognized as goodwill. If the acquisition price is lower than the fair value of identifiable net assets of the acquired unit, the difference is recognized as profit in the profit and loss statement for the period in which the acquisition occurred. The minority interest is presented as the respective proportion of the fair value of assets and capital. In subsequent periods, losses assignable to minority owners above the value of their shares reduce the capital of the parent.

Financial results of units acquired or sold during the course of the year are recognized in the consolidated financial report from or to the date of acquisition or sale, respectively. This note describes the accounting rules applied in preparing the consolidated financial report for the 3rd quarter of 2008.

4.1. Intangible assets

The SECO/WARWICK Capital Group recognizes as intangible assets those elements that are identifiable (possible to segregate or sell) and are controlled by the unit, and it is probable that they will bring economic benefit to the unit.

Intangibles chiefly comprise software and costs of development works, and are initially valued at the cost of acquisition or production cost, including purchase price, import duties, non-deductible taxes included in the price, less discounts and rebates, plus expenditures directly connected with preparing the asset for its intended use.

In order to determine whether an internally generated intangible meets the criteria for recognition as an asset, the Group divides the asset generation process into two stages:

- research stage,
- development stage.

All research costs are included directly among expenses during the period incurred.

The Group includes intangibles arising as the result of development work as assets on the balance sheet only if they meet the following conditions:

- it is clear that the intangible element will be completed,
- there is a demonstrable possibility of use or sale,
- the costs incurred can be reliably measured.

Goodwill arises upon acquisition of a business unit, as the excess of the merger costs of the business units over the share of the acquiring unit in the identifiable net assets, liabilities and contingent liabilities. After initial recognition, goodwill is presented according to acquisition costs less any cumulative impairments in value. Goodwill is not amortized.

The summary of principles applied with respect to the Group's intangible assets is as follows:

Item	Patents and licenses	Software
Useful life	5 - 10 years	5 - 15 years
Method used	Amortized over the contract period – straight-line method	Straight-line amortization
Origin	Acquired	Acquired
Review for impairment of value / review for appreciation in value	Annual review for occurrence of grounds for impairment in value.	Annual review for occurrence of grounds for impair of value.

4.2. Property, plant and equipment

Land and rights to perpetual usufruct are measured at fair value and are not subject to amortization. For balance sheet valuation, the Group adopted a model based on estimated value. An adjustment to fair value is made on the basis of valuation by appraisers every 5 years.

Property, plant and equipment are presented at acquisition cost, or production cost less depreciation or any charges for permanent impairment. The Group adopted the alternative for borrowing costs (IAS 23) under which they increase the acquisition cost.

Subsequent expenditures concerning an element of property, plant and equipment increase the book value of the asset if it is probable that future economic benefit will be obtained that is greater than the benefit obtainable prior to incurring such expenditures.

Amortization is conducted using the straight-line method based on an assessment of the useful life of the given asset, as follows:

Buildings and structures	from 10 to 40 years
Technical equipment and machinery	from 5 to 30 years
Vehicles	from 5 to 10 years
Other assets of property, plant and equipment	from 5 to 15 years

Non-current assets subject to a finance lease are presented in the balance sheet on the same terms as other non-current assets and are subject to depreciation according to the same principles.

The initial cost of non-current assets that are subject to a finance lease and the associated liabilities were stated in an amount equal to the present discounted value of future lease payments. Lease payments made during the reporting period were applied to finance lease obligations in an amount equal to the capital installments, with the excess treated as a financing cost charged entirely to the financing costs for the period.

Income or loss resulting from sale or liquidation is stated as the difference between sale proceeds and the net value of such non-current assets, and are included in the profit and loss statement.

The Group adopted the principle that the residual value of non-current assets is “zero,” which means the Group will exhaust all economic benefit and the useful life of the asset will end upon the end of the period of its economic usefulness. Thus no residual value was set for non-current assets.

The useful life of intangible assets is reviewed each year and is subject to adjustment if the currently estimated useful life is different than previously determined. Such adjustments in valuations are recognized prospectively.

4.3. Non-current assets under construction

Non-current assets under construction include expenditures on property, plant and equipment and intangible assets that are not yet ready for use and it is probable that they will be completed. They are presented in the balance sheet according to production cost less write-offs for permanent impairment of value. Non-current assets under construction are not amortized.

4.4. Investment property

Investment property includes real estate that is treated as a source of rental income and/or is held for an expected increase in value.

Investment property is carried at acquisition cost or production cost less depreciation or possible write-offs for permanent impairment of value.

Amortization is calculated for the estimated economic life of the assets, using the straight-line method. Land is not amortized.

4.5. Financial assets and liabilities

Financial assets include assets available for sale, assets recognized at fair value through profit or loss, hedging derivatives, loans made and originated receivables, and cash and cash equivalents.

Financial liabilities include credits and loans incurred, other types of financing, credits on current accounts, financial liabilities recognized at fair value through profit or loss, hedging derivatives, trade liabilities and liabilities to suppliers of non-current assets.

Except for investments in subsidiaries, jointly-controlled entities and associates included in the acquisition price pursuant to IAS 27 “Consolidated and Separate Financial Statements,” financial assets and liabilities are recognized and measured in accordance with IAS 39 “Financial Instruments: Recognition and Measurement.”

Recognition and measurement of financial assets

Upon initial recognition, financial assets are measured at fair value, plus – in the case of investments that are not measured at fair value through profit or loss – directly associated transaction costs.

Receivables

Receivables for products and services sold are recognized and reported based on the amounts originally invoiced, subject to write-off of doubtful accounts. A write-off for receivables is estimated when collection of the full amount of the receivable is no longer likely.

Where the effect of the time value of money is material, the value of receivables is determined by discounting the expected future cash flow to present value, using a discount rate reflecting current market valuations of the time value of money. If discounting was used, increase in the receivable due to the passage of time is recognized as financing income.

Other receivables include, more specifically, advances provided against future purchases of property, plant and equipment, intangible assets and inventories. As non-cash assets, advances are not subject to discounting.

Cash and cash equivalents

Cash and cash equivalents are held chiefly in order to meet the Group’s current cash needs, and not for investment or other purposes.

Cash and cash equivalents include cash in bank accounts, cash on hand and other liquid instruments that are readily convertible into a known amount of cash and subject to an insignificant risk of change in value.

Recognition and measurement of financial liabilities

Credit liabilities and other financial liabilities are initially recognized at fair value, and then valued based on amortized cost, using the effective interest rate.

Transaction costs directly associated with acquisition or issuance of a financial liability increase the balance sheet value of the liability because upon initial recognition, amounts paid or received in exchange for the liability are included in the fair value of the item. In later periods, such costs are amortized over the duration of the liability using the effective interest rate.

4.6. Inventories

Inventories are valued at acquisition cost using the weighted average method. Reduction in the value of inventories to the net sale price is made by a write-down. In addition, at the end of each fiscal year a revaluation of inventories is made for dormant inventories or inventories which have lost their usefulness or whose usefulness has been limited in some way. If the circumstance leading to reduction in value of inventories ceases, a reversal is made and the value of inventories is restored.

Write-downs in value of inventories and inventory differences are charged to costs of own products sold.

4.7. Deferred tax

Pursuant to IAS 12 “Income Taxes,” deferred tax is determined using the liability method and recognized in the financial report for all temporary differences between the balance sheet value of assets and liabilities, and their tax values and tax losses carried forward to subsequent years.

A deferred tax asset is recognized for temporary differences which it is probable will be realized and when there will be taxable income available against which the temporary differences may be deducted. On each balance sheet date, deferred tax assets not recognized yet are revalued. A previously unrecognized deferred tax asset is recognized in the period in which it becomes probable that future taxable income will allow the asset to be realized.

A deferred tax asset is recognized for all negative temporary differences arising out of investments in subsidiaries and associates only in the period in which it is probable that:

- the temporary differences will be reversed in the foreseeable future, and

- taxable income will be achieved from which the temporary differences will be deductible.

Under IAS 12, deferred tax assets and liabilities are not discounted. Deferred tax is valued at tax rates legally in force or actually in effect as of the balance sheet date.

4.8. Provisions

Provisions are established when the Group is subject to an existing obligation (legal or constructive) arising out of past events, and it is probable that performance of such obligation will require the outflow of economic benefits, and the amount of the obligation can be reliably estimated. If the Group anticipates that costs subject to a provision will be reimbursed, for example under an insurance policy, then such reimbursement is recognized as a separate asset, but only if it is virtually certain that such reimbursement will actually occur.

Costs concerning a given provision are indicated in the profit and loss statement after subtraction of all reimbursements. If the inflow of cash during the period is material, the level of the provision is determined by discounting the expected future cash flows to present value, using a gross discount rate reflecting the current market time value of money and the possible risk associated with the given liability. If the discounting method was used, increase of the provision due to the passage of time is recognized as a financing cost.

Estimates of the result and the financial effect are made in the judgment of the management of the Group, relying on past experience in similar transactions and, in some cases, reports by independent experts.

The state of provisions is reviewed as of each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic benefits will be necessary to perform the obligation, the provision is eliminated.

The Group establishes provisions for:

- warranty repairs – on the basis of historical data for warranty repair costs,
- accrued holiday leave – in an amount equivalent to the number of days of accrued holiday leave multiplied by the gross average daily wage,
- pension benefits and jubilee bonuses – calculated by actuaries,
- employee benefits – bonuses, wages,
- probable costs related to the current fiscal year which will be invoiced in the following year (accrued costs). Depending on the type, this is charged to specific costs of manufacture, sales or general administration.

Assumptions for making estimates and the level of provisions are reviewed as of each balance sheet date.

4.9. Accruals

To assure that revenues and associated costs are matched, costs or revenues concerning future periods are included in liabilities for the given reporting period.

Liability accruals

The Group makes liability accruals in the amount of probable obligations attributable to the current reporting period, involving more specifically:

- consideration provided to a unit by its contracting parties, and the amount of the obligation can be reliably estimated;
- advances (prepayments) obtained against an agreement for a construction contract, up to the amount of the estimated revenue on the contract, less receivables from settlement of long-term contracts.

Asset accruals

These include more specifically governmental grants for financing assets and revenues and the surplus of estimated revenues arising out the stage of completion of long-term contracts, pursuant to IAS 11, over advances received.

Governmental grants are recognized in the balance sheet in the value of funds obtained and, in a systematic manner, are deducted as revenue of specific periods in order to assure that they match the costs incurred which the grants are intended to compensate for. Grants do not directly increase equity.

Accrual of costs and accrual of revenues settled in a period longer than 12 months are included in non-current accruals, while those settled in no more than 12 months from the balance sheet date are included in current accruals.

V CASH FLOW STATEMENT

The Group prepares the cash flow statement using the indirect method, divided into operating, investing and financing activity.

Cash flows from operating activity come chiefly from the core business. They do not contain external sources of financing.

Inflows from investing activity are primarily:

- cash paid and received for acquisition (or sale) of property, plant and equipment, intangible assets and other non-current assets,
- cash related to acquisition or sale of capital instruments,
- dividends received,
- loans made to third parties,
- cash from settlement of forward contracts.

Cash flow from financing activity primarily involve external sources of financing. These include, among other things:

- proceeds from issue of shares (which did not occur during the period presented),
- dividends and other payments to owners of shares (which did not occur during the period presented),
- taking out and repaying credits and loans,
- grants and other non-refundable inflows from an outside source of financing.

Consolidation rules

The consolidated financial report was prepared using uniform accounting principles for similar transactions and other events occurring under comparable circumstances.

Basis for consolidation

The consolidated financial report includes all subsidiaries and entities jointly controlled by the parent. In preparing the consolidated financial report, the parent combines the financial reports of the parent and the subsidiaries by adding together the specific items of assets, liabilities, equity, revenue and costs.

All transactions, balances, income and expenses between the consolidated entities are eliminated for consolidation purposes.

In order to assure that financial information concerning the SECO/WARWICK Capital Group is presented in the consolidated financial report as if it were a single business entity:

- balance sheet values of investments by the parent in each of the subsidiaries, and the portion of the equity of the subsidiaries that corresponds to the share of the parent, are excluded;
- minority interests in the net profit or loss of consolidated subsidiaries for the given reporting period are stated;
- minority interests in the net consolidated assets of subsidiaries are stated.

Minority interests in net assets include:

- the value of minority interests from the date of the original combination,
- changes in equity allocable to minority interests following the date of the combination.

The interest of minority owners is indicated in the respective proportion of the fair value of assets and capital. In subsequent periods, losses allocable to minority owners exceeding the value of their interest reduce the capital of the parent.

Financial results of entities acquired or sold during the year are recognized in the consolidated financial report from or to their acquisition or sale respectively.

Where necessary, adjustments are made in the financial reports of subsidiaries or associates in order to make the accounting principles applied by the entity consistent with those applied by the parent.

Investments in associates

Under IAS 28, an associate is a business entity over which the investor has significant influence. Significant influence exists where the investor holds, directly or indirectly, 20% or more of votes in the entity it has invested in.

An associate is an entity over which the parent has significant influence, but does not exercise control, participating in setting the financial and operating policy of the associate. Under IAS 28.13, investments in an associate are valued using the equity method. Losses of associates exceeding the value of the parent’s interest in such associates are not recognized.

If the acquisition price is lower than the fair value of identifiable net assets of the acquired entity (negative goodwill), the difference is recognized as income in the profit and loss statement for the period in which the acquisition occurred, under the item of other operating revenue. If negative goodwill arose prior to the amendment of International Accounting Standards, a one-time charge is made in the item of undistributed earnings.

The associates for the parent and subsidiaries are RETECH Systems LLC and Allied Consulting Engineers Pvt. Ltd.

Interests in joint ventures

The SECO/WARWICK Capital Group holds a 50% share in the joint-venture company SECO/WARWICK (Tianjin) Industrial Furnace Co. Ltd. in China, which is involved in production of furnaces, furnace hearths and burners, and other general-purpose machinery.

In the consolidated report, the interest in the joint venture is recognized using the proportionate method.

CAPITAL GROUP SECO/WARWICK

ADDITIONAL NOTES AND EXPLANATIONS

TO CONSOLIDATED FINANCIAL STATEMENT

ENDED ON 31ST DECEMBER 2008

Note 1. REVENUES FROM THE SALE

According to IAS 18 revenues from sales of products, merchandises, materials and services, less VAT, discounts and rebates, are recognised at the moment when significant risk and benefits of the ownership thereof have passed onto the buyer.

Sales revenues and overall revenues of the Group are as follows:

Specification	2008	2007
Products sales	260 315	268 625
Merchandises and materials sales	1 780	1 689
Revenues	**262 095**	**270 313**
Other operating revenue	1 319	982
Financial revenue	2 709	3 516
Revenue, total	**266 123**	**274 811**

The were no revenues from discontinued operations.

Note 2. OPERATING SEGMENTS – BUSINESS UNITS AND GEOGRAPHIC

Revenue and results attributable to specific business segments 2008

SECTORAL SEGMENTS	Continuing operations						Discontinued operations	Other	Total
	Vacuum furnaces	*CAB*	*Atmosphere*	*Aluminium Process*	*Melting Furnaces*	Total			
Revenue	67 048	54 538	68 825	21 081	19 963	231 455		30 639	**262 095**
Sales to external customers	67 048	54 538	68 825	21 081	19 963	231 455		30 639	**262 095**
-including sale to customers for whom sales represent 10% or more of total revenue for the segment	8 165	30 466	30 512	6 238	19 956	95 336		10 842	106 178
Sales to other segments									
Total costs of segment	(53 177)	(41 462)	(52 308)	(16 310)	(13 515)	(176 772)		(22 912)	**(199 684)**
Costs of general administration								(25 290)	(25 290)
Cost of sales								(10 384)	(10 384)
Operating revenue								1 319	1 319
Operating costs								(2 667)	(2 667)
Segment result (profit on operating activity)	**21 371**	**8 052**	**2 117**	**14 615**	**2 510**	**48 665**			**25 388**
Financial revenue								2 709	2 709
Financial costs								(16 946)	(16 946)
Share in profit of associates								5 960	5 960
Pre-tax profit (loss)									**17 111**
Income tax								(2 433)	(2 433)
Net profit (loss)									**14 678**

Revenue and results attributable to specific business segments 2007

SECTORAL SEGMENTS	Continuing operations						Discontinued operations	Other	Total
	Vacuum furnaces	*CAB*	*Atmosphere*	*Aluminium Process*	*Melting Furnaces*	**Total**			
Revenue	90 290	38 139	59 710	43 536	8 446	240 121		30 192	**270 313**
Sales to external customers	90 290	38 139	59 710	43 536	8 446	240 121		30 192	**270 313**
-including sale to customers for whom sales represent 10% or more of total revenue for the segment	-	24 340	6 188	20 420	8 100	59 048			
Sales to other segments									
Total costs of segment	(68 919)	(30 087)	(57 593)	(28 921)	(5 936)	(191 456)		(21 321)	**(212 777)**
Costs of general administration								(24 095)	(24 095)
Cost of sales								(11 162)	(11 162)
Operating revenue								982	982
Operating costs								(950)	(950)
Segment result (profit on operating activity)	**21 371**	**8 052**	**2 117**	**14 615**	**2 510**	**48 665**			**22 312**
Financial revenue								3 516	3 516
Financial costs								(1 439)	(1 439)
Share in profit of associates								1 932	1 932
Pre-tax profit (loss)									**26 320**
Income tax								(4 641)	(4 641)
Net profit (loss)									**21 680**

GEOGRAPHIC SEGMENTS 2008

Specification	*Poland*	*EU countries*	*Russia and other former Soviet republics*	*USA*	*Turkey*	Other	**Total sales**
Revenue	**56 551**	**82 320**	**32 707**	**57 870**	**9 233**	**23 413**	**262 095**
Sals to external customers:	56 551	82 320	32 707	57 870	9 233	23 413	**262 095**
-including sale to customers for whom sales represent 10% or more of total revenue for the segment	24 985	18 321	28 379	9 291	9 103	10 453	**100 533**
Fixed Assets Segments	76 059		550	26 212		5 851	**108 673**
Investment outlays	5 393			214		60	**5 667**

GEOGRAPHIC SEGMENTS 2007

Specification	*Poland*	*EU countries*	*Russia and other former Soviet republics*	*USA*	*Turkey*	Other	**Total sales**
Revenue	52 518	99 153	27 069	71 118	4 168	16 287	**270 313**
Sales to external customers:	52 518	99 153	27 069	71 118	4 168	16 287	**270 313**
-including sale to customers for whom sales represent 10% or more of total revenue for the segment	6 260	24 328	20 435	6 188	3 871	1 770	62 852
Fixed Assets Segments	42 298		764	16 242		2 068	**61 372**
Investment outlays	5 930			437		456	**6 823**

Nota 3. OPERATING COSTS

COSTS (AS PER COSTS TYPE)	01.01.2008 – 31.12.2008	01.01.2007 - 31.12.2007
Amortization	4 331	4 137
Usage of materials and energy	126 785	145 432
External services	35 798	33 074
Taxes and fees	920	787
Wages and salaries	56 831	54 008
Other costs	13 143	9 279
Total costs by type	**237 808**	**246 718**
Cost of sales	(10 384)	(11 162)
Costs of general administration	(25 290)	(24 095)
Change in work in process	58	1 743
Cost of manufacturing products for unit's own needs	(3 652)	(1 363)
Cost of manufacturing products and services sold	**198 539**	**211 842**

DEPRECIATION AND IMPAIRMENT LOSS INCLUDED IN P&L STATEMENT	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007
Items included in cost of sales:	**2 353**	**2 192**
Fixed assets depreciation	2 169	2 105
Impairment of tangible assets		-
Depreciation of intangible assets	184	88
Items included in selling expenses	**205**	**219**
Fixed assets depreciation	129	142
Depreciation of intangible assets	76	77
Cost of operating leasing		-
Items included in general administration expenses:	**1 760**	**1 701**
Fixed assets depreciation	1 260	1 352
Depreciation of intangible assets	500	349
Cost of operating leasing		-
Items included in other operating costs:	**13**	**13**
Depreciation of investment real property	13	13

Salaries and wages

CHARGES OF EMPLOYMENT	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007
Salaries	46 621	43 110
Charges of national insurance	9 262	9 638
Charges of retirement		
Other charge after employment		
Charges of payment plan using own shares		
Other national insurance	948	1 260
Total cost of employment, including:	**56 831**	**54 008**
Items included in cost of sales	35 408	33 878
Items included in selling expenses	6 503	6 572
Items included in general administration expenses	14 920	13 559

Note 4. OTHER OPERATING REVENUE AND COSTS

OTHER OPERATING REVENUE	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007
Revaluation of non-financial assets	66	94
Revaluation of provisions	-	-
Gain from sale of non-financial non-current assets	3	-
Revaluation of provisions for fines	105	-
Damages and penalties received	60	18
Settlement of inventory surpluses	250	121
Revenue from lease of non-current assets and investment property	3	-
Other	447	422
Total other operating revenue	385	327
Damages and penalties received	**1 319**	**982**

OTHER OPERATING COSTS	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007
Recognition of provisions for fines	-	105
Recognition of write-downs to the receivables	1 000	239
Revaluation of inventories	157	
Loss on sale of non-financial non-current assets	54	167
Court costs, damages, penalties	528	-
Costs from leasing of non-current assets	112	27
Donations	80	68
Liquidation of inventories	259	
Other	477	344
Total other operating costs	**2 667**	**950**

Note 5. FINANCIAL INCOME AND FINANCIAL EXPENSES

FINANCIAL REVENUE	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007
Interest revenue	535	295
Investments revenue	-	-
Surplus of positive FX differences over negative	2 174	3 209
Dividends received	-	-
Other		12
Total financing revenue	**2 709**	**3 516**

FINANCIAL COSTS	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007
Bank loan interest	433	1 357
Other interest	25	35
Financial cost of financial leasing	59	7
Loss on the disposal of investments	3 018	
Valuation of financial instruments	13 241	
Other	170	40
Total financial costs	**16 946**	**1 439**

Note 6. INCOME TAX AND DEFERRED INCOME TAX

Main sources of tax burden for the years ended 31st December 2008 and 2007 are as follows:

INCOME TAX	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007
Current income tax	**4 081**	**4 026**
Current income tax expense	4 081	4 026
Prior year adjustments of income tax		
Deferred income tax	**-1 649**	**158**
Associated with occurrence and reversal of temporary differences	- 1 649	158
Associated with changes of income tax rates		
Deferred income tax		457
Tax charges reported in P&L statement	**2 433**	**4 641**

INCOME TAX REPORTED IN EQUITY CAPITAL		01.01.2007 - 31.12.2007
Current income tax	**0**	**0**
Current income tax charges		
Deferred income tax	**519**	**0**
Tax on net profit (loss) on revaluation of cash flow collaterals	519	
Tax gain / (tax charge) reported in equity	**519**	**0**

Deferred tax reported in the profit and loss statement is the difference between provisions and assets for deferred tax as of the end and beginning of reporting periods.

Specification	*31.12.2008*		*31.12.2007*	
	Balance sheet value	*Amount reported in P&L*	*Balance sheet value*	*Amount reported in P&L*
Provision for deferred tax				
Accelerated tax amortization	6 891	703	6 187	(1 071)
Retirement benefits SECO/WARWICK Corp.	-	(178)	178	178
Revaluation of financial assets available for sale to their fair value	-	-	-	(10)
Leasing finansowy	135	19	116	84
Other	140	45	95	95
Positive FX differences	1 181	649	532	308
Adjustment of non-current contracts	5 056	1 119	3 938	(1 082)
Valuation of financial assets	237	42	195	(38)
Provision for deferred tax	**13 640**	**2 399**	**11 241**	**(1 536)**
Assets for deferred tax				
Provision for retirement severance and related benefits	1 860	1 808	51	(97)

Provision for jubilee bonuses and bonuses	76	(260)	336	336
Provision for accrued holiday leave	198	(48)	245	-
Provisions for losses on contracts	-	(28)	28	4
Provisions for guarantees	502	(26)	528	-594
Provisions for other	143	(549)	692	-600
Losses deductible from future taxable income	-	(131)	131	(674)
Assets from non-current contracts	883	815	68	43
Negative FX differences	95	(325)	420	143
Other	1	1	2	(1)
Book value	2 516	2 516		
Salaries and social insurance payable in subsequent periods	621	20	600	14
Leasing liabilities	113	1	112	49
Write-downs of inventories	342	55	288	(152)
Write-downs of receivables	288	201	87	(11)
Deferred tax assets	**7 638**	**4 048**	**3 590**	**(1 540)**

Specification	*31.12.2008*		*31.12.2007*	
	Balance sheet value	*Amount reported in capital*	*Balance sheet value*	*Amount reported in capital*
Book value	519	519		
Deferred tax assets	**519**	**519**		

Note 7. DISCONTINUED OPERATIONS

The Group indicates no discontinued operations.

There were no assets and liabilities classified for sale in the period of 01.01-31.12.2008.

Note 8. EARNINGS PER SHARE

Basic EPS is calculated by dividing the net profit for ordinary shareholders in a given period by the weighted average number of ordinary shares issued in the period.

Diluted EPS is calculated by dividing the net profit for ordinary shareholders (after deduction of interest on preferred shares convertible to ordinary shares) by the weighted average number of ordinary shares issued in the period (revised by the impact of diluting options and diluting depreciable shares convertible to ordinary shares).

Item	31.12.2008	31.12.2007

Net profit on continuous operations for shareholders	14 678	21 680
Loss on discontinued operations for shareholders		
Net profit for shareholders of parent entity	14 678	21 680
Interest on preferred shares convertible to ordinary shares		
Net profit for ordinary shareholders used to calculate diluted EPS	**14 677 825**	**21 679 524**
Weighted average number of issued shares used	9 572 003	8 498 531
Impact of dilution:		
Options on shares		
Preferred shares		
Revised weighted average number of ordinary shares used to calculated diluted EPS	9 572 003	8 498 531
Earnings Per Share	1,53	2,55

In the period between balance sheet day and the day of the present financial statement there were no other transactions on ordinary shares or potential ordinary shares.

Note 9. DIVIDENDS PROPOSED OR PASSED BEFORE APPROVAL OF THE FINANCIAL STATEMENT

In 2008 and 2007 dividends were not paid out. By the date of the financial statement there were no resolutions concerning dividend.

Note 10. TANGIBLE FIXED ASSETS

Specification	31.12.2008	31.12.2007
Fixed assets	46 247	42 242
Fixed assets under construction	829	1 391
Prepayments for tangible fixed assets		
Tangible fixed assets	**47 076**	**43 633**

Changes in tangible fixed assets (by categories) for the period from 01.01.2007-31.12.2007

Specification	Land	Buildings	Technical equipment and machinery	Vehicles	Other non-current assets	Total

gross value of non-current assets at start of period 01.01.2007	**2 351**	**23 565**	**19 412**	**3 080**	**2 673**	**51 082**
Increases:	**-**	**2 217**	**2 223**	**464**	**428**	**5 332**
acquisition	-	1 937	1 682	422	428	4 469
own manufacture of non-current assets	-	280	198	-	-	479
leasing contracts concluded	-	-	343	41	-	384
revaluation	-	-	-	-	-	-
Reductions:	**-**	**907**	**386**	**71**	**693**	**2 058**
Sale	-	907	220	71	622	1821
liquidation	-	-	166	-	71	237
Other	-	-	-	-	-	-
gross value of non-current assets at end of period 31.12.2007	**2 351**	**24 875**	**21 249**	**3 473**	**2 408**	**54 356**
depreciation at start of period 01.01.2007	**-**	**1 590**	**4 005**	**807**	**562**	**6 964**
Increases:	**-**	**723**	**2 064**	**476**	**320**	**3 583**
amortization	-	723	2 064	476	320	3 583
revaluation	-	-	-	-	-	-
Reductions:	**-**	**53**	**225**	**42**	**136**	**457**
liquidation	-	-	160	-	71	231
sale	-	53	65	42	65	226
revaluation	-	-	-	-	-	-
depreciation at end of period 31.12.2007	**-**	**2 259**	**5 844**	**1 241**	**746**	**10 090**
write-downs for permanent impairment at start of period 01.01.2007	-	-	-	-	-	-
write-downs for permanent impairment at start of period 31.12.2007	**-**	**-**	**-**	**-**	**-**	**-**
Net FX differences – recalculation presentation currency	- 89	-965	-890	-28	-52	-2 024
net value of non-current assets at end of period 31.12.2007	**2 262**	**21 651**	**14 515**	**2 204**	**1 611**	**42 242**

Changes in tangible fixed assets (by categories) for the period from 01.01.2008-31.12.2008

Specification	Land	Buildings	Technical equipment and machinery	Vehicles	Other non-current assets	Total
gross value of non-current assets at start of period 01.01.2008	**2 351**	**24 875**	**21 249**	**3 473**	**2 408**	**54 356**
acquisition	**10**	**1 040**	**3 093**	**1 094**	**351**	**5 588**
own manufacture of non-current assets		765	3 071	791	317	4 944
leasing contracts concluded		275	22	-	34	331
other				303		303
acquisition	10	-	-	-	-	10
Reductions:	**-**	**-**	**412**	**223**	**37**	**672**
sale	-	-	81	219	4	304
liquidation	-	-	331	4	33	368
other	-	-	-	-	-	-
gross value of non-current assets at end of period 31.12.2008	**2 361**	**25 915**	**23 930**	**4 344**	**2 722**	**59 272**
Remission 01.01.2008	**-**	**2 259**	**5 844**	**1 241**	**746**	**10 090**
Increases:	-	810	2 189	567	228	3 795
amortization	-	810	2 189	567	228	3 795
revaluation	-	-	-	-	-	-
other	-	-	-	-	-	-
Reductions:	**-**	**-**	**352**	**132**	**19**	**503**
sale	-	-	85	128	1	214
liquidation	-	-	267	4	18	289
revaluation	-	-	-	-	-	-
Remission 31.12.2008	**-**	**3 070**	**7 681**	**1 676**	**955**	**13 382**
write-downs for permanent impairment at start of period 01.01.2008	-	-	-	-	-	-
write-downs for permanent impairment at start of period 31.12.2008	-	-	-	-	-	-
Net FX differences – recalculation presentation currency	9	225	83	22	16	356

net value of non-current assets at end of period 31.12.2008	**2 370**	**23 070**	**16 332**	**2 691**	**1 784**	**46 247**

OWNERSHIP STRUCTURE – net book value	31.12.2008	31.12.2007
Owned	**46 198**	**42 952**
Used per rental, tenancy or other contract including leasing contract	878	681
Total	**47 076**	**43 633**

As of 31.12.2008 the Group made an analysis of external and internal information premises regarding advisability of performing a test on permanent impairment of assets. As a result of the analysis no such premises were determined and thus the test was abandoned.

Fixed assets under construction:

Fixed assets under construction as of 01.01.2007	*Outlays incurred in turnover year*	*Settlement of outlays*					*31.12.2007*
		Land	*Buildings*	*Technical equipment and machinery*	*Vehicles*	*Other non-current assets*	
1 795	**4 255**	1 539	1 380	356	183	1 200	**1 391**
Fixed assets under construction as of 01.01.2008	*Outlays incurred in turnover year*	*Settlement of outlays*					*31.12.2008*
		Land	*Buildings*	*Technical equipment and machinery*	*Vehicles*	*Other non-current assets*	
1 391	**5 517**	1 000	4 136	644	211	87	**829**

Fixed assets under construction	31.12.2008	31.12.2007
Modular line	555	
Furnace		823
Heating system upgrade		198
Helium recycling system		89
Others	274	281
TOTAL	**829**	**1 391**

As of 31.12.2007 and 31st December 2008 the Group did not possess any fixed assets designed for sale.

Value and area of land in perpetual usufruct (N/A to foreign Companies)

Address of property	No. in Land and Mortgage Register	Land plot number	Land plot area [m^2] as of 31.12.2008	Value as of 31.12.2008	Land plot area [m2] as of 31.12.2007	Value as of 31.12.2007
Ś-dzin, ul. Sobieskiego 8	KW 1306	95/7	5 098	289	5 098	289
Ś-dzin, ul. Sobieskiego 8	KW 9562	94/4	2 467	140	2 467	140
Ś-dzin, ul. Sobieskiego 8	KW 9444	94/16	285	97	285	97
Ś-dzin, ul. Sobieskiego 8	KW 9507	94/23	119	6175,63 originally plot no. 94/17 KW 9444	119	6175,63 originally plot no. 94/17 KW 9444
	KW 9444	94/22	1 415		1 415	
Ś-dzin, ul. Sobieskiego 8	KW 9507	94/21	2 645	150	2 645	150
Ś-dzin, ul. Sobieskiego 8	KW 19319	94/19	214	12	214	12
Ś-dzin, ul. Sobieskiego 8	KW 9507	94/8	110	6	110	6
Ś-dzin, ul. Sobieskiego 8	KW 39300	94/25	1 279	73	1 279	73
Ś-dzin, ul. Świerczewskiego 76	KW 40641	195/80	11 605	23	11 605	23
Ś-dzin, ul. Świerczewskiego 76	KW 41410	195/94	221	1	221	1
Ś-dzin, ul. Sobieskiego 8	KW 9507	94/6	1 121	10		
Ś-dzin, ul. Świerczewskiego 76	KW nr 10363	195/97	28	594	28	594
Ś-dzin, ul. Świerczewskiego 76	KW nr 10363	195/96	8	166	8	166
		Total	**26 615**	**1 569**	**25 494**	**1 559**

Land and buildings of balance sheet value of 4,385 thousand PLN are mortgaged to secure bank loans of SECO/WARWICK S.A.

Fixed assets leasing

Fixed assets	31.12.2008			31.12.2007		
	Gross value	Amortization	Net value	Gross value	Amortization	Net value
Immovables						
Machinery	693	97	596	693	49	644
Vehicles	344	62	282	41	4	37
Other tangible fixed assets						
Total	**1 037**	**159**	**878**	**734**	**53**	**681**

Balance sheet value of machinery and equipment used as of 31st December 2008 on financial lease contracts and on rent with purchase option is 596 thousand PLN (644 thousand PLN as of 31st December 2007).

There were no impairment loss provisions in the period of 01.01.2008 – 31.12.2008.

There were no impairment loss provisions in the period of 01.01.2007 – 31.12.2007.

Note 11. INTANGIBLE ASSETS

OWNERSHIP STRUCTURE - net Value	31.12.2008	31.12.2007
Ownership	6 736	6 287
Used per rental, tenancy or other contract including leasing contract	125	157
Total	**6 861**	**6 444**

Changes in intangible assets (by category) – for the period of 1.01.2007-31.12.2007.

Specification	Patents, concessions, licences, softwares	*Development costs*	*Other intangible fixed assets*	*Total*
gross value of non-current assets at start of period 01.01.2007	**4 263**		**1 638**	**5 901**
Increases:	**1 464**	**1 200**	**-**	**2 664**
Acquisition	1 043	1 200	-	2 243
leasing contracts concluded	160	-	-	160
Other	261	-	-	261
Reductions:	**7**	**-**	**-**	**7**
subsidiaries selling	-	-	-	-
sale	3	-	-	3
liquidation	4	-	-	4
other	-	-	-	-
gross value of non-current assets at start of period 31.12.2007	**5 721**	**1 200**	**1 638**	**8 560**
Remission 01.01.2007	**974**	**-**	**358**	**1 331**
Increases:	**573**	**45**	**75**	**694**
amortyzacji	573	45	75	694
other	-	-	-	-
Reductions:	-	-	-	-
liquidation	-	-	-	-
sale	-	-	-	-
Remission 31.12.2007	**1 547**	**45**	**453**	**2 045**
Remission 01.01.2007	-	-	-	-
Increases:	-	-	-	-
Reductions:	1	-	-	-
Update charges 31.12.2007	(1)	-	-	-
Net FX differences – recalculation presentation currency	(89)	-	-	(89)
Net value of non-current assets at start of period 31.12.2007	**4 084**	**1 155**	**1 205**	**6 444**

Specification	**Patents, concessions, licences, softwares**	***Development costs***	***Other intangible fixed assets***	***Total***
gross value of non-current assets at start of period 01.01.2008	**5 721**	**1 200**	**1 638**	**8 560**
Increases:	**368**	**504**	**-**	**872**
Business entitiy merger	-	-	-	-
acquisition	360			360
Carryover from fixed assets under construction		504		504
Other	8			8
Reductions:	**49**	**-**	**-**	**49**
subsidiaries selling				-
Sale	49			49
Liquidation	-	-	-	-
Revaluation	-	-	-	-
Other	-	-	-	-
gross value of non-current assets at start of period 31.12.2008	**6 040**	**1 704**	**1 638**	**9 383**
Remission 01.01.2008	**1 547**	**45**	**453**	**2 045**
Increases:	**494**	**60**	**75**	**629**
amortization	494	60	75	629
revaluation	-	-	-	-
other	-	-	-	-
Reductions:	**30**	**-**	**-**	**30**
liquidation		-	-	-
sale	30	-	-	30
other	-	-	-	-
Remission 31.12.2008	**2 011**	**105**	**528**	**2 644**
Update charges 01.01.2008	-	-	-	-
Increases:	-	-	-	-
Reductions:	-	-	-	-
Update charges 31.12.2008	-	-	-	-
Net FX differences – recalculation presentation currency	123	-		123
Net value of non-current assets at start of period 31.12.2008	**4 152**	**1 599**	**1 110**	**6 861**

As of 31.12.2007 and 31st December 2008 the Group did not possess any intangible assets designed for sale.

There were no impairment loss provisions in the period of 01.01.2008 – 31.12.2008.

There were no impairment loss provisions in the period of 01.01.2007 – 31.12.2007.

Note 12. INVESTMENT LAND AND BUILDINGS

SECO/WARWICK S.A. possesses investment property located at ul. Sobieskiego 8 in Świebodzin, composed of manufacturing hall rented to VACMAX Company. Revenue from rent in 2008 was 54 thousand PLN.

Specification	31.12.2008	31.12.2007
Opening balance-sheet	**475**	**1 126**
Increases:	**-**	**5**
modernization	-	5
Reductions:	**14**	**656**
Amortization	14	42
Sales	-	614
Closing balance	**461**	**475**

Specification	31.12.2008	31.12.2007
Opening balance sheet value	**527**	**1 315**
Increases:	**-**	**5**
Purchase	**-**	**-**
Made	**-**	**-**
other	**-**	**5**
Reductions:	**-**	**793**
Sale	**-**	**793**
Liquidation	**-**	**-**
Other	**-**	**-**
Closing balance sheet value	**527**	**527**
Remission opening BS	**52**	**188**
Increases:	**14**	**42**
Amortization	**14**	**42**
Other	**-**	**-**
Reductions:	**-**	**178**
Sale	**-**	**178**
other	**-**	**-**
Remission closing BS	**66**	**52**
Revaluation provisions at opening BS	-	-
Increases	-	-
Reductions	-	-
Revaluation provisions at closing BS	-	-
Net balance sheet value at closing BS	**461**	**475**

Specification	31.12.2008	31.12.2007
Revenue from rent	**54**	**123**

Cost of revenues	**20**	**126**
tax property	6	64
amortization	14	42
Other		19

Note 13. GOODWILL

Increase/decrease of company goodwill resulting from full consolidation of subsidiary SECO/WARWICK Corporation looks as follows:

Item	*31.12.2008*	*31.12.2007*
Goodwill at beginning of period	3 660	4 375
Increases in goodwill through acquisition	-	-
FX differences related to goodwill translation	792	(715)
Impairments of goodwill	-	-
Decreases in goodwill due to disposal	-	-
Total goodwill at end of period	**4 452**	**3 660**

Note 14. INVESTMENMT IN DEPENDENT ENTITIES

Investments in dependent, co-dependent and associated entities valued with equity method

Company name	BS value of shares as of 31.12.2008	Percentage of shares owned	Percentage of votes owned	Cosolidation method	Value of assets	Value of liabilities	Value of revenues	Net profit/ loss
Elterma S.A.	7 657	100%	100%	Full	51 176	23 822	72 667	5 041
SECO/WARWICK Corporation	21 806	100%	100%	Full	32 821	17 547	41 963	123
SECO/WARWICK Moscow	172	100%	100%	Full	678	474	461	6
SECO/WARWICK Tianjin	1 481	50%	50%	Proportional	13 261	5 882	7 443	1 197
RETECH	16 597	50%	50%	Equity rights	43 667	29 826	131 581	11 123
SECO/WARWICK ALLIED	10 995	50%	50%	Equity rights	30 681	21 314	22 966*	797*

***** for the period of 01.04.2008 to 31.12.2008

Company name	BS value of shares as of 31.12.2007	Percentage of shares owned	Percentage of votes owned	Cosolidation method	Value of assets	Value of liabilities	Value of revenues	
LZT Elterma S.A.	7 657	100%	100%	Full	40 025	17 712	55 735	(2 303)
SECO/WARWICK Corporation	21 806	100%	100%	Full	32 991	18 250	60 934	1 632
OOO SECO/WARWICK Moskwa	172	100%	100%	Full	715	526	417	28
SECO/WARWICK Tianjin	1 481	50%	50%	Proportional	2 659	696	1 807	(683)
RETECH	16 544	50%	50%	Equity rights	44 122	30 493	127 234	3 864*

* for the period of 20.07.2007 to 31.12.2007

Note 15. INVESTMENT IN ASSOCIATED ENTITIES VALUED AT EUITY METHOD

Retech Systems LLC

The Group owns 50% ordinary shares in the equity of Retech Systems LLC, which allows execution of 50% votes at Retech AGMs. The other 50 % of votes belong to Mr James A. Goltz. Capital Group SECO/WARWICK acquired their shares in the equity of Retech Systems LLC by provisions of share purchase agreement of 19 July 2007.

Item	*31.12.2008*	*31.12.2007*
Current assets (short-term)	48 860	43 053
Fixed assets (long-term)	1 512	1 069
Short-term liabilities	38 156	30 493
Long-term liabilities	-	-
Net share in assets	6 480	(1 874)
Revenues	159 343	56 695*
Financial result	11 123	3 864*
Share in profit of associated entity:	50%	50%

* for the period of 20.07.2007 to 31.12.2007

The parent company does not exercise control acc. to IFRS 3 over Retech Systems LLC, as it has no authority to control their financial and operating policies. Mr Jeffrey Boswell is on the Board of Retech Systems LLC and does not execute operating duties for Retech Systems LLC. Therefore and also due to the fact that SECO/WARWICK have more than 20% and less than 51% of ordinary shares in the net assets of the acquired company, the Board of the parent company believe that SECO/WARWICK have ‘significant influence’ on the acquired entity. Due to the above, the investment into Retech Systems LLC is assessed in accordance with IAS 28 by equity rights method.

The fair value of identifiable assets and liabilities of Retech Systems LLC as of the day of acquisition looks as follows:

Specification	*Balance sheet value directly before acquisition*	*Fair value at acquisition*
Tangible fixed assets	777	4 209
Intangible fixed assets	-	-
Prepaid expenses	731	731
Elements of assets for deferred income tax	-	-
cash and cash equivalents	4 167	4 167
Receivables for deliveries and services	26 480	26 480
Inventory	1 967	1 967
Liabilities for deliveries and services	(7 620)	(7 620)
Preferred shares	(18 092)	(18 092)
Payroll liabilities	(1 455)	(1 455)
Contact settlements	(11 156)	(11 156)
Other	(1244)	(1244)
Net asset value	(5 446)	(1 615)
Participation of parent entity in net assets	**(2 723)**	**(808)**

The fair value of assets identifiable as of the day of acquisition exceeds by 3 432 thousand PLN the book net assets value, out of which 1 716 thousand PLN falls to the parent entity. The difference between book value and fair value comes from assessment of material assets (acc. to US GAAP these are reported by their historic cost). The Board of the parent entity is of the opinion that depreciation calculated on the difference between fair value and book value of fixed material assets would amount to 80 thousand PLN a year, which is 0.4% of the Group's net result and is of marginal significance to assessment of financial condition by users of the financial statement. Therefore the participation of the parent entity in the net assets was reported at book value.

Finally, the acquisition of 50% shares in Retech Systems LLC was settled as follows:

Specification	*19.07.2007*
Acquisition price	16 596
Particiaption in net assets as of the day of acquisition	(2 723)
Goodwill as of the day of acquisition	**19 320**

Specification	*31.12.2008*	*31.12.2007*
Goodwill	19 320	18 645
Participation in net assets as of balance sheet day	6 480	(655)

FX differences from goodwill translation	1 746	(1 925)
Investment in associated entity	**27 546**	**16 065**
Acquisition price	16 596	16 544
Participation in associated entity profit for 2007	2 328	1 932
Participation in associated entity profit for 2008	5 562	
FX differences from translation of foreign entity	3 059	(1 853)
Changes in net assets not related to net income	-	(558)
Investment in associated entity	**27 546**	**16 065**

According to IAS 12.44 SECO/WARWICK Group accounts for the deferred tax asset on temporary differences resulting from investments in associated entities only in proportion in which these differences are likely to reverse in a foreseeable future.

As intended by the Board of the parent entity, the investment in Retech Systems LLC is of long-term nature (as of today there are no plans to sell the shares). Therefore, pursuant to IAS 12.44, SECO/WARWICK Group did not account for the deferred tax assets related to the investment in the associate.

SECO/WARWICK Allied Pvt. Ltd.

The Group holds 50% of ordinary shares in the equity of SECO/WARWICK Allied Pvt. Ltd., which authorizes to execute 50% of voting rights at AGM of SECO/WARWICK Allied Pvt. Ltd. – a company incorporated under Indian laws. The remaining 50% shares belong to Mr U. Rao, Mr N. Rajgopal and Mr V.N. Nasta.

Capital Group SECO/WARWICK acquired shares in SECO/WARWICK Allied Pvt. Ltd by provisions of share purchase agreement of 1st April 2008.

Specification	*31.12.2008*	*31.12.2007*
Current assets (short-term)	29 123	-
Fixed assets (long-term)	1 557	-
Short-term liabilities	17 609	-
Long-term liabilities	3 605	-
Participation in net assets	6 447	-
Revenues	22 966*	-
Financial balance	797*	-
Participation in subsidiaries profits:	50%	0%

***** for the period of 01.04.2008 to 31.12.2008.

The parent company does not exercise control acc. to IFRS 3 over SECO/WARWICK Allied Pvt. Ltd. as it has no authority to control their financial and operating policies. Jeffrey Boswell, Wojciech Modrzyk (Director of Board in Parent Entity) and Piotr Walasek (Finanace Executive for SECO/WARWICK Group) are on the Board of SECO/WARWICK Allied Pvt. Ltd. and do not execute operating duties for SECO/WARWICK Allied Pvt. Ltd. Therefore and also due to the fact that SECO/WARWICK have more than 20% and less than 51% of ordinary shares in the net assets of the acquired company, the Board of the parent company believe that SECO/WARWICK have 'significant influence' on the acquired entity. Due to the above, the investment into SECO/WARWICK Allied Pvt. Ltd. is assessed in accordance with IAS 28 by equity rights method.

The fair value of identifiable assets and liabilities of SECO/WARWICK Allied Pvt. Ltd. as of the day of acquisition looks as follows:

Specification	*Balance sheet value directly before acquisition*	*Fair value at acquisition*
Tangible fixed assets	1 395	4 670
Intangible fixed assets	-	-
prepayments and deferred expenses	-	-
Assets for deferred income tax	5	5
cash and cash equivalents	3 704	3 704
Receivables for deliveries and services	11 171	11 171
Inventory	3 662	3 662
Other assets	2 969	2 969
Liabilities for deliveries and services	(14 180)	(14 180)
Other liabilities	(1 846)	(1 846)
Credit debt	(1 911)	(1 911)
Reserves for deferred tax	(22)	(22)
Net assets value	**4 921**	**8 222**
Participation of parent entity in net assets	**2 461**	**4 111**

The fair value of assets identifiable as of the day of acquisition exceeds by 3 275 thousand PLN the book net assets value, out of which 1 638 thousand PLN falls to the parent entity. The difference between book value and fair value comes from assessment of material assets (acc. to India GAAP these are reported by their historic cost). According to IFRS 3 the surplus of fair value of identifiable net assets over the book value of net assets was taken into consideration in acquisition settlement and decreases

Finally, the acquisition of 50% shares in SECO/WARWICK Allied Pvt. Ltd. was settled as follows:

Specification	*01.04.2008*
Acquisition price	10 995
Particiaption in net assets as of the day of acquisition	4 111
Goodwill as of the day of acquisition	**6 884**

Specification	*31.12.2008*	*31.12.2007*
Goodwill	6 884	-
Participation in net assets as of balance sheet day	6 447	-
FX differences from goodwill translation	784	-
Investment in associated entity	**14 115**	**-**
Acquisition price	10 995	-
Participation in profit of associated entity	398	-
Payment on preferred shares	1 513	
FX diferrences from translation of foreign entity	1 209	-

Investment in associated entity	**14 115**	**-**

According to IAS 12.44 SECO/WARWICK Group accounts for the deferred tax asset on temporary differences resulting from investments in associated entities only in proportion in which these differences are likely to reverse in a foreseeable future.

As intended by the Board of the parent entity, the investment in SECO/WARWICK Allied Pvt. Ltd. is of long-term nature (as of today there are no plans to sell the shares). Therefore, pursuant to IAS 12.44, SECO/WARWICK Group did not account for the deferred tax assets related to the investment in the associate.

Note 16. INVENTORIES

Specification	31.12.2008	31.12.2007
Materials	16 186	14 574
Semi-finished products and products in process	2 647	3 502
Finished products	1 145	249
Commodities	124	15
Total inventories (book value)	**20 102**	**18 340**
write-downs of inventories	1 311	1 160
Gross inventories	**21 413**	**19 500**

CHANGE IN PROVISIONS FOR FINSIHED GOODS

PROVISIONS	raw materials and other materials	semi-finished products and works in progress	finished goods	goods	total
Inventories at start of period	**1 145**	**0**	**18**	**8**	**1 171**
Increases, including:	**48**				**48**
- recognition of write-downs corresponding to other operating costs	48				48
Reductions, including:	**54**	**0**	**2**	**3**	**59**
- elimination of write-downs corresponding to other operating revenue	54		2	3	59
31.12.2007	**1 139**	**0**	**16**	**5**	**1 160**
Increases, including:			**157**	**0**	**157**
- recognition of write-downs corresponding to other operating costs			157		157
Reductions, including:	**35**	**0**	**3**	**0**	**38**
- elimination of write-downs corresponding to other operating revenue	35		3		38
Net FX differences on translation of financial statment into reporting currency	32				**32**
31.12.2008	**1 136**	**0**	**170**	**5**	**1 311**

In 2008 provision was made for finished product as the expected sales revenue is lower than balance sheet value.

Nota 17. LONG-TERM CONTRACTS

Specification	31.12.2008	31.12.2007
Costs incurred under construction services contract plus recognized gains (less recognized losses)	98 064	111 006
Invoiced issued	(67 338)	(90 676)
Revenue accruals	5 290	8 191
Total	**36 016**	**28 521**

Nota 18. RECEIVABLES FOR SALE OF GOODS AND OTHER

Specification	*31.12.2008*	*31.12.2007*
Receivables for sale of goods and services (Net):	**67 086**	**50 176**
- related companies	3 748	912
- other companies	63 338	49 264
write-downs of receivables	1 525	533
Receivables for sale of goods and services (Gross)	**68 610**	**50 709**
Other receivables:		
Taxes, duties, insurance	2 158	4 620
Other	2 400	3 287
Provisions (positive value)		-
Other receivables (gross)	**4 558**	**7 907**

The Group has an appropriate policy of selling to verified customers only. Therefore there occurs no additional credit risk above the level defined by provision for bad receivables proper for Company's trade receivables.

As of 31st December 2008 receivables for deliveries and services totaling 1 525 thousand PLN (2007: 533 thousand PLN) were established unclaimable and thus covered by provision.

Changes in provision for receivables were as follows:

Item	31.12.2008	31.12.2007
Beginning of period	**533**	**629**
Increase	1 041	239
Consumption (-)	(27)	(48)
Write-off of unused amounts (-)	(44)	(287)
Adjustment for discount rate (-)		
Net FX differences on translation of financial statement into reporting currency	21	
End of period	**1 525**	**533**

Past due receivables for deliveries and services, indicating receivables unsettled in the period

Specification	*Total*	*Not past due*	*Przeterminowanie w dniach*		
			0 – 90 dni	*90 – 180 dni*	*>180 dni*
31.12.2008					
Gross recivables	68 610	64 280	1 500	407	2 423
Including unclaimable	-	-	-	-	-
Provisions	1 525	541	-	-	984
Net receivables	**67 086**	-	-	-	-
31.12.2007					
Gross recivables	50 709	27 500	17 375	1 279	4 555
Including unclaimable	-	-	-	-	-
Provisions	533	-	-	-	533
Net receivables	**50 176**	-	-	-	-

Receivables for deliveries and services and other receivables – currency structure

Item	**31.12.2008**		**31.12.2007**	
	Currency	After translation into PLN	Currency	After translation into PLN
PLN	-	15 399	-	9 388
EUR	9 270	38 672	8 683	31 103
USD	5 348	15 835	3 919	9 771
GBP	3	11	422	2 057
CHF	-	-	-	-
other	-	1 726	-	5 763
Total		**71 644**		**58 083**

Short-term receivables from dependent entities:

Item	***31.12.2008***	***31.12.2007***
Trade receivables	**3 748**	**912**
From dependent entities		
From co-dependent entities		692
From associated entities	3 748	220
From other entities not covered by consolidated financial statement		
Other short-term receivables	**49**	**-**
From dependent entities		
From co-dependent entities	49	
From associated entities		
From other entities not covered by consolidated financial statement		
Total	**3 797**	**912**

Note 19. OTHER FINANCIAL ASSETS AND LIABILITIES

Loans granted, including loans to the Board – as of 31.12.2008

In 2008 there were no loans granted to the Board or the members of the Supervisory Board in the Group.

	31.12.2008	31.12.2007
Loans granted including:	15	24
- long-term	3	13
- short-term	12	11

	31.12.2008		31.12.2007	
	Assets	Liabilities	Assets	Liabilities
Derivatives		15 971		
Total financial assets and liabilities valued at fair value by financial result	**0**	**13 241**	**0**	**0**
- long-term				
- short-term		13 241		
Total financial assets and liabilities valued at fair value by equity	**0**	**2 729**		**0**
- long-term				
- short-term		**2 729**		

Disclosures related to derivatives meeting criteria of hedge accounting

In 2008 SECO/WARWICK S.A. secured up to 75% cash flow from exports denominated in EUR and up to 90 % cash flow denominated in USD with forward contracts. The objective of this strategy was to provide security for budget rate of exchange for contracts. A change in EUR/USD flow is compensated with a change of fair value of the hedging instrument. In the event all criteria acc. to §88 IAS 39 are fulfilled, the company applies hedge accounting. Negative balance valuation of derivatives is reported directly in the company's equity. At the moment a given transaction for which an FX forward contract was concluded influences the income statement, the negative valuation originally reported in equity is reclassified to income statement. Estimation of the fair value of future contracts was done by the Bank which is a party to the transaction.

The table below presents a description of every hedging operation as of 31.12.2008. As of 31.12.2007 the company did not use hedge accounting.

	Contract nominal (EUR thousands)	Hedging instrument nominal (EUR thousands)	Fair value of instrument (PLN thousands)	Value reported in P&L statement (thousands PLN)	Value in equity (PLN thousands)	Expected cash flow date
1.	370	280	-208	-138	-70	30-Jan-09
2.	1 959	1 460	-1 078	-539	-539	29-May-09
3.	880	670	-522	-276	-246	16-March-09
4.	744	560	-433	-126	-308	31-Jul-09

5.	1 026	770	-665	-557	-108	31-Jan-10
6.	260	200	-141	-18	-122	30-Jun-09
7.	186	140	-98	-27	-71	31-Aug-09
8.	821	615	-426	-24	-401	30-Oct-09
9.	126	100	-69	-4	-65	31- -09
Total	**6 372**	**4 795**	**-3 640**	**-1 710**	**-1 930**	

	Contract nominal (USD thousands)	Hedging instrument nominal (USD thousands)	Fair value of instrument (PLN thousands)	Value reported in P&L statement (thousands PLN)	Value in equity (PLN thousands)	Expected cash flow date
1.	1 301	1 170	-949	-575	-374	31-Mar-09
2.	186	168	-136	-83	-53	29-May-09
3.	952	700	-313	-5	-309	30-Sep-09
4.	190	140	-64	-1	-63	30-Nov-09
Total	**2 629**	**2 178**	**-1 463**	**-664**	**-799**	

Disclosure on derivatives failing to meet criteria of hedge accounting

Between 20.08.2008 and 21.08.2008 SECO/WARWICK S.A. made two term agreements with Raiffeisen Bank SA of Warsaw. The transactions were concluded at spot rate of 3.31 EUR/PLN and 2.22 USD/PLN. As of the balance day the company is obliged to sell a total of 2.800 thousand EUR at the rate of 3.35 EUR/PLN and 600 thousand USD at the rate of 2.29 USD/PLN. The contracts allow SECO/WARWICK SA to sell 1.400 thousand EUR at the rate of 3.35 EUR/PLN and 300 thousand USD at the rate of 2.29 USD/PLN. Settlements are made at two-week intervals – the last one on 29.07.2009. In the event the rate of exchange on the day of settlement is lower than 3.24 EUR/PLN or 2.20 USD/PLN no settlement will occur and SECO/WARWICK SA will receive a compensation of 11 thousand PLN or 4.5 thousand PLN. The objective of the term agreements was to secure budget rate of exchange of contracts. Fair value of the financial instrument as of the balance sheet day, reported in finance cost in P&L statement is -3,454 thousand PLN. Estimation of the fair value was done by the Bank which is a party to the transaction.

On 22nd August 2008 the company concluded a structured term contract with Citibank Handlowy SA of Warsaw. As of the balance day the company is obliged to sell a total of 6,300 thousand EUR at the rate of 3.33 EUR/PLN. The contract allows SECO/WARWICK SA to sell a further 4,900 thousand EUR at the rate of 3.30 EUR/PLN. The objective of the term agreements was to secure budget rate of exchange of contracts. Fair value of the financial instrument as of the balance sheet day, reported in finance cost in P&L statement is –5,654 thousand PLN. Estimation of the fair value was done by the Bank which is a party to the transaction.

On 18.08.2008 company LZT Elterma concluded a structured term contract with Bank Zachodni WBK S.A. of Poznań on the following terms:

- if on maturity date the NBP fixing is over 3.3750 the Company is obliged to sell 200 thousand EUR at the rate of 3.3750

- if on maturity date the NBP fixing is within 3.350 – 3.3750 the Company may sell the currency at the rate from that bracket
- if the NBP fixing is below 3.3050 Elterma may sell 100 thousand EUR at the rate of 3.3050

As of the balance sheet day LZT Elterma SA is obliged under this contract to sell 1,200 thousand EUR at the rate of 3.3750 EUR/PLN and has the right to sell 600 thousand EUR at the rate of 3.3050 EUR/PLN.

Settlements are made at monthly intervals – the last one is scheduled for 22.06.2009. The objective of the term agreements was to secure budget rate of exchange of contracts. Fair value of the financial instrument as of the balance sheet day, reported in finance cost in P&L statement is -982 thousand PLN. Estimation of the fair value was done by the Bank which is a party to the transaction.

On 28.08.2008 company LZT Elterma concluded a structured term contract with Bank Handlowy of Warsaw on the following terms:
- if on maturity date the NBP fixing is over 3.40 Elterma is obliged to sell 80 thousand EUR at the rate of 3.40
- if on maturity date the NBP fixing is within 3.3210 – 3.40 the Company may sell the currency at the rate from that bracket
- if the NBP fixing is below 3.3210 Elterma may sell 40 thousand EUR at the rate of 3.3210.

As of the balance sheet day LZT Elterma SA is obliged under this contract to sell 960 thousand EUR at the rate of 3.40 EUR/PLN and has the right to sell 480 thousand EUR at the rate of 3.3210 EUR/PLN.

Settlements are made at biweekly intervals – the last one is scheduled for 18.06.2009. The objective of the term agreements was to secure budget rate of exchange of contracts. Fair value of the financial instrument as of the balance sheet day, reported in finance cost in P&L statement is -786 thousand PLN. Estimation of the fair value was done by the Bank which is a party to the transaction.

Disclosure on expected cash flow and maturity dates for foreign exchange future transactions (FXFT)

31/12/2008	Total nominal FXFT (in EUR thousand)	Cash Flow contracts signed (in EUR thousand)
JAN-09	2 260	2 430
FEB-09	1 060	1 989
MAR-09	1 730	3 925
APR-09	1 060	2 956
MAY-09	2 520	1 600
JUN-09	1 460	1 935
JUL-09	1 210	629
AUG-09	440	1 263
SEP-09	300	1 058
OCT-09	915	751
NOV-09	300	210
DEC-09	550	246
JAN-09	**2 260**	**2 430**
31/12/2008	**Total nominal FXFT (in USD thousand)**	**Cash Flow contracts signed (in USD thousand)**

JAN-09	100	1 446
FEB-09	100	189
MAR-09	1 270	269
APR-09		135
MAY-09	168	482
JUN-09		114
JUL-09		650
AUG-09		1 028
SEP-09	700	
OCT-09	140	223
NOV-09		
DEC-09		147
Total USD	**2 478**	**4 683**

Note 20. PREPAYMENTS

Item	31.12.2008	31.12.2007
Insurances	553	504
Subscriptions	13	15
VAT deferred	1 796	1 163
Other	585	661
Total short-term prepayments	**2 947**	**2 343**

Note 21. CASH AND CASH EQUIVALENTS

ITEM	31.12.2008	31.12.2007
Cash at hand and in bank	11 289	6 698
Short-term deposits	1 128	-
Other cash equivalents		44 998
Total cash and cash equivalents	**12 418**	**51 696**

Cash means of limited access in the period from 01.01-31.12.2008 amounted to 2.307 thousand PLN.

CASH AND CASH EQUIVALENTS (FX structure)

Specification	31.12.2008		31.12.2007	
	Foreign exchange	Translated into PLN	Foreign exchange	Translated into PLN
PLN	-	9 782	-	46 134
EUR	173	721	1 116	3 993
USD	373	1 103	617	1 503
GBP	2	10	2	9
Other		803		58

Total		**12 418**		**51 696**

Note 22. EQUITY CAPITAL AND RESERVE CAPITALS

EQUITY CAPITAL

SPECIFICATION	*31.12.2008*	*31.12.2007*
Number of shares	9 572 003	9 572 003
Face value of shares	0,2	0,2
Equity capital	1 914	1 914
Equity revaluation with hyperinflation indices (IAS 19)	1 557	1 557
Equity capital at end of period	**3 471**	**3 471**

Structure of share capital:

Shareholders	Type of share privilege	Type of limitation	Number of shares
SW Poland Holding B.V. (Holandia)	none	-	4 119 508
Spruce Holding Limited Liability Company (USA)	None	-	1 726 174
ING NN OFE	None	-	724 419
PZU Asset Management S.A.	None	-	495 000
PKO TFI S.A.	None	-	482 316
others	none	-	2 024 586
TOTAL			**9 572 003**

Change in equity capital:

Specification	*01-01-2008 - 31-12-2008*	*01-01-2007 - 31-12-2007*
Equity capital at start of reporting period	**3 471**	**3 007**
Increase in equity in the reporting period		**464**
Equity increase		231
Transformation into joint stock company (S.A.)		232
Decrease in equity in the period		**-**
Equity capital at end of period	**3 471**	**3 471**

Other capitals:

Specification	Reserve capital	Capital from revaluation of derivative hedging instruments	Total
Opening as of 01.01.2007	**57 613**		**57 613**
Increases 01.01 to 31.12.2007	**59 274**		**59 274**
from profit distribution	18 690		18 690
Share issue premium	40 584		40 584
Decreases 01.01 to 31.12.2007	**277**		**277**
Transformation into SECO/WARWICK S.A.	277		277
Closing as of 31.12.2007	**116 610**		**116 610**

Opening as of 1.01.2008	**116 610**		**116 610**
Corrections of fundamental errors			
Increases 01.01 to 31.12.2008	**21 486**	**-**	**21 486**
from profit distribution	21 482		21 482
fixed assets liquidation	3		3
Decreases 01.01 to 31.12.2008	**2 303**	**2 211**	**4 514**
cover of a loss	2 303		2 303
Capital from revaluation of derivative hedging instruments	-	2 211	2 211
Closing as of 31.12.2008	**135 792**	**(2 211)**	**133 582**

Note 23. UNDIVIDED FINANCIAL RESULT

Undivided financial result covers also the amounts which are not divisible i.e. they may not be paid out as dividend.

Specification	31.12.2008	31.12.2007
Indivisible amounts in unappropriated profit	10 783	8 105

Note 24. FINANCIAL LIABILITIES

Specification	31.12.2008	31.12.2007
Credits	5 508	25 699
Loans		
Financing leasing liabilities	594	588
Other financial liabilities		
- Book value	15 971	
Financial liabilities total	**22 073**	**26 287**
- long-term	340	2 443
- short-term	21 733	23 843

Credits and loans:

Specification	Amount due	Nominal interest rate	Company
CREDITS			
31.12.2007			
BZ WBK S.A. O/ Świebodzin	2 452	PLN WIBOR 1M+0,75	SECO/ WARWICK S.A.
Bank Handlowy w Warszawie SA	3 118	PLN WIBOR 1M+0,80	
BRE BANK S.A. O/Zielona Góra	4 835	PLN WIBOR 1M+0,95	
Raiffeisen Bank Polska SA O/ Zielona Góra	2 524	PLN WIBOR1M+ 0,75	
BRE BANK S.A. O/Zielona Góra investment credit	3 196	USD LIBOR 1M+1,2	
BRE BANK S.A. O/Zielona Góra	9 573	USD LIBOR 1M+1,2	
Citibank Handlowy S.A. O/Zielona Góra	0	1M WIBOR+1%	LZT ELTERMA
Credits total	**25 699**	**x**	**x**
31.12.2008			

BRE BANK S.A. Oddział Zielona Góra investment credit	1 296	USD LIBOR 1M+1,2	SECO/ WARWICK S.A.
BRE BANK	2 484	7,53%	LZT ELTERMA
BZ WBK	1 217	6,46%	
Bank Handlowy	1	none	
CITI BANK TIANIJN	76	9%	SECO/ WARWICK Tianjin
China Commercial Bank	734	6,99%	
Credits total	**5 508**	**x**	**x**

Credit maturity structure:

Specification	*31.12.2008*	*31.12.2007*
Credit and loans short-term	5 508	23 568
Credit and loans long-term		2 131
- payable more than 1 year but no more than 3 years		2 131
- payable more than 3 year but no more than 5 years		
Credits and loans total	**5 508**	**25 699**

Long-term and short-term credits and loans as of 31.12.2008:

Name and location of loan institution	Amount of credit/loan to be paid		Date due	collaterals
	PLN	currency		
Short-term				
BRE BANK S.A. Oddział Zielona Góra investment credit	1 296	438 USD	31.12.2009	Ordinary mortgage of 3,500,000 USD and capped mortgage of 150,000 USD on Company's real estate at Sobieskiego Street 8
BRE BANK	2 484		30.06.2009	Blank bill of exchange
BZ WBK	1 217		30.06.2009	Blank bill of exchange
Bank Handlowy	1		02.01.2009	No collateral
CITI BANK TIANIJN	76	175 CNY	2009.01.23	9%
China Commercial Bank	734	1 000 CNY	2009.07.08	7%
Total	**5 808**	**x**	**x**	

Long-term and short-term credits and loans as of 31.12.2007:

Name and location of loan institution	Amount of credit/loan to be paid		Date due	Collaterals
	PLN	Currency (USD)		
Long-term				

BRE BANK S.A. Oddział Zielona Góra investment credit	2 131	875	31.12.2009	Ordinary mortgage of 3,500,000 USD and capped mortgage of 150,000 USD on Company's real estate at Sobieskiego Street 8
Razem	**2 131**	**x**	**x**	
Short-term				
BRE BANK S.A. Oddział Zielona Góra kredyt inwestycyjny	1 065	438	31.12.2009	Ordinary mortgage of 3,500,000 USD and capped mortgage of 150,000 USD on Company's real estate at Sobieskiego Street 8
BRE BANK S.A. Oddział Zielona Góra	9 573	3 932	30.06.2010	Ordinary mortgage of 4,150,000 USD and capped mortgage of 250,000 USD on Company's real estate at Sobieskiego Street 8
Bank Zachodni WBK S.A. Oddział Świebodzin	2 452	-	-	Current receipts on account / power of proxy to the account
Bank Handlowy w Warszawie SA	3 118	-	-	Blank bill of exchange
BRE BANK S.A. Oddział Zielona Góra	4 835	-	-	Current receipts on account / power of proxy to the account
Raiffeisen Bank Polska S.A. O/Zielona Góra	2 524	-	-	Power of proxy to the account
Total	**23 568**	**x**	**X**	

Credit and loans – currency structures:

Specification	31.12.2008		31.12.2007	
	currency	Amount PLN	currency	Amount PLN
PLN		3 702	-	12 929
EUR			-	-
USD	438	1 296	5 244	12 769
GBP				
CNY		810		
Total credit and loans	**x**	**5 808**	**x**	**25 699**

Note 25. LEASING

Operational lease

Liabilities from operational lease – Group as lessee

Specification	*31.12.2008*	*31.12.2007*
Lease instalemnts paid	***50***	***36***
Residual to be paid:		
no more than 1 year	24	39
more than 1 year but no more than 5 years	25	44
more than 5 years		
Total	**49**	**83**

The 2008 operational lease contracts cover office equipment used by SECO/WARWICK Corporation. The 2007 operational lease contracts also cover payments for the car used by przez OOO SECO/WARWICK Group in Moscow.

Finance lease

As of 31.12.2008 and 31.12.2007 liabilities for finance lease contracts and lease contracts with buy option are as follows:

Specification	31.12.2008		31.12.2007	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
no more than 1 year	281	254	309	275
more than 1 year but no more than 5 years	359	340	349	313
more than 5 years			-	-
Minimum lease payments	**640**	**594**	**658**	**588**
financing costs	-	46	-	26
Present value of minimum lease payments	**640**	**594**	**658**	**588**
Short-term	281	254	309	275
Long-term	359	340	349	313

Finance lease contracts 31.12.2008.

Finance	Number of agreement	initial value	Currency	date of completion of agreement	Liabilities value
IKB Leasing	0001261/OP	211	PLN	10-11-2010	47
IKB Leasing	0001100/OP	139	PLN	11-10-2010	30
WBK Lesing	ZD2/00040/2007	41	PLN	15-06-2010	20
IKB Leasing	1003402	343	PLN	08-11-2011	236
Europejski Fundusz Leasingowy	33372/Wr/07	160	PLN	15-11-2010	60
BRE Leasing	PO/57183/2008	82	PLN	15-12-2010	52
BRE Leasing	PO/58082/2008	95	PLN	01-11-2011	63
BRE Leasing	PO/58402/2008	59	PLN	15-01-2011	40
Total	**X**	**1196**	**x**	**x**	**594**

Finance lease contrach 31.12.2007r.

Finance	Number of agreement	initial value	Currency	date of completion of agreement	Liabilities as of end of reporting period

IKB Leasing	0001261/OP	211	PLN	12-11-2008	136
IKB Leasing	0001100/OP	139	PLN	13-10-2008	-
WBK Leasing	ZD2/00040/2007	41	PLN	15-06-2010	32
IKB Leasing	1003402	343	PLN	11-08-2011	287
Europejski Fundusz Leasingowy	33372/Wr/07	160	PLN	15-10-2009	133
Total	**x**	**894**	**x**	**x**	**588**

Note 26. DELIVERIES AND SERVICES LIABILITIES AND OTHER LIABILITIES

Specification	*31.12.2008*	*31.12.2007*
Liabilities short-term	*27 251*	29 623
Liabilities long-term	1 059	
Total	**28 310**	**29 623**

TRADE LIABILITIES AND OTHER LIABILITIES

Specification	*31.12.2008*	*31.12.2007*
Trade liabilities		
Related companies	1 490	
Other companies	18 776	24 308
Total	**20 266**	**24 308**
Liabilities for taxes, custom duties, insurance and other benefits	3 311	2 929
Liabilities for remuneration	1 979	1 837
Other liabilities	1 695	549
Total other liabilities	**6 985**	**5 315**
Total trade liabilities and other	**27 251**	**29 623**

Liabilities short-term – currency structure:

Specification	*31.12.2008*		*31.12.2007*	
	currency	Amount PLN	currency	Amount PLN
PLN		14 960		26 995
EUR	710	2 962	332	1 188
USD	2 020	5 797	564	1 372
GBP	7	29	14	68
INR	35 271	1 095		
Other		2 408		
Total	**x**	**27 251**	**x**	**29 623**

Trade Payables:

Specification	*Total*	*Unoverdue*	*Overdue, but contractible*				
			< 30 days	*30 – 60 days*	*60 – 90 days*	*90 – 180 days*	*>180 days*

31.12.2007	**24 308**	24 308					
31.12.2008	**20 266**	20 266					

Inne zobowiązania krótkoterminowe - struktura przeterminowania:

Specification	*Total*	*Unoverdue*	*Overdue, but contractible*				
			< 30 days	*30 – 60 days*	*60 – 90 days*	*90 – 180 days*	*>180 days*
31.12.2007	**5 315**	5 315					
31.12.2008	**6 985**	6 985					

Liabilities long-term

Specification	***31.12.2008***	***31.12.2007***
Related companies	1 059	
Other companies		
Total	**1 059**	

Contingent liabilities

Contingent liabilities for guarantees granted:

31.12.2008	**Bank**	**Title**	**Currency**	***31.12.2008***	***Amount PLN*****	**Company name**
Guaranty 1	BRE	PBG	PLN	35	35	SECO/WARWICK S.A.
Guaranty 2	BRE	PBG	USD	119	352	
Guaranty 3	BRE	PBG	EUR	62	257	
Guaranty 4	BRE	APG	EUR	750	3 129	
Guaranty 5	BRE	APG	EUR	41	173	
Guaranty 6	BRE	APG	EUR	41	173	
Guaranty 7	BH	CRB	USD	300	889	
Guaranty 8	BRE	PBG	EUR	65	271	
Guaranty 9	BRE	APG	EUR	409	1 705	
Guaranty 10	BRE	APG	EUR	260	1 086	
Guaranty 11	BRE	APG	EUR	260	1 086	
Guaranty 12	BRE	APG	EUR	409	1 705	
Guaranty 13	BRE	APG	EUR	152	634	
Guaranty 14	BRE	PBG	EUR	67	277	
Guaranty 15	BRE	PBG	EUR	100	417	
Guaranty 16	BRE	APG	USD	762	2 256	
Guaranty 17	RCB	APG	EUR	316	1 318	
Guaranty 18	BRE	APG	EUR	152	634	
Guaranty 19	BRE	PBG	EUR	37	153	
Guaranty 20	RCB	APG	PLN	644	644	
Guaranty 21	BH	APG	PLN	830	830	LZT Elterma
Guaranty 22	BRE	PBG	PLN	766	766	
Guaranty 23	TU Euler Hermes S.A.	APG	PLN	1 161	1 161	

Guaranty 24	BRE	PBG	EUR	41	172	
Guaranty 25	RCB	APG	EUR	58	242	
Guaranty 26	HUNTINGTON	PBG	USD	131	389	SECO/ WARWICK Corp.
Guaranty 27	HUNTINGTON	PBG	USD	313	927	
Guaranty 28	HUNTINGTON	PBG	USD	59	173	
Total					**21 855**	

** guarantees were translated at NBP average rate of exchange as of 31.12.2008

APG → advanced payment guarantee
BB →bidding security guarantee
CRG → credit guarantee
PBG → contract performance guarantee
SBLC→ stand-by letter of credit
WAD→ auction guarantee
CRB→ credit repayment guarantee

Specification	**Bank**	**Title**	**Currency**	***31.12.2007***	***Amount PLN****	**Company name**
Guaranty 1	BRE	PBG	GBP	12	59	SECO/WARWICK S.A.
Guaranty 2	BRE	PBG	PLN	35	35	
Guaranty 3	BRE	PBG	USD	100	243	
Guaranty 4	BH	SBLC	USD	1 343	3 270	
Guaranty 5	RCB	APG	PLN	902	902	
Guaranty 6	RCB	APG	PLN	912	912	
Guaranty 7	RCB	APG	PLN	895	895	
Guaranty 8	BRE	APG	EUR	1 400	5 015	
Guaranty 9	BRE	APG	EUR	420	1 503	
Guaranty 10	BRE	APG	EUR	146	525	
Guaranty 11	BRE	PBG	USD	119	290	
Guaranty 12	BRE	WAD	EUR	60	215	
Guaranty 13	BRE	APG	EUR	476	1 703	
Guaranty 14	BRE	PBG	EUR	62	221	
Guaranty 15	BRE	APG	EUR	350	1 252	
Guaranty 16	BRE	APG	EUR	128	459	
Guaranty 17	BRE	PBG	EUR	16	57	LZT ELTERMA
Guaranty 18	BRE	APG	EUR	248	887	
Guaranty 19	BRE	APG	EUR	344	1 232	
Guaranty 20	Raiffeisen bank	APG	PLN	952	952	
Guaranty 21	Citibank	APG	PLN	830	830	
Guaranty 22	BRE	APG	EUR	1 376	4 929	

Guaranty 23	HUNTINGTON Bank	PBG	USD	263	639	SECO/ WARWICK Corp.
Guaranty 24	HUNTINGTON Bank	PBG	USD	313	762	
Guaranty 25	HUNTINGTON Bank	PBG	USD	150	364	
Total					**28 150**	

* guarantees were translated at NBP average rate of exchange as of 29.12.2007

Social assets and liabilities of Company Social Benefits Fund

The law of 4th march 1994 on company social benefits fund as later amended stipulates that such a Fund is to be created by employers who employ above 20 full-time employees. The Company runs such a fund and makes periodic charges to the amount of basic charge / amounts agreed with trade unions. Apart from that the Fund has fixed assets. The objective of the Fund is to subsidize the Company's social activity, grant loans to employees and cover other social costs.

The Group compensated for the Fund's assets with their liabilities to the Fund as these assets are not separate assets of the Group.

The table below presents an analysis of the Fund's assets, liabilities, costs and a net balance.

Specification	31.12.2008	31.12.2007
Fixed assets in Funds	-	-
Loans employee	116	97
Cash	237	197
Liabilities Funds		
Balance after complicated	278	95
Charges to fund in turnover period	528	396

Investment liabilities

As of 31st December 2008 the Group committed to outlay means for tangible fixed assets to the amount of 39 thousand PLN. This amount will be used to purchase new machines and equipment.

Note 27. PROVISIONS

PROVISION FOR EMPLOYEE BENEFITS

Retirement and other severance benefits

The Group provides their retiring employees with severance benefits defined in the Code of Labour. To secure this, the Group makes a provision for current retirement severance benefits based on a valuation by a professional actuarial company. The table below shows the provision and changes therein during turnover period.

Provision for retirement severance and similar

Specification	*31.12.2008*	*31.12.2007*
At the beginning of the period	**450**	**780**
creation of a reserve	180	167
Utilization	(194)	(16)

Elimination	(187)	(483)
Other	-	-
At the end of the period	**249**	**450**

Main assumptions by the actuary as of the balance sheet day - A&E Consult Grupa Kapitałowa Sp. z o.o.

Specification	*31.12.2008*	*31.12.2007*
Rate of discount (%)	od 5,0 do 5,50	5,90
Forecasted index of inflation (%)	2,50	2,50
Index of rotation of employee (%)		
Forecasted wages and salaries growth rate (%)	od 0 do 5,00	2,50

Provision for award

Specification	*31.12.2008*	*31.12.2007*
At the beginning of the period	**1 766**	**624**
Increases		
Decrease		
creation of a reserve		1 947
Utilization	(1 581)	(804)
Elimination	(185)	
At the end of the period	**-**	**1 766**

Provision for unused holidays

Specification	*31.12.2008*	*31.12.2007*
At the beginning of the period	**1 131**	**1 124**
Increases	-	-
Decrease	(8)	-
creation of a reserve	594	748
Utilization	(375)	(59)
Elimination	(575)	(683)
FX differences	39	-
At the end of the period	**806**	**1 131**

RETIREMENT BENEFIT PROGRAMS

Specification	**2008**	**2007**
Change in obligation		
Present value of obligation, 1 January	8 834	7 312
Service cost	0	83
Interest cost	536	445
Actuarial gain / (loss)	373	-204

Benefits paid	-481	-373
Present value of obligation	9 263	7 263
Change in plan assets		
Fair value of plan assets	7 463	5 544
Return on plan assets	-1 949	258
Employer contribution	711	706
Benefits paid	-481	-373
Fair value of plan assets	5 745	6 136
Recognized Asset / (Liability) in the balance sheet		
Present value of obligation	9 263	7 263
Fair value of plan assets	5 745	6 136
Unrecognized actuarial gain / (loss)	-3 519	-1 127
Unrecognized past service cost	4 515	1 421
Recognized Asset / (Liability) in the balance sheet	153	151
Expenses recognized in profit or loss		
Service cost	0	94
Interest cost	437	502
Expected return on plan assets	-470	-483
Actuarial gain / (loss) on plan assets	92	117
Recognized past service cost	25	29
Expenses recognized in profit or loss	84	259

OTHER RESERVES

Specification	***Reserves for guarantees***	***Reserves for fine***	***Other reserves***	***Other reserves - contingent liabilities***	***Total***
At the beginning of the period 01.01 2007	6 599	-	85	-	6 684
Purchase related companies	-	-	-	-	-
Creation	3 067	105	329	2 702	6 203
Utilization	(4 385)	-	(76)	-	(4 460)
Dissolution	(1 150)	-	-	-	(1 150)
Correction rate of discount	-	-	-	-	-
At the end of the period 31.12.2007	**4 132**	**105**	**338**	**2 702**	**7 277**
At the beginning of the period 01.01.2008	4 132	105	338	2 702	7 277
Purchase related companies					-
Creation	2 645		851		3 496
Utilization	(1 370)		(77)		(1 447)
Dissolution	(1 494)	(105)	(147)	(2 702)	(4 448)

FX differences	285		29		314
Correction rate of discount					-
At the end of the period 31.12.2008	**4 198**	**-**	**994**	**-**	**5 192**

Nota 28. LIABILITY ACCRUALS

Specification	*31.12.2008*	*31.12.2007*
- subsidy for fixed assets	4	5
- subsidy from Ministry of Science and Higher Education	180	
- long-term contracts	12 319	12 661
- Outstanding conventional penalty	-	8
- other	-	13
Total liability accruals	**12 503**	**12 688**
long-term	180	3
short-term	12 323	12 685

Nota 29. NOTES TO CASH FLOW STATENENT

Specification	*31.12.2008*	*31.12.2007*
Cash and equivalents	**12 418**	**51 696**
FX differences from conversion of cash at end of period	(264)	(52)
Total	**12 154**	**51 644**

Specification	*31.12.2008*	*31.12.2007*
Amortization:	**4 331**	**4 138**
amortization of intangible assets	2 207	513
amortization of property, plant and equipment	2 314	3 612
amortization of investment property	13	13
FX differences	(204)	
Change in provisions results from the following items:	**853**	**(427)**
balance sheet change in provisions	1 512	426
Provision for deferred payment for shares RETECH SYSTEMS	2 702	(2 702)
exclusion of change in provisions for deferred tax	(1 860)	127
FX differences	(1 501)	1 722
Change in inventories results from the following items:	**(1 117)**	**236**
balance sheet change in inventories	(1 762)	765
FX differences	645	(529)
Change in receivables results from the following items:	**(11 453)**	**(7 707)**
Change in current receivables recognized in balance sheet	(13 561)	(6 685)

Exclusion of receivables from income tax	341	869
FX differences	1 766	(1 816)
Change in current receivables from sale tangible fixed assets		(75)
Change in current liabilities, except for financing liabilities, results from the following items:	**(5 434)**	**964**
Change in current liabilities recognized in balance sheet	13 577	(1 795)
Income tax liabilities		1 637
Change in current liabilities from sale tangible fixed assets		10
Exclusion of change in leasing liabilities	21	(136)
Change in investing liabilities	121	(286)
FX differences	(2 088)	1 534
Derivative financial instruments	(15 971)	
Liabilitie for SECO/WARWICK Allied	(1 095)	
Change in accruals:	**(7 591)**	**(2 456)**
Balance sheet change in accruals	(12 929)	(512)
Exclusion of change in deferred income tax assets	4 243	(936)
FX differences	1 095	(1 008)

Nota 30. INFORMATION ABOUT RELATED COMPANIES

31.12.2008							
Receivables / **Liabilities**	ELTERMA S.A.	ELTUS	SECO/ WARWICK Corp	SECO/ WARWICK Moskwa	SECO/ WARWICK S.A.	SECO/ WARWICK TIANJIN	Retech Systems LLC
ELTERMA S.A.	**X**	4		115	723		
ELTUS	51	**X**			5		
SECO/WARWICK Corporation USA	277		**X**		187		
SECO/WARWICK Moskwa	35			**X**			
SECO/WARWICK S.A.	1 924		1 018	2	**X**		3 478
SECO/WARWICK TIANJIN						**X**	
Retech Systems LLC					123		**X**
Allied Consulting	1 367						

31.12.2007					
Receivables / **Liabilities**	***SECO/WARWICK S.A***	***Elterma S.A.***	***Eltus sp. z o.o.***	***SECO/WARWICK Moskwa***	***SECO/WARWICK Corp***
SECO/WARWICK S.A.	**X**	151	1		298
Elterma S.A.	64	**X**	69	89	6

Eltus sp. z o.o.		4	**X**		
SECO/WARWICK Moskwa	2	107		**X**	
*SECO/WARWICK Corp.**	2 693				**X**
SECO/WARWICK TIANJIN	438				
RETECH	692				

** created a write-off at 62 th..PLN*

31.12..2008								
Revenues from the sale / **purchase**	*SECO/WARWICK SA*	*Elterma*	*Eltus*	*SECO/ WARWICK Moskwa*	*SECO/ WARWICK Moskwa*	*SECO/ WARWICK TIANJIN*	*RETECH*	ALLIED
SECO/WARWICK S.A.	**X**	2 243			552	143	13 473	533
Elterma S.A.	2 971	**X**	42	-13				
Eltus sp. z o.o.	54	1 342	**X**					
SECO/WARWICK Moskwa		550		**X**				
*SECO/WARWICK Corp.**	1 000	58			**X**			
SECO/WARWICK TIANJIN	1 091					**X**		
RETECH	2 310						**X**	
ALLIED		1 828						

31.12.2007					
Revenues from the sale / **Purchase from related companies**	*SECO/ WARWICK S.A*	*Elterma S.A.*	*Eltus Sp. z o.o.*	*SECO/ WARWICK Moskwa*	*SECO/ WARWICK Corp*
SECO/WARWICK S.A.	**X**	1 064	52		1 427
SECO/WARWICK S.A. kontrakt		1 686			
Elterma S.A.	173	**X**	1 193	487	111
Eltus sp. z o.o.		42	**X**		
SECO/WARWICK Moskwa		13		**X**	
*SECO/WARWICK Corp.**	7 685				**X**
SECO/WARWICK TIANJIN	448				
RETECH	5 612				

Other related entities

Contract of employment between Spółką SECO/WAWRICK S.A. and Bartosz Klinowski
The contract of 31st December 2005 commits Bartosz Klinowski to work full-time for the Company in the capacity of design electrical engineer. The contract contains standard provisions in accordance with the code of labour. As of 01.03.2008 Bartosz Klinowski was appointed Deputy Director of Electrical Plant. In the understanding of IAS 24 standard, Bartosz Klinowski is a close relative of Witold Klinowski who is a Director of the Board of SECO/WARWICK S.A.

Contract of employment between Spółką SECO/WAWRICK S.A. and Piotr Zawistowski
The contract of 1st February 2007 commits Piotr Zawistowski to work for the Company in the capacity of junior service engineer. The original three-month trial contract was annexed by the parties on 1st March 2007 into an indefinite-time employment contract. The contract contains standard provisions in accordance with the code of labour. As of 5th May 2008 Piotr Zawistowski was appointed the Service Manager of Melting Furnaces Plant. In the understanding of IAS 24 standard, Piotr Zawistowski is a close relative of Andrzej Zawistowski who is a Director of the Board of SECO/WARWICK S.A.

Contract of employment between Spółką SECO/WAWRICK S.A. and Ewa Zawistowska
The contract of 2nd January 2006 commits Ewa Zawistowska to work for the Company in the capacity of human resource specialist. The contract was signed for indefinite time. The contract contains standard provisions in accordance with the code of labour. In the understanding of IAS 24 standard, Ewa Zawistowska is a close relative of Andrzej Zawistowski who is a Director of the Board of SECO/WARWICK S.A.

Contract of employment between Spółką SECO/WAWRICK S.A. and Katarzyna Zawistowska
The contract of 3rd November 2008 commits Katarzyna Zawistowska to work full-time for the Company in the capacity of Planning Clerk. The original three-month trial contract was replaced with a specified time contract. The contract contains standard provisions in accordance with the code of labour. As of 2nd February 2009 Katarzyna Zawistowska was appointed a Spare Parts Clerk. In the understanding of IAS 24 standard, Katarzyna Zawistowska is a close relative of Andrzej Zawistowski who is a Director of the Board of SECO/WARWICK S.A.

Contract of employment between Spółką SECO/WAWRICK S.A. and Anna Klinowska
The contract of 3rd January 2005 commits Anna Klinowska to work full-time for the Company in the capacity of Board Assistant. The original three-month trial contract was replaced with a specified time contract. The contract contains standard provisions in accordance with the code of labour. As of 1st June 2007 Anna Klinowska was appointed a Personnel and Payroll Specialist. In the understanding of IAS 24 standard, Anna Klinowska is a close relative of Witold Klinowski who is a Director of the Board of SECO/WARWICK S.A.

Other related entities	***2008***	***2007***
Short-term working services (wages and salaries)	311	229
Jubilee awards		
Services after period of employment		
Services from title of solution of attitude of work		
Payments in the form of own stocks		

Note 31. REMUNERATION OF KEY PERSONNEL

Total remuneration paid or due to Board of Directors and Operational Committee:

Specification	*31.12.2008*	*31.12.2007*
Operational Committee of parent entity	**1 440**	**1 120**
Short-term working benefits (salaries and mark-ups)	1 440	1 120
Jubilee awards		
Benefits after period of employment		
Severance benefits		
Payments in the form of own stocks		
Board of Directors of parent entity	**138**	**127**
Short-term working benefits (salaries and mark-ups)	138	127
Jubilee awards		
Benefits after period of employment		
Severance benefits		
Payments in the form of own stocks		
Operational Committees of subsidiaries	**2 010**	**2 019**
Short-term working benefits (salaries and mark-ups)	2 010	2 019
Jubilee awards		
Benefits after period of employment		
Severance benefits		
Payments in the form of own stocks		
Board of Directors of subsidaries	**42**	**42**
Short-term working benefits (wages and salaries)	42	42
Jubilee awards		
Benefits after period of employment		
Severance benefits		
Payments in the form of own stocks		
Total	**3 630**	**3 308**

Operational Committee remuneration:

Name and surname	Remuneration total	
	31.12.2008	**31.12.2007**
Operational Committee SECO/WARWICK S.A.		
Andrzej Zawistowski	400	400
Witold Klinowski	396	396
Józef Olejnik	324	324
Jeffrey William Boswell	-	-
Wojciech Modrzyk	320	-
Total	**1 440**	**1 120**
Operational Committee ELTERMA		
Janusz Gudaczewski	148	415
Ryszard Rej	167	150
Zbigniew Skubiszewski	275	170
Grzegorz Paluch	384	

Total	**974**	**736**
Operational Committee ELTUS		
Józef Dziadkowski	9	33
Łukasz Duhanik	40	23
Total	**49**	**55**
Operational Committee SECO/WARWICK Corporation		
Jeffrey W. Boswell	422	426
Paul L. Huber	-	232
Arthur V. Russo	276	279
Keith Boeckenhauer	289	292
Total	**987**	**1 228**

Board of Directors remuneration:

Name and surname	**Remuneration total**	
	31.12.2008	**31.12.2007**
Board of Directors SECO/WARWICK S.A.		
Robert Jegierski	20	
Artur Grygiel	24	22
Piotr Kowalewski	30	28
Piotr Kula	24	22
Henryk Pilarski	36	33
Marek Górny	4	22
Total	**138**	**127**
Board of Directors ELTERMA		
Henryk Pilarski	42	42
Maciej Bobrowicz		
Total	**42**	**42**

Board Members of SECO/WARWICK Corporation (USA) are not remunerated.

Total remuneration paid or due to other executive personnel:

Specification	**31.12.2008**	**31.12.2007**
Short-term working benefits (salaries and mark-ups)	1 025	1 227
Jubilee awards		
Benefits after period of employment		
Severance benefits		
Benefits in the form of own stocks		
Total remuneration paid to key personnel (excluding directors of Board and Operationa Committee)	**1 025**	**1 227**

Nota 32. FINANCIAL INSTRUMENTS

Specification	IFRS 39	*Balance sheet value*		*Fair value*	
		31.12.2008	*31.12.2007*	*31.12.2008*	*31.12.2007*
Financial assets					
Investments in related entities	IFRS 39	41 661	16 066	41 661	16 066
Financial assets available for sale	IFRS 39	3	3	3	3
other financial assets (non-current)	IFRS 39				
- Loans granted (short-term)	IFRS 39	12	11	12	11
- Loans granted (long-term)	IFRS 39	3	13	3	13
Trade and other payables	IFRS 39	71 644	58 083	71 644	58 083
Derivatives	IFRS 39				
- *Forward currency contracts*	IFRS 39				
Cash and cash equivalents	IFRS 39	12 418	51 696	12 418	51 696
Financial liabilities					
short-term	IFRS 39				
Credits and loans	IFRS 39				
- *credit in current account*	IFRS 39	3 702	12 929	3 702	12 929
- *credit (short-term)*	IFRS 39	2 106	10 639	2 106	10 639
- *Financing leasing liabilities*	IFRS 39	254	275	254	275
Trade payables	IFRS 39	27 251	29 623	27 251	29 623
- *forward currency contracts*	IFRS 39	15 971		15 971	
long-term	IFRS 39				
- *credit (long-term)*	IFRS 39		2 131		2 131
other liabilities (long-term):	IFRS 39				
- *Financing leasing liabilities (long-term)*	IFRS 39	340	313		313
Trade payables	IFRS 39	-	-	-	-

Nota 33. AVERAGE EMPLOYMENT IN VOCATIONAL GROUPS

Specification	*31.12.2008*	*31.12.2007*
Employees in white-collar worker positions	288	238
Employees in blue-collar worker positions	390	424
Employees on child care leave	3	3
Total	**681**	**665**

- Not included employees of a company consolidated by proportional method (SECO/WARWICK (Tianjin) Industrial Furnace Company Limited). Employment at Tianjin company in 2008 was 77 persons.
- Not included employees of companies consolidated by equity rights method - (SECO/WARWICK ALLIED – 2008 employment of 238 persons, and RETECH Systems – 114 persons)

Note 34. CAPITAL MANAGEMENT

Specification	31.12.2008	31.12.2007
Interest bearing liabilities	5 508	25 699
Liabilities for deliveries and services and other liabilities	28 650	29 898
Less cash and cash equivalents	12 418	51 696
Restricted cash	2 307	42 948
Net debt	24 047	46 848
Preffered shares	-	-
Equity capital	165 521	143 033
Reserve capital	-	-
Total equity	165 521	143 033
Capital and net debt	189 568	189 881
Gearing ratio	15%	33%

Note 35. IMPAIRMENT TEST OF GOODWILL

Goodwill was created as a result of taking control over SECO/WARWICK Corporation by SECO/WARWICK S.A. and was assigned to a single cash-flow generating unit which is the SECO/WARWICK Corporation.

Company's balance sheet value

31.12.2007	31.12.2008
3 660	4 452

Cash flow generating unit

Recaptured value of cash flow centre was determined on the basis of value in use calculated against a cash flow forecast based on 10 – year budgets. For cash flow forecasts a discount rate before tax was used at 4.13%, while cash flows exceeding five year period are appraised with a 2% growth rate.

Key assumptions applied to calculation of value in use

Estimation of value in use for cash flow centre is sensitive to the following variables:

• gross margin;

• discount rates;

• market share in budget period; and

• growth rate used to estimate cash flow beyond a budget period.

Gross margin – gross margin is based on mean values attained within three years preceding the budget period.

Discount rate – discount rate reflects assessment by management of typical risk for a company. It serves as a factor used by management to assess operating efficiency (results) and future investment proposals. When determining the discount rate a yield on 10-year bond as of start of budget year was applied.

Market share assumptions – these are important since apart from using sector data for growth rate (as described below) the management assesses how company's financial standing may vary against competitors throughout budget period. The management expects the Group's market share to be stabile in the budget period.

Estimated growth rate – growth rates are based on published results of sector research.

Sensitivity to changes of assumptions

When assessing value in use of SECO/WARWICK Corporation the management is convinced that no rationally possible change of any key assumption outlined above will make balance sheet value of that centre exceed its book value. Value in use of cash flow centre as of balance sheet day is 16,789 thousand PLN while book value is 12,371 thousand PLN. The residual value i.e. the difference between market value and book value of equity amounting to 4,418 thousand PLN exceeds the goodwill indicated in the consolidated financial statement. Therefore there is no impairment of goodwill as of 2008, December.

Note 37. OBJECTIVES AND POLICY OF FINANCE RISK MANAGEMENT

In their operations and finance, Capital Group SECO/WARWICK is vulnerable mainly to risks resulting from financial instruments they possess. This risk may be defined as market risk which includes FX risk, interest rate risk, liquidity risk and credit risk. The Group manages financial risk in order to limit negative impact of FX rate changes and changes of interest rates and to stabilize cash flow and ensure appropriate level of financial liquidity and flexibility. Principles of risk management in the Group are determined by the Board of Directors of the parent entity. An expert system for management accounting was developed and implemented to facilitate risk management. Following monthly reports, key risk parameters on operating and finance level are monitored for the group's companies.

37.1 FX risk

The Group is exposed to currency risk the source of which comes from sales, trade receivables, financial liabilities and bank credits nominated in EUR or USD. Apart from that, the consolidated financial statement contains margin risk in translating financial reports of foreign companies in the group. SECO/WARWICK Corporation and Retech Systems LLC are largely exposed to that kind of risk.

Analysis of FX rate change PLN/USD and PLN/EUR for Capital Group SECO/WARWICK.
Should USD exchange rate against PLN as of 31.12.2008 go down by 10% and other factors remain unchanged, the Group's 2008 financial result after tax would drop by -1 664 th. PLN (for 2007 it would be -638 th. PLN) and equity capital would be lower by -3 140 th. PLN (for 2007 it would be -3 367 th. PLN). Should the reverse occur – USD would strenghten by 10% against PLN and other factors remained unchanged, the SECO/WARWICK Group 2008 after tax result would by higher by +1 664 th. PLN (for 2007 it would be +638 th. PLN) while equity capital would be higher by +3 140 th. PLN (for 2007 it would be +3 367 th. PLN).

Should EUR exchange rate against PLN as of 31.12.2008 go down by 10% and other factors remain unchanged, the Group's 2008 financial result after tax would drop by –13 231 th. PLN (for 2007 it would be –12 740 th. PLN) and equity capital would be lower by -13 051 th. PLN (for 2007 it would be –12 740 th. PLN). Should the reverse occur – EUR would strengthen by 10%

against PLN and other factors remained unchanged, the SECO/WARWICK Group 2008 after tax result would by higher by +12 231 th. PLN (for 2007 it would be +12 740 th. PLN) while equity capital would be higher by +13 051 th. PLN (for 2007 it would be +12 740 th. PLN).

Assumptions for 2008:

- Mean rate of exchange USD/PLN assumed for P&L calculations: 2,4115
- Mean rate of exchange EUR/PLN assumed for P&L calculations: 3,5321
- Mean rate of exchange USD/PLN for end of period for balance sheet calculations: 2,9618
- Mean rate of exchange EUR/PLN for end of period for balance sheet calculations: 4,1724

Assumptions for 2007:

- Mean rate of exchange USD/PLN assumed for P&L calculations: 2,784
- Mean rate of exchange EUR/PLN assumed for P&L calculations: 3,777
- Mean rate of exchange USD/PLN for end of period for balance sheet calculations: 2,435
- Mean rate of exchange EUR/PLN for end of period for balance sheet calculations: 3,582

37.2 Interest rate risk

Interest rate risk in SECO/WARWICK Group is insignificant. This results from low participation of interest debt in the Group's financing structure. As of the end of 2008 the interest debt was 5 508 thousand PLN against own equity of 165 521 thousand PLN. General debt measured as ratio of interest debt to equity was in 2008 3,3% (2007: 16,5%).

37.3 Product price risk

The Group's sales revenue come chiefly from long-term contracts for equipment. For every piece of equipment a price schedule is made at the quotation stage, based on current materials prices and cost of workmanship. Additionally, general overheads and planned margin are included. Therefore, in the opinion of the Board of parent company, the price risk is kept to minimum.

Nevertheless, attaining the Group's strategic objectives re: product prices may be hampered by competition. Any increase in competition, especially in Asian countries, may negatively influence the financial results planned by SECO/WARWICK Group. It is the conviction of the parent entity's Board that SECO/WARWICK Group currently focus on a number of efforts concentrated on strengthening their market position and boosting their competitive edge through providing high quality service, offering complex solutions, flexibility, enhancing the existing and creating new competencies, using sophisticated technologies and developing new technical solutions. While SECO/WARWICK Group are unable to eliminate competitor's impact on their planned financial results, they are able to limit that impact significantly.

37.4 Capital management (calculations see note no. 38).

The Group manages the capital through sustainable financial policy whose purpose is to provide adequate finances for business development while at the same time securing proper structure of finance and financial liquidity. The Group defines capital as a sum of own equity and net debt.
The Group's capital management policy takes into account two key elements:

- Business results combined with investment and development plans,
- Dividend distribution policy and external debt repayment schedule.

In order to combine these factors, from time to time the Group provides a framework for financing structure. Currently the Group's objectives in the area of capital management are as follows:

- Overall liquidity– from 1,5 to 2,5
- Accelerated liquidity – above 1
- Financial leverage – from 15 % to 50%

The Group's capital management policy enforces maintaining financial discipline while simultaneously ensuring flexibility indispensable to maintain profitable development.
The Group's capital management policy focuses also on maintaining a certain level of financial liquidity which secures current repayment of external debt as well as expenditures related to the Group's business risk. An aspect of these policies is maintaining open on-demand credit lines.

37.5 Liquidity risk

Liquidity risk is defined as a risk of encountering difficulties in meeting financial liabilities. The Group's process of liquidity risk management consists in forecasting future cash flows, analyzing liquid assets in relation to cash flow, monitoring liquidity factors based on balance sheet items and maintaining access to various sources of financing at the level of individual companies within the Group.

The Group also manages liquidity risk through maintaining open and unused credit lines. These create a liquidity reserve and secure solvency and financial flexibility.

The table below presents the Groups financial liabilities as of 31st December 2008 and 31st December 2007 by their maturity date, on the basis of non-discounted contractual payments.

31.12.2008	*On demand*	*Up to 1 year*	*From 1 to 5 years*	*Over 5 years*	*Total*
Interest bearing liabilities	-	5 508		-	**5 508**
Liabilities for deliveries and services	-	20 266	-	-	**20 266**
Other liabilities	-	23 209	1 399	-	**24 609**
Total		**48 983**	**1 399**		**50 383**

31.12.2007	*On demand*	*Up to 1 year*	*From 1 to 5 years*	*Over 5 years*	*Total*
Interest bearing liabilities	-	23 568	2 131	-	**25 699**
Liabilities for deliveries and services	-	24 308	-	-	**24 308**
Other liabilities	-	5 590	313	-	**5 903**
Total		**53 466**	**2 444**		**55 910**

37.6 Credit risk

The Group has an appropriate policy of selling to verified customers only. Therefore, in management's opinion, there occurs no additional credit risk above the level defined by provision for bad receivables proper for Company's trade receivables. There are no past due receivables considered irrecoverable.

The structure of past due receivables for SECO/WARWICK Group was shown in note 18 of the present report.

Data: 14th April 2009

	Leszek Przybysz	Andrzej Zawistowski
	President of the Board	*Vice-President of the Board*
Wojciech Modrzyk	Józef Olejnik	Witold Klinowski
Director of Board	*Director of Board*	*Director of Board*