THE SECO/WARWICK GROUP

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31ST 2011

CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31ST 2011...... 1

GENERAL INFORMATION 4
FINANCIAL HIGHLIGHTS TRANSLATED INTO THE EURO 8
MANAGEMENT BOARD'S STATEMENT........ 9

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR JANUARY 1ST–DECEMBER 31ST 2011 PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS........ 10

Consolidated Statement Of Financial Position (Pln '000) 11
Consolidated Statement Of Comprehensive........ 13
Consolidated Statement Of Cash Flows (Pln '000)........ 14
Consolidated Statement Of Changes In Equity (Pln '000) 16

SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31ST 2011 17

I. Compliance with International Financial Reporting Standards 18
II. Going concern assumption and comparability of accounts 18
III. Basis of consolidation 18
IV. Description of adopted accounting policies, including methods of measurement of assets, equity and liabilities, revenue and expenses 20
V. Material judgments and estimates........ 26
VI. Changes in accounting policies 27
VII. New standards to be applied by the Group 28

SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31ST 2011 30

Note 1. SALES REVENUE........ 31
Note 2. OPERATING SEGMENTS 31
Note 3. OPERATING EXPENSES........ 35
Note 4. OTHER OPERATING INCOME AND EXPENSES 37
Note 5. FINANCE INCOME AND EXPENSES 38
Note 6. INCOME TAX AND DEFERRED INCOME TAX 38
Note 7. ASSETS HELD FOR SALE........ 40
Note 8. EARNINGS PER SHARE 40
Note 9. DIVIDENDS PROPOSED OR APPROVED BY WAY OF RESOLUTION BY THE DATE OF APPROVAL OF THESE FINANCIAL STATEMENTS........ 41
Note 10. PROPERTY, PLANT AND EQUIPMENT 41
Note 11. INTANGIBLE ASSETS 46
Note 12. INVESTMENT PROPERTY........ 49
Note 13. GOODWILL 50
Note 14. INVESTMENTS IN SUBORDINATED UNDERTAKINGS........ 51
Note 15. INVESTMENTS IN ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD........ 52
Note 16. INVENTORIES 53
Note 17. LONG-TERM CONTRACTS........ 54
Note 18. TRADE AND OTHER RECEIVABLES 54
Note 19. OTHER FINANCIAL ASSETS AND LIABILITIES 56
Note 20. PREPAYMENTS AND ACCRUED INCOME 60
Note 21. CASH AND CASH EQUIVALENTS........ 60
Note 22. SHARE CAPITAL AND STATUTORY RESERVE FUNDS/CAPITAL RESERVES............ 60

Note 23. RETAINED EARNINGS (DEFICIT) 62
Note 24. FINANCIAL LIABILITIES 62
Note 25. LEASES 67
Note 26. TRADE PAYABLES AND OTHER LIABILITIES 69
Note 27. PROVISIONS 74
Note 28. DEFERRED INCOME 77
Note 29. EXPLANATORY INFORMATION TO THE STATEMENT OF CASH FLOWS 77
Note 30. RELATED PARTIES 79
Note 31. KEY PERSONNEL REMUNERATION 81
Note 32. FINANCIAL ASSETS 84
Note 33. EMPLOYMENT STRUCTURE 86
Note 34. CAPITAL MANAGEMENT 86
Note 35. GOODWILL IMPAIRMENT TEST 87
Note 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY 88
Note 37. MANAGEMENT STOCK OPTIONS 90
Note 38. CAPITALISED BORROWING COSTS 91
Note 39. REVENUE GENERATED SEASONALLY, CYCLICALLY OR OCCASIONALLY 91
Note 40. COURT PROCEEDINGS 92
Note 41. TAX SETTLEMENTS 92
Note 42. WASTE ELECTRICAL AND ELECTRONIC EQUIPMENT 92
Note 43. EVENTS SUBSEQUENT TO THE BALANCE-SHEET DATE 92
Note 44. FINANCIAL STATEMENTS ADJUSTED FOR INFLATION 93

GENERAL INFORMATION

I. Details of the Parent

The Parent of the SECO/WARWICK Group is SECO/WARWICK Spółka Akcyjna of Świebodzin. The Company was incorporated on January 2nd 2007 by virtue of the decision issued by District Court for Zielona Góra, VIII Commercial Division of the National Court Register, and entered in the Register of Entrepreneurs of the National Court Register under No. KRS 0000271014.

Name:		**SECO/WARWICK S.A.**
Legal form:		Joint-stock company (spółka akcyjna)
Registered address:		66-200 Świebodzin, ul. Sobieskiego 8
Core business according to the Polish Classification of Business Activities (PKD):		
	28,21,Z	Manufacture of ovens, furnaces and furnace burners,
	33,20,Z	Installation of industrial machinery and equipment,
	28,29,Z	Manufacture of other general-purpose machinery n.e.c.,
	28,24,Z	Manufacture of power-driven hand tools,
	28,99,Z	Manufacture of other special-purpose machinery n.e.c.,
	28,94,Z	Manufacture of machinery for textile, apparel and leather production,
	46,14,Z	Agents involved in the sale of machinery, industrial equipment, ships and aircraft,
	46,19,Z	Agents involved in the sale of a variety of goods,
	46,69,Z	Wholesale of other machinery and equipment,
	71,12,Z	Engineering activities and related technical consultancy,
	72,11,Z	Research and experimental development on biotechnology.
National Court Register (KRS) No.:		KRS 0000271014
Industry Identification Number (REGON)		970011679

II. Duration of the Group:

SECO/WARWICK S.A. and other entities of the SECO/WARWICK Group have been registered to operate for an unlimited period of time, except for SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co. Ltd. established for the period of 27 years.

III. Presented periods

These consolidated financial statements contain data for the period January 1st - December 31st 2011. The comparative data is presented as at December 31st 2010 in the case of the statement of financial position, and for the period from January 1st 2010 to December 31st 2010 in the case of the statement of comprehensive income, statement of cash flows, and statement of changes in equity.

IV. Composition of SECO/WARWICK S.A.'s (the parent) governing bodies

MANAGEMENT BOARD		
Composition of the Management Board as at December 31st 2011	Leszek Przybysz Andrzej Zawistowski Wojciech Modrzyk Witold Klinowski Józef Olejnik	President of the Management Board Vice-President of the Management Board Vice-President of the Management Board Member of the Management Board Member of the Management Board
Composition of the Management Board as at February 1st 2012	Paweł Wyrzykowski Andrzej Zawistowski Wojciech Modrzyk Witold Klinowski Józef Olejnik	President of the Management Board Vice-President of the Management Board Vice-President of the Management Board Member of the Management Board Member of the Management Board
SUPERVISORY BOARD		
Composition of the Supervisory Board as at December 31st 2011	Jeffrey Boswell Henryk Pilarski Piotr Kowalewski Piotr Kula Artur Rusiecki Mariusz Czaplicki	Chairman of the Supervisory Board Deputy Chairman of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board

On December 21st 2011, the Management Board of SECO/WARWICK S.A. was notified that Mr Leszek Przybysz, President of the Company's Management Board, decided to step down, with effect as of December 31st 2011. The decision was due to personal reasons, as well as the termination of a three-year employment contract with SECO/WARWICK S.A. on February 28th 2012.

On January 12th 2012, Mr Paweł Wyrzykowski was appointed President of the Management Board of SECO/WARWICK S.A., with effect as of February 1st 2012.

The composition of the Supervisory Board did not change during the financial year.

V. Auditors

PKF Audyt Sp. z o. o.
ul. Elbląska 15/17
01 -747 Warsaw, Poland

VI. Significant shareholders of the parent

The table below lists the shareholders holding over 5% of the total vote at the General Meeting as at December 31st 2011:

Shareholder	Number of shares	% of share capital held	Number of votes at GM	% of total vote
SW Poland Holding B.V. (Netherlands)	4,119,508	39.32%	4,119,508	39.32%
Spruce Holding Limited Liability Company (USA)	1,726,174	16.48%	1,726,174	16.48%
James A. Goltz	904,207	8.63%	904,207	8.63%
ING NN OFE	600,000	5.73%	600,000	5.73%
OFE POLSAT S.A.	485,974	4.64%	485,974	4.64%

On March 12th 2012, SECO/WARWICK S.A. received notifications from James A. Goltz and Bleauhard Holdings LLC ("BHLLC") regarding sale by James A. Goltz of 904,207 Company shares to BHLLC. BHLLC is James A. Goltz's subsidiary.

The table below presents the shareholders holding over 5% of the total vote at the General Meeting as at the date of release of this report:

Shareholder	Number of shares	% of share capital held	Number of votes at GM	% of total vote
SW Poland Holding B.V. (Netherlands)	4,119,508	39.32%	4,119,508	39.32%
Spruce Holding Limited Liability Company (USA)	1,726,174	16.48%	1,726,174	16.48%
Bleauhard Holdings LLC	904,207	8.63%	904,207	8.63%
ING NN OFE	600,000	5.73%	600,000	5.73%
OFE POLSAT S.A.	485,974	4.64%	485,974	4.64%

VII. Subsidiaries

SECO/WARWICK S.A. is the parent of the following six subsidiaries:

- SECO/WARWICK ThermAL S.A. (formerly: Lubuskie Zakłady Termotechniczne Elterma S.A.),
- SECO/WARWICK Corporation,
- OOO SECO/WARWICK Group Moscow,
- Retech Systems LLC,

- SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co., Ltd.,
- SECO/WARWICK GmbH.

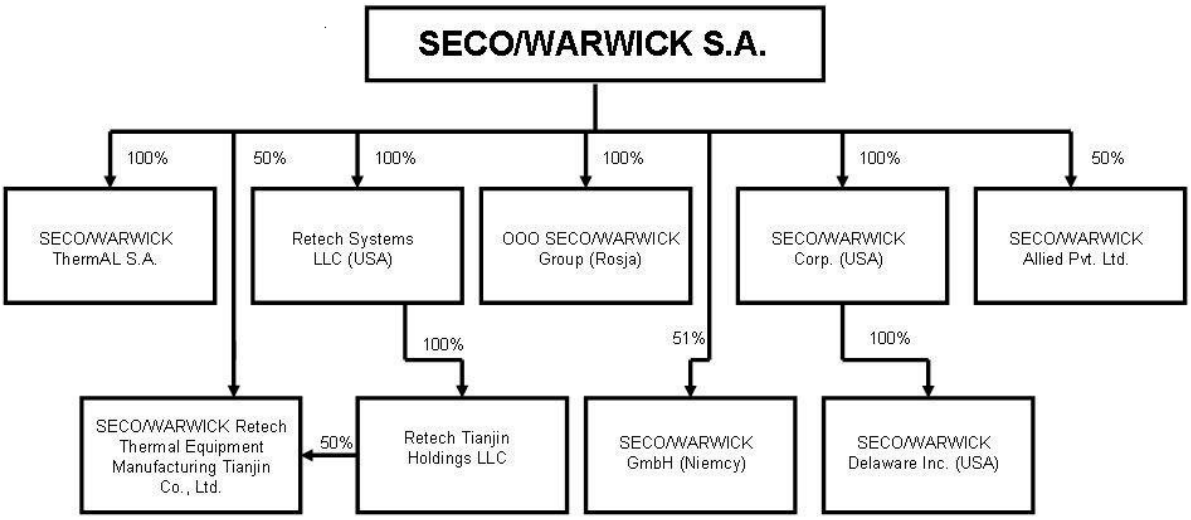
Other Group companies are:

- SECO/WARWICK of Delaware Inc., in which the Parent holds, through SECO/WARWICK Corporation, 100% of the share capital and 100% of the total vote at the general meeting
- Retech Tianjin Holdings LLC, in which the Parent holds, through Retech Systems LLC, 100% of the share capital and 100% of the total vote at the general meeting.

VIII. Associates

- SECO/WARWICK Allied Pvt., in which the parent holds a 50% interest conferring the right to 50% of the total vote at the company's general meeting.

IX. Graphic presentation of the Group:



FINANCIAL HIGHLIGHTS TRANSLATED INTO THE EURO

The table below presents average EUR/PLN exchange rates quoted by the National Bank of Poland for the periods covered by these financial statements and by the historical financial information:

Financial year	Dec 31 2011	Dec 31 2010
Average exchange rate for the period*	4.1401	4.0044
Exchange rate effective for the last day of the period	4.4168	3.9603

**) Average of the exchange rates effective for the last day of each month in the period.*

Assets and equity and liabilities in the consolidated statement of financial position have been translated using the EUR/PLN exchange rates quoted by the National Bank of Poland for the last day of the period.

Items of the consolidated statement of comprehensive income and consolidated statement of cash flows have been translated using the exchange rates calculated as the arithmetic means of the EUR/PLN mid market rates quoted by the National Bank of Poland as effective for the last day of each month in the reporting period.

The table below presents key items of the consolidated statement of financial position, statement of comprehensive income and statement of cash flows disclosed in the consolidated financial statements and the comparative data, translated into the euro:

Financial highlights - consolidated

Item	2011	2010	2011	2010
	(PLN ‘000)		(EUR ‘000)	
Net sales revenue	370,964	194,797	89,602	48,646
Cost of sales	-278,754	-151,632	-67,330	-37,867
Operating profit/(loss)	29,025	781	7,011	195
Pre-tax profit/(loss)	19,735	15,275	4,767	3,814
Net profit/(loss)	15,093	15,165	3,646	3,787
Net cash provided by/(used in) operating activities	26,552	-16,344	6,413	-4,082
Net cash provided by/(used in) investing activities	-8,760	-15,474	-2,116	-3,864
Net cash provided by/(used in) financing activities	-12,499	21,677	-3,019	5,413
Total assets	390,364	338,818	88,382	85,554
Total liabilities	159,032	130,816	36,006	33,032
of which current liabilities	128,250	98,616	29,037	24,901
Equity	231,332	208,002	52,375	52,522
Share capital	3,652	3,652	827	922

MANAGEMENT BOARD'S STATEMENT

In compliance with the requirements laid down in the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities, dated February 19th 2009, the Management Board of the Parent represents that to the best of its knowledge these consolidated financial statements and the comparative data have been prepared in compliance with the accounting standards applicable to the Group and give an accurate, fair and clear view of the Group's assets, financial standing and financial performance.

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") endorsed by the EU, and their scope is compliant with the requirements set forth in the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities, dated February 19th 2009 (Dz. (Dz.U. of 2009 No. 33, item 259). These financial statements cover the period from January 1st to December 31st 2011 and a comparative period from January 1st to December 31st 2010.

The Management Board represents that the entity qualified to audit financial statements that audited these consolidated financial statements was appointed in compliance with the applicable laws, and that both the auditing firm and the qualified auditors who performed the audit met the conditions required to issue an impartial and independent auditor's opinion, in accordance with the applicable provisions of Polish law. In line with the corporate governance principles adopted by the Management Board, the auditor was selected by the Company's Supervisory Board by virtue of Resolution No. 11/2011, concerning selection of the auditor. The Supervisory Board selected the auditor with due regard for the impartiality and objectivity of the selection itself as well as of the performance of the auditor's tasks.

Date: April 30th 2012

Paweł Wyrzykowski

President of the Management Board

Andrzej Zawistowski

Vice-President of the Management Board

Wojciech Modrzyk

Vice-President of the Management Board

Józef Olejnik

Member of the Management Board

Witold Klinowski

Member of the Management Board

THE SECO/WARWICK GROUP

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR

JANUARY 1ST–DECEMBER 31ST 2011

PREPARED IN ACCORDANCE WITH INTERNATIONAL

FINANCIAL REPORTING STANDARDS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (PLN '000)

Assets		As at Dec 31 2011	As at Dec 31 2010
NON-CURRENT ASSETS		**160,853**	**150,144**
Property, plant and equipment	*10*	52,979	53,390
Investment property	*12*	422	435
Goodwill	*13*	65,116	58,001
Intangible assets	*11*	14,091	13,705
Investments in associates	*15*	18,462	17,907
Financial assets available for sale		3	3
Deferred tax assets	*6*	9,780	6,703
CURRENT ASSETS		**225,347**	**183,124**
Inventories	*16*	26,034	21,168
Trade receivables	*18*	107,077	63,771
Income tax receivable	*18*	1,311	
Other current receivables	*18*	11,642	8,953
Accruals and deferred income	*20*	2,171	1,959
Financial assets at fair value through profit or loss	*19*	10	366
Loans and receivables	*19*		5
Cash and cash equivalents	*21*	20,285	14,489
Contract settlement	*17*	56,817	72,415
ASSETS HELD FOR SALE	7	**4,164**	**5,550**
TOTAL ASSETS		**390,364**	**338,818**

Equity and liabilities		As at Dec 31 2011	As at Dec 31 2010
EQUITY		**231,332**	**208,002**
Equity attributable to owners of the parent		231,540	208,002
Share capital	*22*	3,652	3,652
Statutory reserve funds	*22*	177,662	172,843
Other capital reserves	*22*		35
Retained earnings/(deficit)	*23*	50,226	31,472
Non-controlling interests		**-208**	
NON-CURRENT LIABILITIES		**30,782**	**28,945**
Loans and borrowings	*24*	5,568	8,892
Financial liabilities	*24*	113	167
Deferred tax liabilities	*6*	15,654	12,476
Provision for retirement and similar benefits	*27*	4,896	2,985
Accruals and deferred income	*28*	4,552	4,425
CURRENT LIABILITIES		**128,250**	**98,616**
Loans and borrowings	*24*	22,555	27,457
Financial liabilities	*24*	7,342	353
Trade payables	*26*	26,353	24,309
Taxes, customs duties and social security payable	*26*	1,806	2,824
Other current liabilities	*26*	6,007	4,385
Provision for retirement and similar benefits	*27*	5,088	3,579
Other provisions	*27*	4,490	4,401
Accruals and deferred income	*28*	54,608	31,308
LIABILITIES HELD FOR SALE			3,254
TOTAL EQUITY AND LIABILITIES		**390,364**	**338,818**

Date: April 30th 2012

Prepared by:
Piotr Walasek

Paweł Wyrzykowski
President of the Management Board

Andrzej Zawistowski
Vice-President of the Management Board

Wojciech Modrzyk
Vice-President of the Management Board

Józef Olejnik
Member of the Management Board

Witold Klinowski
Member of the Management Board

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (PLN '000)

		for the period Jan 1 – Dec 31 2011	for the period Jan 1 – Dec 31 2010
Net sales revenue, including:	*1.2*	370,964	194,797
Net revenue from sales of products		368,612	193,435
Net revenue from sales of goods for resale and materials		2,352	1,362
Cost of sales, including:	*2.3*	-278,754	-151,632
Cost of products sold		-277,064	-150,759
Cost of goods for resale and materials sold		-1,690	-873
Gross profit/(loss)		**92,210**	**43,166**
Other operating income	*4*	1,866	1,682
Selling costs	*2.3*	-20,107	-11,097
General and administrative expenses	*2.3*	-42,509	-29,955
Other operating expenses	*4*	-2,434	-3,014
Operating profit/(loss)		**29,025**	**781**
Gain (loss) on accounting for obtaining control			10,472
Gain (loss) on disposal / result related to loss of control over subordinated entities		-1,161	
Finance income	*5*	466	2,736
Finance expenses	*5*	-9,791	-1,417
Share in net profit/(loss) of associates		1,196	2,702
Pre-tax profit/(loss)		**19,735**	**15,275**
Income tax	*6*	-4,936	237
Net profit/(loss) on continuing operations		**14,799**	**15,511**
Profit/(loss) on discontinued operations			-346
Profit/(loss) attributable to non-controlling interests		-294	
Net profit/(loss) for financial year		**15,093**	**15,165**
Earnings per share (PLN)	*8*	1.44	1.59
Weighted average number of shares as at	*8*	10,476210	9,626,503
OTHER COMPREHENSIVE INCOME:			
Valuation of cash flow hedging derivatives		-1,142	-21
Exchange differences on translating foreign operations		11,135	83
Actuarial gains/(losses) on a defined benefit retirement plan		-1,487	619
Income tax relating to other comprehensive income		781	4
Other comprehensive income, net		**9,287**	**-554**
Total comprehensive income		**24,380**	**14,612**

Date: April 30th 2012

Prepared by:
Piotr Walasek

Paweł Wyrzykowski
President of the Management Board

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Vice-President of the Management Board

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Member of the Management Board

Witold Klinowski
Member of the Management Board

CONSOLIDATED STATEMENT OF CASH FLOWS (PLN '000)

		Jan 1–Dec 31 2011	Jan 1 – Dec 31 2010
OPERATING ACTIVITIES			
Pre-tax profit/(loss)	30	**19,735**	**15,275**
Total adjustments:		**12,540**	**-29,277**
Share of net profit of associates		-1,196	-13,175
Depreciation and amortisation	3	6,273	5,162
Foreign exchange gains/(losses)		1,880	-188
Interest and profit distributions (dividends)		1,368	586
Profit/(loss) on investing activities		2,166	-1,334
Balance-sheet valuation of derivative instruments		6,532	-1,994
Change in provisions		2,550	2,224
Change in inventories		-3,820	-2,307
Change in receivables		-39,568	-37,926
Change in current liabilities (other than financial liabilities)		738	14,982
Change in accruals and deferrals		35,653	4,822
Other adjustments		-38	-129
Cash from operating activities		**32,275**	**-14,002**
Income tax (paid)/refunded		-5,722	-2,342
Net cash provided by/(used in) operating activities		**26,552**	**-16,344**
INVESTING ACTIVITIES			
Cash provided by financing activities		**565**	**703**
Proceeds from disposal of intangible assets and property, plant and equipment		287	75
Proceeds from disposal of financial assets			
Dividends and profit distributions received			
Repayment of non-current loans advanced			
Interest income			
Other cash provided by financial assets		5	8
Cash paid in connection with derivative instruments		273	620
Cash used in investing activities		**9,326**	**16,177**
Investments in intangible assets, property, plant and equipment, and investment property		7,019	7,371
Acquisition of related entities		478	8,796
Acquisition of financial assets			
Loans advanced			10
Cash of companies over which the Group lost control		508	
Cash paid in connection with derivative instruments		1,320	

Other cash used in investing activities		
Net cash provided by/(used in) investing activities	**-8,760**	**-15,474**
FINANCING ACTIVITIES		
Cash provided by financing activities	**10,987**	**30,194**
Net proceeds from issue of shares, other equity instruments and additional contributions to equity		1,751
Loans and borrowings	10,987	28,443
Issue of debt securities		
Other cash provided by financing activities		
Cash used in investing activities	**23,486**	**8,516**
Acquisition of own shares		
Dividends and other distributions to owners	1,048	7,544
Profit distributions other than to owners		
Repayment of loans and borrowings	20,861	370
Redemption of debt securities		
Other financial liabilities		
Decrease in finance lease liabilities	297	357
Interest paid	1,280	245
Other cash used in financing activities		
Net cash provided by/(used in) financing activities	**-12,499**	**21,677**
Total net cash flow	**5,293**	**-10,141**
Balance-sheet change in cash, including:	**4,484**	**-10,873**
- effect of exchange rate fluctuations on cash held	-5	-144
Cash at beginning of period	**14,946**	**25,086**
Cash at end of period, including:	**20,239**	**14,946**
- restricted cash		
- cash relating to discontinued operations		508

Date: April 30th 2012

Prepared by:
Piotr Walasek

Paweł Wyrzykowski
President of the Management Board

Andrzej Zawistowski
Vice-President of the Management Board

Wojciech Modrzyk
Vice-President of the Management Board

Józef Olejnik
Member of the Management Board

Witold Klinowski
Member of the Management Board

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (PLN '000)

	Share capital	Statutory reserve funds	Capital reserve from revaluation of derivatives	Other capital reserves	Translation reserve	Retained earnings/(deficit)	Equity attributable to non-controlling interests	Total equity
Twelve months ended Dec 31 2010								
Equity as at Jan 1 2010	**3,471**	**143,833**	**0**	**2**	**1,072**	**17,529**	**0**	**165,906**
Total comprehensive income for twelve months ended Dec 31 2010			(17)		83	14,546		**14,612**
Share issue	181	26,124						**26,305**
Distribution of profit		(2,918)				2,918		
Share-based payments				33				**33**
Transfer of previous years' profit/loss to statutory reserve funds		5,804				(5,804)		
Changes in equity of SECO/WARWICK Allied (India) not related to net profit/loss						399		**399**
Changes in equity of RETECH not related to net profit/loss						747		**747**
Equity as at Dec 31 2010	**3,652**	**172,843**	**(17)**	**35**	**1,155**	**30,335**		**208,002**
Twelve months ended Dec 31 2011								
Equity as at Jan 1 2010	**3,652**	**172,843**	**(17)**	**35**	**1,155**	**30,335**		**208,002**
Total comprehensive income for twelve months ended Dec 31 2011			(925)		11,135	(923)		**9,287**
Distribution of profit (dividend)						(1,048)		**(1,048)**
Share-based payments				(35)				**(35)**
Transfer of 2010 earnings to		4,819				(4,819)		**0**
Net profit						15,093		**15,093**
Changes in equity of SECO/WARWICK Allied (India) not related to net profit/loss						241		**241**
Equity attributable to non-controlling interests in SECO/WARWICK GmbH							(208)	**(208)**
Equity as at Dec 31 2011	**3,652**	**177,662**	**(942)**	**0**	**12,289**	**38,879**	**(208)**	**231,332**

Date: April 30th 2012

Prepared by: Piotr Walasek

Paweł Wyrzykowski	Andrzej Zawistowski	Wojciech Modrzyk	Józef Olejnik	Witold Klinowski
President of the Management Board	*Vice-President of the Management Board*	*Vice-President of the Management Board*	*Member of the Management Board*	*Member of the Management Board*

THE SECO/WARWICK GROUP

SUPPLEMENTARY INFORMATION

TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31ST 2011

I. Compliance with International Financial Reporting Standards

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and the IFRS endorsed by the European Union. As at the date of approval of these financial statements for publication, given the ongoing process of implementation of the IFRS in the European Union and the scope of the Group's business, as far as the accounting policies applied by the Group are concerned there are no differences between the IFRS which have come into force and the IFRS endorsed by the European Union.

The IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

II. Going concern assumption and comparability of accounts

These consolidated financial statements have been prepared on the assumption that the Group would continue as a going concern for the 12 months after the last balance-sheet date, i.e. December 31st 2011. As at the date of signing these financial statements, the parent's Management Board was aware of no facts or circumstances that would involve a threat to the Group's continuing as a going concern in the 12 months after the balance-sheet date, as a result of any planned or forced discontinuation or material downsizing of its existing operations.

By the date of these consolidated financial statements for 2011, no events occurred which have not but should have been disclosed in the accounting books for the reporting period. Concurrently, these financial statements do not report any material events related to prior years.

III. Basis of consolidation

a) Subsidiaries

A subsidiary is an entity with respect to which the Group has the power to govern its financial and operating policies. Such power is usually derived from the holding of the majority of the total vote in the entity's governing bodies. While assessing whether the Group controls a given entity, the existence and effect of potential voting rights which may be exercised or converted at a given time are taken into consideration.

As at the date of acquisition of a subsidiary (obtaining control), the assets, equity and liabilities of the acquiree are measured at fair value. An excess of the acquisition cost over the fair value of net identifiable assets of the acquiree is recognised as goodwill under assets in the balance sheet. If the acquisition cost is lower than the fair value of net identifiable assets of the acquiree, the difference is recognised as profit in the income statement for the period in which the acquisition took place. Non-controlling interests are recognised at the fair value of net assets attributable to such interests. In subsequent periods, losses attributable to non-controlling interests are attributed to owners of the parent and non-controlling interests even if, as a consequence, the value of non-controlling interests turns negative. Subsidiaries sold during a financial year are consolidated from the beginning of the financial year to the date of disposal. Financial results of entities acquired during a year are recognised in the financial statements from the date of acquisition.

Income and expenses, receivables and payables, and unrealised gains arising from intra-Group transactions are eliminated. Unrealised losses are also eliminated, but only to the extent there is no evidence of impairment of the asset transferred in the transaction. The accounting policies of the subsidiaries have been changed whenever it was deemed necessary to align them with the accounting policies applied by the Group.

b) Equity and transactions related to non-controlling shareholders

Interests held by non-controlling shareholders include interests in consolidated companies which are not owned by the Group. Equity held by non-controlling shareholders is determined as the value of net assets of the related entity which are attributable, as at the acquisition date, to shareholders from outside the group. The value is reduced/increased by increases/decreases in equity attributable to the value of interests held by non-controlling shareholders. As a rule, the Group treats transactions with non-controlling shareholders as transactions with third parties not related to the Group.

c) Associates

An associate is an entity over which the Group has significant influence, but not control. Significant influence is presumed to exist when the Group holds between 20% and 50% of the total vote in an entity's governing bodies. Investments in associates are accounted for using the equity method and are initially recognised at cost.

The Group's share in an associate's net profit (loss) is recognised in the statement of comprehensive income, and the Group's share of the movements in the entity's other capitals after the acquisition date is recognised under other capitals. The carrying amount of the investment is adjusted for the total changes as from the acquisition date.

d) Companies included in the consolidated financial statements

The following Group entities are included in these consolidated financial statements for the periods ended December 31st 2011 and December 31st 2010:

Item	% of total vote	
	Dec 31 2011	Dec 31 2010
SECO/WARWICK S.A.	parent	
SECO/WARWICK ThermAL S.A.	100%	100%
SECO/WARWICK Corp.	100%	100%
SECO/WARWICK of Delaware, Inc	100%	100%
OOO SECO/WARWICK Group Moscow	100%	100%
SECO/WARWICK GmbH	51%	-
SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co., Ltd.	100%	100%
Retech Systems LLC	100%	100%
SECO/WARWICK Allied Pvt., Ltd.	50%	50%

IV. Description of adopted accounting policies, including methods of measurement of assets, equity and liabilities, revenue and expenses

The consolidated financial statements have been prepared based on a historical cost approach, except with respect to financial derivatives, which are measured at fair value. Liabilities under the pension plan in place at a subsidiary are also measured at fair value.

These financial statements are presented in the złoty ("PLN"), and unless specified otherwise, all the values are given in thousands of PLN.

Presentation of financial statements

Presentation of the statement of financial position

In accordance with IAS 1 "Presentation of financial statements", assets and liabilities are presented in the balance sheet as current and non-current.

In accordance with IFRS 5, non-current assets held for sale are presented separately in the statement of financial position.

Presentation of the statement of comprehensive income

In accordance with IAS 1 "Presentation of financial statements", in the statement of comprehensive income expenses are presented by function.

Earnings per share

Net earnings per share for each period are determined by dividing net profit for the period by the weighted average number of shares outstanding in the period. The weighted average number of shares accounts for the dilutive effect of the issue of shares on the Warsaw Stock Exchange.

Intangible assets

As intangible assets the Group recognises such assets which are identifiable (they can be separated or sold), are controlled by the entity and are highly probable to bring future economic benefits to the entity.

Intangible assets include mainly software and development expense, and are initially recognised at cost, which includes purchase price, import duties and non-deductible taxes included in the price, decreased by discounts and rebates and increased by all expenditure directly connected with the preparation of the asset for its intended use.

In order to determine whether a self-created intangible asset meets the recognition criteria for an asset, the entity distinguishes two phases in the asset origination process:

- the research phase,
- the development phase.

All costs originating in the first phase are charged directly to expenses of the period.

Intangible assets created as a result of development work are capitalised by the Group only if the following criteria are met:

- it is certain that the intangible asset will be completed,
- it is possible to demonstrate that the asset can be used or sold,
- the expenditure incurred can be measured reliably.

Goodwill arises on acquisition of a business and corresponds to the excess of the cost of a business combination over the acquirer's share in the fair value of net identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is recognised at cost less cumulative impairment losses. Goodwill is not amortised.

The table below summarises the Group's accounting policies with respect to intangible assets:

Item	Patents and licences	Computer software
Useful life	5–10 years	5–15 years
Method used	Amortised throughout the agreement term using the straight-line method	Amortised using the straight-line method
Origin	Acquired	Acquired
Review for impairment / recoverable value testing	Annual assessment whether there are any indications of impairment	Annual assessment whether there are any indications of impairment

Property, plant and equipment

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

Depreciation is charged using the straight-line method by estimating the useful life of a given asset, which is:

Buildings and structures	from 10 to 40 years
Plant and equipment	from 5 to 30 years
Vehicles	from 5 to 10 years
Other tangible assets	from 5 to 15 years

Non-current assets held under finance lease agreements have been disclosed in the balance sheet equally with other non-current assets and are depreciated in the same way.

The initial values of non-current assets held under finance lease agreements and of the obligations corresponding with such assets have been determined at amounts equal to the discounted value of future lease payments. Lease payments made in the reporting period have been charged against finance lease liabilities in an amount equal to the principal instalment and the excess (the finance charge) has been charged in full to finance expense of the period.

Any gains and losses arising on a sale or liquidation are determined as the difference between the income from the sale and the net value of the tangible assets, and are included in the income statement.

The Group has adopted the rule that the residual value of tangible assets is always equal to "zero".

Tangible assets under construction

Tangible assets under construction include expenditure on property, plant and equipment and intangible assets which are not yet fit for use but it is highly probable that they will be completed. Tangible assets under construction are presented in the balance sheet at cost less impairment losses. Tangible assets under construction are not depreciated.

Investment property

The Group classifies as investment property all property which is considered a source of income (earns rentals) and/or is held for capital appreciation.

Investment property is carried at cost less cumulative depreciation and impairment losses, if any.

Depreciation is charged over the estimated useful life of the investment property, using the straight line method. Land is not depreciated.

Financial assets and liabilities

Financial assets include equity interests in related entities, assets at fair value through profit or loss, hedging derivatives, loans and receivables and cash and cash equivalents.

Financial liabilities include loans and borrowings, other types of financing, overdraft facilities, financial liabilities at fair value through profit or loss, hedging derivatives, trade payables, liabilities to suppliers of property, plant and equipment, and lease liabilities.

Except for investments in subsidiaries, jointly controlled entities and associates, which are carried at cost in accordance with IAS 27 and IAS 28, financial assets and liabilities are recognised and measured in line with IAS 39 "Financial Instruments: Recognition and Measurement".

Recognition and measurement of financial assets

Upon initial recognition, financial assets are recognised at fair value, which in the case of investments not measured at fair value through profit or loss is increased by transaction costs directly attributed to such assets.

Receivables

Trade receivables are recognised and carried at amounts initially invoiced, less any impairment losses on doubtful receivables. Impairment losses on receivables are estimated when the collection of the full amount of a receivable is no longer probable.

If the effect of the time value of money is material, the value of a receivable is determined by discounting the projected future cash flows to their present value using a discount rate that reflects the current market estimates of the time value of money. If the discount method has been applied, any increase in the receivable amount with the passage of time is recognised as finance income.

Other receivables include in particular prepayments made in connection with planned purchases of property, plant and equipment, intangible assets and inventories.

Cash and cash equivalents

Cash and cash equivalents are held mainly in connection with the need to meet the Group’s current demand for cash rather than for investment or any other purposes.

Cash and cash equivalents include cash in bank accounts, cash in hand, as well as all liquid instruments which may immediately be converted into cash of known amount and in the case of which the risk of value changes is insignificant.

Recognition and measurement of financial liabilities

Liabilities under loans and other financial liabilities are initially recognised at fair value and then carried at amortised cost using the effective interest rate method.

Transaction costs directly connected with acquisition or issue of a financial liability increase the carrying amount of the liability, because upon initial recognition the liability is recognised at the fair value of amounts paid or received in exchange for the liability. Thereafter, such costs are amortised throughout the term of the liability, using the effective interest rate method.

Hedge accounting

There are three types of hedging relationships:

a) a fair value hedge: a hedge of the exposure to changes in the fair value of a recognised asset or liability or an identified portion of such an asset, liability or highly probable future liability that is attributable to a particular risk and could affect the statement of comprehensive income;
b) a cash flow hedge: a hedge of the exposure to variability in cash flows that (i) is attributable to a particular risk associated with a recognised asset or liability and (ii) could affect the statement of comprehensive income;
c) a hedge of a net investment in a foreign operation as defined in IAS 21.

A hedging relationship qualifies for hedge accounting if, and only if, all of the following conditions are met:

a) The hedging relationship is formally designated and documented, including the entity's risk management objective and strategy for entity the hedge, at the time when the hedge is undertaken. The relevant documentation identifies the hedging instrument, the hedged item or transaction, the nature of the hedged risk, as well as how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the fair value of the hedged item or cash flows attributable to the hedged risk.
b) The hedge is expected to be highly effective in offsetting changes in the fair value or cash flows attributable to the hedged risk, based on the originally documented risk management strategy pertaining to a given hedging relationship.
c) In the case of a cash flow hedge, the contemplated transaction to which the hedge relates is highly probable and exposed to variability in cash flows, which may ultimately affect the statement of comprehensive income.
d) The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item attributable to the hedged risk, as well as the fair value of the hedging instrument, can be reliably measured.
e) The hedge is assessed on an ongoing basis and determined to have been highly effective throughout the financial reporting periods for which the hedge was designated.

Inventories

Inventories are measured at cost, using a weighted average cost formula. Any downward adjustment of the value of inventories to the net selling price is made through recognition of impairment losses. Furthermore, inventories that are slow-moving or which have become obsolete or whose usability has become in any way limited, are revalued as at the end of each financial year. If the circumstances leading to a decrease in the value of inventories cease to apply, a reverse adjustment is made, i.e. inventories are remeasured at their pre-impairment value.

Impairment losses on inventories and stock-taking discrepancies are charged to cost of products sold.

Deferred income tax

In line with IAS 12 "Income Taxes", deferred income tax is determined using the liability method and recognised in the financial statements for all temporary differences between the carrying amounts of assets and liabilities and their tax values, as well as for any unused tax loss carry-forwards. Deferred tax assets are recognised for temporary differences to the extent it is probable that the assets will be realised and that taxable profit will be available against which the differences can be utilised. Unrecognised deferred tax assets are reviewed as at each balance-sheet date. Any previously unrecognised deferred tax assets are recognised to the extent it is probable that there will be future taxable income against which the assets can be realised.

Deferred tax assets are recognised for all deductible temporary differences arising from investments in subsidiaries and associates only to the extent it is probable that:

- the temporary differences will reverse in the foreseeable future, and

- taxable profit will be available against which the temporary differences can be utilised.

In line with IAS 12, deferred tax assets and liabilities are not discounted. Deferred income tax is determined based on the tax rates that have been enacted or substantively enacted as at the balance-sheet date.

Provisions

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the Group anticipates that the costs for which provisions have been made will be recovered, e.g. under an insurance agreement, any such recovery is recognised as a separate item of assets, but only when it is practically certain to occur.

The cost related to a given provision is recognised in the statement of comprehensive income net of any recoveries. If the effect of the time value of money is material, the amount of a provision is determined by discounting the projected future cash flows to their present value, using a pre-tax discount rate reflecting the current market estimates of the time value of money, as well as any risk associated with a given obligation. If the discount method has been applied, any increase in the provision with the passage of time is charged to finance expenses.

The estimates of outcome and financial effect are determined by the judgement of the companies' management, based on past experience of similar transactions and, in some cases, reports from independent experts.

Provisions are reviewed at each balance-sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

The Group creates the following provisions:

- provision for warranty repairs – on the basis of the historical cost of warranty repairs;
- provision for unused holidays – in an amount equivalent to the number of days of accrued unused holidays multiplied by average gross daily pay;
- provision for retirement benefits and length-of-service awards – calculated by actuaries;
- provision for employee benefits – bonus payments, salaries and wages;
- provision for probable costs related to the current financial year which will only be invoiced in the following year (accrued expenses). Depending on the type of accrued expenses, they are charged to costs of products sold, selling costs or general and administrative expenses;
- provision for a defined benefit plan. Fixed contributions are paid to a separate entity (a fund), as a consequence of which the actuarial risk (that benefits will be lower than

expected) and investment risk (that assets invested will be insufficient to meet the expected benefits) are borne by the Group.

Assumptions underlying the estimates and the provision amounts are reviewed as at each balance-sheet date.

Accruals and deferred income

In order to ensure the matching of revenues with related expenses, expenses relating to future periods and deferred income are posted under liabilities of a given reporting period.

Accrued expenses

The Group recognises accrued expenses at probable values of current-period liabilities arising in particular under:

- services provided to the Group by its business partners, where the liability can be reliably estimated,
- up to the estimated contract revenue, advances received under construction contracts reduce the receivables under settlement of long-term contracts.

Deferred and accrued income

Deferred/accrued income includes primarily government grants intended to finance assets and revenue, as well as any excess of estimated revenue related to the stage of completion of a long-term contract, in accordance with IAS 11, over advances received.

Government grants are disclosed in the statement of financial position at the amount of funds received and then recognised as income over the periods necessary to match them with the related costs they are intended to compensate, on a systematic basis. Government grants are not credited directly to equity.

Accruals and deferrals settled over a period longer than 12 months as from the balance-sheet date are classified as non-current accruals and deferrals, whereas those settled over a period of 12 months or shorter are classified as current accruals and deferrals.

Functional currency and presentation currency

a) Functional currency and presentation currency

Items of the financial statements are measured in the currency of the primary economic environment in which the Company operates (“functional currency”). The financial statements are presented in the Polish złoty (PLN), which is the functional currency and the presentation currency of the Group.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of these transactions, as well as from balance-sheet valuation of monetary assets and liabilities expressed in foreign currencies, are recognised in the income statement, unless they are taken to equity (when they qualify for recognition as cash flow hedges or hedges of net investments).

V. Material judgments and estimates

In view of the fact that many items presented in the consolidated financial statements cannot be measured accurately, certain estimates need to be made in the preparation of the consolidated financial statements. The Management Board reviews such estimates taking into account the changes in the factors on which such estimates were based, new information and past experience. Therefore, the estimates made as at December 31st 2011 may change in the future.

Depreciation/amortisation charges

Depreciation/amortisation charges are determined based on the expected useful lives of property, plant and equipment and intangible assets. The Group reviews the useful lives of its assets annually, on the basis of current estimates.

Depreciation/amortisation charges for assets used under finance lease agreements

Depreciation/amortisation charges for items of property, plant and equipment and intangible assets used under finance lease agreements are determined based on their expected useful lives, which is consistent with depreciation policy for assets that are owned. Useful lives equal to agreement term are not applied. The Group assumes that assets used under lease agreements must be purchased.

Deferred tax assets

Deferred tax assets are recognised in respect of all unused tax losses to be deducted in the future to the extent it is probable that taxable profit will be available which will enable these losses to be utilised.

Provision for unused holidays

Provision for accrued employee holidays is determined based on the number of days of accrued unused holidays as at the end of the reporting period.

Provision for old-age and disability retirement benefits

Old-age and disability retirement severance pays are paid to employees of the Group's subsidiaries operating under the Polish law in accordance with the provisions of Art. 92 of the Polish Labour Code, whereas at foreign companies such severance pays are paid in accordance with the local labour laws. Actuarial valuation of long- and short-term benefits is performed as at the end of each financial year.

Provision for warranty repairs

Provision for warranty repairs is calculated on the basis of the historical costs of manufacturing of the equipment sold and of the warranty repairs made in the previous years.

Long-term contracts

To account for long-term contracts, the Group applies the provisions of IAS 11 "Construction Contracts". When the outcome of a construction contract can be estimated reliably, the percentage of completion method is used. The stage of completion is determined by reference to the contract costs incurred to date and the total costs planned to be incurred.

At the end of each reporting period, the Group makes estimates regarding the outcome of each contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is immediately recognised in the income statement.

The amount of such a loss is determined irrespective of: whether or not work has commenced on the contract, the stage of completion of contract activity, or the amount of profits expected to arise on other contracts which are not treated as single construction contracts in accordance with IAS 11:9.

The Group applies the above rules to account for commercial contracts related to the Group's core business whose performance terms exceed three months and whose total value is material from the point of view of reliability of the financial statements (revenue, expenses, and the financial result). The Group accrues only documented revenue, i.e. revenue which is guaranteed under the original contract, adjusted to account for any subsequent amendments to the original contract (annexes), or which constitutes any other revenue closely related to the project. Any changes of the contract revenue are taken into account if it is certain (i.e. a contract or annexes to a contract have been signed) or at least highly probable (i.e. annexes to a contract or preliminary contracts have been initialled) that the client will accept the amendments and the revenue amounts provided for in the amendments, and such revenue can be reliably measured.
The stage of completion of a contract is determined by reference to the contract costs actually incurred in the reporting period and documented by appropriate accounting evidence, and the costs of business partners not yet invoiced.

The revenue as at the end of the reporting period is determined based on the percentage of completion of the contract, net of any revenue which affected the financial result in previous reporting periods. Estimated contract revenue attributable to the given reporting period is recognised as revenue from sales of products for the period, and disclosed under assets in the statement of financial position as receivables under settlement of long-term contracts.

Any excess of advances received under a contract over the estimated revenue attributable to a given reporting period is recognised under liabilities as prepaid deliveries. Up to the amount of the estimated contract revenue, advances reduce the receivables under settlement of long-term contracts.

Any excess of invoiced revenue is recognised as deferred income.

Derivative financial instruments

Derivative financial instruments are remeasured at the end of each reporting period at their fair value as determined by the bank.

Subjective judgement

Where a given transaction does not fall within the scope of any standard or interpretation, the Management Board relies on its subjective judgment to determine and apply accounting policies which will ensure that the financial statements contain only relevant and reliable information and that they:

- give an accurate, clear and fair view of the Group's assets, its financial standing, results of operations and cash flows,
- reflect the economic substance of transactions,
- are objective,
- conform with the principles of prudent valuation,
- are complete in all material respects.

Subjective judgements as at December 31st 2011 were made with respect to contingent liabilities and provisions for claims.

VI. Changes in accounting policies

The accounting policies applied when preparing these annual consolidated financial statements are consistent with the accounting policies used to draw up the annual consolidated financial statements for the year ended December 31st 2010, save for the following amendments to standards and interpretations effective for periods beginning on July 1st 2011.

➢ **Amendments to IFRS 7 "Financial Instruments: Disclosure – Transfers of Financial Assets"**

The amendments introduce a requirement to make a disclosure which is sufficient to enable users of financial statements understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities, and evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognised financial assets. The amended standard provides a definition of "continuing involvement" to ensure application of the disclosure requirements.

The application of said amendments did not affect the Group's financial position or operating results.

VII. New standards to be applied by the Group

Below are presented new standards and IFRIC interpretations which have been published by the International Accounting Standards Board but are not yet effective for the current reporting period.

- **IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after January 1st 2013),
- **Amendments to IAS 12 "Income Tax" – deferred tax** – recovery of underlying assets (effective for annual periods beginning on or after January 1st 2012).
- **IFRS 10 "Consolidated Financial Statements "** (effective for annual periods beginning on or after January 1st 2013),
- **IFRS 11 "Joint Arrangements"** (effective for annual periods beginning on or after January 1st 2013)
- **IFRS 12 "Disclosure of Interests in Other Entities"** (effective for annual periods beginning on or after January 1st 2013),
- **IFRS 13 "Fair Value Measurement"** (effective for annual periods beginning on or after January 1st 2013),
- **IAS 27 (revised 2011) "Separate Financial Statements " –** (effective for annual periods beginning on or after January 1st 2013),
- **IAS 28 (revised 2011) "Investments in Associates and Joint Ventures"** (effective for annual periods beginning on or after January 1st 2013),
- **Amendments to IFRS 1 "First-Time Adoption of IFRS"– severe hyperinflation and removal of fixed dates for first-time adopters (effective for annual periods beginning on or after July 1st 2011),**
- **Amendments to IAS** 1 "Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income" (effective for annual periods beginning on or after July 1st 2012),
- **Amendments to IAS 19 "Employment Benefits"** – adjustments to accounting for post-employment benefits (effective for annual periods beginning on or after January 1st 2013).
- **IFRIC 20 "Stripping Cost of the Production Phase of a Surface Mine"** – accounting for costs of stripping activity in the production phase of surface mining (effective for annual periods beginning on or after January 1st 2013),

The Management Board does not expect the above standards and interpretations to have any significant effect on the accounting policies applied by the Group, save for the need to make certain additional or new disclosures. The Management Board of the parent is in the process of analysing the consequences and effects of applying these new standards and interpretations on its financial statements.

THE SECO/WARWICK GROUP

SUPPLEMENTARY INFORMATION TO
THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31ST 2011

Note 1. SALES REVENUE

As provided for under IAS 18, revenue from sales of products, goods for resale, materials and services, net of VAT, discounts and rebates, is recognised when the entity has transferred to the buyer the significant risks and rewards incidental to their ownership.

Sales revenue and total revenue and income of the Group:

Item	2011	2010
Sales of products	368,612	193,435
Sales of goods for resale and materials	2,352	1,362
TOTAL sales revenue	**370,964**	**194,797**
Other operating income	1,866	1,682
Finance income	466	3,152
TOTAL revenue and income	**373,296**	**199,631**

Note 2. OPERATING SEGMENTS

IFRS 8 "Operating Segments", which has superseded previously binding IAS 14 "Segment Reporting", has been effective since January 1st 2009. The new standard introduces the “management approach” to segment disclosures and requires that segment information be presented based on those components of the entity that the management monitors in making decisions about operating matters. An operating segment is a component of an entity for which discrete financial information is available and whose results are reviewed regularly by the entity’s chief decision maker to make decisions about resources to be allocated to the segment and assess its performance. This change in accounting standards has had no impact on the Group’s segment reporting.

The SECO/WARWICK Group’s business comprises the following segments:

Vacuum furnaces (Vacuum)

Vacuum furnaces have multiple applications in a number of industries, including machine tool, aviation, power, electrical engineering, medical equipment, automotive and specialised industries. Vacuum furnaces may be used in a wide variety of processes, such as heat treatment of steel and alloys, brazing, sintering, and degassing. Use of vacuum furnaces brings economic benefits. They are also environmentally friendly.

Aluminium heat exchanger brazing systems (CAB)

The CAB systems are used primarily in the automotive industry for brazing heat exchangers mounted in passenger cars and trucks (charge air coolers, air conditioning evaporators and condensers, oil coolers, etc.). Outside the automotive sector, CAB processes are used in the manufacture of IC radiators, steam condensers for CHP plants, exhaust gas heat exchangers for power generators, etc.

Atmosphere furnaces (Thermal)

Atmosphere furnaces are widely used in the process of thermal and thermochemical treatment of steel and metals in protective atmospheres for improved hardness. Atmosphere furnaces designed for thermochemical treatment are employed in the gas carburising, gas nitriding and other processes. Such furnaces are used chiefly by the automotive and metal industries, including for the manufacturing of anti-friction bearings, as well as for use in commercial hardening plants and specialty industries.

Aluminium heat treatment systems (Aluminium Process)

The SECO/WARWICK Group specialises in a selected range of aluminium heat treatment processes, which generally offer a plethora of applications. The Aluminium Process solutions offered by the Group are used in the production of aluminium sheet for the automotive and aviation industries, as well as for the manufacturing of packaging foil for multiple applications. In addition, the Aluminium Process systems are used to heat treat aluminium castings.

Melting furnaces

The metallurgy applications of the vacuum melting furnaces include alloying, melting and purifying specialty metals, including reactive metals (e.g. titanium, zirconium) and heat-resistant metals (e.g. tantalum). Due to their physical properties, specialty metals may only be treated with the use of technologically advanced solutions under high vacuum conditions.

The different types of melting furnaces include melting and holding furnaces used for the manufacture of precision castings (such as components of jet engines, power turbines, and medical implants).

Melting furnaces may also be used as an element of the globally-unique processes involving disposal of hazardous waste (such as nuclear by-products).

Other

Reportable geographical segments, delineated based on the geographical location of the respective sales markets, are as follows:

- domestic market (Poland),
- the EU market (excluding Poland),
- the Russian market and the markets of other former members of the Soviet Union (Russia, Belarus, Ukraine)
- the US market,
- the Asian market,
- other countries.

Financial data for the segments includes only segment revenue, expenses and segment profit or loss. It is impracticable for the Group to allocate assets to the particular segments as its plant and equipment (including buildings and structures) is shared by all the segments.

OPERATING SEGMENTS – 2011

Item	Continuing operations						Discontinued operations	Unallocated items	Total operations
	Vacuum	*CAB*	*Atmosphere Furnaces*	*Aluminium Process*	*Melting Furnaces*	*Total*			
Total segment revenue	**86,661**	**28,171**	**79,426**	**28,494**	**117,260**	**340,013**		**30,951**	**370,964**
External sales, including:	86,661	28,171	79,426	28,494	117,260	340,013		30,951	370,964
Total segment expenses	**-63,684**	**-18,866**	**-56,956**	**-21,686**	**-95,558**	**-256,750**		**-22,005**	**-278,755**
General and administrative expenses								-42,509	**-42,509**
Selling costs								-20,107	**-20,107**
Operating income								1,866	**1,866**
Operating expenses								-2,434	**-2,434**
Segment profit/(loss) on operating activities	**22,977**	**9,305**	**22,470**	**6,808**	**21,703**	**83,263**			**29,025**
Finance income								466	**466**
Net finance expenses								-9,791	**-9,791**
Pre-tax profit									**19,700**
Income tax								-4,936	**-4,936**
Profit/(loss) on continuing operations									**14,765**
Loss of control								-1,161	**-1,161**
Share in profit of associate								1,196	**1,196**
Profit (loss) attributable to non-controlling interests								294	**294**
Net profit/(loss) for period									**15,093**

OPERATING SEGMENTS – 2010

Item	Continuing operations						Discontinued operations	Unallocated items	Total operations
	Vacuum	*CAB*	*Atmosphere Furnaces*	*Aluminium Process*	*Melting Furnaces*	*Total*			
Total segment revenue	**70,861**	**22,958**	**61,407**	**6,397**	**14,423**	**176,046**	**579**	**18,750**	**194,796**
External sales, including:	70,861	22,958	61,407	6,397	14,423	176,046	579	18,750	194,796
- sales to customers who account for 10% or more of total segment revenue			25,139					2,810	27,949
Total segment expenses	**-48,381**	**-16,162**	**-53,992**	**-4,776**	**-12,448**	**-135,759**	**306**	**-15,872**	**-151,631**
General and administrative expenses							-481	-29,955	-29,955
Selling costs							-142	-11,097	-11,097
Operating income							9	1,682	1,682
Operating expenses								-3,014	-3,014
Segment profit/(loss) on operating activities	**22,480**	**6,796**	**7,415**	**1,620**	**1,975**	**40,287**	**-341**		**781**
Gain (loss) on accounting for obtaining control								10,472	10,472
Finance income							10	3,152	3,152
Net finance expenses							-17	-1,833	-1,833
Share in profit of associate								2,702	2,702
Pre-tax profit							**-346**		**15,274**
Income tax								237	237
Profit/(loss) on discontinued operations							-346		-346
Net profit/(loss) for period									**15,165**

GEOGRAPHICAL SEGMENTS – 2011

Item	*Poland*	*EU*	*Russia*	*US*	*Asia*	Other	**Total**
Total segment revenue	**145,058**	**26,458**	**1,1037**	**90,149**	**6,1081**	**37,181**	**370,964**
External sales – continuing operations, including:	145,058	26,458	1,1037	90,149	6,1081	3,7181	370,964
- sales to customers who account for 10% or more of total segment revenue							
External sales – discontinued operations							
Segment's non-current assets	138,658			22,146		50	**160,853**
Capital expenditure	4,020			2,776		223	**7,019**

GEOGRAPHICAL SEGMENTS – 2010

Item	*Poland*	*EU*	*Russia*	*US*	*Asia*	Other	**Total**
Total segment revenue	**27,510**	**98,360**	**11,266**	**35,941**	**9,450**	**12,270**	**194,797**
External sales – continuing operations, including:	27,510	98,360	11,266	35,941	9,450	12,270	**194,797**
- sales to customers who account for 10% or more of total segment revenue	17,406	28,023	8,615				**54,044**
External sales – discontinued operations							
Segment's non-current assets	139,389			8,663		2,092	**150,144**
Capital expenditure	9,775			224		1,191	**11,190**

Note 3. OPERATING EXPENSES

COSTS BY TYPE	Jan 1 - Dec 31 2011	Jan 1 - Dec 31 2010
Depreciation and amortisation	6,272	4,980
Raw materials and energy used	147,950	86,897
Contracted services	48,458	26,769

Taxes and charges	1,159	975
Salaries and wages	71,539	43,451
Social security and other benefits	15,942	9,596
Defined benefit plan	451	512
Other costs by type	46,683	12,935
Total costs by type, including:	**338,454**	**186,114**
Selling costs	-20,107	-11,097
General and administrative expenses	-42,509	-29,955
Change in products	1,899	9,191
Cost of products and services for own needs	-672	-3,494
Cost of products and services sold	**277,064**	**150,759**

DEPRECIATION/AMORTISATION AND IMPAIRMENT LOSSES RECOGNISED IN THE INCOME STATEMENT	**Jan 1 - Dec 31 2011**	**Jan 1 - Dec 31 2010**
Items recognised in cost of sales:	**3,928**	**2,855**
Depreciation of property, plant and equipment	3,506	2,625
Amortisation of intangible assets	422	230
Impairment of property, plant and equipment		
Items recognised in selling costs	**388**	**368**
Depreciation of property, plant and equipment	182	238
Amortisation of intangible assets	206	131
Cost of operating leases		
Items recognised in general and administrative expenses:	**1,943**	**1,744**
Depreciation of property, plant and equipment	1,580	1,346
Amortisation of intangible assets	364	398
Cost of operating leases		
Items recognised in other operating expenses:	**13**	**13**
Depreciation of investment property	13	13

EMPLOYEE BENEFITS

PERSONNEL COSTS	Jan 1 - Dec 31 2011	Jan 1 - Dec 31 2010
Salaries and wages	71,539	43,451
Social security and other benefits	14,919	9,596
Defined benefit plan	451	512
Retirement benefits		
Other post-employment benefits		
Share-based payment scheme		
Other employee benefits	1,023	
Total employee benefits, including:	**87,932**	**53,559**
Items recognised in cost of sales	53,579	30,538
Items recognised in selling costs	12,593	6,981
Items recognised in general and administrative expenses:	21,761	16,041

Note 4. OTHER OPERATING INCOME AND EXPENSES

OTHER OPERATING INCOME	Jan 1 - Dec 31 2011	Jan 1 - Dec 31 2010
Reversal of impairment losses on receivables	262	117
Release of provisions		12
Gain on sale of property, plant and equipment	39	29
Impairment losses on property, plant and equipment	40	
Awarded reimbursement of court fees	106	
Penalties and compensation/damages received	60	26
Settlement of stock-taking surpluses	27	
Income from re-invoicing		5
Income from lease of tangible assets and investment property	1,080	865
Other	252	628
Total other operating income	**1,866**	**1,682**
OTHER OPERATING EXPENSES	**Jan 1 - Dec 31 2011**	**Jan 1 - Dec 31 2010**
Impairment losses on receivables	1,595	734
Revaluation of inventories		136
Loss on sale of property, plant and equipment	3	6
Court expenses, compensation/damages, penalties	25	146
Revaluation of tangible asset		486
Cost of lease of tangible assets	500	390
Cost of discontinued production		137
Services purchase cost for re-invoicing	14	232
Donations	53	59
Provision for penalties		250
Write-off of past due receivables		61
Costs associated with acts of God	42	
Inventory shortage	21	
Other	181	
Total other operating expenses	**2,434**	**3,014**

Note 5. FINANCE INCOME AND EXPENSES

FINANCE INCOME	Jan 1 - Dec 31 2011	Jan 1 - Dec 31 2010
Interest income	459	119
Gain on disposal of investment		620
Valuation of FX forwards		1,993
Net foreign exchange gains		
Dividends received		
Other	7	3
Total finance income	**466**	**2,735**
FINANCE EXPENSES	**Jan 1 - Dec 31 2011**	**Jan 1 - Dec 31 2010**
Interest paid	1,764	296
Finance charge in finance leases		
Loss on derivative instruments at maturity	1,047	
Balance-sheet valuation of derivative instruments	6,297	
Net foreign exchange losses	401	790
Other	282	331
Total finance expenses	**9,791**	**1,417**

Note 6. INCOME TAX AND DEFERRED INCOME TAX

The main items of the tax expense for the annual periods ended December 31st 2011 and December 31st 2010 were as follows:

INCOME TAX DISCLOSED IN THE INCOME STATEMENT	Jan 1 - Dec 31 2011	Jan 1 - Dec 31 2010
Current income tax	**4,158**	**610**
Current income tax expense	4,158	610
Adjustments to current income tax for previous years		
Deferred income tax	**777**	**(847)**
Related to temporary differences and their reversal	777	(847)
Related to a reduction of income tax rates		
Income tax benefit arising from transactions involving items of equity		
Tax expense disclosed in the income statement	**4,936**	**(237)**

Deferred income tax disclosed in the income statement is equal to the difference between the balances of deferred tax liabilities and deferred tax assets as at the end and as at the beginning of reporting periods

DISCLOSURES RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME	Jan 1 - Dec 31 2011	Jan 1 - Dec 31 2010
Exchange differences on translating foreign operations	11,135	83
Valuation of cash flow hedging derivatives	(1,142)	(21)
Actuarial gains/(losses) on a defined benefit retirement plan	(1,487)	(619)
Income tax relating to other comprehensive income	781	4
Other comprehensive income	**9,287**	**(554)**
Item	***Dec 31 2011***	***Dec 31 2010***

	carrying amount	amount disclosed in the income statement	carrying amount	amount disclosed in the income
Deferred tax liabilities				
Accelerated tax depreciation/amortisation	7,881	1,455	7,582	(1,842)
Finance leases	206	27	179	23
Fair value measurement of available-for-sale financial assets		(1,156)		
Other	157	(41)	198	27
Foreign exchange gains	571	440	131	(87)
Adjustments to long-term contracts	5,509	1,360	4,149	630
Valuation of financial assets	1,329	1,092	237	9
Deferred tax liabilities	**15,654**	**3,177**	**12,476**	**(1,240)**
Deferred tax assets				
Provision for old-age and disability retirement severance pays	1,812	741	1,072	25
Provision for length-of-service awards and bonuses	378	82	296	248
Provision for unused holidays	589	196	394	240
Provision for losses on contracts	36	36		(63)
Provision for warranty repairs	367	(458)	825	247
Other provisions	353	58	295	264
Losses deductible from future taxable income	1,546	1	1,545	928
Assets arising under long-term contracts	1,257	281	976	673
Foreign exchange losses	390	240	149	21
Other	468	381	90	(125)
Valuation of financial instruments	1,129	1,129		(337)
Salaries, wages and social security contributions payable in subsequent periods	196	14	182	25
Lease liabilities	66	(30)	96	(7)
Impairment losses on inventories	473	56	417	120
Impairment losses on receivables	497	132	364	312
Deferred tax assets	**9,558**	**2,860**	**6,702**	**2,572**

Item	Dec 31 2011		Dec 31 2010	
	carrying amount	amount recognised in equity	carrying amount	amount recognised in equity
Valuation of financial instruments – equity component	222	222	4	4
Deferred tax assets	**222**	**222**	**4**	**4**

Note 7. ASSETS HELD FOR SALE

On October 8th 2010, the Board of Directors of SECO/WARWICK (Tianjin) Industrial Furnace Co. Ltd. executed an agreement providing for sale to the Chinese shareholder Tianjin Kama Electric Thermal Equipment Manufacturing Co., Ltd. of a 25% equity interest in SECO/WARWICK (Tianjin) Industrial Furnace Co. Ltd. held by SECO/WARWICK Corp. for USD 300 thousand and a 25% equity interest held by SECO/WARWICK S.A. also for USD 300 thousand. Initially, it was arranged that the transaction would be finalised by December 31st 2010. However, this arrangement had not been met by the Chinese partner. Therefore, a new payment schedule was agreed. An annex to the original agreement was also signed, providing for a potential dissolution of SECO/WARWICK (Tianjin) Industrial Furnace Co. Ltd. if payments are not made as scheduled. The President of SECO/WARWICK (Tianjin) Industrial Furnace Co. completed the first stage concerning change of the company's name.

As the parent expects to encounter difficulties in collecting the cash owed, in keeping with the principle of prudence in accounting, an impairment loss was recognised on cash received so far from the Chinese owner of KAMA Eletric Thermal Equipment Manufacturing Co.

The shares in SECO/WARWICK Tianjin were accounted for in the statement of financial position as assets held for sale of PLN 786 thousand.

Held-for-sale assets are presented by the Group as a separate item of assets.

Item	Dec 31 2011	Dec 31 2010
Plant and equipment	3,377	-
Financial assets	786	5,550
Assets held for sale	**4,168**	**5,550**

As at December 31st 2011, the value of machinery and equipment carried by the Group as property, plant and equipment held for sale was PLN 3,377 thousand. As the Management Board expects the said assets to be sold in the financial year 2012, they were recognised as assets held for sale to ensure compliance with IFRS 5.

Note 8. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for a given period attributable to holders of ordinary shares by the weighted average number of outstanding ordinary shares in that period.

Diluted earnings per share are calculated by dividing the net profit for a given period attributable to holders of ordinary shares (net of interest on redeemable preference shares convertible into ordinary shares) by the weighted average number of outstanding ordinary shares in that period (adjusted for the effect of dilutive options and dilutive redeemable preference shares convertible into ordinary shares)

Item	Dec 31 2011	Dec 31 2010
Net profit on continuing operations attributable to shareholders	15,093	15,511
Loss on discontinued operations attributable to shareholders	0	-346
Net profit attributable to owners of the parent	15,093	15,165
Interest on redeemable preference shares convertible into ordinary shares		
Net profit attributable to holders of ordinary shares used to calculate diluted earnings per share	**15,093**	**15,165**
Weighted average number of outstanding ordinary shares used to calculate basic earnings per share	10,476,210	9,626,503
Earnings per share	**1.44**	**1.58**
Dilutive effect:		
Number of potential subscription warrants for 2010-2011	10,250	110,250
Number of potential shares issued at market price	9,037	100,939
Adjusted weighted average number of ordinary shares used to calculate diluted earnings per share	10,477,423	9,635,815
Diluted earnings per share	**1.44**	**1.57**

Material events subsequent to the balance-sheet date have been reported in current reports, which can be viewed at ww.secowarwick.com.pl

Note 9. DIVIDENDS PROPOSED OR APPROVED BY WAY OF RESOLUTION BY THE DATE OF APPROVAL OF THESE FINANCIAL STATEMENTS

On May 26th 2011, the Annual General Meeting of SECO/WARWICK S.A. adopted Resolution No. 20 concerning distribution of profit for the period January 1st–December 31st 2010. Net profit earned by SECO/WARWICK S.A. of Świebodzin in the financial year 2010 was PLN 8,273,151.42. PLN 1,047,621.00 was allocated to dividend payment. The dividend per ordinary share amounted to PLN 0.10. The Issuer has not issued any preference shares. The dividend record date was June 16th 2011, while the dividend payment date was July 1st 2011. The dividend was paid as scheduled.

Note 10. PROPERTY, PLANT AND EQUIPMENT

Item	Dec 31 2011	Dec 31 2010
Tangible assets	51,427	50,059
Tangible assets under construction	1,552	3,178
Prepayments for tangible assets under construction		153
Property, plant and equipment	**52,979**	**53,390**

OWNERSHIP STRUCTURE – net value	Dec 31 2011	Dec 31 2010
Owned	**51,918**	**52,507**
Used under lease, tenancy or similar contract	1,061	883
Total	**52,979**	**53,390**

Changes in property, plant and equipment (by type) between January 1st and December 31st 2010

Item	Land	Buildings and structures	Plant and equipment	Vehicles	Other tangible assets	Total
Gross carrying amount as at Jan 1 2010	**2,361**	**26,651**	**23,371**	**4,516**	**2,752**	**59,651**
Increase, including:		1,408	10,235	1,383	263	13,289
assets acquired		1,024	793	578	177	2,572
assets generated internally		384	3,168			3,552
lease agreements concluded				349		349
tangible assets of acquired companies			6,274	456	86	6,816
other						
Decrease, including:		**761**	**334**	**221**	**77**	**1,393**
disposal			22	53	5	80
liquidation			68		24	92
loss of control		761	244	168	48	1,221
other						
Gross carrying amount as at Dec 31 2010	**2,361**	**27,298**	**33,272**	**5,678**	**2,939**	**71,548**
Cumulative depreciation as at Jan 1 2010		**3,924**	**9,836**	**2,176**	**1,215**	**17,150**
Increase, including:		**903**	**2,390**	**610**	**250**	**4,154**
amortisation		903	2,313	605	249	4,071
revaluation						
tangible assets of acquired companies			77	5	1	83
other						
Decrease, including:		**94**	**141**	**46**	**37**	**317**
sale			22	15	4	41

liquidation			66	0	16	82
loss of control		94	53	31	17	194
revaluation						
Cumulative depreciation as at Dec 31 2010		**4,733**	**12,085**	**2,740**	**1,428**	**20,987**
Impairment losses as at Jan 1 2010						
Impairment losses as at Dec 31 2010			487			487
Net exchange differences on translation of financial statements into presentation currency	10	174	-239	56	-16	-15
Net carrying amount as at Dec 31 2010	**2,371**	**22,739**	**20,461**	**2,994**	**1,494**	**50,059**

Changes in property, plant and equipment (by type) in the period January 1st - December 31st 2011

Item	Land	Buildings and structures	Plant and equipment	Vehicles	Other tangible assets	Total
Gross carrying amount as at Jan 1 2011	**2,361**	**27,298**	**33,272**	**5,678**	**2,939**	**71,548**
Increase, including:		**267**	**6,168**	**1,184**	**161**	**7,780**
assets acquired		63	3,805	1,035	161	5,064
assets generated internally		204	2,363			2,567
lease agreements concluded				149		149
tangible assets of acquired companies						
other						
Decrease, including:			**4,394**	**240**	**77**	**4,711**
disposal			80	240	37	357
liquidation			937		40	977
loss of control						
reclassification – assets for sales			3,377			3,377
Gross carrying amount as at Dec 31 2011	**2,361**	**27,565**	**35,046**	**6,622**	**3,023**	**74,617**

Cumulative depreciation as at Jan 1 2011		**4,733**	**12,085**	**2,740**	**1,428**	**20,987**
Increase, including:		**1,000**	**3,321**	**881**	**257**	**5,459**
amortisation		1,000	3,321	881	257	5,459
revaluation						
tangible assets of acquired companies						
other						
Decrease, including:			**505**	**195**	**50**	**750**
revenue			57	195	20	272
liquidation			448		30	478
loss of control						
revaluation						
Cumulative depreciation as at Dec 31 2011		**5,733**	**14,901**	**3,426**	**1,635**	**25,696**
Impairment losses as at Jan 1 2011			487			487
Impairment losses as at Dec 31 2011						
Net exchange differences on translation of financial statements into presentation currency	94	988	1,283	139	1	2,506
Net carrying amount as at Dec 31 2011	**2,455**	**22,819**	**21,428**	**3,335**	**1,389**	**51,427**

No impairment losses on tangible assets were recognised in the period from January 1st to December 31st 2011.

Impairment losses on tangible assets in the period from January 1st to December 31st 2010 amounted to PLN 487 thousand.

Tangible assets under construction:

Tangible assets under construction as at Jan 1 2010	*Expenditure incurred in the financial year*	*Accounting for the expenditure*					*As at Dec 31 2010*
		Buildings, premises and civil engineering structures	*Plant and equipment*	*Vehicles*	*Other tangible assets*	*Intangible assets*	
3,528	**6,430**	727	3,538	435	24	2,057	**3,178**

Tangible assets under construction as at Jan 1 2011	*Expenditure incurred in the financial year*	*Accounting for the expenditure*					*As at Dec 31 2011*
		Buildings, premises and civil engineering structures	*Plant and equipment*	*Vehicles*	*Other tangible assets*	*Intangible assets*	
3,178	**8,644**	243	3,096	915	147	5,869	**1,552**

Tangible assets under construction	Dec 31 2011	Dec 31 2010
Modular line		2,243
Testing station for hydrogen atmosphere	336	
VPT furnace	640	663
Modernisation work at production facility	76	208
Other	500	64
TOTAL	**1,552**	**3,178**

Value and area of land held in perpetual usufruct (not applicable to foreign companies)

Address	Number of Land and Mortgage Register Entry	Lot No.	Surface area [sq m] as at Dec 31 2011	Value as at Dec 31 2011 (PLN '000)	Surface area [sq m] as at Dec 31 2010	Value as at Dec 31 2010
Świebodzin, ul. Sobieskiego 8	KW 1306	95/7	5,098	289	5,098	289
Świebodzin, ul. Sobieskiego 8	KW 9562	94/4	2,467	140	2,467	140
Świebodzin, ul. Sobieskiego 8	KW 9444	94/16	285	97	285	97
Świebodzin, ul. Sobieskiego 8	KW 9507	94/23	119	6	119	6
	KW 9444	94/22	1,415	originally lot No. 94/17 KW 9444	1,415	originally lot No. 94/17 KW 9444
Świebodzin, ul. Sobieskiego 8	KW 9507	94/21	2,645	150	2,645	150
Świebodzin, ul. Sobieskiego 8	KW 19319	94/19	214	12	214	12
Świebodzin, ul. Sobieskiego 8	KW 9507	94/8	110	6	110	6
Świebodzin, ul. Sobieskiego 8	KW 39300	94/25	1,279	73	1,279	73
Świebodzin, ul. Świerczewskiego 76	KW 40641	195/80	11,605	23	11,605	23
Świebodzin, ul. Świerczewskiego 76	KW 41410	195/94	221	1	221	1
Świebodzin, ul. Sobieskiego 8	KW 9507	94/6	1,121	10	1,121	10
Świebodzin, ul. Świerczewskiego 76	KW 10363	195/97	28,366	594	28,366	594
Świebodzin, ul. Świerczewskiego 76	KW 10363	195/96	7,940	166	7,940	166
		Total	**62,885**	**1,567**	**62,885**	**1,567**

On December 21st 2010, SECO/WARWICK S.A. signed a USD 2,500 thousand investment loan agreement with BRE Bank Spółka Akcyjna. The loan was granted to finance 10% of the purchase cost of five shares in Retech Systems LLC.

The loan is secured with an blanket ordinary mortgage of USD 2,500 thousand and a blanket ceiling mortgage of up to USD 250 thousand created over a property owned by the State Treasury and comprising the following lots:

- Nos. 94/21, 94/8, 94/23, 94/6, with total area of 0.3995ha, situated at ul. Sobieskiego 8, Świebodzin
- Nos. 94/16, 94/22, with total area of 0.1700ha, situated at ul. Sobieskiego 8, Świebodzin
- No. 94/19, with area of 0.0214ha, situated at ul. Sobieskiego 8, Świebodzin
- No. 94/4, with area of 0.2467ha, situated at ul. Sobieskiego 8, Świebodzin
- No. 94/7, with area of 0.5098ha, situated at ul. Sobieskiego 8, Świebodzin
- No. 94/25, with area of 0.1279ha, situated at ul. Sobieskiego 8, Świebodzin
- No. 195/80, with area of 1.1605ha, situated at ul. Świerczewskiego 76, Świebodzin
- No. 195/94, with area of 0.0221ha, situated at ul. Świerczewskiego 76, Świebodzin
- as well as buildings and structures situated on the above lots, owned by the borrower, and on undeveloped lot No. 94/14, owned by the borrower, with an area of 0.1030ha, situated at ul. Sobieskiego 8, Świebodzin.

SECO/WARWICK ThermAL S.A.'s land and buildings with the carrying amount of PLN 7,744 thousand (as at December 31st 2010: not applicable) are encumbered with a mortgage securing the repayment of the company's bank loans.

Tangible assets under lease agreements

Tangible assets	Dec 31 2011			Dec 31 2010		
	Gross value	Depreciation	Net value	Gross value	Depreciation	Net value
Real property						
Plant and equipment	693	242	451	342	108	234
Vehicles	913	370	543	952	298	648
Other tangible assets			0			
Total	**1,606**	**612**	**994**	**1,294**	**406**	**882**

The carrying amount of machinery and equipment which were used as at December 31st 2011 under finance leases and lease agreements with a purchase option is PLN 451 thousand (December 31st 2010: PLN 234 thousand). The carrying amount of vehicles which were used as at December 31st 2011 under finance leases and lease agreements with a purchase option is PLN 543 thousand (December 31st 2010: PLN 648 thousand).

Note 11. INTANGIBLE ASSETS

OWNERSHIP STRUCTURE – net value	Dec 31 2011	Dec 31 2010
Owned	14,091	13,705
Used under lease, tenancy or similar contract		
Total	**14,091**	**13,705**

Changes in intangible assets (by type) – between January 1st and December 31st 2010

Item	*Patents and licences, software*	*Development expense*	*Other intangible assets*	*Total*
Gross carrying amount as at Jan 1 2010	**6,113**	**5,448**	**1,638**	**13,200**
Increase, including:	**523**	**3,243**	**1,815**	**5,581**
business combinations				
acquisitions	286	3,243	1,815	5,344
intangible assets of acquired companies	237			237
other				
Decrease, including:	**27**			**27**
disposal of subsidiary				
disposal				
liquidation	27			27
revaluation				
other				
Gross carrying amount as at Dec 31 2010	**5,331**	**8,691**	**3,453**	**17,475**
Cumulative amortisation as at Jan 1 2010	**2,590**	**179**	**604**	**3,374**
Increase, including:	**560**	**89**	**98**	**747**
amortisation	560	89	98	747
amortisation of intangible assets of acquired companies	6			
revaluation				
other				
Decrease, including:				
liquidation				
sale				
other				
Cumulative amortisation as at Dec 31 2010	**2,844**	**268**	**682**	**3,794**
Impairment losses as at Jan 1 2010				
Increase, including:				
Decrease, including:				
Impairment losses as at Dec 31 2010				
Net exchange differences on translation of financial statements into presentation currency	-467			-467
Net carrying amount as at Dec 31 2010	**2,510**	**8,423**	**2,771**	**13,704**

Changes in intangible assets (by type) in the period January 1st - December 31st 2011

Item	*Patents and licences, software*	*Development expense*	*Other intangible assets*	*Total*
Gross carrying amount as at Jan 1 2011	**5,331**	**8,691**	**3,453**	**17,475**
Increase, including:	**697**	**595**		**1,292**
business combinations				
acquisitions	697	595		1,292
other				
Decrease, including:	**6**			**6**
disposal of subsidiary	6			6
disposal				
liquidation				
revaluation				
other				
Gross carrying amount as at Dec 31 2011	**6,022**	**9,286**	**3,453**	**18,761**
Cumulative depreciation as at Jan 1 2011	**2,844**	**268**	**682**	**3,794**
Increase, including:	**765**	**87**	**175**	**1,027**
amortisation	765	87	175	**1,027**
revaluation				
other				
Decrease, including:	**6**			**6**
liquidation	6			6
revenue				
other				
Cumulative depreciation as at Dec 31 2011	**3,603**	**355**	**857**	**4,815**
Impairment losses as at Jan 1 2011				
Increase, including:				
Decrease, including:				
Impairment losses as at Dec 31 2011				
Net exchange differences on translation of financial statements into presentation currency	145			145
Net carrying amount as at Dec 31 2011	**2,563**	**8,931**	**2,596**	**14,091**

Intangible assets do not serve as security for liabilities.

As at December 31st 2010 and December 31st 2011, the Group carried no intangible assets held for sale.

Impairment losses on intangible assets in the period January 1st - December 31st 2011 – none. Impairment losses on intangible assets in the period from January 1st to December 31st 2010 – none.

Note 12. INVESTMENT PROPERTY

SECO/WARWICK S.A. owns an investment property located at ul. Sobieskiego 8 in Świebodzin, Poland, which comprises a production hall currently leased out to VACMAX. In 2011 and 2010, the property generated lease income of PLN 54 thousand.

Item	Dec 31 2011	Dec 31 2010
Opening balance	**435**	**448**
Increase (subsequent expenditure), including:	**-**	**-**
modernisation	-	-
Decrease, including:	**13**	**13**
depreciation	13	13
revenue	-	-
Closing balance	**422**	**435**

Item	Dec 31 2011	Dec 31 2010
Gross carrying amount – opening balance	527	527
Increase, including:	-	-
acquisitions	-	-
production	-	-
other	-	-
Decrease, including:	-	-
disposal	-	-
liquidation	-	-
other	-	-
Carrying amount – closing balance	527	527
Cumulative depreciation – opening balance	92	79
Increase, including:	13	13
depreciation	13	13
other	-	-
Decrease, including:	-	-
sale	-	-
other	-	-
Cumulative depreciation – closing balance	105	92
Impairment losses – opening balance	-	-
Increase	-	-
Decrease	-	-
Impairment losses – closing balance	-	-
Net carrying amount – closing balance	422	435

Item	Dec 31 2011	Dec 31 2010
Lease income	**54**	**54**

Cost of generating lease income	**23**	**23**
Real property tax	10	10
Depreciation	13	13

Note 13. GOODWILL

The table below presents increases/decreases in goodwill in connection with the consolidation of subsidiaries SECO/WARWICK Corporation and Retech Systems LLC using the full method.

Item	*Dec 31 2011*	*Dec 31 2010*
Consolidation goodwill at beginning of period	58,000	4,284
Increase in consolidation goodwill – acquisition of Retech Systems LLC		53,545
Exchange differences on translation of goodwill	7,116	171
Decrease in goodwill – recognised impairment losses		
Decrease in goodwill – sale		
Total goodwill at end of period	**65,116**	**58,000**

Note 14. INVESTMENTS IN SUBORDINATED UNDERTAKINGS

Investments in subsidiaries, jointly controlled entities and associates accounted for using the equity method

Company name	Carrying amount of shares as at Dec 31 2011	% of share capital held	% of the total vote	Method of consolidation	Assets	Liabilities	Revenue	Net profit/ loss
SECO/WARWICK ThermAL	7,657	100%	100%	full method	72,487	42,933	84,261	7,305
SECO/WARWICK Corporation	21,806	100%	100%	full method	43,412	35,665	54,517	330
SECO/WARWICK Moscow	172	100%	100%	full method	2,966	2,391	2,286	(341)
RETECH Systems LLC	50,863	100%	100%	full method	65,100	32,272	122,849	4,272
SECO/WARWICK ALLIED	10,995	50%	50%	equity method	64,607	46,951	59,418	2,238
SECO/WARWICK Retech	2,573	100%	100%	full method	8,875	3,995	6,350	(1,155)
SECO/WARWICK GmbH	849	51%	51%	full method	1,414	1,041	0	(600)

Company name	Carrying amount of shares as at Dec 31 2010	% of share capital held	% of the total vote	Method of consolidation	Assets	Liabilities	Revenue	Net profit/ loss
LZT Elterma S.A.	7,657	100%	100%	full method	50,529	28,090	55,584	(2,407)
SECO/WARWICK Corporation	21,806	100%	100%	full method	28,800	21,489	35,070	(3,743)
SECO/WARWICK Moscow	172	100%	100%	full method	1,452	599	506	11
SECO/WARWICK Tianjin*	889	50%	50%	proportional method	6,000	3,254	579	(374)
RETECH Systems LLC**	50,863	100%	100%	full method	63,931	39,724	4,302	(42)
SECO/WARWICK RETECH	1,751	100%	100%	full method	6,012	2,971	4,148	(30)
SECO/WARWICK ALLIED	10,995	50%	50%	equity method	44,574	29,173	44,719	2,794

*discontinued operations **Data from the statement of financial position presented as at December 31st 2010; data from the statement of comprehensive income presented for the period December 9th–December 31st 2010

Note 15. INVESTMENTS IN ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

SECO/WARWICK Allied Pvt., Ltd.

The Group holds 50% of ordinary shares in SECO/WARWICK Allied Pvt. Ltd., representing 50% of the total vote at the General Meeting of SECO/WARWICK Allied Pvt. Ltd., an Indian law company. The remaining 50% of votes are held by Messrs U. Rao, N. Rajgopal, and V.N. Nasta.

The shares in SECO/WARWICK Allied Pvt. Ltd. were acquired by the SECO/WARWICK Group under the share purchase agreement of April 1st 2008.

Item	*Dec 31 2011*	*Dec 31 2010*
Current assets	45,653	32,885
Non-current assets	18,953	10,821
Current liabilities	32,765	21,997
Non-current liabilities	14,186	6,491
Share of net assets	9,672	9,440
Revenue	60,331	44,725
Net profit/(loss)	2,391	2,594
Share of profit of associate:	50%	50%

The Parent does not control SECO/WARWICK Allied Pvt. Ltd. within the meaning of IFRS 3 because it is not able to govern the company's financial and operational policies. Messrs. Jeffrey Boswell, Wojciech Modrzyk (Member of the Parent's Management Board) and Piotr Walasek (Chief Financial Officer of the SECO/WARWICK Group) serve on the six-member Board of Directors of SECO/WARWICK Allied Pvt. Ltd. and do not perform any current operational duties towards SECO/WARWICK Allied Pvt. Ltd. Given the above, and considering the fact that SECO/WARWICK holds more than 20% and less than 51% of ordinary shares and a corresponding interest in the net assets of the acquired company, the Management Board of the Parent believes that SECO/WARWICK has “significant influence” over the acquiree. In view of the above, the investment in SECO/WARWICK Allied Pvt. Ltd. has been accounted for using the equity method in accordance with IAS 28.

The acquisition of 50% of shares in SECO/WARWICK Allied Pvt. Ltd. has been accounted for as follows:

Item	*Apr 1 2008*
Acquisition cost	10,995
Share of net assets as at acquisition date	4,111
Goodwill as at acquisition date	**6,884**

Item	*Dec 31 2011*	*Dec 31 2010*
Goodwill	7,692	7,041
Share of net assets as at the balance-sheet date	9,672	9,440
Exchange differences on translation of goodwill	1,098	1,426
Investment in associate	**18,462**	**17,907**
Acquisition cost	10,995	10,995
Share of profit of associate - 2008	398	398

Share of profit of associate - 2009	204	204
Share of profit of associate - 2010	1,297	1,297
Share of profit of associate - 2011	1,196	
Payment for preference shares	2,493	2,251
Exchange differences on translation of foreign operation	1,880	2,761
Investment in associate	**18,462**	**17,907**

As prescribed by IAS 12.44, the Group recognises deferred tax assets related to deductible temporary differences arising from investments in associates only to the extent it is probable that the temporary differences will reverse in the foreseeable future.

The Management Board of the Parent intends to hold the investment in SECO/WARWICK Allied Pvt. Ltd. as a long-term investment (currently there are no plans to sell the shares). In view of that and in accordance with IAS 12.44, no deferred tax assets were recognised in respect of the deductible temporary differences arising from investments in associates.

Note 16. INVENTORIES

Item	Dec 31 2011	Dec 31 2010
Materials (at cost)	18,185	16,244
Semi-finished products and work in progress	6,490	2,555
Finished products	1,179	2,353
Goods for resale	180	16
Total inventories (carrying amount)	**26,034**	**21,168**
Impairment losses on inventories	1,737	1,644
Inventories, gross	**27,771**	**22,812**

CHANGES IN IMPAIRMENT LOSSES ON INVENTORIES

IMPAIRMENT LOSSES	Materials	Semi-finished products and work in progress	Finished products	Goods for resale	Total
01.01.2010	**1,074**	**0**	**13**	**5**	**1,092**
Increase, including:	**367**	**161**	**37**	**0**	**565**
- impairment losses recognised in correspondence with other operating expenses	350	161	37		548
Net exchange differences on translation of financial statements into presentation currency	17				17
Decrease, including:	**13**	**0**	**0**	**0**	**13**
- impairment losses reversed in correspondence with other operating income	13				13
Net exchange differences on translation of financial statements into presentation currency					
Dec 31 2010	**1,427**	**161**	**50**	**5**	**1,643**
Increase, including:	**134**				**134**
- impairment losses recognised in correspondence with other operating expenses					

Net exchange differences on translation of financial statements into presentation currency	134				134
Decrease, including:	**4**		**37**		**41**
- impairment losses reversed in correspondence with other operating income	4		37		41
Net exchange differences on translation of financial statements into presentation currency					
Dec 31 2011	**1,558**	**161**	**13**	**5**	**1,737**

Note 17. LONG-TERM CONTRACTS

Item	Dec 31 2011	Dec 31 2010
Costs incurred under construction contracts, including recognised gains (net of recognised losses)	481,248	493,699
Advances received	(463,123)	(441,438)
Excess of received advances over revenue recognised using the percentage of completion method	38,691	20,153
Contract settlement, total	**56,816**	**72,414**

Note 18. TRADE AND OTHER RECEIVABLES

Item	*Dec 31 2011*	*Dec 31 2010*
Net trade receivables	**107,077**	**63,771**
- from related entities	1,094	117
- from other entities	105,983	63,654
Impairment losses (positive value)	2,561	1,901
Gross trade receivables	**109,638**	**65,671**
Other receivables:		
Taxes, customs duties and social security receivable	4,451	5,573
other	8,503	3,380
Impairment losses (positive value)		
Gross other receivables	**122,591**	**74,624**

The Group pursues a policy of selling its products and services only to customers whose reliability it has checked. Management believes that thanks to this policy there is no additional credit risk beyond the level determined by the impairment losses recognised with respect to the Company's uncollectible trade receivables.

As at December 31st 2011, trade receivables of PLN 2,561 thousand (2010: PLN 900 thousand) were classified as unrecoverable and, accordingly, a relevant impairment loss was recognised.

The changes in impairment losses on receivables were as follows:

Item	Dec 31 2011	Dec 31 2010
As at beginning of period	**1,900**	**1,063**
Increase	1,210	1,145
Use (-)	(129)	(313)
Unused amounts written off (-)	(551)	
Discount rate adjustment (-)		
Net exchange differences on translation of financial statements into presentation currency	131	5
As at end of period	**2,561**	**1,900**

Maturity structure of trade receivables (gross) as from the balance-sheet date:

Item	Dec 31 2011	Dec 31 2010
up to 1 month	14,087	11,252
more than 1 month, up to 3 months	55,521	16,383
more than 3 months, up to 6 months	31,497	10,533
more than 6 months, up to 1 year	1,534	19,200
more than 1 year	575	4,204
past due	3,863	2,199
Total trade receivables (gross)	**107,077**	**63,771**
Impairment losses on trade receivables	2,561	1,900
Total trade receivables (net)	**109,638**	**65,671**

Trade and other receivables by currency:

Item	Dec 31 2011		Dec 31 2010	
	in foreign currency	restated in PLN	in foreign currency	restated in PLN
PLN	-	14,050	-	11,889
EUR	12,476	53,630	7,329	29,464
USD	16,119	51,019	10,461	31,569
GBP	63	332	247	1,133
CHF			-	-
other		3,560	-	535
Total		**122,591**		**74,620**

Current receivables from related entities:

Item	*Dec 31 2011*	*Dec 31 2010*
Trade receivables	**1,094**	**117**
from subsidiaries		
from jointly controlled entities		

from associates	1,094	117
from other related parties not covered by these consolidated financial statements		
Other current receivables	-	-
from subsidiaries		
from jointly controlled entities		
from associates		
from other related parties not covered by these consolidated financial statements		
Total	**1,094**	**117**

Note 19. OTHER FINANCIAL ASSETS AND LIABILITIES

Loans advanced (including loans advanced to members of the Management Board) – as at December 31st 2011

	Dec 31 2011	Dec 31 2010
Increase in loans advanced, including:	0	5
- non-current		
- current	0	5

No loans were advanced to members of the Management Board or the Supervisory Board in 2011.

Financial assets

	Dec 31 2011	Dec 31 2010
Derivative financial instruments	10	365
Financial assets at fair value through profit or loss	10	365
- non-current		
- current	10	365

Financial liabilities

Item	Dec 31 2011	Dec 31 2010
loans	28,123	36,349
Other financial liabilities:		
- valuation of financial instruments	7,106	21
- lease liabilities	349	55
Total financial liabilities	**35,578**	**36,425**
- non-current	6,948	8,896
- current	28,630	27,529

	Dec 31 2011		Dec 31 2010	
	Assets	Liabilities	Assets	Liabilities
Derivative financial instruments	10	7,106	365	21
Total financial assets and liabilities at fair value through profit or loss	**10**	**7,106**	**365**	**21**
- non-current				
- current		7,106		21

Total financial assets and liabilities at fair value through equity		**-942**		**-17**
- non-current				
- current		-942		-17

Disclosures concerning derivative financial instruments which meet the hedge accounting criteria

SECO/WARWICK S.A. uses currency forwards and zero-cost collars established by writing a put option and buying a call option to hedge an average of 60% of its EUR-denominated cash flows generated from export sales and up to 55% of its USD- and GBP-denominated cash flows. The purpose is to ensure that the budgeted exchange rates for contracts are met. Any changes in the value of the EUR- or USD-denominated cash flows are offset by changes in the fair value of the hedging instrument. Hedge accounting is applied if all the criteria provided for in IAS 39:88 are met. Any negative balance-sheet valuation of derivative instruments is recognised directly in equity. If a transaction which has been hedged with a currency forward affects the income statement, any negative valuation previously recognised in equity is reclassified into the income statement. Fair value of currency forward contracts was determined by the bank which is party to the transaction.

The table below presents details of each hedging relationship at SECO/WARWICK S.A. as at December 31st 2011.

31/12/2011	Notional amount of contract with business partner (EUR'000)	Original notional amount of hedging instrument (EUR'000)	Notional amount of hedging instrument as at Dec 31 2011 (EUR '000)	Fair value of hedging instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date of expected cash flow
1	545	380	100	-36	-35	-2	Mar 30 2012
2	5,500	4,125	2,050	-896	-880	-16	Mar 30 2012
3	1,299	900	900	-400	-379	-21	Mar 1 2012
4	1,029	720	340	-132	-130	-2	May 31 2012
5	711	400	400	-185	-154	-31	Mar 28 2012
6	275	190	40	-18	-18	0	Mar 28 2012
7	741	525	525	-276	-276	0	May 31 2012
8	400	280	280	-132	-132	0	Apr 30 2012
9	967	677	677	-335	-172	-163	May 31 2012
10	120	84	84	-37	-37	0	Mar 30 2012
11	203	140	140	-63	-63	0	May 31 2012
12	79	55	55	-25	-25	0	Feb 28 2012
13	1,710	1,190	1,190	-598	-155	-443	Nov 30 2012
14	576	400	400	-170	-142	-27	Feb 28 2012
15	800	560	400	-176	-153	-23	Feb 28 2012
16	1,831	1,800	400	-42	-37	-5	Jun 29 2012
TOTAL	**16,785**	**12,426**	**7,981**	**-3,522**	**-2,788**	**-734**	

31/12/2011	Notional amount of contract with business partner (USD'000)	Original notional amount of hedging instrument (USD'000)	Notional amount of hedging instrument as at Dec 31 2011 (USD '000)	Fair value of hedging instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date of expected cash flow
1	506	180	180	-118	-108	-10	Jan 31 2012
2	835	585	585	-377	-198	-178	Aug 30 2012
3	836	500	500	-305	-297	-8	Jul 2 2012
TOTAL	**2,177**	**1,265**	**1,265**	**-799**	**-604**	**-196**	

SECO/WARWICK ThermAL S.A. uses currency forwards and zero-cost collars established by writing a put option and buying a call option to hedge an average of 80% of its EUR-denominated cash flows generated from export sales and up to 90% of its USD- and GBP-denominated cash flows. The purpose is to ensure that the budgeted exchange rates for contracts are met. Any changes in the value of the EUR- or USD-denominated cash flows are offset by changes in the fair value of the hedging instrument. Hedge accounting is applied if all the criteria provided for in IAS 39:88 are met. Any negative balance-sheet valuation of derivative instruments is recognised directly in equity. If a transaction which has been hedged with a currency forward affects the income statement, any negative valuation previously recognised inequity is reclassified into the income statement. Fair value of currency forward contracts was determined by the bank which is party to the transaction.

The table below presents details of each hedging relationship at SECO/WARWICK ThermAL S.A. as at December 31st 2011.

31/12/2011	Notional amount of contract with business partner (EUR'000)	Original notional amount of hedging instrument (EUR'000)	Notional amount of hedging instrument (EUR '000)	Fair value of hedging instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date of expected cash flow
1	1,703	1,178	740	-50	-41	-9	Apr 27 2012
2			170	-64	-52	-12	Feb 24 2012
3	373	267	100	-46	-42	-4	Feb 15 2012
4			67	-31	-28	-3	Mar 15 2012
5	1,330	1,210	1,210	-566	-542	-24	Mar 30 2012
6	1,385	692	554	-241	-156	-85	Apr 12 2012
7		415	139	-61	-40	-21	May 31 2012
8	3,805	1,700	1,000	-463	-463	0	Apr 30 2012
		1,500	700	-289	-288	-1	Apr 30 2012
9	3,645	150	150	-63	-62	-1	Apr 30 2012

		2,900						
10	927	550	550	-192	-171	-21	Feb 20 2012
			-460	161	143	18	Feb 20 2012
12	50	35	35	2	2	0	Jan 3 2012
	257	150	150	8	7	1	Jan 3 2012
TOTAL	**13,475**	**10,747**	**5,105**	**-1,895**	**-1,733**	**-162**	

31/12/2011	Notional amount of contract with business partner (USD'000)	Original notional amount of hedging instrument (USD'000)	Notional amount of hedging instrument (USD '000)	Fair value of hedging instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date of expected cash flow
1	1,019	820	75	-57	-57	0	Apr 16 2012
2	556	490	270	-137	-128	-9	Feb 10 2012
3	1,125	870	400	-79	-38	-41	Apr 12 2012
4			200	-39	-19	-20	Mar 28 2012
TOTAL	**2,700**	**2,180**	**945**	**-312**	**-242**	**-70**	

Disclosures concerning derivative financial instruments which do not meet hedge accounting criteria

On June 16th 2011, the Company entered into the following currency option transactions with BRE BANK S.A. of Warsaw as part of a zero-cost collar strategy comprising:
- purchased PUT option of EUR 1,100,000, with the exercise price of EUR/PLN 3.9000, maturing on June 18th 2012;
- sold CALL option of EUR 1,100,000, with the exercise price of EUR/PLN 4.3400, maturing on June 18th 2012;

On June 1st 2011, the Company entered into the following currency options with BZ WBK S.A. of Wrocław as part of a zero-cost collar strategy comprising:
- purchased PUT option of EUR 415,000, with the exercise price of EUR/PLN 3.9000, maturing on June 11th 2012;
- sold CALL option of EUR 415,000, with the exercise price of EUR/PLN 4.2260, maturing on June 11th 2012;

On September 20th 2011, the Company entered into the following currency options with BZ WBK S.A. of Wrocław as part of a zero-cost collar strategy comprising:
- purchased PUT option of EUR 240,000, with the exercise price of EUR/PLN 4.1000, maturing on December 18th 2012;
- sold CALL option of EUR 240,000, with the exercise price of EUR/PLN 4.9320, maturing on December 18th 2012;
- purchased PUT option of EUR 800,000, with the exercise price of EUR/PLN 4.1000, maturing on January 11th 2013;
- sold CALL option of EUR 800,000, with the exercise price of EUR/PLN 5.0100, maturing on January 11th 2013;
- purchased PUT option of EUR 800,000, with the exercise price of EUR/PLN 4.1500, maturing on August 16th 2013;
- sold CALL option of EUR 800,000 EUR, with the exercise price of EUR/PLN 5.0680, maturing on August 16th 2013. The purpose of the forwards is to ensure that the budgeted exchange rates for

contracts are met. As at the balance-sheet date, the aggregate fair value of the financial instrument was -PLN 567 thousand The fair value was determined by the banks which were party to the transaction.

Note 20. PREPAYMENTS AND ACCRUED INCOME

Item	Dec 31 2011	Dec 31 2010
Insurance policies	816	594
Subscriptions	5	6
VAT to be settled in the following period	790	642
other	560	717
Total current prepayments and accrued income	**2,171**	**1,959**

Note 21. CASH AND CASH EQUIVALENTS

Item	Dec 31 2011	Dec 31 2010
Cash at banks and cash in hand	20,249	14,002
Short-term deposits		
Other cash equivalents	36	487
Total cash and cash equivalents	**20,285**	**14,489**

CASH AND CASH EQUIVALENTS (BY CURRENCY):

Item	Dec 31 2011		Dec 31 2010	
	in foreign currency	restated in PLN	in foreign currency	restated in PLN
PLN		183		570
EUR	464	2,050	767	3,034
USD	4,970	16,983	2317	6,870
GBP	24	127	5	22
other		942		3,992
Total		**20,285**		**14,489**

Note 22. SHARE CAPITAL AND STATUTORY RESERVE FUNDS/CAPITAL RESERVES

Share capital

Item	*Dec 31 2011*	*Dec 31 2010*
Number of shares	10,476,210	10,476,210
Par value of shares	0.2	0.2
Share capital	2,095	2,095
Share capital restated using a hyperinflation index (IAS 19)	1,557	1,557
Share capital at end of period	**3,652**	**3,652**

Share capital structure:

Shareholder	Type of preference attached to shares	Type of limitation on rights to shares	Number of shares
SW Poland Holding B.V. (Netherlands)	None	-	4,119,508
Spruce Holding Limited Liability Company (USA)	None	-	1,726,174
James A. Goltz (since March 12th 2012 -Bleauhard Holdings LLC)	None	-	904,207
ING NN OFE	None	-	600,000
OFE Polsat S.A.	None	-	485,974
Other	None	-	2,640,347
TOTAL			10,476,210

Changes in share capital:

Item	*Jan 1–Dec 31 2011*	*Jan 1–Dec 31 2010*
Share capital at beginning of period	3,652	1,914
Share capital increases during the period		
Share capital increase		181
Share capital restated using a hyperinflation index (IAS 19)		1,557
Share capital reductions during the period		
Share capital at end of period	**3,652**	**3,652**

Other capitals

Item	Statutory reserve funds	Other capital reserves
Balance as at Dec 31 2009	**143,833**	**2**
Increase	**31,928**	**33**
Profit distributions	5,804	
Capital reserve from revaluation of hedging derivatives		
Share capital increase - share premium account	26,124	
Valuation of management stock options		33
Decrease	**2,918**	
Loss allocation	2,918	
Balance as at Dec 31 2010	**172,843**	**35**
Increase	**4,819**	
Profit distributions	4,819	
Capital reserve from revaluation of hedging derivatives		
Share capital increase - share premium account		
Valuation of management stock options		
Decrease		**35**
Loss allocation		
Management stock options		35
Balance as at Dec 31 2011	**177,662**	**0**

Note 23. RETAINED EARNINGS (DEFICIT)

Retained earnings (deficit) do not include non-distributable amounts (amounts that are not available for distribution as dividends):

Item	Dec 31 2011	Dec 31 2010
Non distributable amounts included in retained earnings	**50,226**	**31,472**
Current period net profit (loss)	15,093	15,165
Foreign exchange differences	11,814	1,155
Revaluation reserve	(942)	(17)
Profit (loss) brought forward	24,260	15,170

Note 24. FINANCIAL LIABILITIES

Item	Dec 31 2011	Dec 31 2010
loans	28,123	36,350
Other loans		
Other financial liabilities:		
- finance lease liabilities	349	497
- valuation of financial instruments	7,106	22
Total financial liabilities	**35,578**	**36,869**
- non-current	5,681	9,059
- current	29,897	27,810

Loans and borrowings:

Item	Amount of liability	Nominal interest rate	Company
LOANS			
Dec 31 2011			
Bank Handlowy	1,195	USD 1M LIBOR + 1.6 %	SECO/WARWICK S.A.
BZ WBK	3,903	PLN 1M WIBOR +1.1 %	SECO/WARWICK S.A.
BRE BANK	1,462	PLN WIBOR O/N + 1.5 %	SECO/WARWICK S.A.
BRE BANK S.A. Zielona Góra Branch, investment loan	6,835	1M LIBOR + 1.55 %	SECO/WARWICK S.A.
BZ WBK	4,762	1M WIBOR + 1.1%	SECO/WARWICK ThermAL S.A.
BRE BANK	4,967	WIBOR O/N + 1.5%	SECO/WARWICK ThermAL S.A.
James Golz	3,532	3.25%	Retech Systems LLC
Citibank	1,025	3.25%	SECO/WARWICK Corporation
Minority shareholder	442	5%	SECO/WARWICK GmbH
Total loans	**28,123**	**x**	**x**
Dec 31 2010			
CITI BANK	563	USD 1M LIBOR + 1.6 %	SECO/WARWICK S.A.
BZ WBK	3,929	PLN 1M WIBOR +1.1 %	SECO/WARWICK S.A.
BRE BANK	1,349	PLN WIBOR O/N + 1.5 %	SECO/WARWICK S.A.

BRE BANK S.A. Zielona Góra Branch, investment loan	7,410	1M LIBOR + 1.55 %	SECO/WARWICK S.A.
BZ WBK	1,070	1M WIBOR + 1.45%	SECO/WARWICK ThermAL S.A.
BRE BANK	1,280	WIBOR O/N 1.5%	SECO/WARWICK ThermAL S.A.
East West Bank	16,377	5%	Retech Systems LLC
East West Bank	1,408	5%	Retech Systems LLC
James Golz	2,964	3.25%	Retech Systems LLC
Total loans	**36,350**	**x**	**x**

Loans by maturity:

Item	Dec 31 2011	Dec 31 2010
Current loans and borrowings	22,555	27,457
Non-current loans and borrowings	5,568	5,928
- repayable more than 1 year, up to 3 years	3,859	2,964
- repayable in more than 3 years, up to 5 years	1,709	
Total loans and borrowings	**28,123**	**36,350**

Credit facilities:

Lender	Overdraft facility	Bank loan	Loan/facility amount as per agreement	Interest	Repayment date	Security
BRE BANK S.A. Zielona Góra Branch		6,835	Loan agreement No. 29/058/10/D/IN for a USD 2,500 thousand investment loan	USD 1M LIBOR + 1.55 %	Dec 31 2015	Ordinary mortgage for USD 2,500 thousand Ceiling mortgage for USD 250 thousand Submission to enforcement for up to USD 2,750 thousand
			General cooperation agreement No. 29/019/03/Z/PX, Annex 14 of April 21st 2011 for PLN 18,000 thousand	0.135% a.v, 1.62 pa; change in guarantee PLN 500	Mar 28 2014	Blank promissory note with a promissory note declaration, powers of attorney to SWSA's bank accounts held with BH, BZWBK, uncertified assignment of claims in the event that total debt under the FBD credit facility exceeds PLN 5m, maximum PLN 22m, submission to voluntary enforcement for up to PLN 27m
	1,462		Agreement No. 29/034/10//Z/VV, Annex 3 of February 27th 2012	PLN WIBOR O/N + 1.50%	Mar 28 2014	
	4,967		Agreement No. 29/003/06/Z/PX for an overdraft facility, annex of October 28th 2011, sublimit of PLN 6,000 thousand	WIBOR O/N + 1.5%	Mar 28 2014	mortgage, promissory note
			Agreement No. 29/003/06/Z/PX for bank guarantees, annex of October 28th 2011, limit of up to PLN 11,000 thousand	0.135% per month	Jun 30 2014	mortgage, promissory note
Bank Handlowy	1,195		Agreement No. BDK/KR-RB/000009908/0181/10 of May 6th 2010 for an overdraft facility of up to USD 600 thousand; Annex 3 of October 10th 2011	PLN 1M LIBOR + 1.6%	May 4 2012	Submission to enforcement for up to USD 360 thousand

			Framework agreement No. BDK/URT/0000099098/0056/11 of December 19th 2011 on a revolving guarantee facility;	0.15% a.v., 1.8 pa for each commenced month of the agreement validity – payable in advance	Nov 30 2012	submission to enforcement for up to PLN 3,600,000, entity to make an uncertified assignment of claims under contract if the amount used under the facility exceeds PLN 5m
BZ WBK S.A	3,903		Overdraft facility agreement No. KR K0007042 of October 20th 2011, Annex 3	PLN 1M WIBOR +1.1 %	Oct 31 2012	submission to enforcement for up to PLN 16,000 thousand
	4,762		Overdraft facility agreement No. K0007028, annex of August 30th 2011, limit of up to PLN 6,000 thousand	1M WIBOR + 1.45%	Aug 31 2012	powers of attorney for funds deposited in all of the existing and future bank accounts held with the bank; blank promissory note; ceiling mortgage for up to PLN 6,500,000.00; declaration on submission to bank enforcement for up to PLN 12,000,000 valid through August 31st 2015.
			Agreement No. 0006975 on a guarantee facility of up to PLN 9,000 thousand, annex of August 30th 2011	0.5% per quarter	Aug 31 2012	irrevocable powers of attorney for funds deposited in all of the Company's existing and future bank accounts held with BZ WBK S.A.; blank promissory note; assignment of claims under contracts
East West Bank			Agreement No. 3001971 on a credit facility of USD 16,000 thousand	5%	Feb 29 2012	Mortgage + Management Board's guarantee
			Agreement No. 87813163 on a USD 3,000 thousand credit facility	5%	Mar 1 2012	Mortgage + guarantee issued by a Group company
Citibank	1,025		USD 1,000 thousand credit facility	3.25%	-	guarantee
Total	**17,315**	**6,835**				

Non-current and current loans and borrowings as at December 31st 2011

Name and registered office of lender	Outstanding amount		Repayment date	Security
	PLN	Currency		
Current				
Bank Handlowy	1,195	350	May 4 2012	Submission to enforcement for up to USD 360 thousand
BZ WBK	3,903		Oct 31 2012	submission to enforcement for up to PLN 16,000 thousand
BRE BANK	1,462		Mar 28 2014	Blank promissory note
BZ WBK	4,762		Aug 31 2012	power of attorney, promissory note, mortgage
BRE BANK	4,967		Mar 28 2014	mortgage, promissory note
James Golz	3,532*	1,000	Jan 31 2013	Shareholder's guarantee
Citibank	1,025	300	-	guarantee
Non-current				
BRE BANK S.A. Zielona Góra Branch, investment loan	6,835	2,000	Dec 31 2015	Ordinary mortgage for USD 2,500,000 Ceiling mortgage for USD 250,000 Submission to for up to USD 2,750,000
Minority shareholder (S/W GmbH)	442	100	-	Shareholder's guarantee

* The carrying amount of the loan is PLN 3,417 thousand, with the balance representing interest accrued.

Non-current and current loans and borrowings as at December 31st 2010:

Name and registered office of lender	Outstanding amount		Repayment date	Security
	PLN	Currency		
Current				
CITI BANK	563	190	May 5 2011	Submission to enforcement for up to EUR 360,000
BZ WBK	3,929		Oct 30 2011	Submission to enforcement for up to PLN 10,000,000
BRE BANK	1,349		Jun 30 2011	Blank promissory note
BZ WBK	1,070		Aug 31 2011	Blank promissory note
BRE BANK	1,280		Jun 30 2011	Blank promissory note
East West Bank	16,377	5,525	Apr 30 2011	Mortgage + Management Board's guarantee
East West Bank	1,408	475	Mar 31 2011	Mortgage + guarantee issued by a Group company
Non-current				
BRE BANK S.A. Zielona Góra Branch, investment loan	7,410	2,500	Dec 31 2015	Ordinary mortgage for USD 2,500,000 Ceiling mortgage for USD 250,000 Submission to for up to USD 2,750,000
James Golz	2,964	1,000	Jan 31 2013	Shareholder's guarantee

Loans and borrowings by currency:

Item	Dec 31 2011		Dec 31 2010	
	Value in foreign currency	Value in PLN	Value in foreign currency	Value in PLN
PLN		15,094		7,628
EUR	100	442		
USD	3,650	12,587	9,690	28,159
GBP				
CNY				
Total loans and borrowings	x	**28,123**	x	**35,787**

Note 25. LEASES

Operating lease

Liabilities under operating leases – the Group as a lessee:

Item	*Dec 31 2011*	*Dec 31 2010*
Lease payments made	***64***	***71***
Outstanding balance:		
Up to 1 year	45	57
From 1 year to 5 years	48	37
Over 5 years		
Total	**93**	**94**

In 2011 and 2010, operating lease agreements provided for the lease of office equipment used by SECO/WARWICK Corporation.

Finance leases

As at December 31st 2011 and December 31st 2010, liabilities under finance leases and lease agreements with a purchase option were as follows:

Item	Dec 31 2011		Dec 31 2010	
	Minimum lease payments	Present value of the lease payments	Minimum lease payments	Present value of the lease payments
Up to 1 year	258	236	365	331
From 1 year to 5 years	119	113	178	167
Over 5 years				
Total minimum lease payments	**377**	**349**	**544**	**499**
Finance expenses	28	**x**	42	X
Present value of minimum lease payments, including:	**349**	**349**	**502**	**499**
Current	236	236	331	331
non-current	113	113	167	167

Finance lease agreements as at December 31st 2011:

Financing party	Agreement No.	Initial value	Currency	End of agreement term	Liabilities outstanding as at the end of reporting period
BZ WBK Leasing	ZD2/00002/2009	47	PLN	20-01-2012	2
BZ WBK Leasing	ZD2/00001/2009	42	PLN	20-01-2012	2
Volkswagen Leasing	4810073-1209-02185	64	PLN	11-04-2012	8
BRE Leasing	ELTERMA/PO/105666/2010	69	PLN	16-12-2012	24
BRE Leasing	ELTERMA/PO107533/2010	104	PLN	21-02-2013	40
BRE Leasing	ELTERMA/PO/112021/2010	54	PLN	30-07-2013	27
BRE Leasing	ELTERMA/PO112022/2010	63	PLN	20-08-2013	32
BRE Leasing	ELTERMA/PO/112023/2010	58	PLN	30-07-2013	28
IKB Leasing Polska	1003402	343	PLN	11-08-2011	68
BRE Leasing	ELTERMA/PO/ 120581/2011	60	PLN	27-04-2014	43
Millenium Leasing	K150078	88	PLN	05-11-2014	70
BRE Leasing	PO/77517/2009	140	PLN	13-01-2012	5
Total	**x**	**1,132**	**x**	**x**	**349**

Finance lease agreements as at December 31st 2010:

Financing party	Agreement No.	Initial value	Currency	End of agreement term	Liabilities outstanding as at the end of reporting period
IKB Leasing	1003402	343	PLN	Aug 13 2011	119
BRE Leasing	ELTERMA/PO57183/208	82	PLN	Dec 15 2010	1
BRE Leasing	ELTERMA/PO58082/2008	95	PLN	Jan 11 2011	4
BRE Leasing	ELTERMA/PO/58402/2008	59	PLN	Jan 15 2011	2
BRE Leasing	ELTERMA/PO/59322/2008	66	PLN	Feb 11 2011	4
WBK Leasing	ZD2/00002/2009	47	PLN	Jan 20 2012	17
WBK Leasing	ZD2/00001/2009	42	PLN	Jan 20 2012	15
Volkswagen Leasing	4810073-1209-02185	64	PLN	Apr 11 2012	28
BRE Leasing	ELTERMA/PO/10566/2010	69	PLN	Dec 16 2012	44
BRE Leasing	ELTERMA/PO107533/2010	104	PLN	Feb 21 2013	72
BRE Leasing	ELTERMA/PO/112021/2010	54	PLN	Jul 30 2013	42
BRE Leasing	ELTERMA/PO112022/2010	63	PLN	Aug 20 2013	50
BRE Leasing	ELTERMA/PO/112023/2010	58	PLN	Jul 30 2013	45
BRE Leasing	PO/77517/2009	140	PLN	Jan 13 2012	55
Total	**x**	**1,286**	**x**	**x**	**498**

Note 26. TRADE PAYABLES AND OTHER LIABILITIES

Item	Dec 31 2011	Dec 31 2010
current	34,166	31,518
non-current		
Total	**34,166**	**31,518**

CURRENT TRADE PAYABLES AND OTHER LIABILITIES

Item	Dec 31 2011	Dec 31 2010
Trade payables		
To related entities	98	
To other entities	26,255	24,309
Total	**26,353**	**24,309**
Taxes, customs duties, social security and other charges payable	1,806	2,824
Salaries and wages payable	3,317	3,063
Other liabilities	2,690	1,322
Total other liabilities	**7,813**	**7,209**
Total trade payables and other liabilities	**34,166**	**31,518**

Current liabilities by currency

Item	Dec 31 2011		Dec 31 2010	
	in foreign currency	restated in PLN	in foreign currency	restated in PLN
PLN		14,722		13226
EUR	1,452	6,487	1,849	7,312
USD	3,495	11,944	2,540	7,529
GBP	1	4	125	573
SEK	2	1		
other		1,007		2,879
Total		**34,166**		**31,519**

Trade payables by delinquency period:

Item	*Total*	*Not past due*	*Past due but recoverable*				
			< 30 days	*30 – 60 days*	*60 – 90 days*	*90 – 180 days*	*>180 days*
Dec 31 2010	**24,309**	24,309					
Dec 31 2011	**26,353**	26,353					

Other current liabilities by delinquency period:

Item	*Total*	*Not past due*	*Past due but recoverable*				
			< 30 days	*30 – 60 days*	*60 – 90 days*	*90 – 180 days*	*>180 days*
Dec 31 2010	**7,209**	7,209					
Dec 31 2011	**7,813**	7,813					

SECO/WARWICK S.A. has no current investment commitments towards SECO/WARWICK ALLIED Pvt. LTD (December 31st 2010: PLN 490 thousand). The commitments arose under the share purchase agreement concerning shares in the company.

Non-current liabilities

Item	***Dec 31 2011***	***Dec 31 2010***
To related entities	442	
To other entities		
TOTAL	**442**	

Loan to SECO/WARWICK GmbH provided by minority shareholder.

Contingent liabilities

Contingent liabilities under guarantees and sureties:

Dec 31 2011	**Bank name**	**Surety in respect of**	**Currency**	**IN FOREIGN CURRENCY**	***AMOUNT (PLN)****	**Company name**
Guarantee 1	BRE	PBG	PLN	37	37	SECO/WARWICK S.A.
Guarantee 2	BRE	PBG	EUR	184	813	
Guarantee 3	BRE	PBG	EUR	174	766	
Guarantee 4	BRE	PGB	EUR	137	605	
Guarantee 5	BH	SBLC	USD	1,000	3,417	
Guarantee 6	BRE	PGB	EUR	80	353	
Guarantee 7	BH	SBLC	USD	500	1,709	
Guarantee 8	BRE	PBG	EUR	58	254	
Guarantee 9	BH	APG	EUR	513	2,266	

Guarantee 10	BRE	PBG	EUR	12	53	
Guarantee 11	BRE	APG	PLN	665	665	
Guarantee 12	BRE	APG	EUR	207	914	
Guarantee 13	BRE	PBG	USD	70	238	
Guarantee 14	BH	SBLC	USD	506	1,729	
Guarantee 15	BRE	PGB	EUR	12	53	
Guarantee 16	BRE	APG	PLN	1,808	1,808	
Guarantee 17	BRE	Payment guarantee	EUR	47	208	
Guarantee 18	BRE	APG	EUR	90	398	SECO/WARWICK ThermAL
Guarantee 19	BZ WBK	APG	PLN	429	429	
Guarantee 20	BZ WBK	APG	EUR	112	495	
Guarantee 21	BZ WBK	APG	EUR	500	2,208	
Guarantee 22	BRE	APG	USD	281	960	
Guarantee 23	BZ WBK	APG	EUR	112	495	
Guarantee 24	EAST WEST BANK	PBG	USD	2,156	7,369	Retech Systems
Guarantee 25	EAST WEST BANK	PBG	USD	3,234	11,053	
Guarantee 26	EAST WEST BANK	PBG	USD	4,312	14,737	
Guarantee 27	EAST WEST BANK	PBG	USD	5,390	18,421	
Guarantee 28	EAST WEST BANK	PBG	USD	34	116	
Guarantee 29	EAST WEST BANK	PBG	USD	34	116	
TOTAL					**72,686**	

* The guarantees were translated at the mid-exchange rates quoted by the National Bank of Poland for December 31st 2011.

Dec 31 2010	**Bank name**	**Surety in respect of**	**Currency**	***IN FOREIGN CURRENCY***	***AMOUNT (PLN)*****	**Company name**
Guarantee 1	BRE	PBG	PLN	35	35	SECO/WARWICK S.A.
Guarantee 2	BRE	PBG	EUR	200	792	
Guarantee 3	BRE	PBG	EUR	184	729	
Guarantee 4	BRE	PBG	EUR	140	554	
Guarantee 5	BRE	PBG	EUR	174	687	
Guarantee 6	BRE	PBG	EUR	12	46	
Guarantee 7	BRE	PBG	EUR	159	628	
Guarantee 8	BRE	APG	EUR	135	533	
Guarantee 9	HSBC	PBG	PLN	850	850	

Guarantee 10	BRE	APG	EUR	233	924	
Guarantee 11	BRE	APG	PLN	803	803	
Guarantee 12	BRE	BB	EUR	54	214	
Guarantee 13	BRE	APG	PLN	785	785	
Guarantee 14	BRE	APG	EUR	233	924	
Guarantee 15	BRE	BB	USD	26	77	
Guarantee 16	BH	APG	EUR	719	2,848	
Guarantee 17	BRE	PGB	EUR	137	542	
Guarantee 18	BRE	APG	USD	510	1,512	
Guarantee 19	BRE	APG	EUR	83	328	
Guarantee 20	BRE	APG	EUR	42	166	
Guarantee 21	BZ WBK	APG	EUR	642	2,535	LZT ELTERMA
Guarantee 22	BZ WBK	APG	PLN	1000	1,000	
Guarantee 23	BZ WBK	APG	PLN	3006	3,006	
Guarantee 24	BZ WBK	PBG	PLN	859	859	
Guarantee 25	BRE	APG	EUR	373	1,475	
Guarantee 26	BRE	APG	EUR	48	190	
Guarantee 21	HUNTINGTON	PBG	USD	320	108	SECO/ WARWICK Corp.
Guarantee 22	EAST WEST BANK	PBG	USD	227	77	Retech Systems
Guarantee 23	EAST WEST BANK	PBG	USD	418	141	
Guarantee 24	EAST WEST BANK	PBG	USD	1,002	338	
Guarantee 25	EAST WEST BANK	PBG	USD	239	81	
Guarantee 26	EAST WEST BANK	PBG	USD	1,089	367	
Guarantee 27	EAST WEST BANK	PBG	USD	34	11	
Guarantee 28	EAST WEST BANK	PBG	USD	34	11	
TOTAL					**24,176**	

** The guarantees were translated at the mid-exchange rates quoted by the National Bank of Poland for December 31st 2010.

APG → advance payment guarantee
BB → bid bond guarantee
CRG → credit repayment guarantee
PBG → performance bond guarantee
SBLC→ stand-by letter of credit

WAD→ bid bond guarantee
CRB → credit repayment bond

SURETIES ADVANCED BY SECO/WARWICK S.A.

Company name	Bank name	Surety in respect of	Currency	Dec 31 2011	*AMOUNT (PLN)*
S/W ALLIED Pvt. Ltd.	Union Bank of India	Guarantee and credit facility	INR	225,000	14,423
RETECH Systems	East West Bank	Credit guarantee	USD	1,000	3,417
RETECH Systems	East West Bank	Guarantee and credit facility	USD	19,000	64,931
Hart-Tech	BOŚ Bank	Conditional surety	PLN	2,000	2,000
TOTAL					**84,771**

On April 6th 2011, the Management Board of the Company adopted a resolution to increase the value of surety granted for SECO/WARWICK Allied Pvt. Ltd. (India) from INR 147,500 thousand to INR 225,000 thousand. The total value of the surety, translated at the mid-exchange rate quoted by the National Bank of Poland for the date of the resolution, is PLN 14,233 thousand.

On November 17th 2010, SECO/WARWICK S.A. provided indemnification against any claims under guarantees issued to James A. Goltz in relation to a credit facility provided to RETECH Systems by East West Bank.

On March 10th 2011, Retech Systems LLC executed an annex to Credit Facility Agreement No. 3001971 which raised the guarantee and credit facility limit from USD 15,000 thousand to USD 19,000 thousand. Following the increase in the facility limit, the value of the surety issued by SECO/WARWICK S.A. for Retech Systems LLC was raised by USD 4,000 thousand.

The PLN 2,000 thousand surety was issued by SECO/WARWICK S.A. to secure the repayment of a loan contracted by Hart-Tech Sp. z o.o. from Bank Ochrony Środowiska. The surety is conditional, as defined in Art. 89 of the Polish Civil Code, and the condition giving legal effect to the obligation undertaken by SECO/WARWICK S.A. under the surety is the award of financial aid in the form of technology credit under Measure 4.3 of the Operational Programme Innovative Economy 2007-2013 to Hart-Tech Sp. z o.o. by Bank Gospodarki Krajowej.

Social assets and liabilities of the Company Social Benefits Fund (Polish companies)

The Act on Company Social Benefits Fund of March 4th 1994 (as amended) stipulates that an employer should set up a Company Social Benefits Fund if it has more than 20 full-time employees. The Company has set up such a Fund and makes periodic contributions to the Fund in the amount of the basic contribution / contribution agreed upon with the trade unions. Additionally, the Fund holds property, plant and equipment. The Fund is used to subsidise the Company's social activity, loans advanced to the employees and other social expenses.

The Group set off the Fund's assets against its liabilities towards the Fund, as the Fund's assets do not represent a separate asset category.

The table below presents analytic data on the Fund's assets, liabilities and expenses, as well as the net balance of the Fund.

Item	Dec 31 2011	Dec 31 2010
Total tangible assets contributed to the Fund		
Loans advanced to employees	134	113
Cash	415	326
Liabilities to the Fund	91	76
Net balance	410	334
Contributions to the Fund during financial period	576	500

Investment commitments

As at December 31st 2011, the Group had capital commitments of PLN 131 thousand (2010: PLN 80 thousand) for expenditures related to acquisition of property, plant and equipment. The amount will be used to purchase new machines and equipment.

Note 27. PROVISIONS

EMPLOYEE BENEFITS

Retirement benefits and other post-employment benefits

Retiring employees of the Polish companies of the Group received retirement severance pays in amounts established pursuant to the Polish Labour Code. Therefore, based on a valuation prepared by a qualified actuary, the Group recognises a provision for the present value of the retirement severance pay obligations. The table below provides information on the amount of the provision and a reconciliation presenting changes in the provision during the financial period.

Provision for retirement severance pays and similar benefits

NON-CURRENT PROVISION FOR RETIREMENT BENEFITS AND SEVERANCE PAYS	Jan 1– Dec 31 2011	Jan 1– Dec 31 2010
as at beginning of period	**238**	**147**
increase	189	238
- provisions of acquired entities		
- provision created	189	238
use		(77)
release	(110)	(70)
as at end of period	**317**	**238**

The table below presents key assumptions adopted by the actuary as at the balance sheet date to calculate the amount of the obligations.

Item	*Dec 31 2011*	*Dec 31 2010*
Discount rate (%)	5.8	6.0
Expected inflation rate (%)	2.5	2.5
Employee turnover ratio (%)		
Expected rate of growth of salaries and wages (%)	5.0	5.0

CHANGE IN CURRENT PROVISION FOR RETIREMENT AND SIMILAR BENEFITS (BY CATEGORY)	Jan 1–Dec 31 2011	Jan 1–Dec 31 2010
1. Provision for unused holidays		
a) as at beginning of period	784	624
b) increase	1,717	791
- provisions of acquired entities		
- provision created	1,717	791
c) use	289	185
d) release	502	446
e) currency translation differences		
f) as at end of period	**1,710**	**784**
2. Provision for bonuses		
a) as at beginning of period	1,919	250
b) increase	4,146	1,919
- provisions of acquired entities		
- provision created	4,146	1,919
c) use	1,618	250
d) release	1,173	
e) currency translation differences		6
f) as at end of period	**3,274**	**1,919**
3. Provision for retirement severance pays		
a) as at beginning of period	869	98
b) increase	104	869
- provisions of acquired entities		775
- provision created	104	74
c) use	8	39
d) release	862	59
e) currency translation differences		
f) as at end of period	**104**	**869**

RETIREMENT BENEFIT PLANS (SECO/WARWICK CORP.)

Item	2011	2010
Change in plan liability		
Liability at beginning of period	12,033	9,625
Service cost	0	0
Interest expense	612	538
Actuarial gain/(loss)	1,572	829
Contributions paid	-707	-556
Liability at end of period	13,509	10,436
Change in plan assets		
Fair value of plan assets at beginning of period	8,865	6,874
Actual return on plan assets	-51	659
Contributions paid in	820	711
Contributions paid out	-707	-556
Fair value of plan assets at end of period	8,926	7,689
Net value of plan liability in balance sheet		
Liability at end of period	13,509	10,436
Fair value of plan assets at end of period	8,926	7,689
Liability at end of period	-4,579	-2,747
Unrecognised actuarial gains/(losses)	6,657	4,112
Unrecognised past service cost	75	94
Costs recognised in income statement		
Service cost	0	0
Interest expense	531	552
Expected return on plan assets	-588	-542
Actuarial gain/(loss) on plan assets	481	470
Recognised past service costs	27	32
Costs recognised in income statement	451	512

OTHER PROVISIONS

Item	*Provision for warranty repairs and returns*	*Provision for penalty*	*Other provisions*	*Other provisions - contingent liability*	*Total*
As at Dec 31 2009	**2,250**	**432**	**388**		**3,070**
Acquisition of subsidiary					
Provisions created during financial	2,683	250	934		3,867
Provisions used	-1,442		-202		-1,644
Provisions released	-336	-432	-154		-922
Foreign exchange differences	28		2		30
Discount rate adjustment					
As at Dec 31 2010	**3,183**	**250**	**968**		**4,401**
Acquisition of subsidiary					
Provisions created during financial	456		3,498		3,954
Provisions used	-71		-170		-241
Provisions released	-1,462		-2,161		-3,623
Foreign exchange differences					
Discount rate adjustment					
As at Dec 31 2011	**2,106**	**250**	**2,135**		**4,491**

Note 28. DEFERRED INCOME

Item	*Dec 31 2011*	*Dec 31 2010*
- subsidies for partial financing of tangible assets		1
- subsidies from the Polish Ministry of Science and Higher Education	4,552	4,425
- long-term contracts	54,608	31,306
Total deferred income, including:	**59,160**	**35,732**
non-current	4,552	4,425
Current	54,608	31,307

Note 29. EXPLANATORY INFORMATION TO THE STATEMENT OF CASH FLOWS

Item	*Dec 31 2011*	*Dec 31 2010*
Cash in the balance-sheet	**20,285**	**14,489**
exchange differences on balance-sheet valuation	(46)	457
monetary assets classified as cash equivalents for the purposes of the statement of cash flows		
Total cash and cash equivalents disclosed in the statement of cash flows	**20,239**	**14,946**

Item	*Dec 31 2011*	*Dec 31 2010*
Depreciation and amortisation	**6,273**	**5,161**
amortisation of intangible assets	4,593	852
depreciation of property, plant and equipment	1,667	4,296
depreciation of investment property	13	13
foreign exchange differences		
Change in provisions (excluding elimination of income tax liabilities) results from the following items:	**2,551**	**2,224**
balance-sheet change in provisions	3,507	4,130
value as at the date of acquisition of RETECH SYSTEMS		(1,776)
foreign exchange differences	(956)	(130)
Change in inventories results from the following items:	**(3,819)**	**(2,307)**
balance-sheet change in inventories	(4,866)	(2,472)
discontinued operations		(408)
value as at the date of acquisition of RETECH SYSTEMS		475
foreign exchange differences	1,046	98
Change in receivables (excluding elimination of income tax receivable) results from the following items:	**(39,568)**	**(37,926)**
balance-sheet change in current receivables	(46,195)	(27,910)
discontinued operations		(227)
value as at the date of acquisition of RETECH SYSTEMS		(9,770)
foreign exchange differences	6,627	(19)
Change in current liabilities (excluding financial liabilities and elimination of income tax liabilities) results from the following items:	**739**	**14,982**
balance-sheet change in current liabilities	3,262	23,864
discontinued operations		1,414
value as at the date of acquisition of RETECH SYSTEMS		481
adjustment for change in liabilities related to acquisition of property, plant and equipment	147	
elimination of change in lease liabilities	50	(59)
change in investment commitments		(160)
foreign exchange differences	(5,550)	962
loans	9,380	(13,516)
valuation of derivative instruments	(7,040)	1,750
liability towards SECO/WARWICK Allied	490	246
Change in prepayments and accrued income (excluding elimination of income tax assets) results from the following items:	**35,653**	**4,822**
balance-sheet change in accruals and deferrals	38,768	(758)
discontinued operations		(37)
value as at the date of acquisition of RETECH SYSTEMS		6,107
foreign exchange differences	(3,116)	(491)

Note 30. RELATED PARTIES

Dec 31 2011								
Receivables Liabilities	SECO/WARWICK ThermAL S.A.	SECO/ WARWICK Retech	SECO/ WARWICK Corp.	SECO/ WARWICK Moscow	SECO/ WARWICK S.A.	SECO/ WARWICK GmbH	Retech Systems LLC	ALLIED
SECO/WARWICK ThermAL S.A.	X		413		1,045			
SECO/WARWICK Retech		X						
SECO/WARWICK Corp.	253		X					14
SECO/WARWICK Moscow	58			X				
SECO/WARWICK S.A.	3,859	922	2,377	173	X		1,292	1,080
SECO/WARWICK GmbH						X		
Retech Systems LLC					157		X	
Allied Consulting			98					X

Dec 31 2010								
Receivables Liabilities	ELTERMA S.A.	SECO/ WARWICK Retech	SECO/ WARWICK Corp.	SECO/ WARWICK Moscow	SECO/ WARWICK S.A.	SECO/ WARWICK TIANJIN	Retech Systems LLC	ALLIED
ELTERMA S.A.	X		110		724			
SECO/WARWICK Retech		X						
SECO/WARWICK Corp.	41		X		384			
SECO/WARWICK Moscow	40			X				
SECO/WARWICK S.A.	1,878	504	1,712	160	X		-28	117
SECO/WARWICK TIANJIN						X		
Retech Systems LLC					1,336		X	
Allied Consulting								X

Dec 31 2011								
Sales revenue / Sales revenue	SECO/ WARWICK S.A.	SECO/ WARWICK ThermAL S.A.	SECO/ WARWICK Retech	SECO/WARWICK Moscow	SECO/ WARWICK Corp.	SECO/ WARWICK GmbH	Retech Systems LLC	ALLIED
SECO/WARWICK S.A.	X	7,177	353	1,824	2,207		409	1,053
SECO/WARWICK ThermAL S.A.	2,507	X		142	271			
SECO/WARWICK Retech			X					
SECO/WARWICK Moscow		712		X				
SECO/WARWICK Corp.	1,283	266			X			711
SECO/WARWICK GmbH						X		
Retech Systems LLC	23						X	
ALLIED								X

Dec 31 2010								
Sales revenue / Sales revenue	SECO/ WARWICK S.A.	ELTERMA S.A.	SECO/ WARWICK Retech	SECO/WARWICK Moscow	SECO/ WARWICK Corp.	SECO/ WARWICK TIANJIN	Retech Systems LLC	ALLIED
SECO/WARWICK S.A.	X	3,906	634	162	3,474		254	1
ELTERMA S.A.	1,195	X			247			
SECO/WARWICK Retech			X					
SECO/WARWICK Moscow	506			X				
SECO/WARWICK Corp.	352	80	7		X	15		30
SECO/WARWICK TIANJIN	15					X		
Retech Systems LLC							X	
ALLIED								X

Other related parties

Employment contract between SECO/WARWICK S.A. and Piotr Zawistowski
Under the contract of February 1st 2007, Piotr Zawistowski was obliged to provide work to the Company as a junior maintenance engineer. The contract was first concluded for a probationary period of three months. On March 1st 2007, the parties signed an annex to the contract, transforming it into an employment contract for an indefinite term. The contract contains standard provisions, which comply with the Polish Labour Code. On May 5th 2008, Piotr Zawistowski assumed the position of Chief Manager of the Melting Furnaces Maintenance Division, on February 1st 2010 he was appointed Deputy Head of the Vacuum Division in charge of LPC technology and on May 4th 2010 - Head of the VOC Division. Piotr Zawistowski is a close member of the family, as defined in IAS 24, of Andrzej Zawistowski, member of the Management Board of SECO/WARWICK S.A.

Employment contract between SECO/WARWICK S.A. and Ewa Zawistowska
Under the contract of January 2nd 2006, Ewa Zawistowska was obliged to provide work to the Company as a human resources management specialist. The contract was concluded for an indefinite term On April 1st 2009, Ewa Zawistowska assumed the position of Management Board Office Administrator. The contract contains standard provisions, which comply with the Polish Labour Code. Ewa Zawistowska is a close member of the family, as defined in IAS 24, of Andrzej Zawistowski, member of the Management Board of SECO/WARWICK S.A.

Employment contract between SECO/WARWICK S.A. and Katarzyna Zawistowska
Under the contract of November 3rd 2008, Katarzyna Zawistowska was obliged to provide work to the Company as a full-time Planning Clerk. The contract was first concluded for a probationary period of three months. The next contract was concluded for a definite term. The contract contains standard provisions, which comply with the Polish Labour Code. Since February 2nd 2009, Katarzyna Zawistowska has been employed as a Clerk in the Spare Parts Department. Katarzyna Zawistowska is a close member of the family, as defined in IAS 24, of Andrzej Zawistowski, member of the Management Board of SECO/WARWICK S.A.

Employment contract between SECO/WARWICK S.A. and Anna Klinowska
Under the contract of January 3rd 2005, Anna Klinowska was obliged to provide work to the Company as a full-time Management Board Assistant. The contract was first concluded for a probationary period. The next contract was concluded for a definite term. The contract contains standard provisions, which comply with the Polish Labour Code. Since June 1st 2007, Anna Klinowska has been employed as a Human Resources and Payroll Specialist. Anna Klinowska is a close member of the family, as defined in IAS 24, of Witold Klinowski, member of the Management Board of SECO/WARWICK S.A.

Other related parties	***2011***	***2010***
Short-term employee benefits (salaries, wages and overheads)	317	415

Note 31. KEY PERSONNEL REMUNERATION

Senior management of the SECO\WARWICK Group comprises members of the Management and Supervisory Boards.

The table below presents total remuneration paid or payable to members of the Management and Supervisory Boards:

Item	*Dec 31 2011*	*Dec 31 2010*
Management Board of the Parent	**2,166**	**2,179**
Short-term employee benefits (salaries, wages and overheads)	2,166	2,179
Supervisory Board of the Parent	**138**	**140**
Short-term employee benefits (salaries, wages and overheads)	138	140
Management Boards of subsidiaries	**3,714**	**1,548**
Short-term employee benefits (salaries, wages and overheads)	3,714	1,548
Supervisory Boards of subsidiaries	**42**	**42**
Short-term employee benefits (salaries, wages and overheads)	42	42
Total	**6,060**	**3,909**

Management Board remuneration:

Name	Total remuneration	
	Dec 31 2011	**Dec 31 2010**
MANAGEMENT BOARD OF SECO/WARWICK S.A.		
Leszek Przybysz	528	531
Andrzej Zawistowski	300	300
Witold Klinowski	526	526
Józef Olejnik	423	425
Wojciech Modrzyk	389	397
Total	**2,166**	**2,179**
MANAGEMENT BOARD OF SECO/WARWICK ThermAL S.A.		
Jarosław Talerzak	360	-
Bartosz Klinowski	240	-
Joanna Zyguła	75	-
Ryszard Rej	60	187
Zbigniew Skubiszewski	-	265
Grzegorz Paluch	-	363
Total	**735**	**815**
MANAGEMENT BOARD OF SECO/WARWICK Retech **		
Janusz Kowalewski	262**	40
Nancy Kowalewski	190**	16
Sławomir Woźniak	62	17
Qiu Mao	102	-
Richard Li	39	-
Total	**655**	**73**
MANAGEMENT BOARD OF RETECH		
James Golz	699	45*
Total	**699**	**45**
MANAGEMENT BOARD OF SECO/WARWICK Corporation		
Jeffrey W. Boswell	404	359
Arthur V. Russo	387	338
Louis Stack	281	256
Keith Boeckenhauer	553	477
Total	**1,625**	**1,430**

*09.12-31.12.2010

**01.01-29.04.2011

Supervisory Board remuneration:

Name	Total remuneration	
	Dec 31 2011	**Dec 31 2010**
SUPERVISORY BOARD OF SECO/WARWICK S.A.		
Artur Grygiel	-	10
Piotr Kowalewski	30	30
Piotr Kula	24	24
Henryk Pilarski	36	36
Artur Rusiecki	24	24
Mariusz Czaplicki	24	16
Total	**138**	**140**
SUPERVISORY BOARD OF SECOSECO/WARWICK ThermAL S.A.		
Henryk Pilarski	42	42
Total	**42**	**42**

Members of the Supervisory Board of SECO/WARWICK Corporation, Retech Systems and SECO/WARWICK Retech and the other members of the Supervisory Board of SECO/WARWICK ThermAL S.A. do not receive any remuneration.

Note 32. FINANCIAL ASSETS

Item	Category (IAS 39)	Carrying amount		Fair value		Maximum credit risk exposure in 2011
		Dec 31 2011	Dec 31 2010	Dec 31 2011	Dec 31 2010	
Financial assets						
Investments in related entities	Financial assets classified as held for sale	18,465	17,907	18,465	17,907	18,465
Financial assets available for sale (non-current)	Financial assets classified as held for sale	-	3	-	3	-
Loans advanced (current)	Loans and receivables	-	5	-	5	-
Trade and other receivables	Loans and receivables	119,778	72,724	119,778	72,724	119,778
Derivative financial instruments	Financial liabilities at fair value through profit or loss	10	366	10	366	10
- currency forwards	Financial liabilities at fair value through profit or loss	10	366	10	366	10
Cash and cash equivalents	Loans and receivables	20,285	14,489	20,285	14,489	20,285
Financial liabilities						
Current						
Interest-bearing loans and borrowings, including:	Other financial liabilities at amortised cost					
- overdraft facility	Other financial liabilities at amortised cost	17,314	25,976	17,314	25,976	
- current loans	Other financial liabilities at					

	amortised cost					
- finance lease liabilities (current)	Other financial liabilities at amortised cost	236	331	236	331	
Trade payables and other liabilities	Other financial liabilities at amortised cost	37,698	31,518	37,698	31,518	
- currency forwards	Financial liabilities at fair value through profit or loss	7,106	21	7,106	21	
non-current						
- non-current loans bearing interest at variable rates	Other financial liabilities at amortised cost	5,568	10,374	5,568	10,374	
Other liabilities (non-current), including:	Other financial liabilities at amortised cost					
- finance lease liabilities (non-current)	Other financial liabilities at amortised cost	113	167	113	167	

The table presents the fair value hierarchy reflecting the significance of the inputs used in making fair value measurements.

Financial assets and liabilities at fair value	Dec 31 2011		
	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss			X
Financial assets available for sale			-
Financial liabilities at fair value through profit or loss			X
Hedging instruments - assets			X
Hedging instruments - liabilities			X

Financial assets and liabilities at fair value	Dec 31 2010		
	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss			X
Financial assets available for sale			-
Financial liabilities at fair value through profit or loss			X
Hedging instruments - assets			X
Hedging instruments - liabilities			X

For the purpose of measurement of derivative financial instruments the Group uses the information provided by banks without reviewing their respective valuation models in detail. Therefore, the Group decided to classify the measurement of derivative instruments as Level 3 measurement.

Note 33. EMPLOYMENT STRUCTURE

Item*	*Dec 31 2011*	*Dec 31 2010*
Blue-collar employees	309	239
White-collar employees	428	452
Employees on parental leaves	2	5
Total	**739**	**696**

* Employees of subsidiary entities.

Note 34. CAPITAL MANAGEMENT

The primary objective behind the Group’s capital management is to maintain good credit rating and safe capital ratios, in order to support the Group’s operations and enhance its shareholder value.

The Group manages its capital structure and modifies it in response to changes in the economic environment. To maintain or adjust its capital structure, the Company may make changes regarding dividend distributions, return capital to the shareholders or issue new shares. During the year ended

December 31st 2011, there were no changes regarding the capital structure management objectives, policies and processes.

In monitoring its capital, the Group uses the leverage ratio calculated as net debt divided by total equity plus net debt. The Group's net debt includes interest-bearing loans and borrowings, trade payables and other liabilities, less cash and cash equivalents. Equity includes convertible preference shares and equity attributable to equity holders of the parent, less capital reserve from unrealised net gains.

Note 35. GOODWILL IMPAIRMENT TEST

Tests for impairment of shares

The Company carried out tests for impairment of shares held in subsidiary entities of SECO/WARWICK Corporation and Retech Systems LLC. No impairment loss was recognised as a result of the tests. The recoverable amounts attributable to individual cash-generating units were determined based on their calculated value in use.

Cash-generating unit

In each case the value in use was calculated based on cash flow projections derived from the financial budgets covering a period of five years. The projections reflect the management's business experience and an analysis of third-party information. The table below presents the key assumptions concerning the discount rate and the estimated growth rate after the period of detailed projections:

No.	Item	2011
1.	Projection period	5 years
2.	Discount rate:	
	SECO/WARWICK Corp.	12.0%
	Retech Systems LLC	7.9%
3.	Growth rate after the budget period	2%

Other important assumptions for the calculation of the value in use are as follows:

Estimates of the value in use of a cash-generating unit are sensitive to changes of the following variables:

- free cash flows;
- discount rates;
- market share in the projection period.

Free cash flows are estimated based on historical data concerning individual cash-generating units and forecast operating profit, depreciation and amortisation, capital expenditure, changes in non-cash current assets and non-financial liabilities.

Discount rate reflects the management's assessment of the risk inherent in the company's operations. It is used by the management to assess the operating efficiency (performance) and future investment proposals. The discount rate was determined taking into account the risk-free interest rate determined for each period covered by the projection as the arithmetic mean of the following: median of the forecast risk-free interest rates calculated by stock-exchange analysts and estimated future risk-free interest rates.

Growth rates after the budget period are estimated based on the published findings of industry research.

Assumptions regarding the market are material because – in addition to using industry data to determine the growth rate – the management assesses how the assets and financial standing of individual cash-generating units may change over the budget period relative to their peers. The management expects the market share to remain stable over the projection period.

Sensitivity to changes of assumptions

With respect to the estimation of the value in use of individual cash-generating units, the management believes that no reasonably possible change of any of the key assumptions referred to above could cause the carrying amount of a given cash-generating unit to exceed its recoverable amount. As the carrying amounts are lower than the respective value in use (recoverable amounts), no impairment losses were recognised on the shares held.

Note 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY

In the course of its operating and financing activities, the SECO/WARWICK Group is exposed to risks arising mainly in connection with the financial instruments held by the Group. Those risks may be broadly defined as market risk, comprising currency risk, interest rate risk, liquidity risk and credit risk. The objective behind the Group's financial risk management is to mitigate any adverse movements in foreign exchange and interest rates, stabilise cash flows and ensure an adequate level of liquidity and financial flexibility. The rules of financial risk management within the Group are determined by the Management Board of the Parent. As part of the risk management process, an expert management accounting system has been developed and implemented. The key risk parameters at the level of the Group members' operating and financing activities are monitored through monthly reports.

36.1 Currency risk

The Group is exposed to currency risk, arising in connection with sales, trade receivables, financial liabilities and bank loans denominated in EUR and USD. Additionally, in the consolidated financial statements there is a margin risk related to exchange differences on translating foreign operations. This risk applies in particular to SECO/WARWICK Corporation and Retech Systems LLC.
Analysis of the SECO/WARWICK Group's sensitivity to fluctuations in PLN/USD and PLN/EUR exchange rates

Assuming a 10% depreciation of the US dollar against the złoty as at December 31st 2011 (all other things being equal), both the SECO/WARWICK Group's net profit for the financial year 2011 and its equity would have been lower by PLN +1,000 thousand (for 2010, the respective figures would have been PLN +91 thousand). Conversely, assuming a 10% appreciation of the US dollar against the złoty (all other things being equal), both the Group's net profit for the financial year 2011 and its equity would have been higher by PLN +12,560 thousand (for 2010: PLN +163 thousand in both cases).

Assuming a 10% depreciation of the euro against the złoty as at December 31st 2011 (all other things being equal), both the Group's net profit for the financial year 2011 and its equity would have been lower by PLN -1,390 thousand (for 2010, in both cases the respective figures would have been PLN -4,994 thousand). Conversely, assuming a 10% appreciation of the euro against the złoty (all other things being equal), both the Group's net profit for the financial year 2011 and its equity would have been higher by PLN +2,950 thousand (for 2010: PLN +5,984 thousand in both cases).

Assumptions adopted for 2011:

- average USD/PLN exchange rate used to translate items of the income statement: 2.9679
- average EUR/PLN exchange rate used to translate items of the income statement: 4.1401
- USD/PLN exchange rate as at the end of the period used to translate items of the balance sheet: 3.4174
- EUR/PLN exchange rate as at the end of the period used to translate items of the balance sheet: 4.4168

Assumptions adopted for 2010:

- average USD/PLN exchange rate used to translate items of the income statement: 3.0402
- average EUR/PLN exchange rate used to translate items of the income statement: 4.0044
- USD/PLN exchange rate as at the end of the period used to translate items of the balance sheet: 2.9641
- EUR/PLN exchange rate as at the end of the period used to translate items of the balance sheet: 3.9603

The Group acknowledges that its sales may potentially lead to a concentration of currency risk. In the financial year under analysis, 33% of sales revenue was earned in EUR, 54% – in USD and 13% – in PLN.

36.2 Interest rate risk

The SECO/WARWICK Group’s exposure to interest rate risk is not material. In the financial year 2011, the total amount of interest on the Group's loan liabilities was PLN 1,764 thousand.

36.3 Risk related to product prices

The bulk of the Group’s sales revenue is generated under long-term contracts for the supply of equipment. At the proposal preparation stage, each piece of equipment is priced using the current prices of materials and labour. In addition, the fixed costs and the assumed margin on the equipment are taken into account. As a result, in the opinion of the Parent’s Management Board, the price risk is minimised.

Nevertheless, the achievement of the Group’s strategic objectives concerning product prices may be hindered by competition. If competitive pressures intensify, especially in Asian markets, they may adversely affect the Group’s ability to meet its planned financial results. The Management Board of the Parent believes that the SECO/WARWICK Group is now engaged in numerous activities to strengthen its market position and increase its competitive edge by offering high quality services and comprehensive solutions, ensuring that its product mix is flexible, enhancing its existing and building new competence, using state-of-the-art technologies and developing new technological solutions.

36.4 Capital management

The Group's capital management relies on a sustainable financial policy, designed to secure financial resources sufficient to finance the Group's business development, while ensuring that its financing structure and liquidity levels are adequate. The Group's capital is defined as the sum of equity and net debt.
The Group's capital management policy takes into account two key elements:

- operating performance in the context of investment and development plans,
- dividend policy and the external debt repayment schedule.

In order to combine these factors, the Group periodically defines its financing structure framework. The current targets under the capital management policy are as follows:

- current ratio – in the range from 1.5 to 2.5,
- quick ratio – over 1.

The capital management policy adopted by the Group requires it to maintain financial discipline, while giving it enough flexibility to support profitable development.
Capital management is also centred around the goal of maintaining a predetermined level of financial liquidity which allows the Group both to repay its external debt as its falls due and to finance the expenditures connected with the Group's business risk. That goal is pursued for instance by maintaining available credit facilities that may be drawn when the need arises.

3.6.5 Liquidity risk

Liquidity risk is the risk that the Group may face problems with meeting its financial liabilities. Liquidity risk is managed by projecting future cash flows, analysing the relation of liquid assets to cash flows, monitoring liquidity ratios based on balance-sheet items and ensuring constant access to various sources of financing at the level of the individual members of the Group.

The Group also manages its liquidity risk by maintaining available unused credit facilities which serve as a liquidity reserve securing solvency and financial flexibility. The Group considers its bank loans as financial instruments that may potentially lead to a concentration of liquidity risk as the Company enters into cooperation with selected financial institutions only (see Note 24). As at December 31st 2011, bank loans represented 30% of total current liabilities (December 31st 2010: 46%).

The maturity structure of liabilities is presented in Note 27.

3.6.6 Credit risk

The Group pursues a policy of entering into sales agreements only with customers whose reliability it has checked. Management believes that thanks to this policy there is no additional credit risk beyond the level defined by the impairment losses recognised with respect to uncollectible trade receivables. There are no past due receivables that would not be classified as uncollectible.
The Group defines its exposure to credit risk as the total amount of outstanding receivables and monitors the balances owed by each customer on a regular basis. As at December 31st 2011, the share of receivables from a single customer ranged from 10%–15% of total net trade receivables.
The maturity structure of receivables is presented in Note 19.

Note 37. MANAGEMENT STOCK OPTIONS

On April 29th 2009, the General Meeting approved the key assumptions of the Incentive Scheme of SECO/WARWICK S.A. ("the Incentive Scheme"). The Rules of the Incentive Scheme were adopted by way of the Supervisory Board's resolution on July 27th 2009. The Company plans to implement the Incentive Scheme in the years 2009-2011, while the subscription warrants distributed to the eligible scheme participants may be exercised on or after January 2nd 2012, but no later than on June 30th 2017.

Cost of the Incentive Scheme

The Company assumes that it is not possible to reliably measure the fair value of the management stock option scheme as at the grant date, i.e. April 29th 2009. In accordance with IFRS 2.24, in such cases an entity is required to adopt an accounting approach based on intrinsic value of the instruments (the price of the underlying stock less the exercise price). Under the intrinsic value model:

- intrinsic value is remeasured as at each reporting date from the grant date until final settlement,
- as at each reporting date during the vesting period, the cumulative expense is measured as the product of the instrument's intrinsic value as at that date and the portion of the vesting period lapsed; any changes in the cumulative expense are recognised in profit or loss,
- any changes in the intrinsic value of the options from the vesting date until final settlement should be recognised in profit or loss.

As the required Allotment Criteria, defined in Par. 5 of Resolution 4 of the Extraordinary General Meeting of July 17th 2007, amended by Resolution 6 of the Extraordinary General Meeting of February 28th 2008 and Resolution 24 of the Annual General Meeting of April 29th 2009, and in Par. 4.2, Par. 4.3 and Par. 4.8 of the Rules of the SECO/WARWICK S.A. Incentive Scheme, were not fully satisfied in the financial year 2011, no subscription warrants were allotted.

The fair value of subscription warrants for 2010 was PLN 0, hence the cost of the management option scheme operated by SECO/WARWICK S.A. as at December 31st 2011 was determined as follows:

Share price as at December 31st 2011	PLN 22.90
Exercise price in 2010	PLN 27.55
Option intrinsic value	PLN 0

Number of the management stock options	300,000
Vesting period	3 years
Number of management stock options granted in 2010	13,879
Option intrinsic value	PLN 0
Cost for the period	PLN 0

Note 38. CAPITALISED BORROWING COSTS

In the presented reporting periods, the Group companies did not capitalise any borrowing costs.

Note 39. REVENUE GENERATED SEASONALLY, CYCLICALLY OR OCCASIONALLY

In the presented reporting periods, there were no material items of seasonal, cyclical or occasional revenue at the Group.

Note 40. COURT PROCEEDINGS

There are no proceedings pending before central or local government administration bodies, court proceedings or arbitration proceedings which could have a material effect on the financial standing or profitability (exceeding 10% of equity) of the Group.

Note 41. TAX SETTLEMENTS

Tax settlements and other regulated areas of activity (e.g. customs or foreign exchange control) are subject to inspection by competent administration authorities, which are authorised to impose high penalties and sanctions. Lack of reference to well-established legal regulation in Poland has resulted in ambiguity and inconsistency of the applicable laws and regulations. Frequent differences of opinion on the legal interpretation of tax laws, both between different governmental authorities and between governmental authorities and companies, create areas of uncertainty and conflicts. Therefore, the tax risk in Poland is significantly higher than is usually the case in countries with more developed tax systems.
Tax settlements may be subject to tax inspection for a period of five years from the end of the calendar year in which the tax payment was made. As a result of such inspections, additional tax liabilities may be assessed with respect to the tax settlements made by the Group.
In the Management Board's opinion, as at December 31st 2011, there was no need to create appropriate provisions for any recognised and measurable tax risks. The Company pays its tax liabilities when due.
From January 1st 2004 to March 31st 2010, SECO/WARWICK ThermAL S.A. and SECO/WARWICK S.A., the Parent, formed a tax group. As of January 1st 2012, the two companies have again been consolidated for tax purposes.

Note 42. WASTE ELECTRICAL AND ELECTRONIC EQUIPMENT

The issues falling within the scope of Note 43 did not apply to the Group in the presented reporting periods.

Note 43. EVENTS SUBSEQUENT TO THE BALANCE-SHEET DATE

On January 12th 2012, Mr Paweł Wyrzykowski was appointed President of the Management Board of SECO/WARWICK S.A., with effect as of February 1st 2012.

Between January 26th and February 2nd 2012, SECO/WARWICK S.A. and SECO/WARWICK ThermAL S.A., the Issuer's subsidiary, executed with BRE Bank S.A. of Warsaw nine forward contracts for the sale of euro in the total amount of EUR 2,788,000 (PLN 11,708,206), two forward contracts to sell U.S. dollars in the total amount of USD 3,650,000 (PLN 11,663,575), eleven zero-cost collar contracts comprising a long put option and a short call option with a total value of EUR 2,220,000 (PLN 9,373,506), and one zero-cost collar contract comprising a long put option and a short call option with a total value of USD 800,000 (PLN 2,578,640). The total value of the contracts is PLN 35,323,927. The forward contract to sell a total of USD 3,100,000 (PLN 9,906,050) concluded between SECO/WARWICK S.A. and BRE Bank S.A. of Warsaw on February 2nd 2012 was the contract with the highest value.

On February 2nd 2012, the Management Board of SECO/WARWICK S.A. received a notification of an agreement concluded between Retech Systems LLC. of Ukiah, USA, its subsidiary, and Qinghai Supower Titanium Co. Ltd of China concerning the construction and supply of equipment for melting and refining of titanium. The agreement was executed on February 2nd 2012 for a period of 12 months and its value amounts to USD 21,531,600 (PLN 68,804,228)

On March 12th 2012, the Management Board of SECO/WARWICK S.A. received notifications from James A. Goltz and Bleauhard Holdings LLC ("BHLLC") of the sale by James A. Goltz of 904,207 Company shares to BHLLC. BHLLC is James A. Goltz's subsidiary.

On April 16th 2012, the Management Board of SECO/WARWICK S.A. was notified that its subsidiary Reteck Systems LLC (USA) and Titanium Metals Corporation (USA) had signed a contract to manufacture and deliver equipment for melting and refining titanium. The contract was signed on April 12th 2012, its term runs from April 12th 2012 until November 30th 2013, and its value is USD 16,884,192 (PLN 53,722,122). Under the contract, any unresolved disputes between the parties will be submitted for arbitration. Arbitration proceedings are to be conducted in accordance with the procedural laws of the State of Illinois. The equipment will be delivered successively over the life of the agreement, in accordance with agreed schedules. The remaining provisions of the contract do not differ from standard terms used in agreements of such type. The total value of the contract exceeds 10% of SECO/WARWICK S.A.'s equity.

For details on events subsequent to the balance-sheet date, see current reports available on the corporate website at www.secowarwick.com.pl/biezace

Note 44. FINANCIAL STATEMENTS ADJUSTED FOR INFLATION

In the presented reporting periods, the Group companies did not revalue their share capital and other capitals to account for hyperinflation.

Date: April 30th 2012

Paweł Wyrzykowski
President of the Management Board

Andrzej Zawistowski
Vice-President of the Management Board

Wojciech Modrzyk
Vice-President of the Management Board

Józef Olejnik
Member of the Management Board

Witold Klinowski
Member of the Management Board