THE SECO/WARWICK GROUP

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31ST 2010

CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31ST 2010……………………………………………………………………………………………….1

1. General ………….……………………………………………………...……………………4
2. Financial Highlights Translated into the Euro ………………………….…………....……......8
3. Management Board's Statement……………………………………...…….……………...9

CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1ST - DECEMBER 31ST 2010 PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS …...…………………………………………………….....……….…....……10

Consolidated statement of financial position………………...….……….…….………….........11
Consolidated statement of comprehensive income……………………………………………..13
Consolidated statement of cash flows……………………………….……………………14
Interim consolidated statement of changes in equity……………..……….………….…….......16

SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31ST 2010…………...……………………………………….…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 the 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 …………………………………………………...…...28
VII. New standards to be applied by the Group…….…………………..……..……………33

SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31ST 2010…………………………………………..………...36

1. Sales revenue….………..……………………………………………………………......37
2. Operating segments...…………………………….….…………………………………….37
3. Operating expenses...................…………………………..…………………….………42
4. Other operating income and expenses.………………………………………....…………43
5. Finance income and expenses……………….……………….…………….……….…….43
6. Income tax and deferred income.................................………….…………….……….……44
7. Discontinued operations……………………………………………………..………………46
8. Earnings per share………………….……………………………………………..........47
9. Dividends proposed or approved by way of resolution by the date of approval of these financial statements ……………………………………..…………….…………...48
10. Property, plant and equipment……………………………………………....………...48
11. Intangible assets………..……………………………...……………………..……........53
12. Investment property……………………………..……………..……………….............55
13. Goodwill........………………...……………………………...………………..………………56
14. Investments in subordinated undertakings …….………...………....……....………............57
15. Accounting for the acquisition of Retech Systems LLC……………………………………...57
16. Investments in associates accounted for using the equity method.…………………………...60
17. Inventories.....………………………………………………………………………………62
18. Long term contracts.……..………………………………………………………………63
19. Trade and other receivables…………………………………………………..…………63
20. Other financial assets and liabilities………..……………………………………………65
21. Prepayments and accrued income………………………………………………………69
22. Cash and cash equivalents ……………………………………………...……………70

23. Share capital and statutory reserve funds/capital……………..……………………...………..…70
24. Retained earnings (deficit)……..…..…………..……………………………..…………………..…71
25. Financial liabilities.......... ………..……………….……………………………..………………..…72
26. Leases...……………………….………………………….……………………….………………..…76
27. Trade payables and other liabilities ……………………………………………………………..…78
28. Provisions……………….……………………….……………………….………......………..…83
29. Deferred income......................................………………………………………………………85
30. Explanatory information to the statement of cash flows ……………………………………..86
31. Related parties....................................……………………………………………………………88
32. Key personnel remuneration…………………………………………………………………….91
33. Financial assets……………………………………………...……………………......…………93
34. Employment structure…......…..…………………………..…… …………………………………95
35. Capital management…………………………………………………………………...…………...96
36. Goodwill impairment loss…………………………………………………………………..……...96
37. Financial risk management objectives and policy……………………………….....…………..97
38. Management stock options…………………………………………………………..…………..99
39. Capitalised borrowing costs………………………….…………………………………….....100
40. Revenue generated seasonally, cyclically or occasionally…………………………………..100
41. Court proceedings……………………………………...……………………………….100
42. Tax settlements………………………………………………………………………………101
43. Waste electrical and electronic equipment.......……………………………………………...101
44. Events subsequent to the balance-sheet date…..……………………………………………..101
45. Financial statements adjusted for inflation…………………..………………………………102

GENERAL

I. Details of the Parent Undertaking

The Parent Undertaking 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):

29,21,Z	Manufacture of ovens, furnaces and furnace burners
29,24,B	Service activities related to the installation, repair and maintenance of other special purpose machinery n.e.c., excluding service activities
29,24,A	Manufacture of other general-purpose machinery n.e.c., excluding service activities
29,40,A	Manufacture of metal forming machinery and machine tools, excluding service activities
29,40,B	Service activities related to the installation, repair and maintenance of metal forming machinery and machine
29,51,Z	Manufacture of machinery for metallurgy
51,14,Z	Agents involved in the sale of machinery, industrial equipment, ships and aircraft
51,61,Z	Wholesale of metal forming machinery
51,70,Z	Other specialised wholesale
74,20,A	Architectural, spatial planning and engineering activities and related technical consultancy
74,30,Z	Technical testing and analysis
73,10,G	Research and development in the field of technique and technology

National Court Register (KRS) No.:	KRS 0000271014
Industry Identification Number (REGON)	970011679

II. Duration of the Group:

SECO/WARWICK S.A. and other undertakings of the SECO/WARWICK Group have been registered to operate for an unlimited period of time, except for SECO/WARWICK (Tianjin) Industrial Furnace Co. Ltd., which has been registered to operate for the period of 50 years.

III. Presented periods

These consolidated financial statements contain data for the period January 1st - December 31st 2010. The comparative data is presented as at December 31st 2009 in the case of the statement of financial position, and for the period from January 1st 2009 to December 31st 2009 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 Undertaking) governing bodies

MANAGEMENT BOARD		
Composition of the Management Board as at December 31st 2010	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
SUPERVISORY BOARD		
Composition of the Supervisory Board as at December 31st 2009	Jeffrey Boswell Henryk Pilarski Piotr Kowalewski Piotr Kula Artur Grygiel	Chairman of the Supervisory Board Deputy Chairman of the Supervisory Board Deputy Chairman of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board
Composition of the Supervisory Board as at April 29th 2010	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
Composition of the Supervisory Board as at December 31st 2010	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

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

V. Auditors

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

VI. Significant shareholders of the Parent Undertaking

The table below presents the shareholders holding over 5% of the total vote at the General Shareholders Meeting as at December 31st 2010:

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%

VII. Subsidiaries

SECO/WARWICK S.A. is the direct Parent Undertaking of the following four subsidiaries:

- SECO/WARWICK ThermAL S.A. (former Lubuskie Zakłady Termotechniczne Elterma S.A.)
- SECO/WARWICK Corporation, and
- OOO SECO/WARWICK Group Moscow
- RETECH Systems LLC

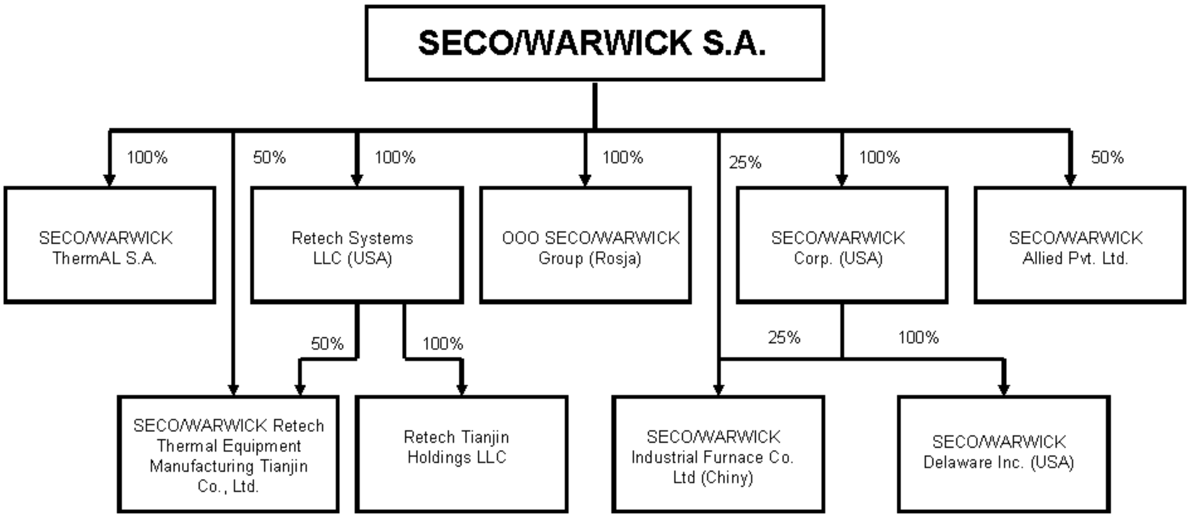
Other Group members are:

- SECO/WARWICK Industrial Furnace Co. SECO/WARWICK (Tianjin) China (jointly controlled entity), in which SECO/WARWICK S.A. holds directly 25% of the share capital (and of the total vote), and indirectly – through SECO/WARWICK Corporation – another 25% of the share capital and the total vote
- SECO/WARWICK of Delaware Inc., in which the Parent Undertaking holds, through SECO/WARWICK Corporation, 100% of the share capital and 100% of the total vote at the general shareholders meeting
- SECO/WARWICK RETECH Thermal Equipment Manufacturing Tianjin Co., Ltd., located in a special economic zone in Tianjin SECO/WARWICK Retech is a 50/50 joint venture of SECO/WARWICK S.A. and Retech Systems LLC. SECO/WARWICK Retech promotes products from the following range: vacuum furnaces, CAB, atmosphere furnaces and other equipment manufactured on the basis of Retech's technology
- Retech Tianjin Holdings LLC, in which the Parent Undertaking holds, through Retech Systems LLC, 100% of the share capital and 100% of the total vote at the general shareholders meeting

VIII. Associates

- SECO/WARWICK Allied Pvt. Ltd., in which the Parent Undertaking holds 50% of shares, conferring the right to 50% of the total vote at the company's general shareholders 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 2010	Dec 31 2009
Average exchange rate for the period*	4.0044	4.3406
Exchange rate effective for the last day of the period	3.9603	4.1082

**) the 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 these consolidated financial statements and the comparative data, translated into the euro:

Financial highlights - consolidated

Item	2010	2009	2010	2009
	(PLN '000)		(EUR '000)	
Net sales revenue	194,797	122,795	48,646	28,290
Cost of sales	-151,632	-88,899	-37,867	-20,481
Operating profit/(loss)	781	613	195	141
Pre-tax profit/(loss)	15,275	756	3,814	174
Net profit/(loss)	15,165	-960	3,787	-221
Net cash provided by/(used in) operating activities	-16,344	40,422	-4,082	9,312
Net cash provided by/(used in) investing activities	-19,293	-21,633	-4,818	-4,984
Net cash provided by/(used in) financing activities	21,677	-5,857	5,413	-1,349
Total assets	338,818	211,440	85,554	51,468
Total liabilities	130,816	45,534	33,032	11,084
of which current liabilities	98,616	29,154	24,901	7,096
Equity	208,002	165,906	52,522	40,384
Share capital	3,652	3,471	922	845

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 Undertaking 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. U. of 2009 No. 33, item 259). These financial statements cover the period from January 1st to December 31st 2010 and a comparative period from January 1st to December 31st 2009.

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. 6/2009 of February 25th 2009, 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 27th 2011

	Leszek Przybysz *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 PERIOD

JANUARY 1ST - DECEMBER 31ST 2010

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(PLN '000)

Assets		As at Dec 31 2010	As at Dec 31 2009
NON-CURRENT ASSETS		**150,144**	**112,305**
Property, plant and equipment	*10*	53,390	45,831
Investment property	*12*	435	448
Goodwill	*13*	58,001	4,284
Other intangible assets	*11*	13,705	9,838
Investments in associates	*14*	17,907	47,769
Financial assets available for sale		3	3
Non-current receivables			
Other assets			
Loans and receivables			
Prepayments and accrued income			
Deferred tax assets	*6*	6,703	4,133
CURRENT ASSETS		**183,124**	**99,135**
Inventories	*14*	21,168	16,091
Trade receivables	*19*	63,771	21,103
Other current receivables	*19*	8,953	5,843
Prepayments and accrued income	*21*	1,959	1,740
Financial assets at fair value through profit or loss	*20*	366	143
Loans and receivables	*20*	5	3
Cash and cash equivalents	*22*	14,489	25,254
Contract settlement	*18*	72,415	28,958
ASSETS HELD FOR SALE	7	**5,550**	
TOTAL ASSETS		**338,818**	**211,440**

Equity and liabilities		As at Dec 31 2010	As at Dec 31 2009
EQUITY		**208,002**	**165,906**
Equity attributable to owners of the parent		208,002	165,906
Share capital	*23*	3,652	3,471
Statutory reserve funds	*23*	172,843	143,833
Other capitals	*23*	35	2
Retained earnings/(deficit)	*24*	31,472	18,600
Non-controlling interests			
NON-CURRENT LIABILITIES		**28,945**	**16,381**
Loans and borrowings	*25*	8,892	
Financial liabilities	*25*	167	234
Other liabilities	*27*		406
Deferred tax liabilities	*6*	12,476	10,767
Provision for retirement and similar benefits	*28*	2,985	2,792
Provisions for liabilities			
Accruals and deferred income	*21*	4,425	2,181
CURRENT LIABILITIES		**98,616**	**29,154**
Loans and borrowings	*25*	27,457	365
Financial liabilities	*20*	353	2,080
Trade payables	*27*	24,309	11,118
Taxes, customs duties and social security payable	*27*	2,824	2,348
Other current liabilities	*27*	4,385	3,140
Provision for retirement and similar benefits	*28*	3,579	973
Other provisions	*28*	4,401	3,070
Accruals and deferred income	*29*	31,308	6,060
LIABILITIES HELD FOR SALE	7	3,254	
TOTAL EQUITY AND LIABILITIES		**338,818**	**211,440**

Date: April 27th 2011

Prepared by:
Piotr Walasek

Leszek Przybysz
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 2010	for the period Jan 1 – Dec 31 2009
Net sales revenue, including:	*1,2*	194,797	122,795
Net revenue from sales of products		193,435	121,632
Net revenue from sales of goods for resale and materials		1,362	1,163
Cost of sales, including:	*2,3*	-151,632	-88,899
Cost of products sold		-150,759	-87,833
Cost of goods for resale and materials sold		-873	-1,066
Gross profit/(loss)		**43,166**	**33,896**
Other operating income	*4*	1,682	2,214
Selling costs	*1,2,3*	-11,097	-9,397
General and administrative expenses	*1,2,3*	-29,955	-24,445
Other operating expenses	*4*	-3,014	-1,655
Operating profit/(loss)		**781**	**613**
Gain (loss) on accounting for obtaining control		10,472	
Finance income	*5*	2,736	1,438
Finance expenses	*5*	-1,417	-8,301
Share in net profit/(loss) of associates		2,702	7,006
Pre-tax profit/(loss)		**15,275**	**756**
Income tax	*6*	237	-1,003
Net profit/(loss) on continuing operations		**15,511**	**-247**
Profit/(loss) from discontinued operations		-346	-712
Net profit/(loss) for financial year		**15,165**	**- 960**
Earnings per share (PLN)	*8*	1,59	-0,10
Weighted average number of shares as at	*8*	9,626,503,	9,572,003

OTHER COMPREHENSIVE INCOME:		
Valuation of cash flow hedging derivatives	-21	2,729
Exchange differences on translating foreign operations	83	-1,936
Actuarial gains/(losses) on a defined benefit retirement plan	619	675
Income tax relating to other comprehensive income	4	-789
Other comprehensive income, net	**-554**	**679**
Total comprehensive income	**14,612**	**-281**

Date: April 27th 2011

Prepared by:
Piotr Walasek

Leszek Przybysz
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 CASH FLOWS
(PLN '000)

		Jan 1 – Dec 31 2010	Jan 1 – Dec 31 2009
OPERATING ACTIVITIES			
Pre-tax profit/(loss)	30	**15,275**	**44**
Total adjustments:		**-29,277**	**39,801**
Share of net profit of associates		-13,175	-7,006
Depreciation and amortisation	3	5,162	4,950
Foreign exchange gains/(losses)		-188	-25
Interest and profit distributions (dividends)		586	201
Profit/(loss) on investing activities		-1,334	13,691
Balance sheet valuation of derivative instruments		-1,994	-11,613
Change in provisions		2,224	-2,883
Change in inventories		-2,307	3,950
Change in receivables		-37,926	44,322
Change in current liabilities (other than financial liabilities)		14,982	-10,385
Change in accruals and deferrals		4,822	4,324
Other adjustments		-129	273
Cash from operating activities		**-14,002**	**39,845**
Income tax (paid)/refunded		-2,342	577
Net cash provided by/(used in) operating activities		**-16,344**	**40,422**
INVESTING ACTIVITIES			
Cash provided by investing activities		**703**	**582**
Proceeds from disposal of intangible assets and property, plant and equipment		75	570
Proceeds from disposal of financial assets			
Dividends and profit distributions received			
Repayment of non-current loans advanced			
Interest received			
Other cash provided by financial assets		8	12
Cash paid in connection with derivative instruments		620	
Cash used in investing activities		**16,177**	**22,215**
Investments in intangible assets, property, plant and equipment, and investment property		7,371	7,500
Acquisition of related undertakings		7,510	
Acquisition of financial assets			
Loans advanced		10	
Cash paid in connection with derivative instruments			13,569
Other cash used in investing activities		1,286	1,146
Net cash provided by/(used in) investing activities		**-15,474**	**-21,633**

FINANCING ACTIVITIES		
Cash provided by financing activities	**30,194**	
Net proceeds from issue of shares, other equity instruments and additional contributions to equity	1,751	
Loans and borrowings	28,443	
Issue of debt securities		
Other cash provided by financing activities		
Cash used in financing activities	**8,516**	**5,857**
Acquisition of own shares		
Dividends and other distributions to owners	7,544	
Profit distributions other than to owners		
Repayment of loans and borrowings	370	5,336
Redemption of debt securities		
Other financial liabilities		
Decrease in finance lease liabilities	357	319
Interest paid	245	202
Other cash used in financing activities		
Net cash provided by/(used in) financing activities	**21,677**	**-5,857**
Total net cash flow	**-10,141**	**12,932**
Balance-sheet change in cash, including:	**-10,873**	**12,836**
- effect of exchange rate fluctuations on cash held	-144	-53
Cash at beginning of period	**25,086**	**12,154**
Cash at end of period, including:	**14,946**	**25,086**
- restricted cash		
- cash relating to discontinued operations	508	

Date: April 27th 2011

Prepared by:
Piotr Walasek

Leszek Przybysz
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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (PLN '000)

	Share capital	Statutory reserve funds	Capital reserve from revaluation of derivatives	Other capitals	Translation reserve	Retained earnings/(deficit)	Equity attributable to minority interests	Total equity
Twelve months ended Dec 31 2009								
Equity as at Jan 1 2009	**3,471**	**135,792**	**(2,211)**		**3,007**	**25,461**	**,**	**165,521**
Total comprehensive income for twelve months ended Dec 31 2009			2,211		(1,936)	(555)		**(281)**
Distribution of profit		8,040				(8,040)		
Share-based payments				2				**2**
Changes in equity of SECO/WARWICK Allied (India) not related to net profit/loss						339		**339**
Changes in equity of RETECH not related to net profit/loss						324		**324**
Equity as at Dec 31 2009	**3,471**	**143,833**	**0**	**2**	**1,072**	**17,529**	**0**	**165,906**
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**

Date: April 27th 2011

Prepared by: Piotr Walasek

Leszek Przybysz	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 PERIOD ENDED DECEMBER 31ST 2010

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 2010. As at the date of signing these financial statements, the Parent Undertaking'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 2010, 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 significant events related to prior years.

III. Basis of consolidation

a) Subsidiaries

A subsidiary is any undertaking 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 undertaking's governing bodies. While assessing whether the Group controls a given undertaking, 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 undertakings 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 undertaking 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 undertaking over which the Group has significant influence, but not control. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power in an undertaking'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 undertaking'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 undertakings are included in these consolidated financial statements for the periods ended December 31st 2010 and December 31st 2009:

Company	% of total vote	
	Dec 31 2010	Dec 31 2009
SECO/WARWICK S.A.	Parent Undertaking	
Lubuskie Zakłady Termotechniczne Elterma S.A.	100%	100%
SECO/WARWICK Corp.	100%	100%
SECO/WARWICK of Delaware, Inc	100%	100%
OOO SECO/WARWICK Group Moscow	100%	100%
Przedsiębiorstwo Handlowo-Usługowe Eltus Sp. z o.o.	-	100%
SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co., Ltd.	100%	-
Retech Systems LLC	100%	50%
SECO/WARWICK (Tianjin) Industrial Furnace Co. Ltd.	50%	50%
SECO/WARWICK Allied Pvt. Ltd.	50%	50%

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

These consolidated financial statements have been prepared based on a historical cost approach, except with respect to financial derivatives, which are measured at fair value through the statement of comprehensive income (or in accordance with IAS 39 if hedge accounting is applied).

These consolidated financial statements are presented in the złoty (“PLN”), and unless specified otherwise, all amounts 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 related to 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 expense 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:

	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 an amount 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. 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 undertakings, assets at fair value through the statement of comprehensive income, 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 the statement of comprehensive income, hedging derivatives, trade payables, liabilities to suppliers of tangible assets, and lease liabilities.

Except for investments in subsidiaries, jointly controlled undertakings 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 the statement of comprehensive income 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 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. As non-monetary assets, prepayments are not discounted.

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 and not 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 an acquisition or issue of a financial liability increase the carrying value 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

Hedge accounting recognises the offsetting effects on the statement of comprehensive income of changes in the fair value of hedging instruments and the hedged items.

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 undertaking 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 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 judgment 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 to 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) fall on the Group.

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

Accruals and deferrals

In order to ensure the matching of revenues with related expenses, expenses or revenues relating to future periods 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 2010 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 non-current and current benefits is performed 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 co-operator costs not yet invoiced.

The revenue as at the end of the reporting period is determined by reference to the stage 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 2010 were made with respect to contingent liabilities and provisions for claims.

VI. Changes in accounting policies

Below are presented new standards and IFRIC interpretations which have been published by the International Accounting Standards Board and are effective for reporting periods beginning on or after January 1st 2010.

Amendment to IFRS 2 "Share-Based Payment"

Amendment to IFRS 2 was published by the International Accounting Standards Board on March 23rd 2010. Companies are required to apply the amendments no later than on commencement of their first financial year beginning on or after December 31st 2009.

This IFRS is not applicable to transactions in which the entity acquires goods as part of the net assets acquired in a business combination as defined by IFRS 3 "Business Combinations" (as revised in 2008), in a combination of entities or businesses under common control as described in paragraphs B1–B4 of IFRS 3, or the contribution of a business on the formation of a joint venture as defined by IAS 31 "Interests in Joint Ventures". Hence, equity instruments issued in a business combination in exchange for control of the acquiree are not within the scope of IFRS 2. However, equity instruments granted to employees of the acquiree in their capacity as employees are within the scope of IFRS 2.

IFRS 3 (as revised in 2008) and Improvements to IFRSs issued in April 2009 amended paragraph 5 of IFRS 2. Those amendments are effective for annual periods beginning on or after July 1st 2009. Early application is permitted. If an entity applies IFRS 3 (revised 2008) for an earlier period, it is required to apply the amendments for that earlier period.

The Group will apply the standard starting from the annual financial statements for the period that begins on January 1st 2010.

Amendments to IFRS 2 “Share-Based Payments”

Amendments to IFRS 2 "Share-Based Payments" were published by the International Accounting Standards Board on June 18th 2009 and are effective for annual periods beginning on or after January 1st 2010. The amendments clarify the accounting for group cash-settled share-based payment transactions. The amendments specify the scope of IFRS 2 and regulate the interaction of IFRS 2 and other standards. The amendments to IFRS 2 also incorporate guidance previously included in IFRIC 8 and IFRIC 11.

The Group will apply the standard starting from the annual financial statements for the period that begins on January 1st 2010.

Revised IFRS 3 “Business Combinations”

Revised IFRS 3 was published by the International Accounting Standards Board on January 10th 2008 and is effective prospectively for annual periods beginning on or after July 1st 2009. The revised standard continues to apply the acquisition method of accounting for business combinations, however with some significant changes. For instance, all payments to purchase a business should be recognised at their acquisition-date fair value, with contingent payments classified as debt subsequently remeasured through profit or loss. Additionally, the revised standard defines new rules of applying the acquisition method, including a requirement to recognise acquisition-related costs as expenses in the period in which they are incurred. Moreover, there is a choice to measure the minority interest (non-controlling interest) in an acquiree either at fair value or as the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The Group applied the standard to the annual financial statements for the period starting January 1st 2010.

IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations"

Amendment to IFRS 5 was published by the International Accounting Standards Board on March 23rd 2010 and is effective prospectively for reporting periods beginning on or after January 1st 2010. Early application is permitted. Early application is permitted and is required to be disclosed.

The amendments specify the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or as discontinued operations.

Amendment to IFRS 8 "Operating Segments"

Amendment to IFRS 8 was published by the International Accounting Standards Board on March 23rd 2010 and is effective prospectively for reporting periods beginning on or after January 1st 2010. Early application is permitted and is required to be disclosed.

The amendments introduce changes in disclosures relating to profit or loss, assets and liabilities.

The Group will apply the standard starting from the annual financial statements for the period that begins on January 1st 2010.

Revised IAS 27 "Consolidated and Separate Financial Statements"

Revised IAS 27 was published by the International Accounting Standards Board on January 10th 2008 and is effective for annual periods beginning on or after July 1st 2009. The standard requires that the effects of transactions with minority shareholders be presented within equity as long as the entity remains under the control of the existing parent. The standard provides also a more detailed guidance on disclosure in the event of loss of control over a subsidiary, i.e. it requires that the residual holding be remeasured to fair value and the difference recognised in profit or loss.

The Group has applied the revised IAS 27 prospectively to transactions with minority shareholders (holders of non-controlling interests) starting from the annual financial statements for the period that begins on January 1st 2010.

Amendments to IFRIC 9 and IAS 39 "Embedded Derivatives"

The amendments to IFRIC 9 and IAS 39 "Embedded Derivatives" were published by the International Accounting Standards Board on March 12th 2009 and are effective for annual periods ended on or after June 30th 2009.

The amendments constitute an improvement on the amendments to IFRIC 9 and IAS 39 issued in October 2008 concerning embedded derivatives. The amendments clarify that on reclassification of a financial asset out of the "at fair value through profit or loss" category all embedded derivatives have to be assessed and, if necessary, separately accounted for in the financial statements.

The Group commenced to apply the amendments to IFRIC 9 and IAS 39 as of January 1st 2010.

Improvements to IFRSs 2009

On April 16th 2009, the International Accounting Standards Board published "Improvements to IFRSs 2010"– a collection of amendments to 12 standards. The amendments involve accounting changes for presentation, recognition and measurement purposes as well as terminology and editorial changes. Most of the amendments are effective for annual periods beginning on or after January 1st 2010.

IAS 1 "Presentation of Financial Statements"

Amendment to IAS 1 was published by the International Accounting Standards Board on March 23rd 2010 and is effective prospectively for reporting periods beginning on or after January 1st 2010. Early application is permitted and is required to be disclosed.

The amendments refer to classification of liabilities as current.

The Group will apply the standard starting from the annual financial statements for the period that begins on January 1st 2010.

IAS 7 "Statement of Cash Flows"

Amendment to IAS 7 was published by the International Accounting Standards Board on March 23rd 2010 and is effective prospectively for reporting periods beginning on or after January 1st 2010. Early application is permitted and is required to be disclosed.

The amendments clarify that only those expenditures which result in assets recognised in the statement of financial position can be classified as investing activity.

The Group will apply the standard starting from the annual financial statements for the period that begins on January 1st 2010.

IAS 17 "Leases"

Amendment to IAS 17 was published by the International Accounting Standards Board on March 23rd 2010 and is effective prospectively for reporting periods beginning on or after January 1st 2010. Early application is permitted and is required to be disclosed.

The amendments refer to classification of leases when a lease includes both land and buildings elements.

The Group will apply the standard starting from the annual financial statements for the period that begins on January 1st 2010.

IAS 36 "Impairment of Assets"

Amendment to IAS 36 was published by the International Accounting Standards Board on March 23rd 2010 and is effective prospectively for reporting periods beginning on or after January 1st 2010. Early application is permitted and is required to be disclosed.

The amendments refer to assigning goodwill to cash generating units.

The Group will apply the standard starting from the annual financial statements for the period that begins on January 1st 2010.

Amendment to IAS 38 "Intangible Assets"

Amendment to IAS 38 was published by the International Accounting Standards Board on March 23rd 2010 and is effective prospectively for reporting periods beginning on or after January 1st 2010. Early application is permitted and is required to be disclosed.

The amendments introduce changes in recognition and measurement of fair value of intangible assets acquired in business combinations. Amounts recognised in connection with intangible assets and goodwill, arising on business combinations in previous periods, may not be adjusted. If an entity applies IFRS 3 (as revised in 2008) for an earlier period, it is required to apply the amendment for that earlier period and disclose that fact.

The Group will apply the standard starting from the annual financial statements for the period that begins on January 1st 2010.

IAS 39 "Financial Instruments: Recognition and Measurement"

Amendment to IAS 39 was published by the International Accounting Standards Board on March 23rd 2010 and is effective prospectively for reporting periods beginning on or after January 1st 2010. Early application is permitted and is required to be disclosed.

The amendments introduce changes in the scope of the standard, classification of items as hedged items and hedging of cash flows.

The Group will apply the standard starting from the annual financial statements for the period that begins on January 1st 2010.

IFRIC 9 "Reassessment of Embedded Derivatives"

Amendment to IFRIC 9 was published by the International Accounting Standards Board on March 23rd 2010 and is effective prospectively for reporting periods beginning on or after January 1st 2010. If an entity applies IFRS 3 (as revised in 2008) for an earlier period, it is required to apply the amendment for that earlier period and disclose that fact.

The amendments refer to the scope of the standard. This interpretation does not apply to embedded derivatives acquired in:

a) business combinations (as defined in IFRS 3 "Business Combinations", as revised in 2008);

b) a combination of entities or businesses under common control as described in paragraphs B1–B4 of IFRS 3 (revised 2008); or

c) the formation of a joint venture as defined in IAS 31 "Interests in Joint Ventures" or their possible reassessment at the date of acquisition.

The Group has applied IFRIC 9 starting from the annual financial statements for the period that begins on January 1st 2010.

IFRIC 12 “Service Concession Arrangements”

Interpretation IFRIC 12 was issued by the International Financial Reporting Interpretations Committee on November 30th 2006 and is effective for annual periods beginning on or after March 29th 2009. The interpretation provides guidance for application of the existing standards by entities participating in service concession arrangements between the private and the public sector. IFRIC 12 applies to contracts under which the grantor controls the kind of services that the operator provides using the infrastructure, as well as the recipient and price of these services.

The Group has applied IFRIC 12 starting from the annual financial statements for the period that begins on January 1st 2010.

IFRIC 15 "Agreements for the Construction of Real Estate"

Interpretation IFRIC 15 was issued by the International Financial Reporting Interpretations Committee on July 3rd 2008 and is effective for annual periods beginning on or after January 1st 2010. The Interpretation provides guidance on how to determine whether an agreement for the construction of real estate should fall within the scope of IAS 11 "Construction Contracts" or IAS 18 "Revenue" for the purpose of presentation in financial statements. Moreover, IFRIC 15 clarifies when to recognise the revenue from provision of construction services.

The Group has applied IFRIC 15 starting from the annual financial statements for the period that begins on January 1st 2010.

IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"

IFRIC 16 was issued by the International Financial Reporting Interpretations Committee on July 3rd 2008 and is effective for annual periods beginning on or after July 1st 2009. The interpretation provides guidance on how to determine whether risk arises from the foreign currency exposure to the functional currency of the foreign operation and the presentation currency of the parent's consolidated financial statements. Moreover, IFRIC 16 clarifies which entity within a group can hold a hedging instrument in a hedge of a net investment in a foreign operation and in particular whether the parent holding the net investment in a foreign operation must also hold the hedging instrument. IFRIC 16 explains also how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item when the entity disposes of the investment.

The Group has applied IFRIC 16 starting from the annual financial statements for the period that begins on January 1st 2010.

Amendment to IFRIC 16 Hedges of a Net Investment in a Foreign Operation

Amendment to IFRIC 16 was published by the International Accounting Standards Board on March 23rd 2010 and is effective prospectively for reporting periods beginning on or after January 1st 2010. Early application of the interpretation and the amendment is permitted. If an entity applies this Interpretation for a period beginning before October 1st 2008, or the amendment to paragraph 14 before 1July 2009, it is required to disclose that fact.

The amendment relates to holding of a hedging instrument by an entity within a group. A derivative or a non-derivative instrument (or a combination of derivative and non-derivative instruments) may be designated as a hedging instrument in a hedge of a net investment in a foreign operation. The hedging instrument(s) may be held by any entity or entities within the group as long as the designation, documentation and effectiveness requirements of IAS 39 paragraph 88 that relate to a net investment hedge are satisfied. In particular, the hedging strategy of the group should be clearly documented because of the possibility of different designations at different levels of the group.

The Group will apply IFRIC 16 starting from the annual financial statements for the period that begins on January 1st 2010.

IFRIC 17 "Distributions of Non-Cash Assets to Owners"

Interpretation IFRIC 17 was issued by the International Financial Reporting Interpretations Committee on November 27th 2008 and is effective for annual periods beginning on or after July 1st 2009. The interpretation provides guidance on the moment of recognition of dividend, measurement of dividend and recognition of the difference between the value of dividend and the carrying amount of the distributed assets.

The Group has applied IFRIC 17 starting from the annual financial statements for the period that begins on January 1st 2010.

IFRIC 18 “Transfer of Assets from Customers”

Interpretation IFRIC 18 was issued by the International Financial Reporting Interpretations Committee on January 29th 2009 and is effective for annual periods beginning on or after July 1st 2009. The interpretation provides guidance on the recognition of transfer of assets from customers, namely it clarifies the circumstances in which the definition of an asset is met, the identification of the separately identifiable services (services in exchange for the transferred asset), the recognition of revenue and the accounting for transfers of cash from customers.

The Group has applied IFRIC 18 starting from the annual financial statements for the period that begins on January 1st 2010.

VII. New standards to be applied by the Group

Amendments to IFRS 1

On July 23rd 2009, the International Accounting Standards Board (IASB) published amendments to IFRS 1 "First-Time Adoption of International Financial Reporting Standards" ("Amendments to IFRS 1"). Pursuant to the Amendments to IFRS 1, entities operating in the oil and gas sector which adopt IFRS are allowed to use the carrying amounts of their oil and gas assets determined using previously applied accounting policies. Entities which opt for the exemption are required to measure their decommissioning, site restoration and similar obligations associated with oil and gas assets in line with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", and to account for a given obligation in retained earnings. Amendments to IFRS 1 also provide for a reassessment of whether an arrangement contains a lease.

The Group will apply the standard starting from the annual financial statements for the period that begins on January 1st 2011.

Amendments to IFRS 2 "Share-Based Payment"

On June 18th 2009, the International Accounting Standards Board (IASB) published amendments to IFRS 2 "Share-Based Payment". Amendments to IFRS 2 clarify the accounting for share-based payment transactions where payment to the supplier of goods or services is settled in cash and the liability is contracted by another group member (group cash-settled share-based payment transactions).

The Group will apply the standard starting from the annual financial statements for the period that begins on January 1st 2011.

Amendments to IFRS 7

On January 28th 2010, the International Accounting Standards Board (IASB) issued a document entitled Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters - Amendment to IFRS 1. Given the fact that first-time adopters of IFRS so far had no possibility to use an exemption from providing comparative information concerning fair-value measurement and liquidity risk, available under IFRS 7 for comparative periods ending before December 31st 2009 r., the purpose of the Amendment to IFRS 1 is to make such optional exemption available also to first-time adopters of IFRS. Under the Amendments to IFRS 7, an entity does not have to disclose the information required under the amendments in the case of:

(a) annual or interim periods, including statements of financial position, presented in an annual comparative period ending before December 31st 2009, or

(b) statements of financial position presented at the beginning of the earliest comparative period before December 31st 2009.

Early application is permitted and is required to be disclosed.

The Group will apply the standard starting from the annual financial statements for the period that begins on January 1st 2011.

Amendments to IFRS 8 "Operating Segments"

Amendments to IFRS 8 "Operating Segments" were published by the International Accounting Standards Board (IASB) in 2009. Amendments to IFRS 8 refer to disclosure of information on the extent of an entity's dependence on its customers. If revenue from transactions with a single external customer accounts for 10% or more of an entity's total revenue, the entity is required to disclose that fact, and to provide information on the total revenue derived from each such customer and the identity of the segment or segments where such revenue is recognised. An entity is not required to disclose the identity of its major customer or the amount of revenue derived from the customer which is reported in the individual segments. However, it is also necessary to make an assessment whether a government (national, regional, territorial, local or foreign, including governmental agencies and other similar local, national or international authorities) and the entities which to the reporting entity's knowledge are supervised by the government, are to be treated as a single customer. In making such an assessment, the reporting entity takes into account the degree of business integration between such entities. Changes regarding disclosure of information on related parties (amended in 2009) are introduced by paragraph 34 with respect to annual periods beginning on or after January 1st 2011.

The Group will apply the standard starting from the annual financial statements for the period that begins on January 1st 2011.

IAS 24 "Related Party Disclosures"

On November 4th 2009, the International Accounting Standards Board (IASB) published Revised IAS 24 "Related Party Disclosures". The purpose of the amendments introduced in the Revised IAS 24 was to simplify the definition of a related party while at the same time removing certain internal inconsistencies, and to provide a partial exemption for government-related entities from the disclosure obligations regarding transactions with related parties. IAS 24 (2009) applies retrospectively for annual periods beginning on or after January 1st 2011. Early application of the entire standard or of the partial exemption for government-related entities is permitted. Early application of the entire standard or of the partial exemption for government-related entities with respect to a period that begins before January 1st 2011 must be disclosed.

The Group will apply the standard starting from the annual financial statements for the period that begins on January 1st 2011.

Amendment to IFRIC 14 "Prepayments of a Minimum Funding Requirement"

In November 2009, the International Accounting Standards Board amended IFRIC 14 in such a way as to remove unintended consequences of treatment of voluntary pension prepayments when there is a minimum funding requirement. The amendments apply for annual periods beginning on or after January 1st 2011. Early application of the interpretation is permitted and must be disclosed.

The Group will apply the standard starting from the annual financial statements for the period that begins on January 1st 2011.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"

On November 26th 2009, the International Financial Reporting Interpretations Committee (IFRIC) issued IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" ("IFRIC 19"). IFRIC 19 provides guidance regarding accounting by an issuer of equity instruments which were issued following renegotiation of the terms of a financial liability in order to extinguish all or part of the financial liability. IFRIC 19 addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. It does not address the accounting by the creditor. The interpretation is effective for annual periods beginning on or after July 1st 2010. Early application is permitted. Earlier application for a period that begins before July 1st 2010 must be disclosed. Changes in accounting policies apply - in line with IAS 8 - starting from the earliest comparative period presented.

The Group will apply the standard starting from the annual financial statements for the period that begins on January 1st 2011.

The Management Board of the Parent Undertaking does not expect the above standards and interpretations to have any material effect on the accounting policies applied by the Group, save for the need to make certain additional or new disclosures. The Group 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 PERIOD ENDED DECEMBER 31ST 2010

Note 1. SALES REVENUE

As provided for under IAS 18, revenue from sale 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	2010	2009
Sales of products	193,435	121,632
Sales of goods for resale and materials	1,362	1,163
TOTAL sales revenue	**194,797**	**122,795**
Other operating income	1,682	2,214
Finance income	3,152	1,438
TOTAL revenue and income	**199,631**	**126,447**

In 2010, sales revenue from discontinued operations amounted to PLN 579 thousand, compared with PLN 935 thousand in 2009.

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 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 operating 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 furnace solutions 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 thermal and thermochemical treatment are employed in the gas carburising, gas nitriding and other processes. The furnaces are meant chiefly for 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 treat 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 metal (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 advanced technological 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 former USSR countries (Russia and former USSR countries)
- the US market,
- the Turkish market (Turkey),
- 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 common to all the segments.

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
Inter-segment sales									
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**

OPERATING SEGMENTS – 2009

Item	Continuing operations						Discontinued operations	Unallocated items	Total operations
	Vacuum	*CAB*	*Atmosphere Furnaces*	*Aluminium Process*	*Melting Furnaces*	*Total*			
Total segment revenue	**30,316**	**28,689**	**25,176**	**8,950**	**5,311**	**98,443**	**935**	**24,353**	**122,795**
External sales, including:	30,316	28,689	25,176	8,950	5,311	98,443	935	24,353	122,795
- sales to customers who account for 10% or more of total segment revenue	19,570	22,793	17,338	6,068	4,670	70,439		3,700	74,139
Inter-segment sales									
Total segment expenses	**(23,295)**	**(14,871)**	**(19,979)**	**(8,018)**	**(3,368)**	**(69,531)**	**(837)**	**(19,368)**	**(88,899)**
General and administrative expenses							(595)	(24,445)	(24,445)
Selling costs							(223)	(9,397)	(9,397)
Operating income							30	2,214	2,214
Operating expenses								(1,655)	(1,655)
Profit/(loss) on continuing operations before tax and finance expenses	**7,022**	**13,818**	**5,196**	**932**	**1,943**	**28,912**	**(689)**		**613**
Finance income							2	1,438	1,438
Net finance expenses							(25)	(8,301)	(8,301)
Share in profit of associate								7,006	7,006
Pre-tax profit/(loss)									**(756)**
Income tax								(1,003)	(1,003)
Profit/(loss) on discontinued operations							(712)		(712)
Net profit/(loss) for period									**(960)**

GEOGRAPHICAL SEGMENTS – 2010

Item	*Poland*	*EU*	*Russia and former USSR countries*	*US*	*Asia*	Other	**Total operations**
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,**

GEOGRAPHICAL SEGMENTS – 2009

Item	*Poland*	*EU*	*Russia and former USSR countries*	*US*	*Turkey*	Other	**Total operations**
Total segment revenue	**15,858**	**52,759**	**15,260**	**21,328**	**4,776**	**12,813**	**122,795**
External sales – continuing operations, including:	15,858	52,759	15,260	21,328	4,776	12,813	**122,795**
- sales to customers who account for 10% or more of total segment revenue	2,320	17,405	9,969	4,585	4,405	4,585	**43,268**
External sales – discontinued operations							
Segment's non-current assets	96,707			12,925		3,592	**113,224**
Capital expenditure	7,404			65			**7,469**

Note 3. OPERATING EXPENSES

COSTS BY TYPE	Jan 1 - Dec 31 2010	Jan 1 - Dec 31 2009
Depreciation and amortisation	4,980	4,770
Raw materials and energy used	86,897	51,287
Contracted services	26,769	17,707
Taxes and charges	975	843
Salaries and wages	43,451	37,011
Social security and other benefits	9,596	8,277
Defined benefit plan	512	651
Other costs by type	12,935	10,445
Total costs by type, including:	**186,114**	**130,992**
Selling costs	(11,097)	(9,397)
General and administrative expenses	(29,955)	(24,445)
Change in products	9,191	(5,011)
Cost of products and services for own needs	(3,494)	(4,306)
Cost of products and services sold	**150,759**	**87,833**

DEPRECIATION/AMORTISATION AND IMPAIRMENT LOSSES RECOGNISED IN THE INCOME STATEMENT	Jan 1 - Dec 31 2010	Jan 1 - Dec 31 2009
Items recognised in cost of sales:	**2,855**	**2,783**
Depreciation of property, plant and equipment	2,625	2,540
Amortisation of intangible assets	230	243
Impairment of property, plant and equipment		
Items recognised in selling costs	**368**	**305**
Depreciation of property, plant and equipment	238	212
Amortisation of intangible assets	131	93
Cost of operating leases		
Items recognised in general and administrative expenses:	**1,744**	**1,668**
Depreciation of property, plant and equipment	1,346	1,357
Amortisation of intangible assets	398	311
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 2010	Jan 1 - Dec 31 2009
Salaries and wages	43,451	37,011
Social security and other benefits	9,596	8,277
Defined benefit plan	512	651
Retirement benefits		
Other post-employment benefits		
Share-based payment scheme		2
Total employee benefits, including:	**53,559**	**45,941**
Items recognised in cost of sales	30,538	25,414
Items recognised in selling costs	6,981	6,121
Items recognised in general and administrative expenses:	16,041	14,405

Note 4. OTHER OPERATING INCOME AND EXPENSES

OTHER OPERATING INCOME	Jan 1 - Dec 31 2010	Jan 1 - Dec 31 2009
Reversal of impairment losses on receivables	117	500
Reversal of impairment losses on inventories		157
Release of provisions	12	
Gain on sale of property, plant and equipment	29	9
Release of provision for penalties		
Subsidies		
Penalties and compensation/damages received	26	511
Settlement of stock-taking surpluses		
Income from re-invoicing	5	
Income from lease of tangible assets and investment property	865	361
Other	628	676
Total other operating income	**1,682**	**2,214**

OTHER OPERATING EXPENSES	Jan 1 - Dec 31 2010	Jan 1 - Dec 31 2009
Impairment losses on receivables	734	662
Revaluation of inventories	136	
Loss on sale of property, plant and equipment	6	1
Court expenses, compensation/damages, penalties	146	3
Revaluation of tangible asset	486	
Cost of lease of tangible assets	390	44
Cost of discontinued production	137	268
Services purchase cost for re-invoicing	232	
Donations	59	40
Provision for penalties	250	
Write-off of past due receivables	61	
Liquidation of inventories		110
Other		527
Total other operating expenses	**3,014**	**1,655**

Note 5. FINANCE INCOME AND EXPENSES

FINANCE INCOME	Jan 1 - Dec 31 2010	Jan 1 - Dec 31 2009
Interest income	119	304
Gain on disposal of investment	620	
Valuation of FX forwards	1,993	1,134
Net foreign exchange gains		
Dividends received		
Other	3	
Total finance income	**2,735**	**1,438**

FINANCE EXPENSES	Jan 1 - Dec 31 2010	Jan 1 - Dec 31 2009
Interest paid	296	241
Finance charge in finance leases		
Loss on derivative instruments at maturity		3,090
Balance-sheet valuation of derivative instruments		
Net foreign exchange losses	790	4,908
Other	331	72
Total finance expenses	**1,417**	**8,301**

Note 6. INCOME TAX AND DEFERRED INCOME TAX

The main items of the tax expense for the annual periods ended December 31st 2010 and December 31st 2009 were as follows:

INCOME TAX DISCLOSED IN THE INCOME STATEMENT	Jan 1 - Dec 31 2010	Jan 1 - Dec 31 2009
Current income tax	**610**	**382**
Current income tax expense	610	192
Adjustments to current income tax for previous years		190
Deferred income tax	**(847)**	**621**
Related to temporary differences and their reversal	(847)	621
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	**(237)**	**1,003**

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 2010	Jan 1 - Dec 31 2009
Exchange differences on translating foreign operations	83	(1,936)
Valuation of cash flow hedging derivatives	(21)	2 729
Actuarial gains/(losses) on a defined benefit retirement plan	(619)	675
Income tax relating to other comprehensive income	4	(789)
Other comprehensive income	**(554)**	**679**

Item	Dec 31 2010		Dec 31 2009	
	carrying amount	*amount disclosed in the income statement*	*carrying amount*	*amount disclosed in the income statement*
Deferred tax liabilities				
Accelerated tax depreciation/amortisation	7,582	(1,842)	6,486	(405)
Finance leases	179	23	156	21
Other	198	27	172	32
Foreign exchange gains	131	(87)	218	(963)
Adjustments to long-term contracts	4,149	630	3,507	(1,549)
Valuation of financial assets	237	9	228	(9)
Deferred tax liabilities	**12,476**	**(1,240)**	**10,767**	**(2,873)**
Deferred tax assets				
Provision for old-age and disability retirement severance pays	1,072	25	1,049	(811)
Provision for length-of-service awards and bonuses	296	248	48	(28)
Provision for unused holidays	394	240	153	(44)
Provision for losses on contracts		(63)	63	63
Provision for warranty repairs	825	247	577	75
Other provisions	295	264	31	(112)
Losses deductible from future taxable income	1,545	928	617	617
Assets arising under long-term contracts	976	673	303	(580)
Foreign exchange losses	149	21	74	(21)
Other	90	(125)	266	265
Valuation of financial instruments		(337)	337	(2,179)
Salaries, wages and social security contributions payable in subsequent periods	182	25	162	-458
Lease liabilities	96	(7)	103	(10)
Impairment losses on inventories	417	120	297	(46)
Impairment losses on receivables	364	312	53	(235)
Deferred tax assets	**6,702**	**2,572**	**4,133**	**(3,503)**

Item	Dec 31 2010		Dec 31 2009	
	carrying amount	*amount recognised in equity*	*carrying amount*	*amount recognised in equity*
Valuation of financial instruments – equity component	4	4	519	519
Deferred tax assets	**4**	**4**	**519**	**519**

Note 7. DISCONTINUED OPERATIONS

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. By the balance-sheet date, 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 at the balance-sheet date, the impairment loss on net assets was PLN -43 thousand. The impairment loss amount may change depending on how the sale of shares in SECO/WARWICK (Tianjin) Industrial Furnace Co. Ltd. proceeds.

As at December 31st 2010, the value of assets held for sale was PLN 5,550 thousand.
As at December 31st 2010, the value of liabilities held for sale was PLN 3,254 thousand.

Item	Dec 31 2010	Dec 31 2009
Revenue	579	935
Expenses	331	837
Gross profit/(loss)	248	98
Net finance income/expenses	-622	-811
Pre-tax profit/(loss)	-374	-712
Net loss on revaluation from carrying value to fair value less cost to sell		
Pre-tax profit / loss on discontinued operations	-374	-712
Corporate income tax:		
- relating to pre-tax profit/(loss)		
- relating to measurement at fair value less cost to sell		
Net loss attributable to discontinued operations	-374	-712

Assets and liabilities classified as held for sale

Item	Dec 31 2010	Dec 31 2009
Assets		
Intangible assets	1,482	1,626
Property, plant and equipment	997	1,140
Inventories	467	61
Trade receivables	1,032	885
Other receivables	138	88
Cash	508	169
Prepayments and accrued income	1,377	1,381
Total assets	**6,000**	**5,350**
Equity and liabilities		
Equity	2,745	3,220

Trade liabilities	2,409	1,308
Other liabilities	587	325
Loans and borrowings		232
Accruals and deferred income	259	265
Total equity and liabilities	**6,000**	**5,350**

Net cash provided by/used in discontinued operations:

Item	Dec 31 2010	Dec 31 2009
Cash provided by/used in operating activities	562	-246
Cash provided by/used in investing activities	19	-31
Cash provided by/used in financing activities	-225	-311
Net cash provided by/used in discontinued operations	**356**	**-587**

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 to 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 to ordinary shares).

Item	Dec 31 2010	Dec 31 2009
Net profit on continuing operations attributable to shareholders	15,511	(247)
Loss on continuing operations attributable to shareholders	(346)	(712)
Net profit attributable to owners of the parent	15,165,	(960)
Interest on redeemable preference shares convertible to ordinary shares		
Net profit attributable to ordinary shareholders used to calculate diluted earnings per share	**15,165**	**(960)**
Weighted average number of outstanding ordinary shares used to calculate basic earnings per share	9,626,503	9,572,003
Earnings per share	**1.58**	**(0.10)**
Dilutive effect:		
Number of potential subscription warrants for 2010-2011	110,250	
Number of potential shares issued at market price	100,939	
Adjusted weighted average number of ordinary shares used to calculate diluted earnings per share	9,635,815	9,572,003
Diluted earnings per share	**1.57**	**(0.10)**

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

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

No dividends were paid in 2010 or 2009. By the date of approval of these financial statements, no resolutions concerning dividend were adopted.

Note 10. PROPERTY, PLANT AND EQUIPMENT

Item	Dec 31 2010	Dec 31 2009
Tangible assets	50,059	42,303
Tangible assets under construction	3,178	3,528
Prepayments for tangible assets under construction	153	
Property, plant and equipment	**53,390**	**45,831**

OWNERSHIP STRUCTURE – net value	Dec 31 2010	Dec 31 2009
Owned	**52,507**	**44,818**
Used under lease, tenancy or similar contract	883	1,013
Total	**53,390**	**45,831**

Changes in property, plant and equipment (by type) between January 1st and December 31st 2009:

Item	Land	Buildings and structures	Plant and equipment	Vehicles	Other tangible assets	Total
Gross carrying value as at Jan 1 2009	**2,361**	**25,915**	**23 930**	**4,344**	**2,722**	**59,272**
Increase, including:	**-**	**736**	**248**	**313**	**32**	**1,329**
assets acquired	-	611	208	160	32	1,011
assets generated internally	-	125	40	-	-	165
lease agreements concluded	-	-	-	-	-	-
other	-	-	-	-	-	-
Decrease, including:	**-**	**-**	**807**	**141**	**2**	**950**
disposal			772	46	-	**818**
liquidation			35	95	2	**132**
other	-	-	-	-	-	-
Gross carrying value as at Dec 31 2009	**2,361**	**26,651**	**23,371**	**4,516**	**2,752**	**59,651**
Cumulative depreciation as at Jan 1 2009	**-**	**3,070**	**7,681**	**1,676**	**955**	**13,382**
Increase, including:	**-**	**3,070**	**7,681**	**1,676**	**955**	**13,382**
depreciation	-	854	2,396	589	262	4,101
revaluation	-	-	-	-	-	-
other	-	-	-	-	-	-
Decrease, including:	**-**	**-**	**242**	**89**	**2**	**333**
sale	-	-	214	40	-	254
liquidation	-	-	28	49	2	79
revaluation	-	-	-	-	-	-
Cumulative depreciation as at Dec 31 2009	**-**	**3,924**	**9,836**	**2,176**	**1,215**	**17,150**
Impairment losses as at Jan 1 2009	-	-	-	-	-	-
Impairment losses as at Dec 31 2009	**-**	**-**	**-**	**-**	**-**	**-**
Net exchange differences on translation of financial statements into presentation currency	-12	-12	-183	8	0	-199
Net carrying value as at Dec 31 2009	**2,349**	**22,715**	**13,352**	**2,348**	**1,538**	**42,303**

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 value 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 value 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**
depreciation		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 value as at Dec 31 2010	**2,371**	**22,739**	**20,461**	**2,994**	**1,494**	**50,059**

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

Impairment losses on tangible assets in the period from January 1st to December 31st 2009 – none.

Tangible assets under construction:

Tangible assets under construction as at Jan 1 2009	***Expenditure incurred in the financial year***	***Accounting for the expenditure***					***As at Dec 31 2009***
		Buildings, premises and civil engineering structures	***Plant and equipment***	***Vehicles***	***Other tangible assets***	***Intangible assets***	
829	**4,010**	735	177	141	20	238	**3,528**
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	**3,177**

Tangible assets under construction	**Dec 31 2010**	**31.12.2009**
Modular line	2,243	2,135
Test furnace		1,372
VPT furnace	663	
Modernisation at the production floor	208	19
Other	64	2
TOTAL	**3,178**	**3,528**

As at December 31st 2010 and December 31st 2009, the Group carried no tangible assets held for sale, save for tangible assets related to discontinued activities, owned by the Company.

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 2010	Value as at Dec 31 2010 (PLN '000)	Surface area [sq m] as at Dec 31 2009	Value as at Dec 31 2009
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 originally lot No. 94/17 KW 9444	119	6 originally lot No. 94/17 KW 9444
	KW 9444	94/22	1,415		1,415	
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 area of 0.1030ha, situated at ul. Sobieskiego 8, Świebodzin.

Tangible assets under lease agreements

Tangible assets	Dec 31 2010			Dec 31 2009		
	Gross value	Depreciation	Net value	Gross value	Depreciation	Net value
Real property						
Plant and equipment	342	108	234	693	145	548
Vehicles	952	298	648	637	172	465
Other tangible assets						
Total	**1,294**	**406**	**882**	**1,330**	**317**	**1,013**

Note 11. INTANGIBLE ASSETS

OWNERSHIP STRUCTURE – net value	Dec 31 2010	Dec 31 2009
Owned	13,705	9,838
Used under lease, tenancy or similar contract		
Total	**13,705**	**9,838**

Changes in intangible assets (by type) – between January 1st and December 31st 2009

Item	Patents and licences, software	*Development expense*	*Other intangible assets*	*Total*
Gross carrying value as at Jan 1 2009	**6,040**	**1,704**	**1,638**	**9,383**
Increase, including:	**74**	**3,744**	**-**	**3,818**
business combinations	-	-	-	-
acquisitions	74	-		**74**
transfer from tangible assets under construction		3,744		3,744
other				
Decrease, including:	**1**	**-**	**-**	**1**
disposal of subsidiary				-
disposal	1			1
liquidation	-	-	-	-
revaluation	-	-	-	-
other	-	-	-	-
Gross carrying value as at Dec 31 2009	**6,113**	**5,448**	**1,638**	**13,200**
Cumulative amortisation as at Jan 1 2009	**2,011**	**105**	**528**	**2,644**
Increase, including:	**579**	**74**	**76**	**729**
amortisation	579	74	76	**729**
revaluation	-	-	-	-
other	-	-	-	-
Decrease, including:	**-**	**-**	**-**	**-**
liquidation		-	-	-
sale	-	-	-	-
other	-	-	-	-
Cumulative amortisation	**2,590**	**179**	**604**	**3,374**

as at Dec 31 2009				
Impairment losses as at Jan 1 2009	-	-	-	-
Increase, including:	-	-	-	-
Decrease, including:	-	-	-	-
Impairment losses as at Dec 31 2009	-	-	-	-
Net exchange differences on translation of financial statements into presentation currency	**12**	**-**		**12**
Net carrying value as at Dec 31 2009	**3,535**	**5,269**	**1,034**	**9,838**

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 value 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		1,815	2,101
transfer from tangible assets under construction		3,243		3,243
intangible assets of acquired companies	237			237
other				
Decrease, including:	**27**			**27**
disposal of subsidiary				
disposal				
liquidation	27			27
revaluation				
other				
Gross carrying value 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 value as at Dec 31 2010	**2,510**	**8,423**	**2,771**	**13,704**

Intangible assets do not serve as security for liabilities.

As at December 31st 2010 and December 31st 2009, the Group carried no intangible assets held for sale.

Impairment losses on intangible assets in the period from January 1st to December 31st 2010 – none. Impairment losses on intangible assets in the period from January 1st to December 31st 2009 – 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 2010 and 2009, the property generated lease income of PLN 54 thousand.

Item	Dec 31 2010	Dec 31 2009
Opening balance	**448**	**461**
Increase (subsequent expenditure), including:		
modernisation		
Decrease, including:	**13**	**13**
depreciation	13	13
sale		
Closing balance	**435**	**448**

Item	Dec 31 2010	Dec 31 2009
Gross carrying value – opening balance	**527**	**527**
Increase, including:	-	-
acquisitions	-	-
production	-	-
other	-	-
Decrease, including:	-	-
disposal	-	-
liquidation	-	-

other	-	-
Carrying value – closing balance	**527**	**527**
Cumulative depreciation – opening balance	**79**	**66**
Increase, including:	**13**	**13**
depreciation	13	13
other	-	-
Decrease, including:	-	-
sale	-	-
other	-	-
Cumulative depreciation – closing balance	**92**	**79**
Impairment losses – opening balance	-	-
Increase	-	-
Decrease	-	-
Impairment losses – closing balance	-	-
Net carrying value – closing balance	**435**	**448**

Item	Dec 31 2010	Dec 31 2009
Lease income	**54**	**54**

Cost of generating lease income	**23**	**22**
Real property tax	10	9
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 2010*	*Dec 31 2009*
Consolidation goodwill at beginning of period	4,284	4,452
Increase in consolidation goodwill – acquisition of Retech Systems LLC	53,545	
Exchange differences on translation of goodwill	171	-168
Total goodwill at end of period	**58,000**	**4,284**

Note 14. INVESTMENTS IN SUBORDINATED UNDERTAKINGS

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

Company name	Carrying value 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	44,430	28,929	43,938	2 594

*Discontinued operations.

**Balance-sheet data presented as at December 31st 2010; data from the statement of comprehensive income presented for the period December 9th - December 31st 2010

Company name	Carrying value of shares as at Dec 31 2009	% of share capital held	% of the total vote	Method of consolidation	Assets	Liabilities	Revenue	Net profit/ loss
SECO/WARWICK ThermAL S.A.	7,657	100%	100%	full method	34,708	9,863	27,673	(2,510)
SECO/WARWICK Corporation	21,806	100%	100%	full method	24,596	13,476	23,365	(4,365)
SECO/WARWICK Moscow	172	100%	100%	full method	1,107	282	1,524	627
SECO/WARWICK Tianjin	1,481	50%	50%	proportional method	9,633	3,836	1,810	(1,424)

RETECH	16,597	50%	50%	equity method	35,824	10,738	116,929	13,603
SECO/WARWICK ALLIED	10,995	50%	50%	equity method	29,555	18,760	40,192	409

Note 15. Accounting for the acquisition of Retech Systems LLC

Until December 9th 2010, the Group held 50% of ordinary shares in Retech Systems LLC. The investment in the associate as at the date of obtaining control was accounted for in the following manner:

Item	*Dec 9 2010*	*Dec 31 2009*
Goodwill	19,320	19,320
Share of net assets as at the balance-sheet date	15,788	12,738
Exchange differences on translation of goodwill	2,380	(2,047)
Investment in associate	**37,488**	**30,011**
Acquisition cost	16,596	16,596
Share of profit of associate from acquisition date	16,097	14,692
Exchange differences on translating foreign operations	3,723	1,399
Change in net assets not related to financial result	1,072	324
Investment in associate	**37,488**	**33,011**

On November 16th 2010, SECO/WARWICK S.A. signed an investment agreement with James A. Goltz concerning the acquisition by SECO/WARWICK S.A. of a 50% equity interest in Retech Systems LLC of Ukiah (USA) ("Retech"), as a result of which the Issuer came to hold a 100% stake in Retech. The transaction was carried out in the following manner: (i) 40% of shares in Retech Systems LLC, with a value of USD 10,000 thousand (PLN 30,745 thousand, translated at the applicable mid-exchange rate quoted by the National Bank of Poland) were contributed by James A. Goltz to SECO/WARWICK S.A. as a non-cash contribution in exchange for new shares in SECO/WARWICK S.A., (ii) 10% of shares in Retech Systems LLC were purchased by SECO/WARWICK S.A. under a share purchase agreement for USD 2,500 thousand (PLN 7,686 thousand, translated at the applicable mid-exchange rate quoted by the National Bank of Poland). In connection with the non-cash contribution made by Mr James A. Goltz to SECO/WARWICK S.A., in the form of 40% of shares in Retech Systems LLC, on December 9th 2010 the Company's share capital was increased (issue of Series D shares). The date of share capital registration is the date of acquisition. The issue of SECO/WARWICK S.A. shares addressed to Mr James A. Goltz was effected with disapplication of the existing shareholders' pre-emptive rights. The new issue shares acquired by Mr James A. Goltz are also subject to a lock-up and cannot be sold for 18 months from the date they were acquired. Pursuant to the investment agreement concluded between James A.Goltz and the Company, an additional payment of USD 2,500 thousand (PLN 7,686 thousand, translated at the applicable mid-exchange rate quoted by the National Bank of Poland) was made by Retech Systems LLC to Mr James A. Goltz.

By acquiring full control over the company, the SECO/WARWICK Group will be able to fully exploit Retech's experience and technology to develop technologically advanced products using plasma heat treatment. The acquisition will also enable the Group to better utilise the production capacities of SECO/WARWICK Corporation, which is SECO/WARWICK S.A.'s US subsidiary. Retech Systems LLC is one of the top three global producers of equipment for vacuum thermal processing of titanium and high-quality metals (e.g. zirconium, niobium, tantalum, nickel and cobalt), with a globally recognised brand. The company was founded in California, USA, in 1963. Retech was spun off from Lockheed Martin. Currently, the company operates in the United States, the European Union, and Japan, and employs 103 staff, including 36 high-class engineers. At the end of December 2010, Retech Systems LCC's order book value was PLN 121,448 thousand, and was considerably higher than a year earlier. Retech Systems LCC's presence in the SECO/WARWICK Group since 2007 has considerably strengthened the Group's position on the global markets. Retech has also positively contributed to the consolidated performance of SECO/WARWICK. Having acquired full control over Retech, the SECO/WARWICK Group will be able to fully exploit Retech's know-how in the vacuum technology and plasma heat treatment in further development of its products.

The fair value of net identifiable assets and liabilities of Retech Systems LLC as at the date of obtaining control was as follows:

Item	*Carrying value prior to acquisition*	*Fair value at the time of acquisition*
Property, plant and equipment	1,302	6,816
Intangible assets	237	237
Prepayments and accrued income	634	634
Deferred tax assets	572	572
Cash and cash equivalents	3,819	3,819
Trade receivables	9,934	9,934
Inventories	3,221	3,221
Other assets	28,732	28,732
Trade liabilities	(11,697)	(11,697)
Other liabilities	(7,385)	(7,385)
Debt under loans	(8,390)	(8,390)
Deferred tax liabilities	(1,536)	(1,536)
Net asset value	**19,443**	**24,958**

Goodwill related to accounting for the acquisition was determined in the following manner:

Item	*Dec 9 2010*
Acquisition cost	78,503
Share of net assets as at acquisition date	24,958
Goodwill as at acquisition date	**53,545**

Goodwill includes unidentifiable intangible assets such as know-how, technologies, or credentials. In the opinion of the Management Board, the assets are so unique that a potential valuation would be to a large extent discretionary and, consequently, would involve a risk of error (absence of active market for the assets). For this reason it was decided that the intangible assets would not be measured and would be included in goodwill.

Gain on accounting for the acquisition was determined as follows:

Item	Dec 9 2010
Fair value of shares	44,237
Gains on translation of capital	3,723
Book value of the shares as disclosed in the consolidated financial statements	(37,488)
Gain on accounting for obtaining control	**10,472**

Note 16. 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 Shareholders 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 2010	Dec 31 2009
Current assets	32,885	25,292
Non-current assets	10,821	4,262
Current liabilities	21,997	15,295
Non-current liabilities	6,491	3,465
Share of net assets	9,440	7,032
Revenue	44,725	40,192
Net profit/(loss)	2,594	409
Share of profit of associate:	50%	50%

The Parent Undertaking 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 Management Board of the Parent Undertaking) and Piotr Walasek (Chief Financial Officer of the SECO/WARWICK Group) are members of the six-member Management Board 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 Undertaking 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 table below presents the fair value of identifiable assets and liabilities of SECO/WARWICK Allied Pvt. Ltd. as at the acquisition date:

Item	*Carrying value prior to acquisition*	*Fair value at the time of acquisition*
Property, plant and equipment	1,395	4,670
Intangible assets	-	-
Prepayments and accrued income	-	-
Deferred tax assets	5	5
Cash and cash equivalents	3,704	3,704
Trade receivables	11,171	11,171
Inventories	3,662	3,662
Other assets	2,969	2,969
Trade liabilities	(14,180)	(14,180)
Other liabilities	(1,846)	(1,846)
Debt under loans	(1,911)	(1,911)
Deferred tax liabilities	(22)	(22)
Net asset value	**4,921**	**8,222**
Parent Undertaking's share of net assets	**2,461**	**4,111**

As at the acquisition date, the fair value of identifiable assets exceeded the book value of net assets by PLN 3,275 thousand, of which PLN 1,638 thousand is attributable to the parent. The difference between the book value and the fair value is due to the valuation of property, plant and equipment (in accordance with the Indian GAAP, items of property, plant and equipment are carried at historical cost). As required under IFRS 3, the excess of the fair value of identifiable net assets over the book value of net assets was taken into consideration when accounting for the acquisition and decreased the goodwill.

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 2010*	*Dec 31 2009*
Goodwill	7,041	7,041
Share of net assets as at the balance-sheet date	9,440	7,032
Exchange differences on translation of goodwill	1,426	684
Investment in associate	**17,907**	**14,757**
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	-
Payment for preference shares	2,251	1,852
Exchange differences on translation of foreign operation	2,761	1,308
Investment in associate	**17,907**	**14,757**

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 Undertaking 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 17. INVENTORIES

Item	Dec 31 2010	Dec 31 2009
Materials (at cost)	16,244	12,832
Semi-finished products and work in progress	2,555	2,168
Finished products	2,353	1,084
Goods for resale	16	6
Total inventories (carrying value)	**21,168**	**16,091**
Impairment losses on inventories	1,644	1,092
Inventories, gross	**22,812**	**17,127**

CHANGES IN IMPAIRMENT LOSSES ON INVENTORIES

IMPAIRMENT LOSSES	Materials	Semi-finished products and work in progress	Finished products	Goods for resale	Total
Jan 1 2009	**1,136**	**0**	**170**	**5**	**1,311**
Increase, including:					
- impairment losses recognised in correspondence with other operating expenses					
Net exchange differences on translation of financial statements into presentation currency					
Decrease, including:	**63**	**0**	**157**	**0**	**220**
- impairment losses reversed in correspondence with other operating income	46		157		203
Net exchange differences on translation of financial statements into presentation currency	17				17
Dec 31 2009	**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**

Note 18. LONG-TERM CONTRACTS

Item	Dec 31 2010	Dec 31 2009
Costs incurred under construction contracts, including recognised gains (net of recognised losses)	493,699	58,151
Issued invoices	(441,438)	(32,845)
Excess of received advances over revenue recognised using the percentage of completion method	20,153	3,652
Contract settlement, total	**72,414**	**28,958**

Note 19. TRADE AND OTHER RECEIVABLES

Item	*Dec 31 2010*	*Dec 31 2009*
Net trade receivables	**63,771**	**21,103**
- from related undertakings	117	126
- from other undertakings	63,654	20,977
Impairment losses (positive value)	1,901	1,063
Gross trade receivables	**65,671**	**22,166**
Other receivables:		
Taxes, customs duties and social security receivable	5,573	3,060
Other	3,380	2,783
Impairment losses (positive value)		
Gross other receivables	**74,624**	**28,009**

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 2010, trade receivables of PLN 1,900 thousand (in 2009: PLN 1,063 thousand) were classified as unrecoverable and accordingly covered by a relevant impairment charge.

The changes in impairment losses on receivables were as follows:

Item	Dec 31 2010	Dec 31 2009
As at beginning of period	**1,063**	**1,525**
Increase	1,145	505
Use (-)	(313)	(953)
Unused amounts written off (-)		
Discount rate adjustment (-)		
Net exchange differences on translation of financial statements into presentation currency	5	(14)

As at end of period	**1,900**	**1,063**

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

Item	Dec 31 2010	Dec 31 2009
up to 1 month	11,252	5,7915
more than 1 month, up to 3 months	16,383	5,832
more than 3 months, up to 6 months	10,533	7,710
more than 6 months, up to 1 year	19,200	673
more than 1 year	4,204	0
past due	2,199	1,174
Total trade receivables (gross)	**63,771**	**21,104**
Impairment losses on trade receivables	1,900	1,063
Total trade receivables (net)	**65,671**	**22,167**

Trade and other receivables by currency:

Currency	Dec 31 2010		Dec 31 2009	
	in foreign currency	restated in PLN	in foreign currency	restated in PLN
PLN	-	11,889	-	11,088
EUR	7,329	29,464	2,468	11,609
USD	10,461	31,569	1,504	4,433
GBP	247	1,133	-	-
CHF	-	-	-	-
other	-	535	-	879
Total		**74,620**		**28,009**

Current receivables from related undertakings:

Item	*Dec 31 2010*	*Dec 31 2009*
Trade receivables	**117**	**126**
from subsidiaries		
from jointly controlled undertakings		5
from associates	117	121
from other related parties not covered by these consolidated financial statements		
Other current receivables	**-**	**17**
from subsidiaries		
from jointly controlled undertakings		17
from associates		
from other related parties not covered by these consolidated financial statements		
Total	**117**	**143**

Note 20. OTHER FINANCIAL ASSETS AND LIABILITIES

Loans advanced (including loans advanced to members of the Management Board) – as at December 31st 2010

No loans were advanced to members of the Management Board or the Supervisory Board in 2010.

	Dec 31 2010	Dec 31 2009
Increase in loans advanced, including:	5	3
- non-current		
- current	5	3

Financial assets

	Dec 31 2010	Dec 31 2009
Derivative financial instruments	365	143
Financial assets at fair value through profit or loss	365	143
- non-current		
- current	365	143

Financial liabilities

Item	Dec 31 2010	Dec 31 2009
Loans	36,349	365
Other financial liabilities:		
- valuation of financial instruments	21	1,772
- lease liabilities	55	98
Total financial liabilities	**36,425**	**2,235**
- non-current	8,896	44
- current	27,529	2,191

	Dec 31 2010		Dec 31 2009	
	Assets	Liabilities	Assets	Liabilities
Derivative financial instruments	365	21	143	1,772
Total financial assets and liabilities at fair value through profit or loss	**365**	**21**	**143**	**1,772**
- non-current				
- current		21		1,772
Total financial assets and liabilities at fair value through equity				
- non-current				
- current		**-17**		

Disclosures concerning derivative financial instruments which meet the hedge accounting criteria

In 2010, SECO/WARWICK S.A. hedged on average 75% of its export cash flows denominated in the euro and up to 90% of the cash flows denominated in the US dollar and pound sterling using currency forwards. The purpose was 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 paragraph 88 of IAS 39 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 to 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 as at December 31st 2010.

Dec 31 2010	Nominal amount of contract	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	5,500	850	44	43	1	May 27 2011
2	2,983	670	41	33	8	Feb 25 2011
3	1,395	320	7	6	1	Mar 30 2011
4	369	200	5	5		Jan 31 2011
5	1,325	850	14	11	3	May 31 2011
6	360	250	-6	-4	-2	May 2 2011
7	685	480	-13	-6	-7	May 31 2011
8	396	280	-7	-3	-4	May 31 2011
9	550	290	-8	-6	-2	Apr 29 2011
10	392	150	-4	-4		Mar 31 2011
11	777	380	-10	-8	-2	Feb 28 2011
12	364	200	-4	-3	-1	Jan 31 2011
13	613	450	-13	-11	-2	Sep 9 2011
14	701	490	-12	-5	-7	May 30 2011
15	311	218	2	1	1	Jun 30 2011
16	450	315	-2	-1	-1	May 31 2011
17	1,039	730	-31	-1	-30	Feb 29 2012
18	615	430	-19		-19	Jul 28 2011
19	120	84	-4	-1	-3	Jun 30 2011
20	120	84	-4		-4	Sep 30 2011
21	165	100	-4		-4	Feb 28 2011
22	545	380	13		13	Oct 28 2011
23	330	230	12		12	Aug 31 2011
24	214	140	5		5	Aug 31 2011
25	166	82				Jul 28 2011
26	84	42				Aug 31 2011
27	3,284	300	23	23		Mar 16 2011
28	1,830	600	46	40	6	Mar 16 2011
TOTAL	**25,683**	**9,595**	**71**	**109**	**-38**	

Dec 31 2010	Nominal amount of contract (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	652	400	-44	-44		Mar 29 2011
2	248	190	-6	-6		Mar 29 2011
3	580	435	-3	-2	-1	Jan 31 2011
4	1,246	340	-4	-1	-3	Dec 30 2011
5	1,477	405	-5	-1	-4	Dec 30 2011
6	1,700	465	-6	-5	-1	Dec 30 2011
7	695	190	-2	-2		Dec 30 2011
8	100	70	-7	-6	-1	Feb 28 2011
9	574	400	40	3	37	Aug 31 2011
10	813	570	-6		-6	Nov 30 2011
TOTAL	**8,085**	**3,465**	**-43**	**-64**	**21**	

Dec 31 2010	Nominal amount of contract (GBP '000)	Notional amount of hedging instrument (GBP '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	405	165	-36	-35	-1	May 27 2011
	405	**165**	**-36**	**-35**	**-1**	

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

On February 26th 2010, the Company and BRE Bank S.A. executed zero-cost collars conferring the right to sell the euro at the EUR/PLN exchange rate not lower than 3.96 and not higher than 4.23. As at December 31st 2010, the Company was under the obligation to sell EUR 3,150 thousand. The purpose of entering into forward transactions was to ensure that the budgeted exchange rate for the contract is met. As at the balance-sheet date, the fair value of the financial instrument was PLN 36 thousand.

On February 5th 2010, SECO/WARWICK THERMAL S.A. 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 600 thousand, with the exercise price of EUR/PLN 4.0000, maturing on February 25th 2011;
- sold CALL option of EUR 600 thousand, with the exercise price of EUR/PLN 4.3400, maturing on February 25th 2011;
- purchased PUT option of EUR 800thousand, with the exercise price of EUR/PLN 4.0000, maturing on November 25th 2011;
- sold CALL option of EUR 800 thousand, with the exercise price of EUR/PLN 4.3400, maturing on November 25th 2011;
- purchased PUT option of EUR 800 thousand, with the exercise price of EUR/PLN 4.0000, maturing on December 14th 2011;

- sold CALL option of EUR 800thousand, with the exercise price of EUR/PLN 4.3400, maturing on December 14th 2011;

On June 4th 2010, SECO/WARWICK THERMAL S.A. 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 1,125thousand, with the exercise price of EUR/PLN 4.000, maturing on March 31st 2011;
- sold CALL option of EUR 1,125thousand, with the exercise price of EUR/PLN 4.3840, maturing on March 31st 2011;
- purchased PUT option of EUR 1,000 thousand, with the exercise price of EUR/PLN 4.0000, maturing on August 31st 2011;
- sold CALL option of EUR 1,000 thousand, with the exercise price of EUR/PLN 4.4660, maturing on August 31st 2011;

On November 29th 2010, SECO/WARWICK THERMAL S.A. 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 350 thousand, with the exercise price of EUR/PLN 3.9700, maturing on January 31st 2011;
- sold CALL option of EUR 350 thousand, with the exercise price of EUR/PLN 4.0580, maturing on January 31st 2011;
- purchased PUT option of EUR 400 thousand, with the exercise price of EUR/PLN 3.9700, maturing on June 30th 2011;
- sold CALL option of EUR 400 thousand, with the exercise price of EUR/PLN 4.0580, maturing on June 30th 2011;
- purchased PUT option of EUR 200 thousand, with the exercise price of EUR/PLN 3.9700, maturing on August 31st 2011;
- sold CALL option of EUR 200 thousand, with the exercise price of EUR/PLN 4.0580, maturing on August 31st 2011;

As at the balance-sheet date, the fair value of the financial instrument was PLN 319 thousand
The fair value was determined by the bank which was party to the transaction.

The total value of executed currency options is EUR 5,275 thousand (or PLN 21,535, translated at the mid exchange rate quoted by the National Bank of Poland as at the transaction date).
The purpose of entering into the currency options was to ensure that the budgeted exchange rate for signed contracts was met.

Disclosures concerning expected cash flows and maturities of currency forward contracts (FX forwards)

Dec 31 2010	Total notional amount of FX forwards (EUR '000)	Cash flow signed contracts (EUR '000)
January 2011	750	1,804
February 2011	1,750	1,817
March 2011	2,495	1,381
April 2011	290	4,557
May 2011	3,515	1,536
June 2011	702	2,483
July 2011	512	682

August 2010	1,642	3,057
September 2011	534	2,169
October 2011	380	1,761
November 2011	800,	0
December 2011	800,	401
January 2012		
February 2012	730	314
TOTAL (EUR)	**13,300**	**21,962**
Dec 31 2010	**Total notional amount of FX forwards (USD '000)**	**Cash flow signed contracts (USD '000)**
January 2011	435	1,165
February 2011	70	54
March 2011	590	1,105
April 2011		1,263
May 2011		533
June 2011		172
July 2011		118
August 2011	400	1,579
September 2011		125
October 2011		244
November 2011	570	0
December 2011	1,400	81
TOTAL (USD)	**3,465**	**6,438**
Dec 31 2010	**Total notional amount of FX forwards (GBP '000)**	**Cash flow signed contracts (GBP '000)**
May 2011	165	
TOTAL (GBP)	**165**	**0**

Note 21. PREPAYMENTS AND ACCRUED INCOME

Item	Dec 31 2010	Dec 31 2009
Insurance policies	594	512
Subscriptions	6	8
VAT to be settled in the following period	642	819
Other	717	401
Total current prepayments and accrued income	**1,959**	**1,740**

Note 22. CASH AND CASH EQUIVALENTS

Item	31.12.2010	Dec 31 2009
Cash at banks and cash in hand	14,002	25,254
Short-term deposits		
Other cash equivalents	487	
Total cash and cash equivalents	**14,489**	**25,254**

CASH AND CASH EQUIVALENTS (BY CURRENCY):

Currency	Dec 31 2010		Dec 31 2009	
	in foreign currency	restated in PLN	in foreign currency	restated in PLN
PLN		570		13,958
EUR	767	3,034	853	3,808
USD	2317	6,870	2,194	6,254
GBP	5	22	7	34
other		3,992		1,200
Total		**14,489**		**25,254**

Note 23. SHARE CAPITAL AND STATUTORY RESERVE FUNDS/CAPITAL RESERVES

Share capital

Item	*Dec 31 2010*	*Dec 31 2009*
Number of shares	10,476,210	9,572,003
Par value of shares	0.2	0.2
Share capital	2,095,	1,914,
Share capital restated using a hyperinflation index (IAS 19)	1,557	1,557
Share capital at end of period	**3,652**	**3,471**

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	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 2010*	*Jan 1–Dec 31 2009*
Share capital at beginning of period	1,914	1,914
Share capital increases during the period		
Share capital increase	181	
Share capital restated using a hyperinflation index (IAS 19)	1,557	1,557
Share capital reductions during the period		
Share capital at end of period	**3,652**	**3,471**

Other capitals

Item	Statutory reserve funds	Other capitals
Balance at at Dec 31 2008	**135,792**	
Increase	**8,040**	**2**
Profit distributions	8,040	
Capital reserve from revaluation of hedging derivatives		
Valuation of management stock options		2
Decrease	**-**	**-**
Balance at 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**

Note 24. RETAINED EARNINGS (DEFICIT)

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

Item	Dec 31 2010	Dec 31 2009
Non distributable amounts included in retained earnings	**31,472**	**18,600**
Current period net profit (loss)	15,165	(960)
Foreign exchange differences	1,155	1,072
Revaluation reserve	(17)	
Profit (loss) brought forward	15,170	18,488

Note 25. FINANCIAL LIABILITIES

Item	Dec 31 2010	Dec 31 2009
Bank loans	36,350	365
Other loans		,
Other financial liabilities:		
- finance lease liabilities	497	542
- valuation of financial instruments	22	1,772
Total financial liabilities	**36,869**	**2,679**
- non-current	9,059	234
- current	27,810	2,445

Loans and borrowings:

Lender	Amount of liability	Nominal interest rate	Company
LOANS			
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	SECO/WARWICK S.A.
BZ WBK	1,070	1M WIBOR +1.1%	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**
Dec 31 2009			
BRE BANK	156	4,92%	LZT ELTERMA
China Commercial Bank	209	4,88%	SECO/ WARWICK Tianjin
Total loans	**365**	**x**	**x**

Loans by maturity:

Item	*Dec 31 2010*	*Dec 31 2009*
Current loans and borrowings	27,457	365
Non-current loans and borrowings	5,928	
- repayable more than 1 year, up to 3 years	2,964	
- repayable in more than 3 years, up to 5 years		
Total loans and borrowings	**36,350**	**365**

Credit facilities:

Lender	Overdraft facility	Bank loan	Loan/facility amount as per agreement	Interest	Repayment date	Security
BRE BANK S.A. Zielona Góra Branch		7,410	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 9 of July 12th 2010 for PLN 18,000 thousand		Jun 30 2011	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
	1,349		Agreement No. 29/020/03/Z/VV, Annex 9 of July 12th 2010; overdraft facility of up to PLN 3,000 thousand; guarantee facility of up to PLN 15,000 thousand	PLN WIBOR O/N + 1.50% 0.135% a.v, 1.62 pa; change in guarantee PLN 500 thousand	Jun 30 2011	
	1,280		Agreement No. 29/003/06/Z/PX for an overdraft facility; sublimit of PLN 2,500 thousand	WIBOR O/N 1.5%	Jun 30 2011	Blank promissory note securing payment of liabilities in the event of default under liabilities towards the Bank
			Agreement No. 29/003/06/Z/PX for bank guarantees of up to PLN 7,500 thousand	WIBOR O/N 1.5%	Jun 30 2011	Blank promissory note securing payment of liabilities in the event of default under liabilities towards the Bank
CITI BANK	563		Agreement No. BDK/KR-RB/000009908/0181/10 of May 6th 2010 for an overdraft facility of USD 600 thousand; Annex 1 of December 2nd 2010	USD 1M LIBOR + 1.6 %	May 5 2011	Submission to enforcement for up to USD 360 thousand

			Framework agreement No. BDK/URT/0000099098/0056/09 of December 3rd 2009 on a PLN 9,000 thousand revolving guarantee facility; Annex 2 of December 2nd 2010	0.15% a.v., 1.8 pa for each commenced month of the agreement validity – payable in advance	Nov 30 2011	Submission to enforcement for up to PLN 10.8m Undertaking to make an uncertified assignment of claims under contract if the amount used under the facility exceeds PLN 5m
BZ WBK S.A	3,929		Overdraft facility agreement No. KR K0007042; PLN 5,000 thousand, then up until October 30th 2011: PLN 2,500 thousand	PLN 1M WIBOR +1.1 %	May 31 2010	Submission to enforcement for up to PLN 10,000 thousand
	1,070		Agreement No. K0007028 on an overdraft facility of up to PLN 2,500 thousand	1M WIBOR +1.1%	Aug 31 2011	Blank promissory note securing claims in the maximum amount equivalent to the amount of overdue debt towards the Bank together with interest accrued and other costs as at the date of presenting the promissory note for payment, that is up to PLN 5,000 thousand
			Agreement No. K0006975 on a guarantee facility of up to PLN 13,900 thousand	1M WIBOR + 1.1%		Irrevocable powers of attorney for funds deposited in all of the Company's existing and future bank accounts held with BZ WBK S.A.
East West Bank	16,377		Agreement No. 3001971 on a credit facility of USD 12,000 thousand	5%	Apr 30 2011	Mortgage + Management Board's guarantee
	1,408		Agreement No. 87813163 on a USD 3,000 thousand credit facility	5%	Mar 31 2011	Mortgage + guarantee issued by a Group company
HSBC BANK			Agreement No. 167/2009 of January 5th 2010 on a guarantee facility of PLN 3,400 thousand	0.15% a.v.; 1.8 pa, minimum of PLN 400 thousand	Dec 31 2010	Submission to enforcement for up to PLN 5,100 thousand, valid until December 31st 2014, promissory note, powers of attorney for the bank
Total	**25,976**	**7,410**				

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

Non-current and current loans and borrowings as at December 31st 2009

Name and registered office of lender	Outstanding amount		Repayment date	Security
	PLN	Currency		
Current				
BRE BANK	156		Jun 30 2010	Blank promissory note
China Commercial Bank	208	500 CNY	Jan 13 2010	None
Total	**365**	**x**	**x**	

Loans and borrowings by currency:

Currency	Dec 31 2010		Dec 31 2009	
	Value in foreign currency	Value in PLN	Value in foreign currency	Value in PLN
PLN		7,628		156
EUR				
USD	9,690	28,159		
GBP				
CNY			500	209
Total loans and borrowings	x	**35,787**	x	**365**

Note 26. LEASES

Operating lease

Liabilities under operating leases – the Group as a lessee:

Item	Dec 31 2010	Dec 31 2009
Lease payments made	***71***	
Outstanding balance:		
Up to 1 year	57	66
From 1 year to 5 years	37	99
Over 5 years		
Total	**94**	**165**

In 2010 and 2009, operating lease agreements provided for the lease of office equipment used by SECO/WARWICK Corporation.

Finance leases

As at December 31st 2010 and December 31st 2009, liabilities under finance leases and lease agreements with a purchase option were as follows:

	Dec 31 2010		Dec 31 2009	
	Minimum lease payments	Present value of the lease payments	Minimum lease payments	Present value of the lease payments
Up to 1 year	365	331	344	308
From 1 year to 5 years	178	167	250	234
Over 5 years				
Total minimum lease payments	**544**	**499**	**594**	**542**
Finance expenses	42	X	52	x
Present value of minimum lease payments, including:	**502**	**499**	**542**	**542**
current	331	331	308	308
non-current	167	167	234	234

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**

Finance lease agreements as at December 31st 2009:

Financing party	Agreement No.	Initial value	Currency	End of agreement term	Liabilities outstanding as at the end of reporting period
IKB Leasing	0001261/OP	211	PLN	Nov 10 2010	26
IKB Leasing	0001100/OP	139	PLN	Oct 11 2010	18
WBK Leasing	ZD2/00040/2007	41	PLN	Jun 15 2010	7
IKB Leasing	1003402	343	PLN	Nov 8 2011	179
BRE Leasing	ELTERMA/PO/57183/2008	82	PLN	Dec 15 2010	27
BRE Leasing	ELTERMA/PO/58082/2008	95	PLN	Nov 1 2011	34
BRE Leasing	ELTERMA/PO/58402/2008	59	PLN	Jan 15 2011	22
BRE Leasing	ELTERMA/PO/59322/2008,	66	PLN	Nov 2 2011	26
WBK Leasing	ZD2/00001/2009	42	PLN	Jan 20 2012	27
WBK Leasing	ZD2/00002/2009	47	PLN	Jan 20 2012	31
Volkswagen Leasing Polska	4810073-1209-02185	64	PLN	Apr 11 2012	47
BRE Leasing	PO/77517/2009	140	PLN	Jan 13 2012	98
Total	**x**	**1,329**	**x**	**x**	**542**

Note 27. TRADE PAYABLES AND OTHER LIABILITIES

Item	Dec 31 2010	Dec 31 2009
current	31,518	16,606
non-current		406
Total	**31,518**	**17,012**

CURRENT TRADE PAYABLES AND OTHER LIABILITIES

Item	Dec 31 2010	Dec 31 2009
Trade payables		
To related undertakings		212
To other undertakings	24,309	10,907
Total	**24,309**	**11,118**
Taxes, customs duties, social security and other charges payable	2,824	2,348
Salaries and wages payable	3,063	1,809
Other liabilities	1,322	1,331
Total other liabilities	**7,209**	**5,488**
Total trade payables and other liabilities	**31,518**	**16,606**

Current liabilities by currency

Currency	Dec 31 2010		Dec 31 2009	
	in foreign currency	restated in PLN	in foreign currency	restated in PLN
PLN		13226		5,594
EUR	1,849	7,312	1,070	4,344
USD	2,540	7,529	1,287	3,668
GBP	125	573	14	66
INR			19,562	1,142
other		2,879		1,792
Total		**31,519**	**x**	**16,606**

Trade payables by delinquency period:

	Total	*Not past due*	*Past due but recoverable*				
			< 30 days	*30 – 60 days*	*60 – 90 days*	*90 – 180 days*	*>180 days*
Dec 31 2009	**11,118**	11,118					

Dec 31 2010	**24,309**	24,309					

Other current liabilities by delinquency period:

	Total	*Not past due*	*Past due but recoverable*				
			< 30 days	*30 – 60 days*	*60 – 90 days*	*90 – 180 days*	*>180 days*
Dec 31 2009	**5,488**	5,488					
Dec 31 2010	**7,209**	7,209					

Non-current liabilities

Item	***Dec 31 2010***	***Dec 31 2009***
To related undertakings		406
To other undertakings		
TOTAL		**406**

As at December 31st 2010, SECO/WARWICK S.A. had current investment commitments towards SECO/WARWICK ALLIED Pvt. LTD in the amount of PLN 490 thousand. The commitments arose under the share purchase agreement concerning shares in the company.

Contingent liabilities

Contingent liabilities under guarantees and sureties:

Dec 31 2010	**Bank name**	**Surety in respect of**	**Currency**	***Dec 31 2010***	***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	
Guarantee 22	BZ WBK	APG	PLN	1,000	1,000	
Guarantee 23	BZ WBK	APG	PLN	3,006	3,006	LZT ELTERMA
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	
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	Retech Systems
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	
					24,176	

Dec 31 2009	**Bank name**	**Surety in respect of**	**Currency**	***Dec 31 2009***	***AMOUNT (PLN)*****	**Company name**
Guarantee 1	BRE	PBG	PLN	35	35	

Guarantee 2	BH	CRB	USD	300	855	
Guarantee 3	BRE	PBG	EUR	65	267	
Guarantee 4	BRE	APG	EUR	409	1,679	
Guarantee 5	BRE	PBG	EUR	200	822	
Guarantee 6	BRE	APG	EUR	809	3,322	
Guarantee 7	BRE	APG	PLN	268	268	
Guarantee 8	BRE	PBG	EUR	184	757	
Guarantee 9	BRE	PBG	EUR	140	575	
Guarantee 10	BRE	APG	PLN	610	610	
Guarantee 11	BRE	PBG	EUR	174	713	
Guarantee 12	BRE	APG	EUR	144	592	
Guarantee 13	BRE	PBG	EUR	12	48	
Guarantee 14	BRE	APG	EUR	409	1,679	
Guarantee 15	BRE	PBG	EUR	159	651	
Guarantee 16	BRE	PBG	EUR	117	479	
Guarantee 17	BRE	PBG	PLN	766	766	
Guarantee 18	BRE	PBG	EUR	41	169	
Guarantee 19	BRE	PBG	EUR	23	94	LZT ELTERMA
Guarantee 20	BRE	APG	EUR	647	2,658	
Guarantee 21	BRE	PBG	EUR	172	707	
Guarantee 22	HUNTINGTON	PBG	USD	313	892	
Guarantee 23	HUNTINGTON	PBG	USD	202	576	SECO/ WARWICK Corp.
Guarantee 24	HUNTINGTON	PBG	USD	38	108	
TOTAL					**19,320**	

** The guarantees were translated at the mid-exchange rates quoted by the National Bank of Poland for December 31st 2009.

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 ISSUED BY SECO/WARWICK S.A.

Company name	Bank name	Surety in respect of	Currency	Dec 31 2010	AMOUNT (PLN)
LZT ELTERMA	BZ WBK	Guarantee facility	PLN	2,500	2,500
S/W ALLIED Pvt. Ltd.		Guarantee and credit facility	INR	147,500	9,949
RETECH Systems		Credit guarantee	USD	1,000	2,964

RETECH Systems		Guarantee and credit facility	USD	15,000	44,462
TOTAL					**59,875**

On June 17th 2010, the Management Board of SECO/WARWICK S.A. held a meeting to decide whether to issue a credit facility surety for SECO/WARWICK Allied Pvt. Ltd. of Mumbai. SECO/WARWICK Pvt. Ltd. is an associate in which SECO/WARWICK S.A. holds a 50% interest. Under Indian law, credit facilities contracted by companies must be guaranteed by the shareholders.
The Company's Management Board decided to issue a surety of INR 147,500 thousand.
The surety has the form of a guarantee letter issued for the benefit of the Union Bank of India.

On March 18th 2010, SECO/WARWICK S.A. issued a surety of up to PLN 2,500 thousand with respect to amounts due from LZT ELTERMA to Bank BZ WBK S.A. under loans.

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 December 31st 2010, James A. Golz advanced to Retech Systems LLC a loan of USD 1,000 thousand. Repayment of the loan is guaranteed by SECO/WARWICK S.A.

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 2010	Dec 31 2009
Total tangible assets contributed to the Fund		
Loans advanced to employees	113	76
Cash	326	309
Liabilities to the Fund	76	60
Net balance	334	322
Contributions to the Fund during financial period	500	489

Investment commitments

As at December 31st 2010, the Group had capital commitments of PLN 80 thousand (in 2009: PLN 52 thousand) for expenditures related to acquisition of property, plant and equipment. The amount will be used to purchase new machines and equipment.

Note 28. 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 creates 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 2010	Jan 1–Dec 31 2009
as at beginning of period	**147**	**139**
increase	238	77
- provisions of acquired undertakings		
- provision created	238	77
use	(77)	
release	(70)	(69)
as at end of period	**238**	**147**

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 2010*	*Dec 31 2009*
Discount rate (%)	6.0	6.0 – 6.20
Expected inflation rate (%)	2.5	3.00
Employee turnover ratio (%)		
Expected rate of growth of salaries and wages (%)	5.00	5.00

CHANGE IN CURRENT PROVISION FOR RETIREMENT AND SIMILAR BENEFITS (BY CATEGORY)	Jan 1–Dec 31 2010	Jan 1–Dec 31 2009
1. Provision for unused holidays		
a) as at beginning of period	624	806
b) increase	791	439
- provisions of acquired undertakings		
- provision created	791	439
c) use	185	
d) release	446	613
e) currency translation differences		-8
f) as at end of period	**784**	**624**
2. Provision for bonuses		

a) as at beginning of period	250	
b) increase	1,919	250
- provisions of acquired undertakings		
- provision created	1,919	250
c) use	250	
d) release		
e) currency translation differences	6	
f) as at end of period	**1,919**	**250**
3. Provision for retirement severance pays		
a) as at beginning of period	98	110
b) increase	869	98
- provisions of acquired undertakings	775	
- provision created	74	98
c) use	39	8
d) release	59	102
e) currency translation differences		
f) as at end of period	**869**	**98**

RETIREMENT BENEFIT PLANS (SECO/WARWICK CORP.)

Item	2010	2009
Change in plan liability		
Liability at beginning of period	9,625	8,915
Service cost	0	0
Interest expense	538	541
Actuarial gain/(loss)	829	282
Contributions paid	-556	-482
Liability at end of period	10,436	9,255
Change in plan assets		
Fair value of plan assets at beginning of period	6,874	5,529
Actual return on plan assets	659	880
Contributions paid in	711	684
Contributions paid out	(556)	(482)
Fair value of plan assets at end of period	7,689	6,610
Net value of plan liability in balance sheet		
Liability at end of period	10,436	9,255
Fair value of plan assets at end of period	7,689	6,610
Liability at end of period	(2,747)	(2,645)
Unrecognised actuarial gains/(losses)	4,112	3,724
Unrecognised past service cost	94	117

Costs recognised in income statement		
Service cost	0	0
Interest expense	552	593
Expected return on plan assets	(542)	(462)
Actuarial gain/(loss) on plan assets	470	488
Recognised past service costs	32	33
Costs recognised in income statement	512	651

OTHER PROVISIONS

Item	*Provision for warranty repairs and returns*	*Provision for penalty*	*Other provisions*	*Other provisions - contingent liability*	*Total*
As at Dec 31 2008	**4,198**	**-**	**994**	**-**	**5,192**
Acquisition of subsidiary					
Provisions created during financial	2,250	432	387		3,069
Provisions used	(4,303)		(988)		(5,213)
Provisions released					(78)
Foreign exchange differences	105		(5)		100
Discount rate adjustment					
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**

Note 29. DEFERRED INCOME

Item	*Dec 31 2010*	*Dec 31 2009*
- subsidies for partial financing of tangible assets	1	3
- subsidies from the Polish Ministry of Science and Higher Education	4,425	2,181
- long-term contracts	31,306	6,057
Total deferred income, including:	**35,732**	**8,241**
non-current	4,425	2,181

current	31,307	6,060

Note 30. EXPLANATORY INFORMATION TO THE STATEMENT OF CASH FLOWS

Item	*Dec 31 2010*	*Dec 31 2009*
Cash in the balance-sheet	**14,489**	**25,254**
exchange differences on balance-sheet valuation	457	(168)
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	**14,946**	**25,086**

Item	*Dec 31 2010*	*Dec 31 2009*
Depreciation and amortisation	**5,161**	**4,950**
amortisation of intangible assets	852	798
depreciation of property, plant and equipment	4,296	4,139
depreciation of investment property	13	13
foreign exchange differences		
Change in provisions results from the following items:	**2,224**	**(2,883)**
balance-sheet change in provisions	4,454	(3,545)
Value as at the date of acquisition of RETECH SYSTEMS	(1,776)	
elimination of change in deferred tax liabilities	(324)	614
foreign exchange differences	(130)	48
Change in inventories results from the following items:	**(2,307)**	**3,950**
balance-sheet change in inventories	(2,472)	4,006
discontinued operations	(408)	
value as at the date of acquisition of RETECH SYSTEMS	475	
foreign exchange differences	98	(55)
Change in receivables results from the following items:	**(37,926)**	**44,322**
balance-sheet change in current receivables	(27,406)	44,600
discontinued operations	(227)	
value as at the date of acquisition of RETECH SYSTEMS	(9,770)	
elimination of income tax receivable	(504)	(577)
foreign exchange differences	(19)	299
change in receivables related to disposal of property, plant and equipment		
Change in current liabilities (excluding financial liabilities) results from the following items:	**14,982**	**(10,385)**
balance-sheet change in current liabilities	23,864	(29,932)
discontinued operations	1,414	
value as at the date of acquisition of RETECH SYSTEMS	481	
elimination of income tax payable		
adjustment for change in liabilities related to acquisition of property, plant and equipment		
elimination of change in lease liabilities	(59)	72
change in investment commitments	(160)	(7)
foreign exchange differences	962	(67)
loans	(13,516)	5,143

valuation of derivative instruments	1,750	14,046
liability towards SECO/WARWICK Allied	246	360
Change in accruals and deferrals results from the following items:	**4,822**	**4,324**
balance-sheet change in accruals and deferrals	(1,487)	6,859
discontinued operations	(37)	
value as at the date of acquisition of RETECH SYSTEMS	6,107	
elimination of change in deferred tax assets	729	(2,967)
foreign exchange differences	(491)	432

Note 31. RELATED PARTIES

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 Corporation USA	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 2009							
Receivables / Liabilities	ELTERMA S.A.	ELTUS	SECO/ WARWICK Corp	SECO/ WARWICK Moscow	SECO/ WARWICK S.A.	SECO/ WARWICK TIANJIN	Retech Systems LLC
ELTERMA S.A.	X				704		
ELTUS	127	X			3		
SECO/WARWICK Corporation USA	15		X				
SECO/WARWICK Moscow	39			X			
SECO/WARWICK S.A.	746				X	9	
SECO/WARWICK TIANJIN						X	
Retech Systems LLC							X
Allied Consulting	207						

Dec 31 2010								
Sales revenue / Purchase	***SECO/WARWICK S.A.***	***Elterma***	***SWR***	***SECO/WARWICK Moscow***	***SECO/ WARWICK Corp***	***SECO/ WARWICK TIANJIN***	*RETECH*	ALLIED
SECO/WARWICK S.A.	X	3,906	634	162	3,474		254	1
Elterma S.A.	1,195	X			247			
SWR			X					
SECO/WARWICK Moscow	506			X				
SECO/WARWICK Corp.*	352	80	7		X	15		30
SECO/WARWICK TIANJIN	15					X		
RETECH							X	
ALLIED								X

Dec 31 2009								
Sales revenue / Purchase	***SECO/WARWICK S.A.***	***Elterma***	***ELTUS***	***SECO/WARWICK Moscow***	***SECO/ WARWICK Moscow***	***SECO/ WARWICK TIANJIN***	*RETECH*	ALLIED
SECO/WARWICK S.A.	X	1,264	12		388	10	98	0
Elterma S.A.	1,532	X	38					
Eltus sp. z o.o.	54	1,028	X					
SECO/WARWICK Moscow		573		X				
SECO/WARWICK Corp.*		130			X			
SECO/WARWICK TIANJIN	35					X		
RETECH	1,966						X	
ALLIED	0	1,392						X

Other related parties

Employment contract between SECO/WARWICK S.A. and Bartosz Klinowski

Under the contract of December 31st 2005, Bartosz Klinowski was obliged to provide work to the Company as a full-time electrical design engineer. The contract was concluded for an indefinite term and contains standard provisions, which comply with the Polish Labour Code. On March 1st 2008, Bartosz Klinowski assumed the position of Deputy Head of the Electrical Division. Bartosz Klinowski 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. The contract was terminated by mutual agreement of the parties on December 31st 2010. On January 1st 2011, by virtue of the resolution of the Supervisory Board, he was appointed as Vice-President of the Management Board. Since January 1st 2011, he has been employed as Managing Director under an employment contract. On February 28th 2011, an annex to his employment contract was executed, whereby his position was changed from Managing Director to Chief Operating Officer.

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 became 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	*2010*	*2009*
Short-term employee benefits (salaries, wages and overheads)	415	276

Note 32. KEY PERSONNEL REMUNERATION

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

	Dec 31 2010	*Dec 31 2009*
Management Board of the Parent Undertaking	**2,179**	**1,955**
Short-term employee benefits (salaries, wages and overheads)	2,179	1,955
Supervisory Board of the Parent Undertaking	**140**	**132**
Short-term employee benefits (salaries, wages and overheads)	140	132
Management Boards of subsidiaries	**1,548**	**2,673**
Short-term employee benefits (salaries, wages and overheads)	1,548	2,673
Supervisory Boards of subsidiaries	**42**	**42**
Short-term employee benefits (salaries, wages and overheads)	42	42
Total	**3,909**	**4,802**

Management Board remuneration:

Name	Total remuneration	
	Dec 31 2010	Dec 31 2009
MANAGEMENT BOARD OF SECO/WARWICK S.A.		
Leszek Przybysz	531	689
Andrzej Zawistowski	300	235
Witold Klinowski	526	396
Józef Olejnik	425	324
Wojciech Modrzyk	397	311
Total	**2,179**	**1,955**
MANAGEMENT BOARD OF ELTERMA		
Ryszard Rej	187	294
Zbigniew Skubiszewski	265	372
Grzegorz Paluch	363	714
Total	**815**	**1,380**
MANAGEMENT BOARD OF SECO/WARWICK Retech **		
Janusz Kowalewski	40	
Sławomir Woźniak	17	
Nancy Kowalewski	16	
Total	**73**	
MANAGEMENT BOARD OF RETECH		
James Golz*	45	
Total	**45**	
MANAGEMENT BOARD OF SECO/WARWICK Corporation		
Jeffrey W. Boswell	359	437
Arthur V. Russo	338	357
Luis Stack	256	
Keith Boeckenhauer	477	456
Total	**1,430**	**1,250**

*September 31st - December 2010

**May 5th - December 31st 2010

Supervisory Board remuneration:

Name	Total remuneration	
	Dec 31 2010	Dec 31 2009
SUPERVISORY BOARD OF SECO/WARWICK S.A.		
Robert Legierski		8
Artur Grygiel	10	24
Piotr Kowalewski	30	30
Piotr Kula	24	24
Henryk Pilarski	36	36
Artur Rusiecki	24	
Mariusz Czaplicki	16	
Andrzej Libold		10
Total	**140**	**132**
SUPERVISORY BOARD OF ELTERMA		
Henryk Pilarski	42	42
Total	**42**	**42**

Members of the Supervisory Board of SECO/WARWICK Corporation, Retech Systems and SECO/WARWICK Retech do not receive any remuneration.

The table below presents total remuneration paid or payable to other members of key management personnel:

Item	Dec 31 2010	Dec 31 2009
Short-term employee benefits (salaries, wages and overheads)	1,384	984
Length-of-service awards		
Post-employment benefits		
Termination benefits		
Share-based payments		
Total remuneration paid to key management personnel (other than members of the Management and Supervisory Boards)	**1,384**	**984**

Note 33. FINANCIAL ASSETS

Item	Category (IAS 39)	Carrying value		Fair value		Maximum credit risk exposure in 2010
		Dec 31 2010	Dec 31 2009	Dec 31 2010	Dec 31 2009	
Financial assets						
Investments in related undertakings	Financial assets classified as held for sale	17,907	47,769	17,907	47,769	17,907
Financial assets available for sale (non-current)	Financial assets classified as held for sale	3	3	3	3	3
Loans advanced (current)	Loans and receivables	5	3	5	3	5
Trade and other receivables	Loans and receivables	72,724	26,946	72,724	26,946	72,724
Derivative financial instruments	Financial assets at fair value through profit or loss	366	143	366	143	0
- *currency forwards*	Financial assets at fair value through profit or loss	366	143	366	143	0
Cash and cash equivalents	Loans and receivables	14,489	25,254	14,489	25,254	0
Financial liabilities						
Current						
Interest-bearing loans and borrowings, including:	Other financial liabilities at amortised cost					
- *overdraft facility*	Other financial liabilities at	25,976	156	25,976	156	0

	amortised cost					
- *current loans*	Other financial liabilities at amortised cost		209		209	0
- *finance lease liabilities (current)*	Other financial liabilities at amortised cost	331	308	331	308	0
Trade payables and other liabilities	Other financial liabilities at amortised cost	31,518	16,606	31,518	16,606	0
- *currency forwards*	Financial liabilities at fair value through profit or loss	21	1,772	21	1,772	0
Non-current						
- *non-current loans bearing interest at variable rates*	Other financial liabilities at amortised cost	10,374		10,374		
Other liabilities (non-current), including:	Other financial liabilities at amortised cost					0
- *finance lease liabilities (non-current)*	Other financial liabilities at amortised cost	167	234	167	234	0

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 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

Financial assets and liabilities at fair value	Dec 31 2009		
	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 34. EMPLOYMENT STRUCTURE

Employees*	*Dec 31 2010*	*Dec 31 2009*
Blue-collar employees	239	234
White-collar employees	452	340
Employees on parental leaves	5	2
Total	**696**	**576**

* Employees of subsidiary undertakings.

Note 35. 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 2010, 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 36. GOODWILL IMPAIRMENT TEST

The Company carried out tests for impairment of shares held in subsidiary undertakings of SECO/WARWICK Corporation. 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	
1.	Projection period	5 years
2.	Discount rate	17.25%
3.	Growth rate after the budget period	2.4%

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. Moreover, the beta coefficient was set at 1 and the cost of debt - at 6.14%.

Growth rate after the budget period was estimated at 24% as the median of the growth rates calculated by brokerage house analysts in their valuation of Polish listed companies.
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 value of a given cash-generating unit to exceed its recoverable amount. As the carrying values are lower than the respective value in use (recoverable amounts), no impairment losses were recognised on the shares held.

Note 37. 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 Undertaking. 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.

37.1 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 2010 (all other things being equal), both the SECO/WARWICK Group's net profit for the financial year 2010 and its equity would have been higher by PLN 91 thousand (for 2009, in both cases the respective figures would have been PLN -943 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 2010 and its equity would have been higher by PLN +163 thousand (for 2009: PLN +935 thousand in both cases).

Assuming a 10% depreciation of the euro against the złoty as at December 31st 2010 (all other things being equal), both the Group's net profit for the financial year 2010 and its equity would have been lower by PLN -4,994 thousand (for 2009, in both cases the respective figures would have been PLN -4,621 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 2010 and its equity would have been higher by PLN +5,984 thousand (for 2009: PLN +4,856 thousand in both cases).

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

Assumptions adopted for 2009:

- average USD/PLN exchange rate used to translate items of the income statement: 3.1111
- average EUR/PLN exchange rate used to translate items of the income statement: 4.3277
- USD/PLN exchange rate as at the end of the period used to translate items of the balance sheet: 2.8503
- EUR/PLN exchange rate as at the end of the period used to translate items of the balance sheet: 4.1082

37.2 Interest rate risk

The SECO/WARWICK Group's exposure to interest rate risk is not material. In the financial year 2010, the total amount of interest on the Group's loan liabilities was PLN 296 thousand.

37.3 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 Undertaking'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 Undertaking 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.

37.4 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.

37.5 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 maturity structure of liabilities is presented in Note 27.

37.6 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 maturity structure of receivables is presented in Note 19.

Note 38. MANAGEMENT STOCK OPTIONS

On April 29th 2009, the General Shareholders 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 at each reporting date from the grant date until final settlement,
- 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.

Based on the foregoing, the cost of the management stock option scheme as at December 31st 2010 has been estimated as follows:

Share price as at December 31st 2010	PLN 28.90
Exercise price in 2010	PLN 27.55
Option intrinsic value	PLN 1.354

Number of the management stock options	300,000
Vesting period	3 years
Portion of vesting period lapsed as at the reporting date	1/3
Estimated number of options granted	10,250
Option intrinsic value	PLN 1.354
Cost for the period	PLN 13,879

Note 39. CAPITALISED BORROWING COSTS

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

Note 40. 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 41. COURT PROCEEDINGS

There are currently no pending proceedings 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.

CASE	COURT	Court docket No.	Details
SECO/WARWICK vs. Jerzy Urbaniak ODLWENIA METALI	District Court in Zielona Góra, 5th Commercial Division	V GC 905/08 KM 390710	Enforcement request of September 28th 2010 Enforcement proceedings are pending. Seizure of shares and profits in a company (October 4th 2010)
SECO/WARWICK vs. MINISTER OF FINANCE	Provincial Administrative Court in Gorzów Wielkopolski	I SA/Go 1280/10	The case concerns individual interpretation of VAT regulations. Judgement of August 13th 2010 After the judgement was repealed by the Supreme Administrative Court in Warsaw, a date for a new hearing at the Provincial Administrative Court in Gorzów Wielkopolski was set.
SECO/WARWICK	Regional	VI KO 27/10	The case concerns a wrongful

S.A. vs. AMP Sp.z o.o	Prosecutor's Office in Zielona Góra, 6th Business Crime Department District Prosecutor's Office in Świebodzin	3 DS. 4/11	use of a patent belonging to Seco/Warwick S.A. Notification of suspected offence of December 21st 2010
SECO/WARWICK S.A. vs. NITREX METAL Inc. (Canada)	Regional Court in Zielona Góra, 5th Commercial Division	V GNC 96/10	Suit for payment Litigation value: PLN 783,001 (the equivalent of USD 264,206, translated at the USD/PLN mid-exchange rate quoted by the National Bank of Poland for September 22nd 2010, i.e. PLN 2.9636 per USD 1) In the process of sending the defendant a writ of payment of November 26th 2010 issued by the Regional Court in Zielona Góra
SECO/WARWICK ThermAL S.A. vs. Foundry Research Institute (Instytut Odlewnictwa) of Kraków	District Court Kraków – Śródmieście	IX GC 426/10	Suit for payment of PLN 1,761,094

Note 42. 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 2010, 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, the Company and Seco/Warwick S.A., the Parent Undertaking, formed a tax group.

Note 43. 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 44. EVENTS SUBSEQUENT TO THE BALANCE-SHEET DATE

On February 21st 2011, there was failure of a furnace operated by VIMETCO in Romania. One of the four furnaces used for annealing of rolled aluminium sheet, which had been modernised by SECO/WARWICK S.A., failed. The Management Board estimates the cost of the failure removal at approx. PLN 370 thousand.

On March 10th 2011, Retech Systems LLC executed an annex to Credit Facility Agreement No. xxx, which raised the guarantee and credit facility limit from USD 15,000 thousand to USD 19,000 thousand. Following the increase of the credit limit, the value of surety granted by SECO/WARWICK S.A. for Retech Systems LLC was raised by USD 4,000 thousand (PLN 11,856 thousand).

On April 6th 2011, the Management Board of the Company adopted a resolution which increased 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.

Note 45. 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 27th 2011

Leszek Przybysz
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