SECO/WARWICK S.A.

SEPARATE FINANCIAL STATEMENTS

FOR THE PERIOD

JANUARY 1ST - DECEMBER 31ST 2010

CONTENTS

GENERAL

I. Details of the Company

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

The Company is the parent undertaking of the SECO/WARWICK Group.

II. Duration

The Company has been registered to operate for an unlimited period of time.

III. Presented periods

These separate 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. Management and Supervisory Boards of SECO/WARWICK S.A.

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 of 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

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

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 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 statement of comprehensive income and 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 separate statement of financial position, statement of comprehensive income and statement of cash flows disclosed in these financial statements and the comparative data, translated into the euro:

Financial highlights

Item	2010	2009	2010	2009
	(PLN '000)		(EUR '000)	
Net sales revenue	105,603	74,517	26,372	17,167
Cost of sales	-72,735	-50,265	-18,164	-11,580
Operating profit/(loss)	10,146	7,189	2,534	1,656
Pre-tax profit/(loss)	10,614	1,315	2,651	303
Net profit/(loss)	8,273	-520	2,066	-120
Net cash provided by/(used in) operating activities	-5,125	30,803	-1,280	7,096
Net cash provided by/(used in) investing activities	-23,895	-19,748	-5,967	-4,550
Net cash provided by/(used in) financing activities	13,267	-1,607	3,313	-370
Total assets	216,541	155,452	54,678	37,839

Total liabilities	47,560	21,066	12,009	5,128
of which current liabilities	32,925	14,520	8,314	3,534
Equity	168,981	134,386	42,669	32,712
Share capital	3,652	3,471	922	832

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 Company’s Management Board represents that to the best of its knowledge these financial statements and the comparative data have been prepared in compliance with the accounting standards applicable to the Company and give an accurate, fair and clear view of the Company’s assets, financial standing and financial performance.

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

SECO/WARWICK S.A.

SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD

JANUARY 1ST - DECEMBER 31ST 2010

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

SEPARATE STATEMENT OF FINANCIAL POSITION

(PLN '000)

Assets	Note	As at Dec 31 2010	As at Dec 31 2009
NON-CURRENT ASSETS		**133,018**	**91,746**
Property, plant and equipment	*9*	24,887	23,782
Investment property	*11*	435	448
Goodwill			
Intangible assets	*10*	12,534	7,619
Investments in subsidiary, jointly-controlled and associated undertakings	*12*	93,244	58,707
Financial assets available for sale			
Other assets			
Loans and receivables			
Prepayments and accrued income			
Deferred tax assets	*6*	1,919	1,190
CURRENT ASSETS		**83,523**	**63,706**
Inventories	*14*	10,058	8,361
Trade receivables	*16*	36,737	12,626
Other current receivables	*16*	4,100	3,262
Prepayments and accrued income	*18*	729	1,047
Financial assets at fair value through profit or loss	*17*	47	
Loans and receivables	*17*	4,741	
Cash and cash equivalents	*19*	2,779	18,662
Contract settlement	*15*	23,444	19,748
ASSETS HELD FOR SALE	7	**889**	
TOTAL ASSETS		**216,541**	**155,452**

Equity and liabilities	Note	As at Dec 31 2010	As at Dec 31 2009
EQUITY		**168,981**	**134,386**
Share capital	*20*	**3,652**	**3,471**
Statutory reserve funds	*20*	154,136	128,531
Other capitals	*20*	36	2
Retained earnings/(deficit)	*21*	11,158	2,382
NON-CURRENT LIABILITIES		**14,635**	**6,545**
Loans and borrowings	*22*	5,928	
Financial liabilities	*17*	4	44
Other liabilities	*22*		406
Deferred tax liabilities	*6*	4,168	3,844
Provision for retirement and similar benefits	*24*	110	70
Provisions for liabilities			
Accruals and deferred income	*18*	4,425	2,181
CURRENT LIABILITIES		**32,925**	**14,520**
Loans and borrowings	*22*	7,323	
Financial liabilities	*17*	72	1,826
Trade payables	*23*	12,956	5,440
Current tax payable	*23*	1,422	1,177
Other current liabilities	*23*	1,820	1,774
Provision for retirement and similar benefits	*24*	1,977	586
Other provisions	*24*	1,604	1,580
Accruals and deferred income	*26*	5,751	2,138
LIABILITIES HELD FOR SALE			
TOTAL EQUITY AND LIABILITIES		**216,541**	**155,452**

Date: April 27th 2011

Prepared by:
Dorota Subsar

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

SEPARATE STATEMENT OF COMPREHENSIVE INCOME (PLN '000)

	Note	for the period Jan 1 – Dec 31 2010	for the period Jan 1 – Dec 31 2009
Net sales revenue, including:	*1,2*	**105,603**	**74,517**
Net revenue from sales of products		105,265	74,029
Net revenue from sales of goods for resale and materials		338	488
Cost of sales, including:	*2,3*	**-72,735**	**-50,265**
Cost of products sold		-72,510	-49,908
Cost of goods for resale and materials sold		-225	-357
Gross profit/(loss)		**32,868**	**24,252**
Other operating income	*4*	1,472	1,804
Selling costs	*1,2,3*	-5,066	-3,837
General and administrative expenses	*1,2,3*	-16,737	-13,415
Other operating expenses	*4*	-2,391	-1,615
Operating profit/(loss)		**10,146**	**7,189**
Finance income	*5*	1,724	1,210
Finance expenses	*5*	-1,256	-7,084
Pre-tax profit/(loss)		**10,614**	**1,315**
Income tax	*6*	-2,341	-1,835
Net profit/(loss) on continuing operations		**8,273**	**-520**
Profit/(loss) from discontinued operations			
Net profit/(loss) for financial year		**8,273**	**-520**

OTHER COMPREHENSIVE INCOME:		
Valuation of cash flow hedging derivatives	-21	2,729
Income tax relating to other comprehensive income	4	-519
Other comprehensive income, net	**-17**	**2,211**
Total comprehensive income	**8,256**	**1,691**

Date: April 27th 2011

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Member of the Management Board

SEPARATE STATEMENT OF CASH FLOWS
(PLN '000)

	Note	Jan 1 – Dec 31 2010	Jan 1 – Dec 31 2009
OPERATING ACTIVITIES			
Pre-tax profit/(loss)	**27**	**10,614**	**1,315**
Total adjustments:		**-13,502**	**28,911**
Share in net profit of subordinated undertakings accounted for with the equity method			
Depreciation and amortisation	3	2,585	2,598
Foreign exchange gains/(losses)		179	399
Interest and profit distributions (dividends)		-91	58
Profit/(loss) on investing activities		367	11,364
Change in provisions		1,455	569
Change in inventories		-1,697	3,176
Change in receivables		-25,453	31,743
Change in current liabilities (other than financial liabilities)		7,975	-5,889
Change in accruals and deferrals		2,477	-5,409
Derivatives		519	-9,702
Other adjustments		-1,818	2
Cash from operating activities		**-2,888**	**30,226**
Income tax (paid)/refunded		-2,237	577
Net cash provided by/(used in) operating activities		**-5,125**	**30,803**
INVESTING ACTIVITIES			
Cash provided by investing activities		**448**	**8**
Proceeds from disposal of intangible assets and property, plant and equipment		18	8
Proceeds from disposal of financial assets			
Dividends and profit distributions received			
Interest received		205	
Repayment of non-current loans advanced			
Cash received in connection with derivative instruments		225	
Cash used in investing activities		**24,343**	**19,757**
Investments in intangible assets, property, plant and equipment, and investment property		9,016	7,244
Acquisition of related undertakings		9,261	
Acquisition of securities		4,779	
Other cash used in investing activities		1,286	1,146
Cash paid in connection with derivative instruments			11,367
Net cash provided by/(used in) investing activities		**-23,895**	**-19,748**
FINANCING ACTIVITIES			
Cash provided by financing activities		**13,424**	**0**

Net proceeds from issue of shares, other equity instruments and additional contributions to equity		
Loans and borrowings	13,424	
Issue of debt securities		
Other cash provided by financing activities		
Cash used in financing activities	**158**	**1,607**
Acquisition of own shares		
Dividends and other distributions to owners		
Profit distributions other than to owners		
Repayment of loans and borrowings		1,507
Redemption of debt securities		
Other financial liabilities		
Decrease in finance lease liabilities	44	42
Interest paid	114	58
Other cash used in financing activities		
Net cash provided by/(used in) financing activities	**13,267**	**-1,607**
Total net cash flow	**-15,753**	**9,448**
Balance-sheet change in cash, including:	**-15,884**	**9,393**
- effect of exchange rate fluctuations on cash held	-131	-55
Cash at beginning of period	**18,495**	**9,048**
Cash at end of period, including:	**2,742**	**18,495**
- restricted cash		

Date: April 27th 2011
Prepared by:
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SEPARATE STATEMENT OF CHANGES IN EQUITY (PLN '000)

	Share capital	Statutory reserve funds	Capital reserve from revaluation of hedging instruments	Other capitals	Retained earnings/(deficit)	Equity attributable to minority interests	Total equity
			Twelve months ended Dec 31 2009				
Equity as at Jan 1 2009	**3,471**	**125,631**	**(2,211)**	**0**	**5,801**		**132,693**
Total comprehensive income for twelve months ended Dec 31 2009			2,211		(520)		**1,691**
Share-based payments				2			**2**
Distribution of profit		2,899			(2,899)		
Equity as at Dec 31 2009	**3,471**	**128,530**	**0**	**2**	**2,382**	**0**	**134,386**
Equity as at Jan 1 2009	**3,471**	**125,631**	**(2,211)**	**0**	**5,801**		**132,693**
			Twelve months ended Dec 31 2010				
Equity as at Jan 1 2010	**3,471**	**128,530**	**0**	**2**	**2,382**	**0**	**134,386**
Total comprehensive income for twelve months ended Dec 31 2010			(17)		8,273		**8,256**
Share capital increase (share premium)	181	26,125					**26,306**
Share-based payments				34			**34**
Distribution of profit		(520)			520		
Equity as at Dec 31 2010	**3,652**	**154,136**	**(17)**	**36**	**11,175**	**0**	**168,981**

Date: April 27th 2011
Prepared by: Dorota Subsar

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*

SECO/WARWICK S.A.

SUPPLEMENTARY INFORMATION TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED DECEMBER 31ST 2010

I. Compliance with International Financial Reporting Standards

These 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 Company's business, as far as the accounting policies applied by the Company 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").

These separate financial statements should be read in conjunction with the consolidated financial statements approved for publication by the Management Board and published on the same day as these separate financial statements, in order to obtain a full picture of the Group's assets and financial standing as at December 31st 2010, and of its financial performance for the period January 1st - December 31st 2010, in accordance with the International Financial Reporting Standards endorsed by the European Union.

II. Going concern assumption and comparability of accounts

These financial statements have been prepared on the assumption that the Company 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 Company's Management Board was aware of no facts or circumstances that would involve a threat to the Company'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.

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

These 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 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 balance sheet.

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 Company 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 Company 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 Company'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 statement of financial position 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 Company 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 statement of financial position at cost less impairment. Tangible assets under construction are not depreciated.

Investment property

The Company 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 Company'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 Company 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 Company 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 Company's 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 Company 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.

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

- services provided to the Company 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 Company.

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).

IV. Material judgments and estimates

In view of the fact that many items presented in the separate financial statements cannot be measured accurately, certain estimates need to be made by the Company's Management Board in the preparation of the 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 Company 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 Company 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 the Company's employees in accordance with the provisions of Art. 92 of the Polish Labour Code. 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.

Provision for Bonus Payments

The Company's employees are awarded annual bonuses whose amount is determined by reference to the net profit margin (net profit/sales revenue) for the period. Depending on the reference margin, an employee may be awarded a bonus equal to 100%, 150% or 200% of his or her average monthly pay. If the net profit margin falls within the range between 0% and 5%, no bonus payments are made.

Long-term contracts

To account for long-term contracts, the Company 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 Company 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 Company applies the above rules to account for commercial contracts related to the Company'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 Company 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, provided that all of the following conditions are met:

a) such costs can be measured reliably,
b) the value of the cooperation contract exceeds PLN 500,000,
c) the contract performance term is longer than three months.

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 and invoiced in accordance with VAT regulations 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.

Revenue

Revenue from export sales is recognised at the time when products are dispatched from the Company's warehouses.

In the reporting period, the method of making estimates relating to long-term contracts was changed with regard to the time when the contracts are accounted for. Final accounting for long-term contracts no longer takes place at the time of recognition of sales revenue (i.e. when products are dispatched from warehouses), but on the date when the final acceptance certificate is signed.

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 Company'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.

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

VI. New standards to be applied by the Company

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 Company 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 Company 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 Company 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, provincial, 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 Company 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 Company 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 Company 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 Company will apply the standard starting from the annual financial statements for the period that begins on January 1st 2011.

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*

SECO/WARWICK S.A.

SUPPLEMENTARY INFORMATION TO THE 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 Company:

Item	2010	2009
Sales of products	105,265	74,029
Sales of goods for resale and materials	338	488
TOTAL sales revenue	**105,603**	**74,517**
Other operating income	1,472	1,804
Finance income	1,724	1,210
TOTAL revenue and income	**108,799**	**77,531**

The Company did not carry any revenue from discontinued operations.

Note 2. OPERATING SEGMENTS

Information regarding particular operating segments is presented in the consolidated financial statements of the SECO/WARWICK Group (see: Note 1 to the consolidated financial statements for the twelve months ended December 31st 2010).

Note 3. OPERATING EXPENSES

COSTS BY TYPE	Jan 1 - Dec 31 2010	Jan 1 - Dec 31 2009
Depreciation and amortisation	2,585	2,598
Raw materials and energy used	50,318	32,631
Contracted services	13,787	12,779
Taxes and charges	372	336
Salaries and wages	19,398	15,590
Social security and other benefits	3,681	2,921
Other costs by type	6,395	5,766
Total costs by type, including:	**96,536**	**72,621**
Selling costs	-5,066	-3,837
General and administrative expenses	-16,737	-13,415
Change in products	1,243	-1,159
Cost of products and services for own needs	-3,466	-4,302
Cost of products and services sold	**72,510**	**49,908**

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:	**1,236**	**1,266**
Depreciation of property, plant and equipment	1,126	1,155
Impairment of property, plant and equipment	-	-
Amortisation of intangible assets	109	111
Items recognised in selling costs	**322**	**268**
Depreciation of property, plant and equipment	205	178
Amortisation of intangible assets	127	90
Cost of operating leases	-	-
Items recognised in general and administrative expenses:	**1,005**	**1,050**
Depreciation of property, plant and equipment	856	915
Amortisation of intangible assets	149	135
Cost of operating leases		

Items recognised in 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	19,398	15,590
Social security	2,775	2,371
Retirement benefits	-	-
Other post-employment benefits	-	-
Share-based payment scheme	-	-
Other employee benefits	906	549
Total employee benefits, including:	**23,079**	**18,511**
Items recognised in cost of sales	11,660	9,977
Items recognised in selling costs	2,377	1,601
Items recognised in general and administrative expenses:	9,042	6,933

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	95	79
Reversal of impairment losses on inventories		157
Release of provisions	12	-
Gain on sale of property, plant and equipment		3
Release of provision for penalties		
Compensation/damages received	7	488
Settlement of stock-taking surpluses		
Income from lease of tangible assets and investment property	865	673
Income from re-invoicing	237	
Other	256	404
Total other operating income	**1,472**	**1,804**

OTHER OPERATING EXPENSES	Jan 1 - Dec 31 2010	Jan 1 - Dec 31 2009
Provision for penalties		-
Impairment losses on receivables	398	499
Revaluation of inventories		
Loss on sale of property, plant and equipment		
Court expenses, compensation/damages, penalties	8	3
Services purchase cost for re-invoicing	233	
Cost of discontinued production	137	268
Output VAT charged to costs	416	
Cost of lease of tangible assets	390	361
Revaluation of tangible asset	486	
Donations	42	40
Liquidation of inventories		110
Other	280	334
Total other operating expenses	**2,391**	**1,615**

Note 5. FINANCE INCOME AND EXPENSES

FINANCE INCOME	Jan 1 - Dec 31 2010	Jan 1 - Dec 31 2009
Interest income	272	219
Income from investments	225	-
Revaluation of investments (valuation of forward contracts)	1,819	991
Impairment loss on investment in SECO/WARWICK Tianjin	-592	
Net foreign exchange gains	-	-
Dividends received	-	-
Total finance income	**1,724**	**1,210**

FINANCE EXPENSES	Jan 1 - Dec 31 2010	Jan 1 - Dec 31 2009
Interest paid	117	79
Finance charge in finance leases		
Loss on derivative instruments at maturity	-	2,656
Balance-sheet valuation of derivative instruments	-	-
Net foreign exchange losses	1,140	4,349
Total finance expenses	**1,257**	**7,084**

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	**2,742**	**0**
Current income tax expense	2,742	0
Adjustments to current income tax for previous years		
Deferred income tax	**-401**	**1,835**
Related to temporary differences and their reversal	-401	1,835
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	**2,341**	**1,835**

INCOME TAX DISCLOSED IN EQUITY	Jan 1 - Dec 31 2010	Jan 1 - Dec 31 2009
Current income tax	82	0
Current income tax expense	82	
Deferred income tax	0	0
Income tax on net profit/(loss) on account of revaluation of cash flow hedges	0	0
Tax benefit /(tax expense) disclosed in equity	**82**	**0**

CURRENT INCOME TAX	2010	2009
Pre-tax profit	**10,614**	**1,315**
Non-taxable income	-1,298	2,283
Previous years' costs decreasing tax base		
Non-tax-deductible costs	5,144	-11,159
Previous years' income increasing tax base		
Taxable income	**14,460**	**-7,561**
Deductions from income – donation, loss	-30	
Tax base	**14,430**	**-7,561**
Income tax at 19% rate	2,741	-
Effective income tax rate (income tax as a percentage of pre-tax profit)	**26%**	**-**

The current portion of income tax was calculated as 19% of the income tax base. The Company carried no tax related to foreign tax jurisdictions.

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	1,654	(111)	1,765	58
Investment property remeasured at fair value			-	-
Lease (net)	17	(5)	22	22
Financial assets available for sale remeasured at fair value			-	-
Currency contracts (cash flow hedges) remeasured at fair value			-	-

Foreign exchange gains	128	(77)	205	(736)
Adjustments to long-term contracts	2,360	508	1,852	42
Forward contracts	9	9		
Fair value adjustments on acquisition of companies				
Deferred tax liabilities	**4,168**	**324**	**3,844**	**(614)**
Deferred tax assets				
Provision for old-age and disability retirement severance pays	32	8	24	(2)
Provision for length-of-service awards and bonuses	272	224	48	48
Provision for unused holidays	93	40	53	8
Provision for losses on contracts		(25)	25	25
Provision for warranty repairs	253	55	198	(48)
Other provisions	52	52		
Assets arising under long-term contracts	767	464	303	(353)
Foreign exchange losses	152	78	74	11
Subsidy for the purchase of tangible assets			1	-
Salaries, wages and social security contributions payable in subsequent periods	122	12	110	(282)
Lease liabilities	11	(7)	18	18
Impairment losses on inventories			-	(30)
Impairment losses on receivables	48	49	-	-
Impairment losses on investment (China)	113	113		
Valuation of financial instruments		(337)	337	(1,843)
Deferred tax assets	**1,915**	**726**	**1,190**	**(2,448)**

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)
Deferred tax assets	**4**	**4**	**-**	**(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 shares in the company was PLN -592 thousand. The impairment loss amount may change depending on how the sale of shares in SECO/WARWICK (Tianjin) Industrial Furnace Co. Ltd. proceeds.

Assets and liabilities classified as held for sale in the period January 1st – December 31st 2010 amounted to PLN 889 thousand (value of shares in SECO/WARWICK (Tianjin) Industrial Furnace Co. Ltd.).

Note 8. 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 9. PROPERTY, PLANT AND EQUIPMENT

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	**840**	**11,440**	**11,320**	**2,668**	**1,361**	**27,629**
Increase, including:	**-**	**611**	**137**	**141**	**20**	**909**
assets acquired	-	611	137	141	20	**909**
assets generated internally	-	-	-	-	-	**-**
lease agreements concluded	-	-	-	-	-	**-**
other	-	-	-	-	-	**-**
Decrease, including:	**-**	**-**	**27**	**113**	**-**	**140**
disposal	-	-	9	18	-	**27**
liquidation	-	-	18	95	-	**113**
revaluation	-	-	-	-	-	**-**
other	-	-	-	-	-	**-**
Gross carrying value as at Dec 31 2009	**840**	**12,051**	**11,430**	**2,696**	**1,381**	**28,398**
Cumulative depreciation as at Jan 1 2009	**-**	**1,541**	**2,882**	**1,033**	**502**	**5,958**
Increase, including:	**-**	**465**	**1,312**	**333**	**139**	**2,249**
depreciation	-	465	1,312	333	139	**2,249**
other	-	-	-	-	-	**-**
Decrease, including:	**-**	**-**	**15**	**67**	**-**	**82**
sale	-	-	3	18	-	**21**
liquidation	-	-	12	49	-	**61**
Cumulative depreciation as at Dec 31 2009	**-**	**2,006**	**4,179**	**1,299**	**641**	**8,125**

Impairment losses as at Jan 1 2009	-	-	-	-	-	**-**
Increase, including:	-	-	-	-	-	**-**
Decrease, including:	-	-	-	-	-	**-**
Impairment losses as at Dec 31 2009	**-**	**-**	**-**	**-**	**-**	**-**
Net carrying value as at Dec 31 2009	**840**	**10,045**	**7,251**	**1,397**	**740**	**20,273**

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	**840**	**12,051**	**11,430**	**2,696**	**1,381**	**28,398**
Increase, including:	**-**	**343**	**3,538**	**435**	**24**	**4,340**
assets acquired	-	343	370	435	24	**1,172**
assets generated internally	-	-	3,168	-	-	**3,168**
lease agreements concluded	-	-	-	-	-	**-**
other	-	-	-	-	-	**-**
Decrease, including:	**-**	**-**	**-**	**53**	**20**	**73**
disposal	-	-	-	53	5	**58**
liquidation	-	-	-	-	15	**15**
revaluation	-	-	-	-	-	**-**
Gross carrying value as at Dec 31 2010	**840**	**12,394**	**14,968**	**3,078**	**1,385**	**32,665**
Cumulative depreciation as at Jan 1 2010	**-**	**2,006**	**4,179**	**1,299**	**641**	**8,125**
Increase, including:	**-**	**490**	**1,243**	**320**	**134**	**2,187**
depreciation	-	490	1,243	320	134	**2,187**

revaluation	-	-	-	-	-	**-**
other	-	-	-	-	-	**-**
Decrease, including:	-	**-**	**-**	36	15	**51**
sale	-	-	-	36	4	**40**
liquidation	-	-	-		11	**11**
revaluation	-	-	-	-	-	**-**
Cumulative depreciation as at Dec 31 2010	**-**	**2,496**	**5,422**	**1,583**	**760**	**10,261**
Impairment losses as at Jan 1 2010	-	-	-	-	-	**-**
Increase, including	**-**	**-**	**487**	**-**	**-**	**487**
- impairment			487			**487**
Decrease, including	-	-	-	-	-	**0**
Impairment losses as at Dec 31 2010	-	-	487	-	-	**487**
Net carrying value as at Dec 31 2010	**840**	**9,898**	**9,059**	**1,495**	**625**	**21,917**

OWNERSHIP STRUCTURE – net value	Dec 31 2010	Dec 31 2009
Owned	21,828	20,156
Used under lease, tenancy or similar contract	89	117
Total	**21,917**	**20,273**

As at December 31st 2010, the Company analysed information from external and internal sources in terms of indications of the necessity to test assets for impairment. As no such indications were revealed as a result of the analysis, the test was not conducted.

Gross value of items of property, plant and equipment which had a net value of zero but were still used as at December 31st 2010, amounted to PLN 1,732 thousand (December 31st 2009: PLN 1,027 thousand).

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*	
708	**3,948**	611	137	141	20	238	**3,509**
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*	
3,509	**5,857**	343	3,538	435	24	2,057	**2,970**

Tangible assets under construction	Dec 31 2010	Dec 31 2009
Modular line	2,243	2,135
Test furnace		1,372
VPT furnace	663	
Other	64	2
Total	**2,970**	**3,509**

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

Value and area of land held in perpetual usufruct

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	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
		Total	**26,579**	**808**	**26,579**	**808**

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 20% 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.

Note 10. INTANGIBLE ASSETS

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

Item	*Development expense*	*Patents and licences, software*	*Other intangible assets*	*Total*
Gross carrying value as at Jan 1 2009	**1,704**	**2,162**	**1,638**	**5,504**
Increase, including:	**3,744**	**8**	**-**	**3,752**
business combinations	-	-	-	**-**
acquisitions	-	8		**8**
revaluation	-	-	-	**-**
intangible assets under construction	3,744	-	-	**3,744**
other	-	-	-	**-**
Decrease, including:	**-**	**-**	**-**	**-**
disposal of subsidiary	-	-	-	**-**
disposal	-	-	-	**-**
liquidation	-	-	-	**-**
other	-	-	-	**-**
Gross carrying value as at Dec 31 2009	**5,448**	**2,170**	**1,638**	**9,256**
Cumulative amortisation as at Jan 1 2009	**105**	**687**	**508**	**1,300**
Increase, including:	**74**	**188**	**76**	**338**
amortisation	74	188	76	**338**
revaluation	-	-	-	**-**
other	-	-	-	**-**
Decrease, including:	**-**	**-**	**-**	**-**
liquidation	-	-	-	**-**
sale	-	-	-	**-**

revaluation	-	-	-	-
other	-	-	-	-
Cumulative amortisation as at Dec 31 2009	**179**	**875**	**584**	**1,638**
Impairment losses as at Jan 1 2009	-	-	-	-
Increase, including:	-	-	-	-
Decrease, including:	-	-	-	-
Impairment losses as at Dec 31 2009	-	-	-	-
Net carrying value as at Dec 31 2009	**5,269**	**1,295**	**1,054**	**7,619**

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

Item	*Development expense*	*Patents and licences, software*	*Other intangible assets*	*Total*
Gross carrying value as at Jan 1 2010	**5,448**	**2,170**	**1,638**	**9,256**
Increase, including:	**3,243**	**242**	**1,815**	**5,300**
business combinations	-	-	-	-
acquisitions	-	242	1,815	**2,057**
revaluation	-	-	-	-
intangible assets under construction	3,243	-	-	**3,243**
other	-	-	-	-
Decrease, including:	-	**27**	-	**27**
disposal of subsidiary	-	-	-	-
disposal	-	-	-	-
liquidation	-	27	-	**27**
other	-	-	-	-

Gross carrying value as at Dec 31 2010	**8,691**	**2,385**	**3,453**	**14,529**
Cumulative amortisation as at Jan 1 2010	**179**	**875**	**584**	**1,638**
Increase, including:	**89**	**198**	**98**	**385**
amortisation	89	198	98	**385**
revaluation	-	-	-	**-**
other	-	-	-	**-**
Decrease, including:	**-**	**27**	**-**	**27**
liquidation	-	27	-	**27**
sale	-	-	-	**-**
revaluation	-	-	-	**-**
other	-	-	-	**-**
Cumulative amortisation as at Dec 31 2010	**268**	**1,046**	**682**	**1,996**
Impairment losses as at Jan 1 2010	**-**	**-**	**-**	**-**
Increase, including:	-	-	-	**-**
Decrease, including:	-	-	-	**-**
Impairment losses as at Dec 31 2010	**-**	**-**	**-**	**-**
Net carrying value as at Dec 31 2010	**8,423**	**1,339**	**2,771**	**12,533**

Intangible assets do not serve as security for liabilities.

OWNERSHIP STRUCTURE - net value	Dec 31 2010	Dec 312009
Owned	12,534	7,619
Used under lease, tenancy or similar contract		
Total	**12,534**	**7,619**

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

As at December 31st 2010, the gross value of fully amortised intangible assets that were still used and controlled by the Company amounted to PLN 89 thousand (December 31st 2009: PLN 116 thousand).

The development expense on assets under construction, amounting to PLN 7,262 thousand, comprises costs of three projects. Two of the projects are implemented in cooperation with well-known Polish technical institutions of higher learning (*Development of new, cost efficient and environmentally friendly nitriding process* executed jointly with the Poznań University of Technology, and *Development of high-pressure cooling technology* executed jointly with the Łódź University of Technology). Due to their innovative character, both projects are partially financed by the Ministry of Science and Higher Education. The third project – *Development, launch and introduction of the CAB (Controlled Atmosphere Brazing) technology centre to the HVAC industry*, is partially financed by the Polish Agency for Enterprise Development as part of Measure 4.2 Stimulating R&D activities of enterprises and support in the area of industrial design; Priority Axis 4 - Investment in innovative undertakings.

Note 11. 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, the property generated lease income of PLN 54 thousand (2009: 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:	**-**	**-**
Acquisition	**-**	**-**
Decrease, including:	**-**	**-**
Sale	**-**	**-**
Carrying value – closing balance	527	527

Cumulative depreciation – opening balance	79	66
Increase, including:	**13**	**13**
Depreciation	**13**	**13**
Decrease, including:	**-**	**-**
Sale	**-**	**-**
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 12. INVESTMENTS IN SUBSIDIARIES, JOINTLY CONTROLLED UNDERTAKINGS AND ASSOCIATES

Investments in subordinate undertakings accounted for at the acquisition cost

Shares in subordinated undertakings	Dec 31 2010	Dec 31 2009
Subsidiaries	82,249	29,635
Jointly controlled undertakings*	889	1,481
Associates	10,995	27,592

*Discontinued operations.

Change of investments in subsidiaries

Item	2010	2009
As at beginning of period	**29,635**	**29,635**
Increase in period, including:	***52,615***	
- business combinations		
- acquisition	*1,751*	
- reclassification (acquisition of control over Retech)	*16,597*	
- acquisition of control over Retech	*34,267*	
Decrease in period, including:		
As at end of period	**82,249**	**29,635**

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 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. 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 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.

Change in investments in jointly-controlled undertakings and associates

Item	2010	2009
As at beginning of period	**29,073**	**29,073**
Increase in period, including:		**-**
-acquisition of shares		
Decrease in period, including:	***17,188***	
- reclassification (acquisition of control over Retech)	16,597	
- impairment loss on investment in Tianjin	591	
- sale of associated		,
As at end of period	**11,884**	**29,073**
Discontinued operations	889	

In 2010, payments arising under the share purchase agreement involving shares in SECO/WARWICK ALLIED amounted to PLN 835 thousand (2009: 1,416 thousand). Moreover, as at the end of 2010, the Company had liabilities of PLN 490 thousand under the share purchase agreement.

Investments in subsidiaries, jointly controlled undertakings and associates

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	50,863	100%	100%	full method	63,931	39,724	4,302	(42)
SECO/WARWICK RETECH	1,751	100%	100%	full method	6,012	2,971	4,148	(30)
SECO/WARWICK ALLIED	10,995	50%	50%	equity method	44,574	29,173	44,719	2,794

*Discontinued operations.

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
LZT Elterma 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,

Note 13. TEST FOR IMPAIRMENT OF SHARES

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 14. INVENTORIES

Inventories are valued at acquisition or production cost, but no higher than at the net realisable value as at the balance-sheet date. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs to sell.

Inventories	Dec 31 2010	Dec 31 2009
Materials (at cost)	8,549	7,435
Semi-finished products and work in progress	1,508	925
Finished products	-	-
Goods for resale	-	-
Prepaid deliveries	-	-
Total inventories (carrying value)	**10,057**	**8,360**
Impairment losses on inventories		
Inventories, gross	**10,057**	**8,360**

CHANGES IN IMPAIRMENT LOSSES ON FINISHED PRODUCTS

Item	Dec 31 2010	Dec 31 2009
Impairment losses at beginning of period	**-**	**157**
Increase, including:	**-**	**-**
- impairment losses recognised in correspondence with other operating expenses	-	-
Decrease, including:	**-**	**157**
- impairment losses reversed in correspondence with other operating income	-	157
- impairment losses used	-	-
Impairment losses on finished products at end of period	**-**	**-**

Note 15. LONG-TERM CONTRACTS

Item	Dec 31 2010	Dec 31 2009
Costs incurred under construction contracts, including recognised gains (net of recognised losses)	33,339	29,364
Advances received	-11,359	-9,845
Excess of received advances over revenue recognised using the percentage of completion method	1,464	229
Total assets under construction contracts in progress	**23,444**	**19,748**

Note 16. TRADE AND OTHER RECEIVABLES

Item	Dec 31 2010	Dec 31 2009
a) from related undertakings	**3,628**	**172**
- trade receivables with maturities of:	3,619	172
- up to 12 months	3,619	172
- over 12 months		
- other	9	
b) from other undertakings	**37,209**	**15,716**
- trade receivables with maturities of:	33,118	12,454
- up to 12 months	33,118	12,454
- over 12 months		
- taxes, subsidies, customs duties, social security and other benefits receivable	3,129	2,501
- other	962	761
- receivables under court proceedings		
Total trade and other receivables, net	**40,837**	**15,888**
c) impairment losses	888	744
Total trade and other receivables, gross	**41,725**	**16,632**

The Company 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 1,888 thousand (in 2009: PLN 744 thousand) were classified as unrecoverable and accordingly covered by a relevant impairment charge.

The changes in impairment losses on receivables were as follows:

CHANGE IN IMPAIRMENT LOSSES ON TRADE AND OTHER RECEIVABLES	Dec 31 2010	Dec 31 2009
Change in impairment losses on receivables from related undertakings	-	-
Impairment losses at beginning of period	**64**	**62**
a) increase, including:	**0**	**2**
- trade receivables	-	2
- impairment losses of acquired undertakings	-	
- receivables under court proceedings		
- other		
b) decrease, including:	**62**	**-**
- reversal of impairment losses on trade receivables	62	
- reversal of impairment losses on receivables under court proceedings		
- reversal of impairment losses on other receivables		
- use		
- exchange differences		
Impairment losses on trade receivables from related undertakings as at end of period	**2**	**64**
Change in impairment losses on receivables from other undertakings	-	-
Impairment losses as at beginning of period	680	337
a) increase, including:	**399**	**497**
- trade receivables	144	497
- receivables under court proceedings	255	
- other		
b) decrease, including:	**193**	**154**
- reversal of impairment losses on trade receivables	95	
- reversal of impairment losses on receivables under court proceedings		
- reversal of impairment losses on other receivables		
- use	98	154
Impairment losses on trade receivables from other undertakings as at end of period	**886**	**680**
Impairment losses on trade receivables as at end of period	**888**	**744**

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

Item	Dec 31 2010	Dec 31 2009
up to 1 month	2,707	3,361
more than 1 month, up to 3 months	8,947	4,484
more than 3 months, up to 6 months	6,643	4,394
more than 6 months, up to 1 year	18,339	
more than 1 year	-	
past due	825	1,131
Total trade receivables (gross)	38,349	13,370
Impairment losses on trade receivables	888	744
Total trade receivables (net)	**37,461**	**12,626**

Trade and other receivables (gross) by currency:

Currency	Dec 31 2010		Dec 31 2009	
	in foreign currency	restated in PLN	in foreign currency	restated in PLN
PLN	-	6,340	-	4,841
EUR	7,233	28,630	2,468	10,096
USD	1,921	5,622	597	1,695
GBP	247	1,133	-	-
CHF		-		
Other		-		-
Total		**41,725**		**16,632**

Trade receivables under court proceedings:

Item	Dec 31 2010	Dec 31 2009
Trade receivables under court proceedings	783	
Impairment losses on disputed receivables	255	
Net trade receivables under court proceedings	**528**	**0**

Contingent liabilities

Guarantees received as at December 31st 2010:

Company	Bank	Guarantee	Currency	Dec 31 2010	*Amount (PLN)*
Nyborg-Mawent S.A.		WG	PLN	72	72
Total					**72**

Guarantees received as at December 31st 2009:

Company	Bank	Guarantee	Currency	Dec 31 2009	*Amount (PLN)*
SECO/WARWICK S.A.	PEKAO S.A.	WG	PLN	402	402
Total					**402**

WG→ warranty guarantee (guarantee of proper performance of obligations under warranty)

Note 17. 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 of SECO/WARWICK S.A in 2010.

LOANS ADVANCED

	Dec 31 2010	Dec 21 2009
Loans advanced	4,741	0
Impairment losses		
Total net loans advanced	**4,741**	**0**
- non-current		
-current	4,741	0

On February 22nd 2010, SECO/WARWICK S.A. advanced a PLN 4,000 thousand loan to its subsidiary, LZT ELTERMA S.A. Under the annexes to the loan agreement of January 1st 2011 and April 15th 2011, the borrower agreed to repay the loan by December 31st 2011.

On September 10th 2010, SECO/WARWICK S.A. advanced a USD 250 thousand loan (balance-sheet valuation: PLN 741 thousand) to its subsidiary, SECO/WARWICK Corp. Under the annex to the agreement of December 25th 2010, the borrower agreed to repay the loan by March 31st 2011. SECO/WARWICK Corp. repaid the loan on March 31st 2011.

OTHER FINANCIAL ASSETS AND LIABILITIES

	Dec 31 2010		Dec 31 2009	
	Assets	Liabilities	Assets	Liabilities
Derivative financial instruments	46	21		1,772
Lease liabilities		55		98
Total financial assets and liabilities at fair value through profit or loss	**0**	**76**	**0**	**1,870**
- non-current		4		44
- current	46	72		1,826
Total financial assets and liabilities at fair value through equity	**0**	**-17**	**0**	**0**
- 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.

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	400	1,499
February 2011	1,150	1,470
March 2011	1,370	650
April 2011	290	3,252
May 2011	3,515	1,536
June 2011	302	2,053
July 2011	512	682
August 2010	412	949
September 2011	534	1,797
October 2011	380	161
December 2011		81
February 2012	730	314
TOTAL (EUR)	**9,595**	**14,444**
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	
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 18. PREPAYMENTS AND ACCRUED INCOME

Item	Dec 31 2010	Dec 31 2009
Insurance policies	207	192
Subscriptions	2	5
VAT to be settled in the following period	396	742
Other	124	108
Total current prepayments and accrued income	**729**	**1,047**

Note 19. CASH AND CASH EQUIVALENTS

Item	Dec 31 2010	Dec 31 2009
Cash at banks and cash in hand	2,779	18,663
Short-term deposits		
Other cash equivalents		
Total cash and cash equivalents	**2,779**	**18,663**

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	-	447	-	12,677
EUR	583	2,307	853	3,505
USD	1	3	858	2,446
GBP	5	22	7	34
Total		**2,779**		**18,662**

Note 20. 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	**125,631**	**-**
Increase	**2,899**	**2**
Profit distributions	2,899	
Valuation of management stock options		2
Decrease		
Balance at at Dec 31 2009	**128,530**	**2**
Increase		
Profit distributions	-520	
Share capital increase - share premium account	26,125	
Valuation of management stock options		34
Balance as at Dec 31 2010	**154,136**	**36**

Note 21. 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
Retained earnings (retained earnings/deficit)	**2,902**	**2,902**
Capital reserve from valuation of hedging derivatives	-17	0

Note 22. FINANCIAL AND OTHER LIABILITIES

Item	Dec 31 2010	Dec 31 2009
Overdraft facilities	5,841	
Bank loans	7,410	
Other financial liabilities:	76	
- *valuation of financial instruments*	*22*	*1,772*
- *lease liabilities*	*54*	*98*
Total financial liabilities	**13,327**	**1,870**
- non-current	5,932	44
- current	7,395	1,826

Loans and borrowings:

Lender	Amount of liability	Interest rate
LOANS		
Dec 31 2010		
Investment loan		
BRE BANK S.A.	7,410	1M LIBOR
Overdraft facilities		
CITI BANK	563	USD 1M LIBOR + 1.6 %
BZ WBK	3,929	PLN 1M WIBOR +1.1 %
BRE BANK	1,349	PLN WIBOR O/N + 1.5 %
Total loans	**13,251**	**x**
Dec 31 2009		
Total loans	**0**	**x**

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

Name and registered office of lender	Loan/facility amount		Repayment date	Security
	PLN	Currency (USD)		
CITI BANK	563	190	May 5 2011	Submission to enforcement for up to EUR 360 thousand
BZ WBK	3,929		Oct 30 2011	Submission to enforcement for up to PLN 10,000 thousand
BRE BANK	1,349		Jun 30 2011	Blank promissory note
BRE BANK S.A. investment loan	7,410	2,500	Dec 31 2015	Ordinary mortgage for USD 2,500 thousand Ceiling mortgage for USD 250 thousand Submission to for up to USD 2,750 thousand
Total	**13,251**	**x**	**x**	

Loans by maturity:

Item	*Dec 31 2010*	*De 31 2009*
Current loans and borrowings	7,323	
Non-current loans and borrowings	5,928	
- repayable in more than 1 year to 3 years	4,446	
- repayable in more than 3 years to 5 years	1,482	
- repayable in more than 5 years		
Total loans and borrowings	**13,251**	**0**

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	-	5,458	-	-
USD	2,690	7,793	-	-
Total loans and borrowings	**x**	**13,251**	**x**	**x**

Credit facilities:

Lender	Overdraft facility	Bank loan	Loan/facility amount as per agreement	Interest	Repayment date	Security
BRE BANK S.A.		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	
CITI BANK	563		Agreement No. BDK/KR-RB/000009908/0181/10 of May 6th 2010 for an overdraft facility of up to 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 K000704; from October 20th 2010 to May 31st 2010: 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
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	**5,841**	**7,410**				

LEASES

SECO/WARWICK S.A. concluded with BRE Leasing Sp. z o.o. lease agreement No. PO/77517/2009 for the lease of passenger car SUBARU Tribeca. The initial value under the lease agreement is PLN 140 thousand. The agreement term expires on January 13th 2012. As at the end of 2010, the lease liability amounted to PLN 55 thousand.

As at December 31st 2010, the future minimum lease payments under lease agreements and the net present value of the minimum lease payments 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	53	50	62	54
From 1 year to 5 years	4	4	47	44
Over 5 years				
Total minimum lease payments	**58**	**55**	**109**	**98**
Future interest expense	3		11	x
Present value of minimum lease payments, including:	**55**	**55**	**98**	**98**
Current	50	50	54	54
Non-current	4	4	44	44

OTHER LIABILITIES

Item	Dec 31 2010	Dec 31 2009
Other liabilities:	**490**	**1,142**
- current portion	490	736
- non-current portion		406

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

Note 23. TRADE PAYABLES AND OTHER LIABILITIES

TRADE PAYABLES AND OTHER LIABILITIES	As at Dec 31 2010	As at Dec 31 2009
a) trade payables maturing in:	12,209	4,650
- up to 12 months	12,209	4,650
- more than 12 months		
b) prepaid deliveries	747	790
c) promissory notes payable		
d) taxes, customs duties, social security and other benefits payable (net of income tax)	1,422	1,177
e) salaries and wages payable	1,111	906
f) other	709	868
TOTAL	**16,198**	**8,391**

Trade and other current payables by currency

Currency	Dec 31 2010		Dec 31 2009	
	in foreign currency	restated in PLN	in foreign currency	restated in PLN
PLN		8,349		2,694
EUR	1,565	6,190	703	2,887
USD	199	588	562	1,602
GBP	13	573	14	66
INR			19,562	1,142
other		498		
Total	**x**	**16,198**	**x**	**8,391**

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 2010	**12, 956**	12,956					
Dec 21 2009	**5,440**	5,440					

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 2010	**3,242**	3,242					
Dec 31 2009	**2,951**	2,951					

Contingent liabilities

Contingent liabilities under guarantees and sureties:

Dec 31 2010	**Bank name**	**Surety in respect of**	**Currency**	***AMOUNT IN CURRENCY***	***AMOUNT IN PLN****
Guarantee 1	BRE	PBG	PLN	35	35
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
TOTAL					**13,977**

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

Dec 31 2009	**Bank name**	**Surety in respect of**	**Currency**	***AMOUNT IN CURRENCY***	***AMOUNT IN PLN****
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
TOTAL					**13,352**

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

APG→ advance payment guarantee
CRG→ credit repayment guarantee
PBG → performance bond guarantee
CRB→ credit repayment bond

Other sureties

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

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 Company 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	72	17
Cash	88	80
Liabilities to the Fund		
Net balance	130	94
Contributions to the Fund during financial period	278	270

Investment commitments

As at December 31st 2010, the Company had capital commitments of PLN 80 thousand for expenditures related to acquisition of property, plant and equipment; as at the end of 2009, investment commitments stood at PLN 25 thousand The amount was used to purchase new machines and equipment.

Note 24. PROVISIONS

EMPLOYEE BENEFITS

Retirement benefits and other post-employment benefits

Retiring employees of the Company received retirement severance pays in amounts established pursuant to the Polish Labour Code. Therefore, based on a valuation prepared by a qualified actuary, SECO/WARWICK S.A. creates a provision for the present value of the retirement severance pay obligations.

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	70	75
increase		
- provisions of acquired undertakings		
- provision created	110	
use		
release	70	-5
as at end of period	**110**	**70**

The table below presents key assumptions adopted by the actuary, AVCS Sp. z o.o., as at the balance sheet date.

	Dec 31 2010	*Dec 31 2009*
Discount rate (%)	6.00	6.20
Expected inflation rate (%)	2.50	2.50
Expected rate of growth of salaries and wages (%)	5.00	5.00

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	**277**	**235**
b) increase	488	277
- provisions of acquired undertakings	-	-
- provision created	488	277
c) use	-	-
d) release	277	235
f) as at end of period	**488**	**277**
2. Provision for bonuses		
a) as at beginning of period	**250**	**-**
b) increase	1,433	250
- provisions of acquired undertakings	-	-
- provision created	1,433	250
c) use	250	
d) release	-	-
f) as at end of period	**1,433**	**250**
3. Provision for retirement severance pays		
a) as at beginning of period	**59**	**62**
b) increase	56	59
- provisions of acquired undertakings	-	-
- provision created	56	59
c) use	-	8
d) release	59	54
f) as at end of period	**56**	**59**

Other provisions

CHANGE IN OTHER CURRENT PROVISIONS (BY ITEM)	Jan 1–Dec 31 2010	Jan 1–Dec 31 2009
Provision for projected losses/additional expenses		
a) as at beginning of period	**108**	**-**
b) increase	240	108
- provision created	240	108
c) use	-	-
d) release	74	
f) as at end of period	**274**	**108**
Provision for warranty repairs		
a) as at beginning of period	**1 040**	**1 295**
b) increase	1 330	1 040
- provision created	1 330	1 040

c) use	1 442	1 373
d) release	-402	-78
f) as at end of period	**1 330**	**1 040**
Provision for penalties		
a) as at beginning of period	**432**	**-**
b) increase	-	432
- provision created	-	432
c) use	-	-
d) release	432	-
f) as at end of period	**-**	**432**

Note 25. LEASING

Operating lease

In 2009–2010, SECO/WARWICK S.A. neither used nor delivered for use any assets under an operating lease agreement.

Finance lease

SECO/WARWICK S.A. uses a passenger car SUBARU Tribeca. The related agreement with BRE Leasing was concluded on February 20th 2009. The detailed information on the lease is included in Note 22.

SECO/WARWICK S.A. did not deliver any assets for use under a finance lease agreement.

Note 26. 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
- excess of received advances over revenue recognised using the percentage of completion method	1,463	229
- contract costs – business partners	251	310
- adjustment to revenue connected with settlement of long-term contracts (invoiced amount exceeding revenue recognised using the percentage of completion method)	4,036	1,596
Total deferred income, including:	**10,176**	**4,319**
Non-current	4,425	2,181
Current	5,751	2,138

Note 27. EXPLANATORY INFORMATION TO THE STATEMENT OF CASH FLOWS

Item	*Dec 31 2010*	*Dec 31 2009*
Cash in the balance-sheet	**2,779**	**18,662**
exchange differences on balance-sheet valuation	(37)	(167)
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	**2,742**	**18,495**

Item	*Dec 31 2010*	*Dec 31 2009*
Depreciation and amortisation	**2,586**	**2,598**
amortisation of intangible assets	2,187	337
depreciation of property, plant and equipment	386	2,248
depreciation of investment property	13	13
Change in provisions results from the following items:	**1,455**	**569**
balance-sheet change in provisions	1,779	(45)
elimination of change in deferred tax liabilities	(324)	614
Change in inventories results from the following items:	**(1,697)**	**3,176**
balance-sheet change in inventories	(1,697)	3,176
Change in receivables results from the following items:	**(25,452)**	**31,743**
balance-sheet change in current receivables	(24,948)	32,320
elimination of income tax receivable	(504)	(577)
Change in current liabilities (excluding financial liabilities) results from the following items:	**(25,452)**	**31,743**
balance-sheet change in current liabilities	(24,948)	32,320
adjustment for change in liabilities related to acquisition of property, plant and equipment	(504)	(577)
elimination of change in lease liabilities	**(25,452)**	**31,743**
valuation of derivative instruments	(24,948)	32,320
liability towards Allied	(504)	(577)
Change in accruals and deferrals results from the following items:	**2,477**	**(5,409)**
balance-sheet change in accruals and deferrals	1,748	(2,442)
elimination of change in deferred tax assets	729	(2,967)

Note 28. RELATED PARTIES

Related party	*Year*	*Sales to a related party*	*Purchases from a related party*	*Receivables from a related party*	*Liabilities towards a related party*
ELTERMA					
	2010	3,906	1,195	5,878	724
	2009	1,264	1,532	746	704
SECO/WARWICK Corporation					
	2010	3,474	411	1,712	384
	2009	552			
ELTUS					
	2010				
	2009	12	54		3
SECO MOSCOW					
	2010	162		160	
	2009				
RETECH					
	2010	254	1,938	-28	1,336
	2009	98			
SECO/WARWICK TIANJIN					
	2010		15		
	2009	20	70	9	
SECO/WARWICK RETECH					
	2010	634		504	
	2009				
SECO/WARWICK ALLIED					
	2010	1		117	
	2009	20		121	

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.

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
Length-of-service awards		
Post-employment benefits		
Termination benefits		
Share-based payments		

Note 29. 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 SECO/WARWICK S.A.	**2,179**	**1,955**
Short-term employee benefits (salaries, wages and overheads)	2,179	1,955
Length-of-service awards		
Post-employment benefits		
Termination benefits		
Share-based payments		
Supervisory Board of SECO/WARWICK S.A.	**140**	**132**
Short-term employee benefits (salaries, wages and overheads)	140	132
Length-of-service awards		
Post-employment benefits		
Termination benefits		
Share-based payments		
Total	**2,319**	**2,087**

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**

MANAGEMENT BOARD REMUNERATION:

Name	Base pay	Other benefits	Total
MANAGEMENT BOARD			
Dec 31 2010			
Leszek Przybysz	531		531
Andrzej Zawistowski	300		300

Witold Klinowski	526		526
Józef Olejnik	425		425
Wojciech Modrzyk	397		397
Total	**2,179**		**2,179**
Dec 31 2009			
Leszek Przybysz	689		689
Andrzej Zawistowski	235		235
Witold Klinowski	396		396
Józef Olejnik	324		324
Wojciech Modrzyk	311		311
Total	**1,955**		**1,955**

SUPERVISORY BOARD REMUNERATION:

Name	*Dec 31 2010*	*Dec 31 2009*
Artur Grygiel	10	24
Piotr Kowalewski	30	30
Piotr Kula	24	24
Henryk Pilarski	36	36
Robert Jegierski		8
Artur Rusiecki	24	
Mariusz Czaplicki	16	
Andrzej Libold		10
Total	**140**	**132**

Note 30. 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	93,244	58,707	93,244	58,707	93,244
Financial assets available for sale	Financial assets classified as held for sale					
- loans advanced	Loans and receivables	4,741		4,741		4,741
Trade and other receivables	Loans and receivables	40,837	15,888	40,837	15,888	40,837
Derivative financial instruments	Financial assets at fair value through profit or loss	47		47		0
Cash and cash equivalents	Loans and receivables	2,779	18,662	2,779	18,662	0
Financial liabilities						
Current						
Interest-bearing loans and borrowings, including:	Other financial liabilities at amortised cost					
- *overdraft facility*	Other financial liabilities at	5,841		5,841	0	0

	amortised cost					
- *current loans*	Other financial liabilities at amortised cost	1,482		1,482		0
- *finance lease liabilities (current)*	Other financial liabilities at amortised cost	50	54	50	54	0
Trade payables and other liabilities	Other financial liabilities at amortised cost	14,777	7,214	14,777	7,214	0
- *currency forwards*	Financial liabilities at fair value through profit or loss	21	1,772	21	1,772	0
Non-current					0	
- *non-current loans*	Other financial liabilities at amortised cost	5,928		5,928	0	0
Trade payables and other liabilities	Other financial liabilities at amortised cost		-		-	
- *finance lease liabilities (non-current)*	Other financial liabilities at amortised cost	4	44	4	44	0

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

Note 31. EMPLOYMENT STRUCTURE

	Dec 31 2010	*Dec 31 2009*
Blue-collar employees	107	113
White-collar employees	166	159
Employees on parental leaves	4	
Total	**277**	**272**

Note 32. CAPITAL MANAGEMENT

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

The Company 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 Company uses the leverage ratio calculated as net debt divided by total equity plus net debt. The Company'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 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY

In the course of its operating and financing activities, the Company is exposed to risks arising mainly in connection with the financial instruments held by the Company. Those risks may be broadly defined as market risk, comprising currency risk, interest rate risk, liquidity risk and credit risk. The objective behind the Company's 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 Company are determined by the Management Board. 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 operating and financing activities are monitored through monthly reports.
The Finance Department of the Company, as the organisational unit responsible for implementation of the Company's financial risk policy, identifies, measures, manages and monitors the risks referred to above on an ongoing basis. The Management Board receives regularly updated reports on the type and extent of exposure to a given risk.

33.1 Currency risk

The Company is exposed to currency risk, arising in connection with sales, trade receivables, financial liabilities and bank loans denominated in EUR and USD. The currency risk hedging strategy, the objective of which is to minimise the effects of exchange rate fluctuations, is formulated and periodically reviewed by the Management Board. In 2010, the following strategy was applied to manage currency risk:

In accordance with the currency risk management procedures in place at the Company, each contract executed by the Company is hedged by means of a forward transaction so as to ensure that the exchange rate budgeted for a given contract is met. With respect to each forward contract entered into by the Company, hedge accounting documentation is maintained in accordance with Par. 88 of IAS 39. The documentation specifies the parameters of the hedge (the forward contract), of the hedged item (contract or payment) and the effectiveness of the hedge. The effectiveness of a hedge is measured at least at the end of every quarter. Where the documented effectiveness of a hedge is high (changes in market value of the forward are fully offset by changes in market value of the payment), hedge accounting is applied – the valuation of the derivative instrument is recognised in equity and then "recycled" into the income statement at the time when the related sale is accounted for in the income statement. By using hedge accounting, the Company is able to match the costs with the revenues under hedging transactions.

The Company enters into forward transactions based on the criterion of high effectiveness, as specified in IAS 39, (changes in market value of the forward are fully offset by changes in market value of the payment). Purchase of PUT options is also acceptable, even if the criterion of effectiveness is not met.

Analysis of the 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 net profit for the financial year 2010 and equity would have been lower by PLN -370 thousand (for 2009, net profit would have been lower by PLN -660 thousand). Conversely, assuming a 10% appreciation of the US dollar against the złoty (all other things being equal), both net profit for the financial year 2010 and equity would have been higher by PLN +630 thousand (for 2009, net profit would have been higher by PLN +660).

Assuming a 10% depreciation of the euro against the złoty as at December 31st 2010 (all other things being equal), both net profit for the financial year 2010 and equity would have been lower by PLN -5,570 thousand (for 2009, net profit would have been lower by PLN -5,000 thousand). Conversely, assuming a 10% appreciation of the euro against the złoty (all other things being equal), both net profit for the financial year 2010 and equity would have been higher by PLN +5,570 thousand (for 2009, net profit would have been higher by PLN +5,000 thousand).

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

33.2 Interest rate risk

The Company's exposure to interest rate risk is not material. In the financial year 2010, the total amount of interest on the Company 's loan liabilities was PLN 117 thousand.

33.3 Risk related to product prices

The bulk of the Company'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 Company's Management Board, the price risk is minimised.

Nevertheless, the achievement of the Company's strategic objectives concerning product prices may be hindered by competition. If competitive pressures intensify, especially in Asian markets, they may adversely affect the Company's ability to meet its planned financial results. The Management Board believes that SECO/WARWICK S.A. 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.

33.4 Capital management

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

The capital management policy adopted by the Company requires it to maintain financial discipline, while giving it enough flexibility to support profitable development.
As there are no external requirements regarding the Company's capital, its capital structure may be shaped taking into account the operating performance and the adopted dividend policy.
Capital management is also centred around the goal of maintaining a predetermined level of financial liquidity which allows the Company both to repay its external debt as its falls due and to finance the expenditures connected with the Company's business risk. That goal is pursued for instance by maintaining available credit facilities that may be drawn when the need arises.

33.5 Liquidity risk

Liquidity risk is the risk that the Company 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.

The Company also manages its liquidity risk by maintaining available unused credit facilities which serve as a liquidity reserve securing solvency and financial flexibility.

The table below presents the Company's financial liabilities by maturity as at December 31st 2010 and December 31st 2009, based on contractual undiscounted payments.

Dec 31 2010	**Payable on demand**	**up to 1 year**	**1–5 years**	**Over 5 years**	**Total Dec 31 2010**
Interest-bearing loans and borrowings		7,323	5,928		**12,251**
Trade payables		12,956			**12,956**
Other liabilities		3,314	4		**3,318**
TOTAL		**13,593**	**5,933**		**29,526**
Dec 31 2009					
Interest-bearing loans and borrowings	-	-	-	-	**0**
Trade payables	-	5,440	-	-	**5,440**
Other liabilities	-	4,776	450	-	**5,227**
TOTAL		**10,216**	**-**		**10,666**

The maturity structure of liabilities is presented in Note 22.

33.6 Credit risk

The Company 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.

	Dec 31 2010	Dec 31 2009
up to 1 month	2,707	3,361
more than 1 month to 3 months	8,947	4,484
more than 3 months to 6 months	6,643	4,394
more than 6 months to 1 year	18,339	
past due	825	1,131
Total trade receivables (gross)	38,349	13,370
Impairment losses on trade receivables	888	744
Total trade receivables (net)	**37,461**	**12,626**

Note 34. 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 at SECO/WARWICK S.A. 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	8,750
Option intrinsic value	PLN 1.354
Cost for the period	PLN 12,000

Note 35. CAPITALISED BORROWING COSTS

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

Note 36. 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 37. 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 Company.

The values of all court, bankruptcy and arrangement proceedings in which the Company was involved as at December 31st 2010 are given below.

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

Note 38. 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 ThermAl S.A., a subsidiary undertaking, formed a tax group.

Note 40. WASTE ELECTRICAL AND ELECTRONIC EQUIPMENT

The issues falling within the scope of Note 40 did not apply to the Company in the presented reporting periods.

Note 41. 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. 3001971, 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.

All events subsequent to the balance-sheet date have been disclosed in the form of current reports which are available at the website www.secowarwick.com.pl/biezace

Note 42. FINANCIAL STATEMENTS ADJUSTED FOR INFLATION

In the presented reporting periods, the Company 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