PROCHEM S.A. CAPITAL GROUP CONSOLIDATED FINANCIAL STATEMENT

Prepared as at and for the period ended on 31 December 2010

PROCHEM S.A.
44C Powązkowska Str.
01-797 Warsaw

Contents of Prochem S.A. Capital Group Consolidated Financial Statement

Consolidated Statement of Financial Position

(all amounts in thousands of PLN if not marked otherwise)

	Note No	As at 31 Dec. 2010	As at 31 Dec.2009 (restated data)
Assets			
Fixed assets			
Tangible assets	1	32 779	35 040
Intangible assets	2	270	484
Real estate investments	3	63 377	58 717
Shares and stocks of subordinated entities and others	4	1 518	3 386
Shares and stocks of entities valuated by the equity method	5	765	629
Assets on account of deferred income tax	6	3 042	1 493
Total fixed assets		**101 751**	**99 749**
Current assets			
Inventory	7	6 261	6 629
Trade receivables and other receivables	8	60 779	56 567
Other financial assets	9	597	3 432
Other assets	10	11 518	14 415
Cash and cash equivalents	32	6 100	6 042
Total current assets		**85 255**	**87 085**
Total assets		**187 006**	**186 834**
Equity and liabilities			
Equity			
Share capital	11	3 895	3 900
Shares of parent entity (negative value)		-	-5
Retained earnings	12	101 016	94 822
Equity		**104 911**	**98 717**
Minority shareholders		**18 736**	**17 405**
Total equity		**123 647**	**116 122**
Long-term liabilities			
Long-term bank credits	13	234	1 033
Provision on account of deferred income tax	14	5 891	4 334
Retirement benefit obligations	15	1 643	1 829
Other reserves	16	208	12
Other long-term liabilities	17	396	695
Total long-term liabilities		**8 372**	**7 903**
Short-term liabilities			
Short-term bank credits	18	2 028	5 088
Short-term loans	19	29	776
Trade payables	20	44 939	47 019
Liabilities on account of current income tax		180	212
Other liabilities	21	7 666	9 428
Deferred income	22	145	286
Total short-term liabilities		**54 987**	**62 809**
Totalliabilities		**63 359**	**70 712**
Total Equity and Liabilities		**187 006**	**186 834**

	As at 31 December 2010	As at 31 December 2009 (restated data)
Book value – parent entity's equity	104 911	98 717
Total number of shares (units)	3 895 000	3 895 000
Book value per one share (in PLN)	26.93	25.34

Consolidated Statement of Comprehensive Income
for the period from 1 January 2010 to 31 December 2010

(all amounts in thousands of PLN if not marked otherwise)

	Note No	Period ended on 31 December 2010	Period ended on 31 December 2009 (restated data)
Income from sale including:		119 041	170 588
Income from sales of services	23	112 956	163 297
Income from sales of goods and materials	24	6 085	7 291
Cost of sale including :		99 201	154 933
Cost of services sold	25	93 758	148 340
Cost of goods and materials sold		5 443	6 593
Gross profit from sales		**19 840**	**15 655**
General and administrative expense		17 429	15 586
Other operating income	26	7 577	10 554
Other operating costs	27	4 827	5 500
Profit from operating activity		**5 161**	**5 123**
Financial income	28	520	1 551
Profit from sale of shares of subordinated entities		58	-
Finance costs	29	1 010	1 895
Share in profit of associated entities		96	-80
Profit before tax		**4 825**	**4 699**
Income tax	30	-120	2 060
- current income tax		615	411
- deferred income tax		-735	1 649
Net profit		**4 945**	**2 639**
Net profit assigned to:		4 945	2 639
Shareholders of parent entity		4 319	356
Minority shareholders		626	2 283
Other comprehensive income			
Revaluation of fixed assets	1	3 436	-
Income tax concerning other comprehensive income		653	-
Other comprehensive income (net)		**2 783**	**-**
Total comprehensive income		**7 728**	**2 639**
Total comprehensive income assigned to:			
Shareholders of parent entity		6 397	356
Minority shareholders		1 331	2 283

	Period ended on 31 Dec. 2010	Period ended on 31 Dec. 2009 (restated data)
Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Profit per one ordinary share (in PLN per one share) assigned to parent entity	1.11	0.09
Comprehensive income per one ordinary share (in PLN per one share) assigned to parent entity	1.85	0.09

Consolidated Statement of Changes in Owners' Equity

(all amounts in thousands of PLN if not marked otherwise)

	Share capital	**Shares of parent entity**	**Retained earnings**	**Equity assigned to shareholders of parent entity**	**Minority shareholders' equity**	**Total equity**
Reporting period for the period from 1 January 2010 to 31 December 2010						
As at the beginning of period	**3 900**	**-5**	**95 552**	**98 717**	**17 405**	**116 122**
Payment of dividend	-	-	-	**-**	-10	**-10**
Net profit (loss)	-	-	4 319	**4 319**	626	**4 945**
Other movements	-	-	78	**78**	10	**88**
Other comprehensive income (net)	-	-	2 078	**2 078**	705	**2 783**
Total comprehensive income	-	-	6 475	**6 475**	1 331	**7 806**
Other movements	-5	5	-281	**-281**	-	**-281**
As at the end of period	**3 895**	**-**	**101 746**	**104 911**	**18 736**	**123 647**
Reporting period for the period from 1 January 2009 to 31 December 2009						
As at the beginning of period	**3 900**	**-2**	**99 124**	**103 022**	**13 421**	**116 443**
Changes of accounting principles (policy)	-	-	-728	**-728**	-	**-728**
Error adjustment	-	-	-3 624	**-3 624**	3 624	**-**
As at the beginning of period, after agreeing to comparable data	3 900	-2	94 772	**98 4670**	17 045	**115 715**
Payment of dividend	-	-	-506	**-506**	-1 922	**-2 428**
Net profit – upon transformation	-	-	356	**356**	2 282	**2 638**
Other movements	-	-	-31	**-31**	-	**-31**
Other comprehensive income	-	-	-	**-**	-	**-**
Total comprehensive income	-	-	-181	**-181**	360	**179**
Other movements	-	-	231	**231**	-	**231**
Own shares purchased with the aim of redemption	-	-3	-	**-3**	-	**-3**
As at the end of period	**3 900**	**-5**	**94 822**	**98 717**	**17 405**	**116 122**

Consolidated Statement of Cash Flow for the period from 1 January 2010 to 31 December 2010 (indirect method)

(all amounts in thousands of PLN if not marked otherwise)

	Note No	Period ended on 31 Dec. 2010	Period ended on 31 Dec. 2009 (restated data)
Operating cash flow			
Gross profit		4 825	4 699
Total adjustments		-3 311	-10 215
Share in profit of associated entities		96	-80
Amortization and depreciation		4 086	4 557
Interest and profit sharing (dividends)		429	844
(Profit) loss from sales of tangible assets		171	-141
(Profit) loss on investment		-3 855	-6 127
Movements in provisions		-1 254	-3 278
Change in stock		368	-68
Movements in receivables	32	-1 315	71 112
Movements in current liabilities with the exception of loans and credits	32	-1 896	-74 204
Other adjustments		-141	-2 830
Operating cash		1 541	-5 516
Income tax paid		32	-261
Net operating cash		**1 546**	**-5 777**
Investment cash flows			
Inflows		8 126	368
Sales of intangible assets and tangible assets		2 842	257
From financial assets including:		5 282	-
a) in affiliates		4 962	-
- sales of financial assets		1 621	-
- dividends and profit sharing		113	-
- repayment of granted loans		2 790	-
- repayment of interest on granted loans		438	-
b)in other entities		320	-
- other inflows from financial assets		320	-
Other investment inflows		2	111
Outflows		3 871	6 847
Purchase of intangible assets and tangible assets		899	3 024
Investments in real estates and intangible assets		2 064	2 878
On financial assets including:		893	45
a) in affiliates		893	45
- purchase of financial assets		475	45
- loans granted		418	-
Other investment outflows		15	900
Net cash flow from investment activity		**4 255**	**-6 479**
Financial cash flow			
Inflows		399	2 384
Bank credits		205	2 360
Other financial inflows		194	24
Outflows		6 142	2 826
Purchase of own shares (stocks)		-	3

	Note	Period ended on 31 Dec. 2010	Period ended on 31 Dec. 2009 (restated data)
Other than payments to shareholders		10	1 298
Repayment of credits		4 808	-
Payment of liabilities on account of agreements of the financial lease		883	1 034
Interest		438	491
Other financial outflows		3	-
Net cash from financial activity		**-5 743**	**-442**
Total net cash flow		58	-12 698
Increase /(decrease) of net cash flow and cash equivalents	32	58	-12 698
Cash and cash equivalents at the beginning of period	32	6 042	18 740
Cash and cash equivalents at the end of period	32	6 100	6 042

Notes on assumed accounting principles (policy) in Capital Group and other explanatory remarks to Consolidated Financial Statement

1. The establishment of the parent company and the basic scope of its activity

Company PROCHEM S.A. (hereinafter called “Prochem”, “Company”, “Issuer”, “Parent Company”) with the registered office in Warsaw at 44c Powązkowska Str. The company is entered into the National Court Register (KRS) by the District Court for the capital city of Warsaw, XII Commercial Division of the National Court Register under KRS number 0000019753. Basic activity according to Polish Business Classification (PKD 2007) determines symbol 7112Z – operations in the scope of engineering services and associated with it technical consulting. According to Warsaw Stock Exchange Classification the company is being ranked among the construction sector. Company Prochem S.A. is a parent entity in the Capital Group and is drawing up separate consolidated financial statement. Company Prochem S.A. was established as a result of transformation of a state enterprise under the name Przedsiębiorstwo Projektowania I Realizacji Inwestycji Przemysłu Chemicznego “Prochem” (The Office of Designing and the Implementation of an Investment Project of the Chemical Industry). Notarial act and statutes were signed on 1 October of 1991. The company’s duration is indefinite.

2. Managing bodies of the parent company

As at the date of drawing up this financial statement the Management Board of Prochem S.A. comprises following persons :

Jarosław Stępniewski – Chairman of the Management Board
Marek Kiersznicki - Vice Chairman
Krzysztof Marczak - Management Board Member

As at the date of drawing up this financial statement the Supervisory Board comprises following persons:

- Andrzej Karczykowski - Chairman
- Marek Garliński – Vice Chairman
- Dariusz Krajowski-Kukiel
- Krzysztof Obłój
- Adam Parzydeł

On 11 June 2010 the company get information about the resignation of Mr Steven Tappan from the membership of the Supervisory Board of PROCHEM S.A. as from June 13th 2010.
On 24 July 2010 the Extraordinary General Meeting of PROCHEM S.A. passed resolution No 1 by virtue of which Mr. Adam Parzydeł was elected the supervisory board member of 7th joint term of office.

3. Employment

In 2010 average employment in Capital Group of Prochem S.A. was 712 FTEs. Level of employment in Capital Group of Prochem S.A. as at 31 December 2010 was 724 persons.

4. Description of the organization of the Capital Group with pointing out entities being subject to consolidation

Prochem S.A. Capital Group (called " Capital Group ”, "Group ”), apart from data of Dominant Entity (hereinafter called„ Issuer ”) comprises the following subsidiaries directly and indirectly and associated companies (hereinafter called “entity” or “company”):

Subsidiaries covered by full consolidation:

- Prochem Inwestycje Sp. z o.o. with registered office in Warsaw – subsidiary directly (100.0%);
- Irydion Sp. z o.o. with registered office in Warsaw – subsidiary directly (100.0%);
- PRO-INHUT Sp. z o.o. with registered office in Dąbrowa Górnicza– subsidiary indirectly (99.0%);
- Pro-Organika Sp. z o.o. with registered office in Warsaw – subsidiary directly (91.4%);
- Prochem Serwis Sp. z o.o. with registered office in Warsaw – subsidiary indirectly (90.0%);
- PREDOM Sp. z o.o. with registered office in Wrocław – subsidiary indirectly (81.1% of capital and profit, 69.4% in votes);
- ASI Polska Sp. z o.o. with registered office in Gliwice– subsidiary (90.0%);
- Prochem Zachód Sp. z o.o. with registered office in Słubice – subsidiary directly (60.0%);
- PROTRADE Sp. z o.o. with registered office in Gdynia– subsidiary indirectly (72%) (ASI Polska Sp. z o.o. subsidiary in 90.0% holds 80.0%)
- ELPRO Sp. z o.o. Kraków – subsidiary indirectly (78.3%, including 56.5% of share in 50% of share of Elektromontaż Kraków)
- Elmont Inwestycje Sp. z o.o. Kraków – subsidiary indirectly (78.3%, including 56.5% of share in 50% of share of Elektromontaż Kraków)
- Elektromontaż Kraków S.A. – subsidiary direct (56.5%) – the company is drawing up consolidated financial statement, which contains data of the subsidiary in 100%: ELMONT-POMIARY Sp. z o.o. with registered office in Krakow and two associates ELPRO Sp. z o.o. and Elmont Inwestycje Sp. z o.o.
- IRYD Sp. z o.o. with registered office in Warsaw – subsidiary indirectly 100%
- ATUTOR Integracja Cyfrowa Sp. z o.o. with registered office in Warsaw – subsidiary indirectly (97.2% of share holds company Prochem Inwestycje Sp. z o.o. subsidiary in 100%).
- Prochem RPI Sp. z o.o. with registered office in Warsaw – subsidiary directly and indirectly in 100%

- PRO PLM Sp. z o.o. with registered office in Warsaw – subsidiary directly and indirectly in 100% (50% of shares holds company Prochem Inwestycje Sp. z o.o. subsidiary in 100%).

Associated entities covered by consolidation under the equity method:

- PROMIS Sp. z o.o. with registered office in Warsaw – associated indirectly (45% of right of vote and 97.6 % of share in capital belongs to company Prochem Inwestycje Sp. z o.o. subsidiary in 100%),
- ITEL Sp. z o.o. Gdynia – 42.0% of shares (18.7% of right of vote and capitals belongs directly to Prochem S.A. and 23.31% belongs to Prochem RPI Sp. z o.o. subsidiary in 100%) since 23 February 2010 .
- .TEOMA S.A. with registered office in Warsaw – associated indirectly (12.9% of shares including Prochem Inwestycje Sp. z o.o. subsidiary in 100% holds 5% of shares).

Subsidiaries covered by consolidation were included in the consolidated financial statement starting from the day of including the control by the parent company, and associates from the day of exerting the significant influence.

5. Accepted accounting principles

Base for the drawing up

Consolidated Financial Statement of PROCHEM S.A. Capital Group for the period from 1 January to 31 December 2010 and corresponding period of the comparable year was drawn up according to International Accounting Standards (IAS) and International Financial Reporting Standard (IFRS) , which were approved by European Union (EU) and were in force as at 31 December 2010 . Scope of financial statement is in conformity with Regulation of the Minister of Finance of 19 February 2009 on current and periodical information to be submitted by issuers of securities and concerning conditions for recognition as equivalent the information required by provisions of the law of the country not being a member state. (Journal of Laws No 33, item 259 with amendments).

This Consolidated Financial Statement meets all IFRS requirements approved by EU and gives a true and fair view of the Group's financial and material position as at 31 December 2010 and comparable data as at 31 December 2009 , as well as results of such activity in the year ended on 31 December 2010 and comparable data for the year ended on 31 December 2009.

Consolidated Financial Statement of PROCHEM SA Capital Group as at 31 December 2010 was prepared at assuming continuing economic activity in a foreseeable future and it is stated that circumstances pointing out to the threat to continuing activity by the Issuer and companies belonging to Capital Group don't exist.

Consolidated Financial Statement was drawn up based on the principle of the historical cost, with the exception of:

- land, buildings and constructions,
- investment properties (land),
- derivatives of financial instruments,
- investments in subsidiaries, associated or in joint undertaking.

Changes in accounting estimates and accounting principles (policy)

Drawing up financial statements according to IFRS approved by the EU requires using reliable accounting estimates and assuming, as for future events. Items of the financial statement established based on the estimates are subject to a verification if circumstances being the base of estimates are changing or as a result of obtaining new information, a progressing course of events or acquiring greater experience.
The change of adopted principles in the accounting policy is effected in case :

1. of IFRS changes,
2. when the change of accounting principles will lead to the fact that information included in the financial statement concerning the impact of the transaction, other events and conditions on financial situation, financial result or also flows, will be more useful and credible for recipients of statements.

In case of changes of accounting principles it is assumed, that new accounting principles were always applied, except for the ones which aren't anticipating the retrospective change. Adjustments associated with it are being shown as changes in owner's equity. For ensuring the comparability transformations of financial statements are done for the earlier presented period in such way that the statements also include changes, except for situations, when establishing the influence of the change on individual periods or its total influence is in practice unfeasible. Changes in the accounting policy were described in detail in the item 6-*Transformation of financial statements.*

Transactions in Foreign Currencies
Transactions in foreign currencies at first are included according to the rate of exchange of the National Bank of Poland being in effect on the day of the conclusion of a deal. Balance sheet items of assets and liabilities expressed in foreign currencies are being evaluated according to the average rate of the National Bank of Poland as at the balance sheet day. Profit and loss arising from accounting for these transactions and balance sheet valuations of assets and liabilities expressed in foreign currencies are included in Profit and Loss Account except for exchange differences concerning construction-in-progress which are included into costs of these assets and are recognized as adjustments of costs of interest on credit in foreign currencies.

New Standards, Interpretations and Changes of Published IFRS

Standards and Interpretations Approved by EU

The Company is going to accept changes of IFRS published, but inoperative until 31 December 2010, according to the date of their entry into force. In the current annual reporting period in the Company wasn't made a decision on earlier applying of changed standards and interpretation.

Amendments to IFRS 1 – limited exemptions concerning disclosures in accordance with IFRS 7 for entities applying IFRS for the first time.
The change is pertinent to exemptions from disclosing information in the comparable period required by changed IFRS 7 for entities applying IFRS for the first time. This exemption concerns the situation, when the first financial statement was prepared for the period beginning earlier than 1 January 2010
The changed standard was published on 1 July 2010. According to the Regulation of the Committee No. 574 / 2010 all entities apply amendments to IFRS 1and IFRS 7 along with beginning one's first reporting year after 30 June 2010 at the latest. The changed standard isn't concerning the financial statement of the Group.

IAS 24 brought up to date - related party disclosures
The change is introducing exemption concerning disclosures of transaction amounts with affiliated companies, amounts of balances, including contingent liabilities from:

- government which is exercising the control or the co-control over the reporting entity or is exerting significant influence on it,
- other entity being affiliated company, since the same government is exercising the control or the co-control over the reporting entity and this second entity or has significant influence on it.

The standard brought up to date requires effecting peculiar disclosures from entities which are using this exemption. The standard brought up to date is also changing definitions of affiliated companies, in this way, that this definition includes additional subjects like e.g. associated companies with the controlling shareholder and controlled entities or co-controlled by members of the crucial managerial staff.
The standard brought up to date was published on 20 July of 2010. In accordance with the Regulation of the Committee No. 632 /2010 all entities apply standard brought up to date along with beginning one's first reporting year after 31 December 2010.The changed standard will have no effect on the financial statement of the Group.

Amendments to IAS 32 – classification of rights issues
The change demands that rights, options, warrants concerning the specific number of own equity instruments for the stated amount in any currency constitute equity instruments, if the entity offers mentioned above rights, options and warrants pro rata to previous owners of the same class of equity instruments not being derivative securities. The Group didn't issue such equity instruments in the past. Amendments to IAS 32 don't concern the financial statement of the Group.

Amendments to CI IAS 14 (committee of interpretation of international accounting standards) – prepayments of a minimum funding requirement
Changed CI IAS 14 is regarding arithmetic including of advance payments in the event that minimum requirements of financing exist. According to these changes the entity is obliged to include such advance payments as the component of assets therefore, as it is getting future economic benefits resulting from the made advance payment and they are available in the form of reducing future contributions in periods, in which payments associated with minimum requirements of financing would be due in case of earlier advance payments.
Amendments to interpretation were published on 20 July 2010. In accordance with the Regulation of the Committee No. 633 /2010 all entities apply standard brought up to date along with beginning one's first reporting year after 31 December 2010. Changes aren't applying to the financial statement of the Group, because the Group isn't holding determined benefits with minimum requirements of financing.

CI IAS *19 – extinguishing financial liabilities with equity instruments*
This interpretation is explaining applied accounting rules in the situation when as a result of the renegotiation by the entity of conditions of its debt the obligation is settled in full or in part through issuing of equity instruments directed at the creditor. This interpretation was published on 24 July 2010 . In accordance with the Regulation of the Committee No. 662 /2010 all entities apply above standards along with beginning one's first reporting year after 30 June 2010. In the current period the Group didn't issue equity instruments in order to settle financial liabilities. For this reason interpretation won't have a significant effect to comparative data shown in the financial statement for the financial year ending on 31 December 2010.Moreover, since interpretation can only apply to transactions which will be taking place in the future, isn't possible to predetermine the influence of applying interpretation.

Improvements to IFRS arising from the draft of annual amendments which were published on 11 February 2011
11 amendments to 6 standards and 1 interpretation are mainly for terminating the incompatibility and making records more precise, clarifying the required recognition in situations, when previously the freedom was. Changes were implemented with Regulation of the Committee No. 149 / 2011.The amendments will have no significant effect on the financial statement of the Group.

Standards and interpretations waiting for approval by EU

Amendments to IFRS 1 – the hyperinflation and removing permanent dates for applying IFRS for the first time.

The change is adding the dismissal which can be applied as at the day of the transition to IFRS by entity operating in conditions of the hyperinflation. Effective date is 1 July 2011.

It is not expected that the above change has a significant effect on the financial statement of the Group.

Amendments to IFRS 7 disclosures – transfer of financial assets

Disclosures may help recipients of the financial statement to evaluate the risks associated with transfer/moving of financial assets and the influence of these risks on financial position of the entity. Effective date for periods starting is on 1 July 2011 and later. It is expected that in the moment of the IRSF 7 application a number of disclosures in the financial statement will rise.

IFRS 9 – financial instruments - *is being applicable for annual periods starting 1 January 2013 or later. IAS 39 and IAS 9 are supposed to be replaced with IFRS 9* This standard is implementing the improved and simplified attempt to classification and evaluations of financial assets in the comparison with IAS 39 requirements. The Group doesn't expect, that IFRS 9 (2010) will have a significant effect on the financial statement. It is expected that on account of the specificity of operations of entities belonging to the Group, the kind of kept financial assets, principles of classification and evaluations of financial liabilities will not change.

Amendments to IFRS 12- deferred income tax

The change from 2010 is implementing the exception to current principles of valuation of deferred income tax. The exception is concerning the deferred income tax on real estate investments valued in compliance with IAS 40 by introducing the assumption that a sale will be exclusively the method of realisation of book value of these assets. Intentions of the Management Board won't be important, unless the real estate investment is subject to a depreciation and is being held in frames of the business model, aiming at consuming all economic benefits from given assets for the period of its service life. It is only case, when this assumption can be rejected. The change will be in force for periods starting from 1 January 2012 and later. Above will have an insignificant impact on financial statements of the Group.

Functional Currency and Presentation Currency of the Statement

The financial statement is being presented in Polish zlotys („zloty” or „PLN”) which is functional currency and presentation currency.

Applied Accounting Principles Followed by the Capital Group are introduced below

Principles of Consolidation

1. At drawing up consolidated financial statement of Prochem Capital Group the following procedures were applied:
    - data of subsidiaries were included in financial statement with the full method, consisting in linking financial statements of the dominant entity and of subsidiaries by adding up individual items of assets, liabilities, the equity capital, the income and costs.
    - shares in associated companies were evaluated in the consolidated financial statement with the equity method, and in the moment of the initial recognition are being included at the purchase price. The purchase price includes costs of transaction.

2. Entities controlled by the dominant entity are subsidiaries. Financial statements of

subsidiaries are included in the consolidated financial statement starting from the day of obtaining control above them to the moment of its expiration.

3. Accounting rules applied by subsidiaries were standardized with principles assumed by the Group.

4. The goodwill of subsidiaries is a surplus of the purchase price of components of financial assets taken up by the dominant entity above the net market value of assets of the subsidiary, proportionally to the acquired share in the equity of this entity. The negative goodwill of subsidiary is a surplus of the net market value of assets of the subsidiary above the purchase price of components of financial assets borne by the dominant entity, proportionally to the acquired participation in the equity of this entity. As at the day of purchasing the subsidiary and associated (of including the control), assets, liabilities and contingent liabilities of the subsidiary are measured at fair value.

5. In the moment of loss of the control (e.g. sale), the Group is ceasing including assets and obligations of the subsidiary, not-controlling shares and the remaining components of capital associated with the subsidiary. The possible surplus or the deficiency incurred as a result of loss of the control are being included in the profit or the loss of the current period. If the Group is seizing any shares in the previous subsidiary, they are losses evaluated in the goodwill as at the day of loss of the control.

6. Shares of not-controlling shareholders are being shown according to assigned value even if it results in the coming into existence of the negative balance of not-controlling shares.

7. PROCHEM S.A. Group treats transactions with not-controlling shareholders the same as transactions with outside entities.

8. Profits or losses arising from the selling of shares to not-controlling shareholders are being presented in equities.

9. As associated companies are being regarded entities, in which Prochem has between the 20% and the 50% of the total number of votes at constituting bodies or in other way can exert the significant influence on its financial and operating policy.

10. Investments in associated companies are being accounted for with method of the ownership transfer and at first are included at purchase price. The participation in profit or loss of the associated company is being shown in comprehensive income. In the event that the participation in loss of the associated company is equal to or exceeds a participation of the Prochem S.A. Group in this entity, the Group doesn't recognize further losses, unless is obliged to do it. Unrealized gains between the Group and the associated company are being eliminated to the level of the participation of the Group in the entity.

11. The purchase price of shares in associated companies is subject to corrections by all effects of changes of net fair value of assets, falling on the value of the share held from the moment of acquiring to the date of financial statement and effects of the stated depreciation.

12. At drawing up the consolidated financial statement the following undermentioned corrections and exclusions are done :
    - in the scope of exclusions:
        1. of shares (stocks) in possession of a dominant entity with the share capital of subsidiaries,
        2. of mutual amounts due and obligations and other settlements of accounts of a similar nature of entities being subject to consolidation
        3. of the income and costs on account of mutual operations of the purchase and sale in the

capital group,

4. of dividends calculated or paid by subsidiary to the dominant entity and other entities covered by consolidation .

- in the scope of corrections:
  1. of profits or losses incurred as a result of business transactions made between entities covered by consolidation.

Tangible assets and intangible assets

Tangible assets are presented in accordance with International Accounting Standards 16 (MSR 16).
Tangible assets comprises fixed assets and outlay on fixed assets(construction) in-progress which the entity is going to exploit in their activity in the period longer than one year, and which in the future will result in benefit to the entity.
Expenditure on fixed assets include investment outlay as well as incurred expenses for future deliveries of machinery, equipment and services associated with production of fixed assets (transferred advance payments).
Tangible assets at first are being evaluated according to the purchase price or the manufacturing costs. Principles of valuation following the initial approach:

- Land, buildings and constructions buildings are shown in the post-revaluation amount, being its fair value as at the day of the revaluation, set by experts, reduced by the amount of the later accumulated depreciation and later accumulated revaluating write-off. Fair value will be set by experts regularly every two years.
- Other tangible assets are being shown according to the purchase price or the manufacturing cost, increased by possible costs of improvements, but reduced by the accumulated depreciation and accumulated revaluating write-off.

An increase in value resulting from the revaluation of land, buildings and constructions is being included in other comprehensive income and indicated in total amount in equity as surplus that arises upon a revaluation except for the situation , when the increase in value is reversing the earlier write off for the same item included in the statement of comprehensive income. Diminishment in the value resulting from the revaluation of land, building and constructions is being included in cost of the period, being ahead of an amount of earlier evaluation of this asset item included in other comprehensive income. A decrease resulting from revaluation included in other comprehensive income is reducing the amount of total surplus arising from the revaluation included in the equity capital.

The company treats right to perpetual usufructs as land.

Value of fixed assets intended for liquidation, withdrawn from use as a result of the change of technology or other reasons, is being revalued by revaluating write off. Revaluating write -off is carried to the debit of other operating costs.

Tangible fixed assets available for sale are shown according to International Financial Reporting Standards 5(MSSF 5).

Outlays on tangible assets to be borne later are recognized at their balance-sheet value, when it is probable that the entity will benefit from it, and this cost could be credibly evaluated. All other costs of repairs and maintenance of material fixed assets are being included in the profit and loss account in reporting periods, in which they were incurred.

Profit and loss from selling of tangible assets are being set by comparing the sales revenue with the carrying value of the given tangible asset and included in the comprehensive income.

Tangible fixed assets are subject to depreciation since they are available for use. Allowance for depreciation on tangible assets is provided by systematic, scheduled dividing the initial value into the established service life of the asset component. A straight line depreciation method is applied.

In the consolidated financial statement for the current period and comparable periods the following useful life periods were accepted by the Group for depreciation of tangible fixed assets:
· of buildings and constructions 10-40 years
· of technical devices and machines 5-12 years
· of means of transport 5 years
· of tools, devices, movables and equipping 5-10 years

Correctness of applied life cycles, of depreciation formulas is verified for the end of every year under review and where justified corrected.

Own land is not depreciated.

Tangible assets- in-progress coming into existence for purposes of the conducted operational activity, as well as for purposes not yet determined, are being presented in the financial statement at the production cost reduced by recognized allowances for depreciation. The manufacturing cost includes all payments and costs of the external financing capitalized according to applied accounting principles. The depreciation concerning these tangible assets is starting in the moment of beginning using them.

Tangible fixed assets are being subjected to the impairment test if premises pointing at appearing of the impairment exist, in addition for the construction-in-progress in the period of the realization, possible depreciation is determined for every balance sheet day. Effects of the impairment are being carried forward on other operating costs. In 2010 in the Group was made write-off covering the depreciation of tangible assets which were presented in Note No 1 – *Tangible assets.*

Intangible assets are presented in accordance with International Accounting Standards 38 (MSR 38). The component of intangible asset is valuated at purchase price less allowance for amortization and impairment write off.

Intangible assets, apart from the goodwill are being amortized. Amortization of intangible assets is provided by systematic, scheduled dividing the initial value into the established service life of the asset component. A straight line of depreciation method is applied.

In the financial statement for the current period and comparable periods the Company accepted useful life period of 3-10 years for amortization of intangible assets.

Correctness of applied life cycles, of depreciation formulas is verified for the end of every year under review and where justified corrected.

Intangible assets are being subjected to the impairment test if premises pointing at appearing of the impairment exist. Effects of the impairment are being carried forward on other operating costs. Premises pointing out to the depreciation of intangible assets didn't appear in 2010.

Investment real estates - it is a real estate (ground, the building or the part of a building or both these elements) which the Company treats as the source of the income from rents to or is holding

in possession on account of the increase in their value, comparatively both these benefits, in addition such a real estate isn't:
· used in the operational activity,
· allocated for sale as part of the normal investment activity.
Profits or losses incurred on the sale / the liquidation of the real estate is determined as the difference between the sales revenue and the balance value of these positions and they are being included in the statement of the comprehensive income.
In case of real estates- in -progress which in the future will be exploited as investment real estates, MSR 40 is applicable. It means that they can be evaluated not only at the cost of production, but also according to the fair value, provided that it will be possible credibly to determine the fair value. If not, these are to the moment, in which the Company will be able credibly to determine the fair value of real estate-in-progress, this real estate is being evaluated according to the cost of production. Effects of the evaluation on account of the difference between the carrying value of real estate-in-progress and fair value of real estate should be included in the financial result..
Before the change the investment real estates -in -progress were subject to provisions of MSR 16 *Tangible assets* - it means that these real estates were evaluated at the cost of production until the moment of moving the investment -in-progress real estate to investment real estates. In the moment of the transfer a fair value of the real estate is being established. If the fair value differs from the cost of production, de differences should be included directly in the financial result (in the item of the other operating income or other operating expenses).

Leases

The Group as the Lessee

Lease, by which part of the risk and of benefits from the title deed is falling to the Prochem S.A. Capital Group constitutes the financial lease.
Components of assets being an object of this lease are being included in the financial statement in the lower amount out of established at the moment of commencing the use: of fair value or in the current value of the minimum lease payments. Every lease payment is being divided into the part constituting the obligation and the financial part. The liability is being shown in balance sheet in the position "Other obligations" with the division into the short-term part (payable up to one year) and long-term (paid in the period longer than one year). Finance charges are being shown in the Statement of Comprehensive Income. Principles of the amortization and depreciation of assets being a subject of the financial lease and the principles of setting revaluating write-offs for assets in the financial lease are consistent with principles applied for assets being a property of the Company. Tangible fixed assets constituting the leased object are being depreciated during the economic service life of the asset. A straight line of depreciation method is applied.

Lease payments on account of the operating lease and subsequent leasing instalments are recognized in current costs during the life of the leasing with the straight-line method.

The Group as the Lessor

Lease agreements as which we recognize hiring contracts, according to which the Group is preserving the entire risk and all benefits resulting from having a leased object, are ranked among agreements of the operating lease. Costs of the lease are being included in current costs, however the income on account of the leased object is being included in the income of the period.

Costs of the external financing according to International Accounting Standards 23 (MSR 23)
- costs of the external financing are being included as costs in the period, in which they were

carried, except for costs which it is possible directly to assign for the purchase, the building or producing the asset component (tangible assets , intangible assets).
Activating of costs of the external financing is starting when:

1. costs of the external financing are being incurred,
2. an expenditure on this asset component is being incurred,
3. action essential to prepare the asset component for his planned use or the sale is being conducted.

Activating costs of financing is being suspended in case of the interrupt for the longer time of active leading the investment activity. Costs of the external financing are subject to activating until intending the component of assets to use or for sale.

Current assets

Inventory – in the item of inventory - materials, goods, semi-finished products and work-in-process are being shown.
Inventory is being evaluated originally at the price of the purchase. As at the balance sheet day the evaluation of materials and goods is held in compliance with principles of the conservative estimate, namely these categories are being valuated according to the purchase price, the production cost or the net value possible to get, depending on which one is lower.
Stock of goods and materials slowly-rotating is covered by the write-down according to the individual evaluation of the price possible to get for the balance sheet day. Flow of goods is done with the application of FIFO method „First In, First Out".
Write-downs concerning inventory and write-ups are parked in the other costs and operating income.

Loans - are coming into existence when the entity is transferring financial means directly to the debtor, not intending to enter their amount due into the trading. They are being ranked among current assets, provided the date of their maturity doesn't exceed 12 months from the balance sheet day.
Loans with the maturity date exceeding 12 months from the balance sheet day are being ranked among fixed assets. At first loans are recognized at their fair value. The evaluation of loans takes place later according to the amortized cost, with the application of the method of the effective interest rate, after reducing by possible write-downs on account of the depreciation.

Amounts due at first are recognized according to their fair value then according to the amortized cost, with the application of the method of the effective interest rate, after reducing by possible write-downs on account of the depreciation. Write-down covering amount due is made when objective evidence exist that the entity won't receive all amounts due resulting from primary conditions of the amount due, and is included in item other operating costs. The amount of write-down is a difference between the balance sheet value of the amount due and current value of estimated future cash flows, discounted according to effective interest rate.

Cash and cash equivalents cover the cash in hand and on banking accounts, deposits with the original maturity date up to three months and financial assets evaluated in the fair value by the financial result meeting the requirements of the definition of the monetary equivalent. Cash is being evaluated in the nominal value. Cash equivalents classified as financial assets are being evaluated in the fair value by the financial result.

Available-for-sale assets

The fixed assets intended for the sale are assets meeting at the same time the following determined criteria according to IFRS 5:

- the management board took decision on their sale,
- active seeking the potential buyer was initiated ,

- assets are available for the sale in the current state,
- the transaction of the sale is highly probable and accounting for it within 12 months from making a decision to sell is possible,
- the selling price is rational towards the current fair value,
- the probability of implementing amendments to sales plan of these assets is little.

The change of classification is being reflected in this reporting period, in which criteria of identity were fulfilled.

Directly before reclassification to the group intended for the sale or the disposal, these assets again are being evaluated according to accounting rules. The assets intended for the sale (excluding financial assets and investment real estates) are included in the financial statement according to lower from two values: of the balance sheet value or the fair value reduced by costs of sale.
In case of increased value in the more late period, the income is included at fair value reduced by cost of sale however at the value not higher than write-down recognized earlier.

Upon allocating the given component of assets for the sale the calculation of depreciation allowance is stopped.

Evaluation of assets and financial liabilities - in the moment of the initial recognition, the Issuer is evaluating the component of assets or liabilities at their fair value , in case of the component of assets or financial liability not qualified as evaluated at the fair value by the financial result, increased by costs of transaction which can be directly assigned to purchase or emission of the component of financial asset such as: payments and commissions paid to advisers, agents, payments imposed by control offices and the stock exchange and taxes. However costs of transactions don't include the bonus or the discount from in debt instruments, of costs of financing, nor of internal administration cost, or storages cost of instruments.
For the evaluation as at the end of the reporting period, or for other moment after the initial recognition, the Issuer is qualifying financial assets for one of four categories:

1. evaluated at fair value by the financial result,
2. investments kept to the maturity date,
3. loans and receivables,
4. financial assets available for the sale.

Component of assets valued at fair value by financial result constitutes the component of financial assets which was appointed at initial recognition as evaluated according to fair value by the financial result or was categorized as intended for the trade, because:
- was purchased or contracted mainly for the purpose of sale or buying in the short term,
- is a part of the wallet of determined financial instruments managed together and for which the confirming of current and actual model of generating short-term profits exists, or
- is a derivative instrument (excluding derivative securities being effective instruments (safety).

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments or maturity which the Company is both able and intending to hold to its maturity.

Loans and receivables are non-derivative financial assets with fixed or determinable payments which aren't quoted on the active market.

Available- for - sale financial assets are non-derivative financial assets which were categorized as available for the sale or not being loans or other amounts due, or held-to-maturity and financial assets evaluated at fair value by the financial result.

Measure of the fair value of financial assets

The company measures financial assets evaluated at fair value through the financial result, including derivatives being assets and available-for-sale financial assets, not effecting reducing by costs of transactions which can be borne at the sale or in other way of disposal of assets.
Fair value of financial assets is assessed as follows:

- for instruments quoted on the active market is based on final prices available for the end of the reporting period,
- for debt instruments unquoted on the active market is based on discounted cash flows analysis,
- for forward contract and for swap contracts based on discounted cash flows analysis.

Investments in equity instruments (equity investment) which don't have quoting of market prices from the active market and of which the fair value cannot be measured credibly, the Company is evaluating according to the cost, i.e. at the price of the purchase reduced by possible write-downs.

Hedged financial assets are subject to an evaluation according to accounting standards for hedging activities.

Profits or losses resulting from the evaluation of the component of financial assets, qualified as evaluated according to fair value by the financial result, are included in the financial result.

Profits or losses resulting from the evaluation of the component of financial assets ranked to available - for - sale are included in other comprehensive income, except for write-downs on account of the depreciation and exchange differences which are being included in the financial result. In case of in debt financial instruments, interest worked out at the application of the method of the effective interest rate is being included in the financial result.

Evaluation of financial assets according to the amortized cost

Entities belonging to Capital Group are evaluating loans and other amounts due, including trade receivables and held- to- maturity investments according to the amortized cost with the application of the method effective interest rate. The company applies simplified methods of the evaluation of financial assets evaluated according to the amortized cost if doesn't cause distortions of information included in the statement of financial position in particular in the event that the period to the moment of the repayment of the amount due isn't long. Financial assets evaluated according to the amortized cost, to which the entity applies simplifications, are being evaluated in the moment of initial including in the amount of the required payment, and in the more late period, at the end of the reporting period in the amount required reduced by write-downs on account of the depreciation.

Measure of the fair value of financial liabilities

Entities belonging to Capital Group are evaluating financial liabilities categorized as evaluated at fair value by the financial result (in particular including derivatives not being hedging instruments), as at the last day of the reporting period or other moment after the initial recognition at fair value. Irrespective of features and the aim of the purchase, the Group, in the moment of the initial recognition, is effecting classification of selected financial liabilities as evaluated at the fair value by the financial result, because it is leading to obtaining more useful information. The fair value of the contracted obligation is being set based on the current selling price for instruments quoted on the active market.
In case of the lack of the active market, the fair value of financial liabilities is being established through:

- using the last market transactions conducted directly between well informed, relevant parties, or

- referring to the current fair value the other instrument which is almost the same, or
- analysis of the discounted cash flows.

Measure of financial liabilities according to the amortized cost

The Group is evaluating other financial liabilities according to the amortized cost with the application of the method effective interest rate. If it doesn't cause distortions of information included in the statement of financial position in particular in the event that the period to the moment of the repayment of the amount due isn't long the Group applies simplified methods of the evaluation of financial liabilities which usually are evaluated according to the amortized cost. Financial liabilities, to which the Group is applying simplifications, are being evaluated in the moment of the initial recognition and in the more late period, at the end of the reporting period, in the amount required for payment. Financial guarantee contracts, i.e. agreements obliging the Group (issuer) for effecting determined payments compensating the owner for the loss that will be borne from the reason of not making payment by the described debtor in the due time according to original or with changed conditions of the in debt instrument, not categorized as obligations evaluated at fair value by the financial result, are evaluated at the higher value:

- established according to principles of valuation of reserves,
- initial value reduced in appropriate cases by accumulated allowances for amortization.

Reclassification

Group:

- isn't effecting reclassification of the derivative from category evaluated at fair value by the financial result from the moment of taking possession of it or issuing;
- isn't effecting reclassification of the financial instrument from category evaluated at fair value by the financial result, if at initial including the financial instrument was appointed by the Company as evaluated at fair value by the financial result and,
- can, if the component of financial assets isn't already being held for the purpose of sale or purchase in the near time (irrespective of the fact that the element of financial assets could to be purchased or contracted mainly for the purpose of the sale or buying in the near time), effect reclassification of the given component of financial assets from the category evaluated at fair value by the financial result only in exceptional circumstances, and in case of loans and the amounts due, (if at initial including the component of financial assets had not to be classified as intended for the trade) if entity has an intention and a possibility to keep the component of financial assets in the foreseeable future or up to the date of its maturity,
- Group isn't effecting reclassification of the financial instrument to category evaluated at fair value by the financial result after the initial recognition.

Impairment of financial assets value

For the end of the reporting period the Group is judging whether objective evidence of the impairment of the component of financial assets or groups of financial assets exist.

If objective premises exist, that an impairment of loans and other amounts due or held-to-maturity investments valued at the amortized cost took place, then the Group recognizes the write-down covering loss in the value of estimated future cash flows discounted with applying the original effective interest rate of the financial instrument

If in the next period the loss on account of the impairment reduced, and it is possible to connect this reduction in the objective way with the event following recognition of impairment , then the loss included previously from this title is reversed and included as the income in the financial result.

If objective premises are appearing, that an impairment of the not-quoted equity instrument which isn't being evaluated at fair value took place, because it isn't possible to evaluate its fair value credibly then amount of write-up on account of loss of the value is set as the difference between amount of the book value of the component of financial assets and current value of estimated future cash flows discounted at applying the current market rate of return for similar financial assets. Write-down set this way isn't subject to reversal.

If objective premises are appearing, that a decrease in value of the component of available-for-sale financial assets took place, then accumulated losses incurred as a result of the negative evaluation, included in statement of comprehensive income, according to principles of valuation of financial assets, are cancelled from the equity and are included in the financial result. If in the next period fair value of debt instrument available for sale increases, and this increase can be linked objectively with the event following including the write-down in the financial result, then the amount of the reversal of write-down is recognized in the financial result.

Write-down covering value impairment of investment in equity instrument, classified as available for sale isn't subject to reversal in financial result.

Payments of dividends for shareholders of the Company are being included as liability in the financial statement of the Company in the moment, when the appropriate resolution was passed at the General Meeting of Shareholders of the Company.

Reserves - are established in the justified, credibly assessed value. Reserves are being created when an existing legal obligation is resting with the Group (legal or customary) resulting from past events and when it is probable, that fulfilling this duty will cause the necessity of the outflow of financial means as well as it is possible to effect credible estimation of the amount of this obligation.

Social benefits - the group is paying the contributions of the compulsory pension program subject to the gross remuneration, under effective laws and regulations. The company doesn't have other pension programs. With a view to establishing the current value of future obligations concerning retirement gratuities and the costs of the current employment associated with them, actuarial evaluation is applied.

Calculated obligations are equal to discounted payments which in the future will be made, with taking into account among others the rotation of employment, the planned increase of the level of the remuneration and concern the period up to the day of finishing the year under review.
Reserve to retirement gratuity is formed in order to assign costs up to periods which they concern.

Owners' Equity

The equity is being included in books of account with the division into his kinds and according to principles determined by provisions of the law and provisions of statute. Owners' equity includes:

- Share capital – was shown in the nominal value of issued and registered shares .
- Spare capital is being raised from surpluses of the sale of shares above their nominal value and from write down concerning net annual profit as well as revaluation of fixed assets in previous years.
- Revaluation capital covers the difference between fair value and purchase price decreased by deferred tax concerning buildings and constructions and land valued at fair value.
- Reserve capital arisen from profit designed for capital.

Retained earnings include: undivided result from last years, profit (loss) of the current year, payments on account of dividends, effects of mistakes (profits/losses) of previous periods, effects of changes of accounting principle (policy)

Income from sales include fair value of revenues from sales of goods and services.
The income from construction services is being evaluated according to IAS 11 - the construction service agreement. Income from performing of the not finished construction service, according to

agreement, made as at the balance sheet day are being established proportionally to the degree of progresses of the service. The degree of the progress of the service is being measured with the share of costs incurred from the day of the conclusion of a contract to the day of setting the income in overall costs of the service. The correctness of calculations of the degree of the progress of the service, as well as expected overall costs and the income from the service is being verified at the end of every quarter.

Income tax - fiscal charges contain the current taxation with corporate income tax and the change in reserves or assets on account of the deferred income tax.
Current tax liabilities are being set on the basis of current tax regulations and the set taxable income.
Current tax liabilities in the current period and previous periods are being included as the obligation in the amount, in which it wasn't paid.
The reserve on account of the deferred income tax is included with the method of obligations, on account of temporary differences between the tax value of assets and obligations and their balance sheet value shown in the financial statement. The deferred income tax is set at applying tax rates indeed being in force at the balance sheet day. Temporary differences concern the different asset pricing and obligations for tax purposes and balance.
Assets on account of the income tax are being included if it is probable, that in the future a taxable income is gained which will enable using temporary differences. Deferred income tax assets are also recognized from tax losses deductible in the next years.

Shares in joint undertakings - joint undertaking means arrangements stipulated in the contract, by virtue of which two or more sides are undertaking the business activity being subject to a co-control. Joint undertakings can have different forms and structures, among others: jointly controlled activity, jointly controlled assets and co-controlled entities.
Jointly controlled activity - the most often it is Agreement of the Consortium concluded with a view to increasing production capacities or acquiring the potential essential for realization/acquiring of determined investment topic (of wider scope of work). The Agreement of the Consortium usually regulates the way of the distribution to partners of the income from sales of shared product/services and all joint expenses. Each partner is using it own tangible assets and has own supplies. Each partner of the undertaking is also incurring own costs, entering into obligations as well as raising funds to finance own activity what results in the occurrence of his own obligations.
Co-controlled entities - it is a joint undertaking which requires establishing the legal person, the partnership or other subject, in which each partner of the undertaking is holding shares. Such an entity is acting on the same principles, as other economic entities, except for the fact that arrangements stipulated in the contract between partners of the undertaking are establishing the co-control over the business activity of the subject. Co-controlled entity is controlling assets of a joint undertaking, entering into obligations, bearing costs and bringing income, concluding a contract in his own name, acquiring financial measures with a view to allocating them for the activity of the joint undertaking. This entity is keeping books, drawing up and submitting financial statements. Every partner is contributing to the co-controlled entity in the form of financial means. The contributions should be included in the accounting records of the partner and in the individual financial statement as investment in the co-controlled entity. The partner is evaluating the share in the co-controlled entity under the equity pick-up method. The partner is stopping applying the equity pick-up method with the moment of ceasing exercising the co-control over the co-controlled entity or significant exerting of influence on such an entity.

Shares in the co-controlled entity categorized as available for the sale are being included according to International Financial Reporting Standards 5 (MSSF 5).

6. Transformation of Financial Statements

On 1 January 2010 the Group changed accounting policy in the scope of methodology of creating provisions to cost estimates of back leaves. The company estimated reserves to leaves using rate 50 % with reference to the amount of unused days of leave and at applying the average remuneration in the company established like for the payment of the equivalent for leave. Correcting the mistake consists in agreeing the reserve for back leaves, for every employee in the 100% according to his individual rate of the remuneration established as for the payment of the equivalent for leave. The change was applied retrospectively, beginning from opening earliest presented periods.
Error adjustment consisting in including of not controlled shares in retained earnings in 2007 at the wrong amount was presented retrospectively beginning from opening the earliest presented periods.
The following table is describing corrections in the statement of the financial standing resulting from applying the new accounting policy and error adjustment.

In PLN thousand	Tangible assets	Other liabilities	Deferred tax asset	Minority capital	Retained earnings
As at 1 January 2009	**38 462**	**13 261**	**3 499**	**13 421**	**99 124**
Influence of changes of accounting policy	-	899	171	-	-728
Error	382	-	-1 246	3 624	-3 624
Transformed balance as at 1 January 2009	**38 844**	**14 160**	**2 424**	**17 045**	**94 772**

Financial statement of Capital Group for the period from 1 January to 31 December 2010 is keeping the comparability in relation to data of the statement for the period from 1 January to 31 December 2009. For keeping the comparability also reclassification of determined items of equity was effected which were presented in the following table.
Changes as given below result from:

- change of principles of accounting policy in the scope of methodology of creating provisions to back leaves,
- the mistake in the distribution of profit for 2007 between the dominant entity and not-controlling shares,
- adaptation of definitions and disclosures to those widely accepted and required by International Standards of Financial Reporting in the shape being in force for financial statements for periods beginning on 1 January 2009 and later.

Statement of Financial Position - restated data

(all amounts in PLN thousand if not marked otherwise)

	Note No	As at 31 December 2009	Adjustment / transformation	As at 31December 2009 (restated data)
Assets				
Fixed assets				
Tangible assets	1	36 702	-1 662	35 040
Real estate investments	3	56 673	2 044	58 717
Assets on account of deferred income tax	6	4 055	-2 562	1 493

Total fixed assets		**101 929**	**-2 180**	**99 749**
Current assets				
Trade receivables and other receivables	10	57 138	-571	56 567
Cash and short-term deposits		6 192	-150	6 042
Total current assets		**87 806**	**-721**	**87 085**
Total assets		**189 735**	**-2 901**	**186 834**

Equity and liabilities				
Equity				
Share capital		3 900	-	3 900
Shares (stocks) of parent entity (negative value)		-5	-	-5
Spare capital		50 574	-50 574	-
Revaluation capital		13 663	-13 663	-
Other reserve capitals		36 836	-36 836	-
Net profit (loss) brought forward		-1 397	1 397	-
Net profit (loss) for the current year		164	-164	-
Retained earnings		-	94 822	94 822
Parent entity's equity		**103 735**	**-5 018**	**98 717**
Minority capital		**13 781**	**3 624**	**17 405**
Total equity		**117 516**	**-1 394**	**116 122**
Long-term liabilities				
Provision to deferred income tax	20	5 815	-1 481	4 334
Total long-term liabilities		**9 384**	**-1 481**	**7 903**
Short-term liabilities				
Other liabilities	26	9 454	-26	9 428
Total short-term liabilities		**62 835**	**-26**	**62 809**
Total equity and liabilities		**189 735**	**-2 901**	**186 834**

	As at 31 December 2009	**Adjustment / transformation**	**As at 31 December 2009 (restated data)**
Book value – parent entity's equity	103 735	-5 018	98 717
The number of shares (units)	3 895 000	3 895 000	3 895 000
Book value per one share (in PLN)	26.63	-1.28	25.34

Statement of the Comprehensive Income for the period from 1 January 2009 to 31 December 2009 – restated data

(all amounts in PLN thousand if not marked otherwise)

	Note No	**Period ended on 31 December 2009**	**Adjustment / transformation**	**Period ended on 31 December 2009 (restated data)**
General and administrative expense	30	15 782	-196	15 586
Operating profit		**4 927**	**196**	**5 123**
Profit before tax		**4 503**	**196**	**4 699**
Income tax	35	2 056	4	2 060
- deferred income tax		1 645	4	1 649
Net profit		**2 447**	**192**	**2 639**

Net profit	**2 447**	**192**	**2 639**

Net profit assigned to:	2 447	192	2 639
shareholders of parent entity	164	192	356
Minority shareholders	2 283	-	2 283
Total comprehensive income	**2 447**	**192**	**2 639**
Total comprehensive income assigned to :			
Shareholders of parent entity	164	192	356
Weighted average number of ordinary shares (units)	3 895 000	3 895 000	3 895 000
Profit (loss) per one ordinary share (in PLN per one share) from continuing operations assigned to shareholders of parent entity	0.04	0.05	0.09
Comprehensive income per one ordinary share (in PLN per one share) from continuing operations assigned to shareholders of parent entity	0.04	0.05	0.09

Statement of Cash Flows for the period from 1 January 2009 to 31 December 2009 restated data

(all amounts in PLN thousand if not marked otherwise)

	Period ended on 31 December 2009	Adjustment/ transformation	Period ended on 31 December 2009 (restated data)
Operating cash flow			
Gross profit (loss)	4 503	196	4 699
Total adjustments to:	-11 118	903	-10 215
Shares in associated entities	-	-80	-80
Interests and profit sharing (dividends)	503	341	844
Movement in provisions	-1 108	-2 170	-3 278
Movements in receivables	70 164	948	71 112
Movements in short-term liabilities with the exception of loans and credits	-78 178	3 974	-74 204
Other adjustments	-720	-2 110	-2 830
Operating cash	-6 615	1 099	-5 516
Net cash provided by operating activities	**-6 876**	**1 099**	**-5 777**
Investment cash flows			
Inflows	358	10	368
Sales of intangible assets and tangible assets	247	10	257
Outflows	6 771	76	6 847
Purchase of intangible assets and tangible assets	2 948	76	3 024
Net cash flow from investment activity	**-6 413**	**-66**	**-6 479**

Financial cash flows			
Inflows	16 692	-14 308	2 384
Bank credits	16 668	-14 308	2 360
Outflows	16 051	-13 225	2 826
Buy-back of own shares (stocks)		3	3
Repayment of credits and loans	14 308	-14 308	-
Payments from the title of finance lease	212	822	1 034
Interest	233	258	491
Net cash from financial activity	**641**	**-1 083**	**-442**
Total net cash flows	-12 648	-50	-12 698
Increase/(decrease) of net cash and cash equivalents	-12 648	-50	-12 698
Cash and cash equivalents at the beginning of period	18 840	-100	18 740
Cash and cash equivalents at the end of period	6 192	-150	6 042