ASSECO BUSINESS SOLUTIONS SA

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
WITH THE OPINION OF AN INDEPENDENT AUDITOR

(in PLN thousand)

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2011

	Note	*Year ended 31 December 2011*	*Year ended 31 December 2010*
Revenue on sales		158 125	168 587
Own cost of sales	10.5	(103 421)	(109 943)
Gross profit from on sales		**54 704**	**58 644**
Cost of sales	10.5	(4 057)	(3 947)
General and administrative costs	10.5	(17 147)	(17 970)
Net profit on sales		**33 500**	**36 727**
Other operating income	10.1	1 784	1 020
Other operating expenses	10.2	(344)	(1 969)
Profit from operating **activities**		**34 940**	**35 778**
Financial income	10.3	2 410	1 995
Financial expenses	10.4	(318)	(132)
Gross profit		**37 032**	**37 641**
Income tax	11.1	(7 198)	(7 549)
Net profit from continuing operations		**29 834**	**30 092**
Discontinued operations			
Net profit for the financial year		**29 834**	**30 092**
Other total income		–	–
Other total net income		–	–
Total income for the period		**29 834**	**30 092**
Earnings per share	14		
basic/diluted profit for the reporting period		0.89	0.90
basic/diluted profit for continued activity in the reporting period		0.89	0.90

(in PLN thousand)

BALANCE SHEET
as at 31 December 2011

	Note	*31 December 2011*	*31 December 2010*
ASSETS			
Non-current assets		**198 623**	**198 144**
Tangible assets	16	13 826	15 348
Intangible assets	18	11 618	9 964
Goodwill	18; 19	170 938	170 938
Non-current receivables	21.1	603	601
Deferred tax assets	11.3	1 403	1 291
Long-term prepayments and accrued income	21.2	235	2
Current assets		**89 685**	**97 504**
Inventories	23	943	865
Trade receivables	24	28 720	32 689
Other receivables	24	2 507	4 174
Prepayments and accrued income	21.2	505	387
Financial assets valued at fair value through profit or loss	20	–	39
Cash and short-term deposits	25	57 010	59 350
Non-current assets classified as held for sale	12	–	2 117
TOTAL ASSETS		**288 308**	**297 765**
EQUITY AND LIABILITIES			
Equity		**264 157**	**264 399**
Share capital	26	167 091	167 091
The surplus from the sale of shares above their nominal value		62 423	62 423
Retained gains		34 643	34 885
Total own equity		**264 157**	**264 399**
Non-current liabilities		**346**	**479**
Provisions	28	224	184
Non-current financial liabilities	17.2; 29.1	–	212
Long-term accruals and deferred income	29.3	122	83
Current liabilities		**23 805**	**32 887**
Trade liabilities	29.1	5 568	8 581
Other liabilities	29.1; 29.2	6 221	7 069
Financial liabilities	17.2; 29.1	433	411
Provisions	28	256	1 090
Income tax liabilities	29.2	2 521	5 615
Accruals and deferred income	29.3	8 806	10 121
Total liabilities		**24 151**	**33 366**
TOTAL EQUITY AND LIABILITIES		**288 308**	**297 765**

(in PLN thousand)

CASH FLOW STATEMENT
for the year ended 31 December 2011

	Note	*Year ended 31 December 2011*	*Year ended 31 December 2011 (transformed data)*
Cash flows from operating activities			
Gross profit		37 032	37 641
Adjustments:		**(3 077)**	**6 028**
Amortization	10.6	9 881	10 485
Change in inventories		(78)	(59)
Change in receivables		5 634	439
Change in liabilities, excluding credits and loans		(3 862)	(871)
Change in accruals and prepayments		(1 627)	2 866
Change in provisions		(794)	1 111
(Revenue) on interest		(2 239)	(1 791)
Interest expense		24	53
Investment gain/(loss)		(330)	277
Other		717	–
Income tax paid		(10 403)	(6 482)
Net cash from operating activities		**33 955**	**43 669**
Cash flows from investing activities			
Proceeds from the sale of property, plant and equipment		3 051	365
Proceeds from the sale of financial assets available for sale		–	1 110
Acquisition of property, plant and equipment		(4 547)	(6 230)
Purchase of intangible assets		(6 493)	(3 849)
Acquisition/settlement of financial at fair value through profit or loss		(12)	–
Conclusion of bank deposits		(39 700)	(47 955)
Repayment of bank deposits		47 955	16 235
Interest received		2 092	1 595
Net cash from investing activities		**2 346**	**(38 729)**
Cash flows from financing activities			
Repayment of liabilities under lease agreements		(432)	(818)
Repayment of interest		(24)	(53)
Payment of dividends		(30 076)	(25 064)
Net cash from financing activities		**(30 532)**	**(25 935)**
Increase/(Decrease) in net cash and cash equivalents		5 769	(20 995)
Net differences in exchange rates		–	–
Opening cash	25	11 199	32 194
Closing cash, including	25	**16 968**	**11 199**
Restricted cash		–	–

(in PLN thousand)

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2011

	Share capital	*Surplus from the sale of shares above their nominal value*	*Retained earnings/ accumulated loss*	*Total*
As at 1 January 2010	**167 091**	**62 423**	**29 857**	**259 371**
Total income for the period	–	–	30 092	**30 092**
Payment of dividends	–	–	(25 064)	**(25 064)**
As at 31 December 2010	**167 091**	**62 423**	**34 885**	**264 399**

	Share capital	*Surplus from the sale of shares above their nominal value*	*Retained earnings/ accumulated loss*	*Total*
As at 1 January 2011	**167 091**	**62 423**	**34 885**	**264 399**
Total income for the period	–	–	29 834	**29 834**
Payment of dividends	–	–	(30 076)	**(30 076)**
As at 31 December 2011	**167 091**	**62 423**	**34 643**	**264 157**

(in PLN thousand)

ACCOUNTING RULES (POLICIES) AND SUPPLEMENTARY NOTES

1. General information

The financial statements of Asseco Business Solutions SA covers the year ended 31 December 2011 and includes comparative information for the year ended 31 December 2010.

Asseco Business Solutions SA ("Company", "unit") was created under a Notarial Deed dated 18 May 2001. The Company headquarters is located in Lublin, ul. Konrada Wallenroda 4c, 20-607.

District XI Economic Department of the National Court Register, KRS no. 0000028257 The Company has a statistical number REGON 017293003.

The Company was established for an indefinite period of time.

The primary activity of Asseco Business Solutions SA, according to the classification adopted by the Warsaw Stock Exchange, is "information technology".

Within the Asseco Capital Group, the Company comprises a Competence Centre for ERP systems, software for small and medium-sized enterprises and mobile management-supporting systems. This comprehensive offer includes the provision, adaptation and configuration of business applications for enterprises, design and construction of infrastructure at the client or in the outsourcing model, providing equipment and system software of renowned partners, training for client's personnel, service and remote support for users. Asseco Business Solutions owns a Data Centre whose capacity parameters meet the highest standards of security, reliability and effectiveness of systems operation.

Direct parent entity of Asseco Business Solutions SA is Asseco Poland SA, which holds 46.67% of the Company's shares and, in accordance with the Company statutes, is able to exercise its right to appoint three of the five members of the Supervisory Board as long as it remains a Company's shareholder holding at least 20% of the Company's share capital.

2. Composition of the Board and the Supervisory Board of the Company

On 31 December 2011, the Management Board of the Company consisted of:

Romuald Rutkowski	President of the Board
Wojciech Barczentewicz	Vice-President of the Board
Piotr Masłowski	Vice-President of the Board
Mariusz Lizon	Member of the Board

During the reporting period and until the date of approval of these financial statements, the composition of the Company's Management Board has not changed.

On 31 December 2011, the Supervisory Board of the Company consisted of:

Adam Góral	Chairman of the Supervisory Board
Jarosław Adamski	Member of the Supervisory Board
Wojciech Kowalczyk	Member of the Supervisory Board from 20 October 2011
Zbigniew Pomianek	Member of the Supervisory Board
Adam Pawłowicz	Member of the Supervisory Board
Grzegorz Ogonowski	Member of the Supervisory Board from 20 October 2011

The Supervisory Board does not operate through separate committees, the committees' duties are performed by the Supervisory Board.

3. Approval of the financial statements

These financial statements were approved for publication by the Management Board on 7 March 2012.

4. Significant values based on estimates and professional judgement

4.1. Professional judgement

In the process of applying accountancy rules (policies) to the issues listed below, of utmost importance, in addition to accounting estimates, was professional judgement of the management.

Classification of lease agreements

The Company classifies leases as operating or finance based on an assessment of the extent to which risks and benefits of ownership of the leased item fall in the share of the lessor and the lessee, respectively. This assessment is based on the substance of each transaction.

4.2. Estimation uncertainty

Below, the main assumptions have been made about the future and other key sources of uncertainty occurring on the balance sheet date, which carry a significant risk of substantial adjustments to the carrying amounts of assets and liabilities within the next financial year.

Impairment of goodwill

The Company tests goodwill for impairment. This requires an estimate of the value in use of the cash-generating unit to which goodwill has been allocated. Estimating the value in use consists in determining future cash flows generated by the cash-generating unit and requires the discount rate to use in order to calculate the present value of those cash flows. Discount factor is the weighted average cost of capital (WACC).

Valuation of provisions for employee benefits

Provisions for employee benefits were estimated using actuarial methods. Assumptions adopted to that end are set out in Note 22. A change in financial indicators underlying the estimation, i.e. an increase in the discount rate by 1% and a decline in wage rate by 1% would cause a decrease in the provisions by around PLN 42 thousand.

Deferred tax asset

The Company recognizes deferred tax asset based on the assumption that the future tax profits will be achieved allowing for its use. Deterioration of the tax results in the future could make the assumption unjustified.

The fair value of financial instruments

The fair value of financial instruments, for which there is no active market, is determined by appropriate valuation techniques. When selecting appropriate methods and assumptions, the Company is guided by professional judgement.

Revenue recognition

The Company uses the percentage method of work progress in accounting for long-term contracts. The use of this method requires the Company to estimate of the proportion of the work done so far to the total services to be provided.

Amortization rates

The amount of amortization rates is determined on the basis of the expected economic lifetime of tangible fixed assets and intangible assets. The Company will review annually the adopted periods of economic useful life based on current estimates.

5. Basis for the preparation of these financial statements

These financial statements have been prepared in accordance with the historical cost accounting model, except for financial instruments measured at fair value through profit or loss, which are measured at their fair value.

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

While preparing these financial statements, it was assumed that the Company would continue its business activity in the foreseeable future. At the date of approval of these financial statements, no fact or circumstances were identified that might pose a threat to the Company in continuing its business.

5.1. Compliance statement

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS adopted by the EU. On the day of approval of these financial statements for publication, taking into consideration the EU's on-going process of introducing the IFRS and activities conducted by the Company, there is no difference in the accounting rules applied by the Company between the IFRS, which entered into force, and the IFRS adopted by the EU .

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

5.2. Functional currency and reporting currency

The functional currency of the Company and the reporting currency of these financial statements is the Polish zloty (PLN).

5.3. Error correction

In the reporting period, there were no events resulting in the need to correct the fundamental error.

5.4. Changes in presentation

In the reporting period, there were changes in the presentation of cash and short-term deposits in the statement of cash flows. A distinction was made for short-term deposits between whose original maturity is three months and those whose original maturity is three to six months; what follows, the latter were regarded as part of the Company's investment activities and thus their value was deducted from the cash value.

6. Changes in accounting rules used

The accounting rules (policies) used to prepare the separate and consolidated financial statements are consistent with those applied in preparing the Company's financial statements for the year ended 31 December 2010, with the exception of the application of the following changes to the standards and new interpretations applicable to annual periods beginning with 1 January 2011.

- Amendments to IAS 24 *Related Party Disclosures* (amended in November 2009) – effective for annual periods beginning on or after 1 January 2011. The purpose of these amendments is to simplify and clarify the definition of a related party. The amendment removed the requirement to disclose information on related party transactions to the government, which exercises control or a shared control over the reporting unit, or has a significant influence over it, and to another unit, which is a related party, because the same government controls or exercises a shared control over the reporting unit and the other unit, or has a significant influence over them. The application of these amendments had no impact on the Company's financial position or performance, nor on the extent of information presented in the Company's financial statements.
- Amendments to IFRIC 14 IAS 19 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction: Prepayments of a Minimum Funding Requirement* – effective for annual periods beginning on or after 1 January 2011. This change removes the unintended consequence of IFRIC 14 on voluntary contributions to pensions where there are minimum funding requirements. The application of these amendments had no impact on the Company's financial position or performance.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* – effective for annual periods beginning on or after 1 July 2010. IFRIC 19 clarifies the accounting rules applied in a situation where as a result of renegotiation by an entity of the terms of its debt, the liability is settled by issuing equity instruments for the creditor by the debtor. The application of this interpretation had no impact on the Company's financial position or performance.

- Amendments to IAS 32 *Financial Instruments: Presentation: Classification of Rights Issues.* The change clarifies how to recognize certain pre-emptive rights when issued financial instruments are denominated in currencies other than the issuer's functional currency. The application of these amendments had no impact on the Company's financial position or performance.
- Amendments resulting from the review of IFRS (published in May 2010) – part of the change is applicable to annual periods beginning on 1 July 2010, and some for periods beginning on 1 January 2011. The application of these amendments had no impact on the Company's financial position or performance.
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards: Exemption from the Requirement to Present Comparative Information for IFRS 6 for First-Time Adopters of IFRS* – effective for annual periods beginning on or after 1 July 2010. The application of these amendments had no impact on the Company's financial position or performance.
- Amendments to IFRS 7 *Financial Instruments: Disclosures: Transfer of Financial Assets* – effective for annual periods beginning on or after 1 July 2011. The application of these amendments had no impact on the Company's financial position or performance.

The Company has not opted for early application of any other standard, interpretation or amendment that has been published but has not yet entered into force.

7. New standards and interpretations that have been published and not yet in force

The following standards and interpretations have been issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee and are not yet in force:

- First phase of IFRS 9 *Financial Instruments. Classification and Measurement* – effective for annual periods beginning on or after 1 January 2015 - not approved by the EU until the date of approval of these financial statements. In the subsequent phases, the International Accounting Standards Board will address hedge accounting and impairment. The project is scheduled to finish in mid-2011. Application of Phase 1 of IFRS 9 will have an impact on the classification and measurement of the Company's financial assets. The Company will assess this impact in conjunction with other phases, as soon as they are published in order to present coherent data.
- Amendments to IAS 12 *Income Taxes: Recovery of Underlying Assets* – effective for annual periods beginning on or after 1 January 2012 - not approved by the EU until the date of approval of these financial statements.
- Amendments to IFRS 1 *First-Time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* – effective for annual periods beginning on or after 1 July 2011 - not approved by the EU until the date of approval of these financial statements.
- IFRS 10 *Consolidated Financial Statements* – the standard was published in May 2011 and shall become effective for annual periods beginning on or after 1 January 2013; no deadline has been defined of the standard's approval by the EU;
- IFRS 11 *Joint Arrangements* – the standard was published in May 2011 and shall become effective for annual periods beginning on or after 1 January 2013; no deadline has been defined of the standard's approval by the EU;
- IFRS 12 *Disclosure of Involvement with Other Entities* – the standard was published in May 2011 and shall become effective for annual periods beginning on or after 1 January 2013; no deadline has been defined of the standard's approval by the EU;
- IFRS 13 *Fair Value Measurement* – the standard was published in May 2011 and shall become effective for annual periods beginning on or after 1 January 2013; no deadline has been defined of the standard's approval by the EU;

(in PLN thousand)

- Revised IAS 27 *Separate Financial Statements* – the revised standard was published in May 2011 in response to the standard IFRS 10. The standard shall become effective for annual periods beginning on or after 1 January 2013; no deadline has been defined of the standard's approval by the EU;
- Revised IAS 28 *Investments in Associates and Joint Ventures* – the revised standard was published in May 2011 in response to the standard IFRS 11. The standard shall become effective for annual periods beginning on or after 1 January 2013; no deadline has been defined of the standard's approval by the EU;
- IAS 1 *Presentation of Financial Statements: Presentation of Other Comprehensive Income* – effective for annual periods beginning on or after 1 July 2012; no deadline has been defined of the standard's approval by the EU;
- Amendments to IAS 19 *Employee Benefits:* a modified method of accounting for the schemes of defined benefits and benefits due to termination of employment - effective for annual periods beginning on or after 1 January 2013; no deadline has been defined of the standard's approval by the EU.
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* – effective for annual periods beginning on or after 1 January 2013; not approved by the EU until the date of approval of these financial statements.
- Amendments to IAS 32 *Financial Instruments: Presentation:* Compensation of financial assets and liabilities – effective for annual periods beginning on or after 1 January 2014; not approved by the EU until the date of approval of these financial statements.

The management does not anticipate that the introduction of these standards and interpretations may have a significant impact on the Company's applicable accounting rules (policies).

8. Significant accounting policies

8.1. Conversion of items denominated in foreign currency

Transactions denominated in currencies other than the Polish zloty are translated into Polish zlotys at the rate applicable on the date of transaction.

On the balance sheet date, monetary assets and liabilities denominated in currencies other than the Polish zloty are converted into the Polish zloty using the average rate fixed at the end of the reporting period for a given currency by the National Bank of Poland. The resulting foreign exchange differences arising on translation are recognised as financial income (expense) or, in the cases referred to in the accounting rules (policies), capitalized as assets values. Non-monetary assets and liabilities recognised at historical cost expressed in foreign currency are restated at the rate on initial transaction date. Non-monetary assets and liabilities recognised at fair value denominated in foreign currency are restated at the rate of valuation to fair value.

For the purpose of valuation, the following exchange rates were adopted:

	31 December 2011	*31 December 2010*
USD	3.4174	2.9641
EUR	4.4168	3.9603

8.2. Property, plant and equipment

Property, plant and equipment, other than land, are valued at acquisition or production cost, less accumulated depreciation and impairment losses. Initial cost of property, plant and equipment comprises the acquisition cost plus all costs directly related to their acquisition and adaptation for use. This cost also includes the cost of replacing component parts of machinery and equipment when incurred, if relevant recognition criteria are met. Costs incurred after the date of commissioning of the asset to be used, such as maintenance and repair costs, are charged to profit or loss when incurred.

Property, plant and equipment at the time of purchase are be divided into components which are items of significant value to which a specific period of economic usefulness may be assigned. Components are also the cost of overhauls.

Amortization is calculated on straight line basis over the estimated useful life of the asset, amounting to:

Type	**Period**	
Buildings and structures	10	years
Machinery and equipment	2-5	years
Office equipment	2-7	years
Motor vehicles	5	years
Computers	5	years

Residual value, useful life and amortization method of assets are verified annually and, if necessary - adjusted with effect from the beginning of the just-completed financial year.

The item of property, plant and equipment may be derecognised from the balance sheet if sold, or if there are no expected economic benefits resulting from its further use. Any gain or loss resulting from the derecognition of the asset from the balance sheet (calculated as the difference between the net sales proceeds and the carrying value of the asset) are recognized in profit or loss for the period in which such derecognition was made.

Investment in progress concern the tangible assets in the course of construction or assembly and are disclosed at purchase price or production cost, less any impairment losses. Tangible assets under construction are not subject to depreciation until the end of the construction and transfer of the asset to use.

8.3. Intangible assets

Intangible assets acquired in separate transactions, or produced (if they meet the recognition criteria for the development costs) are valued at initial recognition, respectively in the purchase price or production cost. The purchase price of intangible assets acquired in a business combination is equal to their fair value at the date of the combination. After initial recognition, intangible assets are valued at acquisition or production cost less accumulated depreciation and impairment losses. Expenditures incurred on intangible assets produced in-house, with the exception of capitalized expenditures on development work, are not capitalised and are included in the cost of the period in which they are incurred.

The Company determines whether the useful life of intangible assets is determined or undetermined. Intangible assets with determined useful lives are amortised over the useful life and tested for impairment whenever there are indications of loss of their value. The period and the amortization method for intangible assets with limited useful lives are reviewed at least at the end of each financial. Changes in the expected useful life, or expected pattern of consumption of economic benefits from the asset are accounted for by a change of the period or amortization method, and treated as changes in accounting estimates. Amortization charge for intangible asset with determined use is recognized in profit or loss in weight in this category, which corresponds to the function of the intangible asset.

Intangible assets with undetermined useful lives and those which are not occupied, are tested annually for possible impairment in respect of individual asset or at the level of cash-generating unit.

Periods of use are subject to annual review and, if necessary, adjusted with effect from the beginning of the just-completed financial year.

Costs of research and development

Research costs are recognised in profit or loss when incurred. Expenditure on development activities carried out within a project are carried forward to a further period if it can be concluded that they will be recovered in the future. After initial recognition of expenditure on development, the historical cost model is applied which requires that the assets were recorded at purchase price less any accumulated amortization and accumulated impairment losses. Capitalized expenditure is amortized over the projected period of obtaining revenues from the sale of a given project.

Goodwill

Goodwill on acquisition of a business entity is initially recognized at cost constituting the surplus of the amount: i) of the payment transferred, ii) of the amount of all non-controlling shares in the acquired entity, and iii) in the case of combining entities executed at fair value as at the day of acquiring share in the capital of the acquired entity, formerly owned by the acquirer, over the net amount determined as at the day of acquiring values of the identifiable acquired assets and assumed liabilities.

After initial recognition, goodwill is recorded at acquisition cost less any accumulated impairment losses. Impairment test is carried out annually or more frequently if there are grounds for doing so. Goodwill is not amortized.

At the date of acquisition, goodwill acquired is allocated to each cash-generating units that can benefit from the merger synergy. Each unit or group of units to which goodwill has been allocated:

- corresponds to the lowest level in the Company, at which goodwill is monitored for internal management and
- is not greater than one operating segment determined in accordance with IFRS 8 *Operating Segments*.

An impairment loss is determined by estimating the recoverable amount of cash-generating unit to which a given goodwill is allocated. Where the recoverable value of the cash-generating unit is less than carrying value, impairment loss is recognised. Where goodwill forms part of the cash-generating unit and part of the activities within the unit is sold, in determining profit or loss from sales of such an activity, goodwill associated with the sold activity is included in its carrying amount. In such circumstances, the sold goodwill is determined on the basis of the relative value of sold activity and the value of what remains of the cash-generating unit.

Summary of the rules applicable to the Company's intangible assets is as follows:

	Patents and licences	*Cost of development*	*Computer software*
Periods of use	Unspecified. For patents and licences used under an agreement for a specified period of time, this period will be adopted having regard to the additional period for which the use may be extended.	2 – 5 years	2 – 5 years
Used method of amortisation	Values with indefinite useful lives are not amortized nor revalued. Amortized over the term of the agreement (2 - years) - straight-line method.	2 - 5 years straight-line	2 - 5 years straight-line
Generated internally or acquired	Acquired	Generated in-house	Acquired
Impairment test	An indefinite useful life - annual and if there is evidence of impairment. For other - annual assessment of whether there had been indications of impairment.	Annual (for the assets yet to use) and if there is evidence of impairment.	Annual assessment of whether there had been indications of impairment.

Gains or losses resulting from the removal of intangible assets from the balance sheet are valued according to the difference between net sales proceeds and the carrying amount of the asset, and are recognized in profit or loss during derecognition.

8.4. Lease

Finance lease, which transfer to the Company substantially all the risks and rewards of ownership of the leased asset, are recognised in the balance sheet at the inception of the lease at the lower of the following two values: the fair value of an asset being the subject of lease or current value of the minimum lease payments. Lease payments are apportioned between the finance charges and the reduction of the outstanding lease liability so as to obtain a constant periodic rate of interest on the remaining balance of the liability. Financial expenses are recognised in profit or loss, unless the requirements of capitalization are met.

Property, plant and equipment used under finance lease agreements are subject to depreciation over the estimated useful life or the leasing period, whichever is shorter.

Lease agreements, whereby the lessor retains substantially all the risks and rewards incidental to ownership of the leased asset, shall be treated as operating lease. Lease payments under an operating lease shall be recognised as operating expenses in profit or loss on a straight-line basis over the lease period.

Conditional lease payments are recognized as an expense in the period in which they fall due.

8.5. Impairment of non-financial assets

At every balance sheet date, the Company carries out valuation of its non-financial assets concerning any possible impairment. If any such indication exists, or if it is necessary to perform an annual impairment test, the Company shall estimate the recoverable amount of an asset or cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash-generating unit is fair value less costs of selling the asset or, where appropriate cash-generating unit, its value in use, depending on whichever is higher. The recoverable amount is determined for individual assets, unless the asset does not generate cash inflows independently, most of which are independent from those that are generated by other assets or groups of assets. If the carrying value of an asset exceeds its recoverable value, impairment charges are made reducing the carrying value to the level of recoverable value. When estimating the value in use, projected cash flows are discounted to their present value using a discount rate before the effects of taxation, which reflects the current market estimate of time value of money and the risks specific to the asset. Impairment losses for assets used in continuing operations are recognised in these categories of costs that correspond to the functions of the asset for which impairment was found.

At each balance sheet date, the Company assesses whether there is any indication that an impairment loss, which was included in previous periods for an asset, is redundant, or whether it should be reduced. If any such indication exists, the Company estimates the recoverable amount of the asset. Previously recognised impairment loss is reversed if and only if since the last impairment loss recognised, there has been a change in the estimates used to determine the recoverable amount of the asset. In this case, the carrying value of an asset is increased to its recoverable amount. The increased value cannot exceed the asset's carrying value that would have been determined (after allowing for depreciation), if in previous years no impairment loss had been recognised in respect of that asset. Reversal of impairment loss for an asset shall be recognized immediately as income. After the reversal of an impairment, amortization/depreciation charge for the asset in subsequent periods is adjusted in a way that allows systematic write-down of its revised carrying value less its residual value throughout the remaining useful life.

8.6. Cost of external borrowing

Borrowing costs are capitalized as part of the manufacturing cost of fixed assets and intangible assets. Borrowing costs consist of interest calculated using the effective interest method, the financial burden of financial lease contracts and foreign exchange differences incurred in connection with external borrowing to the amount corresponding to the adjustment of interest expense.

8.7. Shares in subsidiaries, associates and joint ventures

Shares in subsidiaries, associates and joint ventures are stated at historical cost, including impairment losses.

8.8. Financial assets

Financial instruments are divided into the following categories:

- Financial assets held to maturity,
- Financial instruments valued at fair value through profit or loss,
- Loans granted and receivables
- Financial assets available for sale.

Financial assets held to maturity are non-derivative financial assets quoted in an active market of definite or definable payments and fixed maturity that the Company intends and is able to hold to that time, other than:

- designated upon initial recognition as at fair value through profit or loss,
- designated as available for sale,
- meeting the definition of loans and receivables.

Financial assets held to maturity are valued at amortized cost using the effective interest rate. Financial assets held to maturity are classified as non-current assets if their maturity exceeds 12 months from the balance sheet date.

A financial asset measured at fair value through profit or loss is an asset fulfilling one of the following conditions:

a) is classified as held for trading. Financial assets are classified as held for trading if they are:
   - acquired principally for the purpose of sale in the short term,
   - part of a portfolio of identified financial instruments that are managed together and for which there is a likelihood of obtaining a profit in the short term,
   - derivative instruments, excluding derivatives, which are part of hedge accounting and financial guarantee contracts,

b) in accordance with IAS 39 ere qualified for this category at initial recognition.

Financial assets measured at fair value through profit or loss are measured at fair value taking into account their market value on the balance sheet date without taking into account the costs of sale. Changes in the value of these financial instruments are recognised in the statement of comprehensive income as income or financial expenses. If a contract contains one or more embedded derivatives, the entire contract may be classified into categories of financial assets measured at fair value through profit or loss. This does not apply to cases where the embedded derivative does not significantly affect the cash flows under the contract or it is clear without any, or after a cursory examination, that if a similar hybrid instrument were to be the first taken into account, then the separation of the embedded derivative would be prohibited. Financial assets may originally be designated as measured at fair value through profit or loss if the following criteria are met: (i) such designation eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch), or (ii) assets are part of a group of financial assets that are managed and evaluated at fair value, according to a documented risk management strategy, or (iii) financial assets contain embedded derivatives that should be recognised separately.

Loans and receivables are financial assets not included under derivatives and having fixed or determinable payments not quoted in the active market. They are classified as current assets if the maturity date does not exceed 12 months from the balance sheet date. Loans and receivables with the maturity date exceeding 12 months from the balance sheet date are classified as fixed assets.

Financial assets available for sale are non-derivative financial assets, which have been classified as available for sale or belonging to any of the aforementioned three categories of assets. Financial assets available for sale are recognized at fair value plus transaction costs that may be directly attributable to the acquisition or issue of a financial asset. In the absence of stock quotes in the active market and the inability to reliably determine their fair value alternatively, financial assets available for sale are valued at cost adjusted for impairment loss of value. Positive and negative difference between the fair value of assets available for sale (if there is a fixed market price in the active regulated market or whose fair value can be reliably determined in any other way) and their purchase price, net of deferred tax, is recognized in other comprehensive income. Decline in the value of assets available for sale due to loss of value is recognised as financial expense.

Purchase and sale of financial assets are recognised at the date of the transaction. On initial recognition, a financial asset is measured at fair value plus, in the case of an asset unqualified as measured at fair value through profit or loss, transaction costs, which can be directly attributable to the acquisition.

A financial asset is removed from the balance sheet when the Company loses control over contractual rights that make up a financial instrument; it usually occurs when an instrument is sold, or if all the cash flows attributable to that instrument are transferred to an independent third party

8.9. Impairment of financial assets

At each balance sheet date, the Company determines if there are any objective indications of impairment of a financial asset or group of financial assets.

8.9.1 Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on loans or receivables valued at amortized cost has been incurred, the amount of the impairment write-down is measured as the difference between the asset's book value and the present value of estimated future cash flows (excluding future bad debt losses that have not been incurred yet) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying value of such assets shall be reduced either directly or by establishing provision. The amount of the loss shall be recognized in profit or loss.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in the collective assessment of a group of assets for impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed. Such reversal of the impairment write-down shall be recognized in profit or loss to the extent that the carrying amount of the financial asset does not exceed its amortized cost at the date the impairment is reversed.

8.9.2 Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative instrument that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of impairment loss is measured as the difference between the carrying value of the financial asset involved and the present value of estimated future cash flows discounted at the current market rate of return for similar financial assets.

8.9.3 Financial assets available for sale

When there is objective evidence that a financial asset available for sale is impaired, then the amount of difference between the purchase cost of such asset (net of any principal repayments and amortization) and its current value decreased by any impairment charges on that financial asset as previously recognised in profit or loss, shall be removed from equity and recognised in profit or loss. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, then the amount of such a reversed impairment loss shall be recognised in profit or loss.

8.10. Embedded derivatives

Embedded financial derivatives shall be separated from host contracts and treated as financial derivatives, if the following conditions are jointly met:

- the economic characteristics and risks of the embedded instrument are not closely related to economic characteristics and risks of the host contract;
- on a standalone basis, the embedded instrument meets the definition of a derivative financial instrument;
- a hybrid (combined) instrument containing the embedded financial derivative is not measured at fair value and the adjustments of its fair value are not recognised in profit or loss.

Embedded financial derivatives shall be recognised in the accounting books similarly to other financial derivatives which are not classified as hedging instruments.

The extent to which, in accordance with IAS 39, the economic characteristics and risks specific to the embedded derivative in a foreign currency are closely related to the economic characteristics and risks applicable to the main contract (host contract) also covers situations where the currency of the main contract is the customary currency for acquisition or sales contracts for non-financial items in the market for a given transaction.

The assessment whether an embedded derivative shall be subject to separation is made by the Company at the time of initial recognition.

8.11. Derivative financial instruments and security

Derivatives used by the Company to hedge against the risks associated with changes in interest rates and exchange rates are primarily foreign exchange forward contracts. This type of derivative financial instruments are measured at fair value. Derivatives are presented as assets when their value is positive, and as liabilities when their value is negative.

Gains and losses arising from changes in fair value of derivatives that do not meet hedge accounting are recognized in net income year.

The fair value of foreign exchange forward contracts is determined by reference to current forward rates occurring in contracts of a similar maturity.

The Company does not apply hedge accounting.

8.12. Inventories

Inventories are valued at the lower of the following two values: purchase price/production cost or net realizable value.

Costs incurred in bringing each item of inventory to its present location and condition – both for the current and previous year – are recognized as follows:

Materials	• in the purchase price determined by the "first in-first out" method;
Finished products and products in progress	• cost of direct material and labour and an appropriate mark-up of indirect production overheads determined given the normal capacity utilization, excluding borrowing costs;
Goods	• in the purchase price determined by the "first in-first out" method;

The selling net realizable price estimates the selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

8.13. Trade and other receivables

Trade receivables are recognized and carried at original invoiced amount, including an allowance for doubtful debts. Allowance for receivables is evaluated when the recovery of the full amount is no longer probable.

Where the effect of the value of money in time is material, the amount of receivables is be determined by discounting the expected future cash flows to their present value, using a pre-tax discount rate that reflects current market assessments of the value of money in time. Where discounting method is used, the increase in receivables due to the passage of time is recognized as financial income.

Other receivables include, in particular, advances provided for future purchases of inventory and services, budget receivables, receivables on accrued income, other commercial settlements for the security and the security deposit. Advances are presented in accordance with the nature of the assets to which they relate to – as fixed assets or current assets. As non-monetary assets, advances are not discounted.

Budget receivables are presented under other non-financial assets, excluding receivables of corporate income tax, which constitute a separate item on the balance sheet.

8.14. Cash and short-term deposits

Cash and short-term deposits presented in the balance sheet consist of cash at bank and in hand and short-term cash deposits. The balance of cash and cash equivalents presented in the statement of cash flows consists of cash at bank and in hand and bank deposits with the original maturity not exceeding three months. Short-term deposits with the original maturity over three months are considered for the sake of the statement of cash flows as part of the investment activity.

8.15. Interest-bearing bank credits, loans and debt securities

All the bank credits, loans and debt securities are initially recognized at fair value less the costs related to obtaining a credit or loan.

Subsequently to such initial recognition, bank credits, loans and debt securities are measured at amortized purchase price using the effective interest rate.

Determination of the amortized purchase price shall take into account the costs related to obtaining a credit or loan, as well as the discounts or bonuses obtained on repayment of the liability.

Gains and losses shall be recognized in the profit and loss account after the liability has been removed from the balance sheet and as a result of the settlement by the effective interest rate method.

8.16. Trade and other liabilities

Current trade liabilities are recognised in an amount requiring payment.

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading and financial liabilities initially qualified for the category measured at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near future. Derivatives, including separated embedded instruments, are also classified as held for trading unless they are recognised as effective hedging instruments. Financial liabilities may originally be recognised as measured at fair value through profit or loss if the following criteria are met: (i) such designation eliminates or significantly reduces recognition inconsistency, when both the measurement and recognition of gains or losses are subject to other regulations, or (ii) liabilities are part of a group of financial liabilities that are managed and evaluated based on fair value, according to a documented risk management strategy, or (iii) financial liabilities contain embedded derivatives that should be recognised separately.

Financial assets measured at fair value through profit or loss are measured at fair value taking into account their market value on the balance sheet date without taking into account the costs of sale. Changes in the fair value of these instruments are recognised in profit or loss as an expense or income accounts.

Financial liabilities other than financial instruments measured at fair value through profit or loss are measured at amortized cost using the effective interest method.

The Company excludes financial liabilities from its balance sheet when a liability expires - i.e. when the obligation specified in the contract is fulfilled, cancelled or has expired. Replacement of the existing debt instrument by instrument of substantially different conditions made between the same parties the Company recognises as the expiry of the original financial liability and the recognition of a new financial liability. Similarly, significant modifications to a contract for the existing financial liability are recognised by the Company as termination of the initial and recognition of a new financial liability. Any differences arising through the change and related to the carrying value are recognised in profit or loss.

Other non-financial liabilities comprise in particular liabilities to the Inland Revenue for value added tax, social insurance liabilities, wage liabilities, liabilities for the valuation of long-term IT contracts and liabilities arising from received advances, which will be settled by delivery of goods, services or fixed assets. Other non-financial liabilities are recognised in an amount requiring payment.

8.17. Provisions

A provision should be recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and when 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. Where the Company expects that the expenditure required to settle a provision is to be reimbursed, e.g. under an insurance contract, this reimbursement should be recognized as a separate asset when, and only when, it is virtually certain that such reimbursement will be received. The expense relating to such provision shall be presented in the statement of comprehensive income, net of the amount of any reimbursements.

Where the effect of the value of money in time is material, the amount of provision is determined by discounting the expected future cash flows to their present value, using a pre-tax discount rate that reflects current market assessments of the value of money in time and the risks related to the liability. Where discounting method is used, the increase in a provision due to the passage of time is recognized as borrowing costs.

8.18. Retirement benefits and jubilee awards

According to the company's remuneration system, the Company's employees are entitled to retirement benefits. Jubilee bonuses are paid to employees after a specific number of working years. Retirement benefits are paid only once, at the time of retirement. The amount of retirement benefits depend on length of service and average salary of the employee. The Company creates a provision for future liabilities for retirement benefits in order to assign costs to the periods to which they relate. According to IAS 19, retirement benefits are defined as post-employment benefit programmes. Current value of these liabilities for each balance sheet date is calculated by an independent actuary. Accrued liabilities are equal to the discounted payments, which will be made in the future, taking into account the rotation of employment, and concern the period to the balance sheet date. Demographic information and information about job rotation are based on historical data. Gains and losses on actuarial calculations are recognized in profit or loss.

8.19. Sales revenues

Sales revenue shall be recognized in the amount reflecting probable economic benefits associated with a given transaction to be obtained by the Company and when the amount of revenue can be measured reliably. Revenues are recognized at fair value of the consideration received or receivable, net of value added tax (VAT) and discounts. While recognizing sales revenues the following criteria are also taken into account.

8.19.1 Sale of products and goods

Revenues shall be recognized if the significant risks and benefits resulting from ownership of products have been transferred to the buyer and when the amount of revenue can be measured reliably.

8.19.2 Services

Revenues from services are recognised based on the percentage of their completion. The percentage of the progress of service is determined as the ratio of the number of completed man-hours to the estimated number of man-hours needed to complete the work, or the ratio of costs incurred to the estimated costs necessary to complete the work.

Should it be impossible to estimate reliably the result of the contract, the revenues shall only be recognized in the amount of costs incurred which the Company expects to recover.

8.19.3 Interest

Interest income is recognized as it accrues (taking into account the effective interest rate which accurately discounts future cash flows during the estimated period of use of a financial instrument) to the net carrying value a financial asset.

8.19.4 Dividends

Dividends are recognized when the shareholders' right to receive payment is vested.

8.19.5 Revenue from rent (operating lease)

Revenues from rental of investment property are recognised on a straight-line basis over the rental period for open contracts.

8.19.6 Government subsidies

If there is a reasonable certainty that the subsidy is received and all the relevant conditions are met, the government subsidies are recognized at their fair value.

When the subsidy relates to an item of cost, then it is recognized as income in a manner commensurate with the costs that this grant is intended to compensate. If a subsidy corresponds to a specific asset, then its fair value is first recognized in the deferred income account to be afterwards gradually written off, by way of equal annual write-offs, and recognised as income in profit or loss over the estimated useful life of the related asset.

8.20. Taxes

8.20.1 Current tax

Current tax liabilities and receivables for current and previous periods are measured at the amounts expected to be paid to the tax authorities (which are recoverable from tax authorities), using the tax rates and tax laws, which were legally in force at the balance sheet date.

8.20.2 Deferred Tax

For the purpose of financial reporting, deferred income tax is calculated applying the balance sheet liability method to all temporary differences that exist, at the balance sheet date, between the tax base of an asset or liability and its carrying value in the balance sheet.

Deferred income tax provisions are established in relation to all positive temporary differences

- except for situations when a deferred tax provision arises from initial recognition of goodwill or initial recognition of an asset or liability on a transaction other than combination of companies, which at the time of its conclusion has no influence on pre–tax profit, taxable income or tax loss,
- as well as in relation to positive temporary differences arising from investments in subsidiary or associated companies or from participation in joint ventures – except for situations when the investor is able to control the timing of reversal of such temporary differences and when it is probable that such temporary differences will not be reversed in the foreseeable future.

Deferred income tax assets are recognized in relation to all negative temporary differences, as well as unutilized deferred tax assets or unutilized tax losses carried forward to subsequent years, in such amount that it is probable that future taxable income will be sufficient to allow the above-mentioned temporary differences, assets or losses to be utilized;

- this does not apply to situations when deferred tax assets related to negative temporary differences arise from initial recognition of an asset or liability on a transaction other than combination of companies, which at the time of its conclusion has no influence on pre-tax profit, taxable income or tax loss.
- Furthermore, in case of negative temporary differences arising from investments in subsidiary or associated companies or from participation in joint ventures, deferred tax assets are recognized in the balance sheet in such amount only that it is probable that the above-mentioned temporary differences will be reversed in the foreseeable future and that sufficient taxable income will be available to offset such negative temporary differences.

The carrying value of an individual deferred tax asset shall be verified at every balance sheet date and shall be adequately decreased or increased in order to reflect any changes in the estimates of achieving taxable profit sufficient to utilize such deferred tax asset partially or entirely. An asset not included in deferred tax shall be reassessed at each balance sheet and is recognised to the extent that reflects the likelihood of achieving future taxable income conducive to the recovering of the asset.

Deferred tax assets and deferred tax provisions shall be valued using the future tax rates anticipated to be applicable at the time when a deferred tax asset is realized or a deferred tax provision is reversed, the basis for which shall be the tax rates (and tax regulations) legally or factually in force at the balance sheet date.

Income tax relating to items recognised outside profit or loss is recognised outside profit or loss: in other comprehensive income relating to items recognised in other comprehensive income or directly in equity relating to items recognised directly in equity.

The Company compensates deferred tax assets against deferred tax provisions if and only if it is possible to have a legally enforceable right to offset receivables against liabilities under the current tax, and deferred tax is linked to the same taxpayer and same tax authority.

8.20.3 Value added tax

Revenues, expenses and assets shall be recognised in the amounts excluding value added tax unless:

- tax on goods and services paid at the purchase of merchandise or services is not recoverable from tax authorities; in such event the tax will be recognised as part of the purchase price of an asset or as an expense, and
- receivables and liabilities are presented including value added tax.

Net amount of value added tax which is recoverable from or payable to tax authorities shall be included in the balance sheet as a part of receivables or liabilities.

8.21. Net profit per share

Net profit per share for each period is calculated by dividing the net profit for the period by the weighted average number of shares in the reporting period.

9. Operating segments

For the management purposes, the Company was divided into segments reflecting its manufactured products and rendered services. There are the following reportable operating segments:

(in PLN thousand)

ERP systems segment - ERP solutions based on the technology by Oracle and Microsoft that support company's management and original solutions intended for companies operating on the network of field representatives. These applications support business processes and information flow processes, covering most areas of business, including: finance and accounting, business intelligence, personnel management, human resources and payroll, logistics and sales, production and Internet applications. Technical capabilities allow these systems to be implement in various network architectures.

The outsourcing segment covers such areas as: collocation, hosting, backup and archiving, network, monitoring, and service failures, security solutions, systems administration, maintenance of ERP/CRM, design and management of WAN, WAN network outsourcing, IT consulting and services, additional services of system and application integration. IT outsourcing allows clients to not only control costs associated with the development of IT infrastructure, but also enable most optimum use of resources and management of IT processes in the company. Outsourcing services offered by Asseco BS are based on our own Data Centre employing highest quality, certified specialists and possessing technical infrastructure which ensures the highest level of data security.

In the item of unallocated revenue, the presented sale is not attributable to any of the main Company's segments.

Segment results do not include the unallocated part of administrative costs, the value of resold goods, materials and external services (COGS) related to unallocated sales and operating expenses of the organizational unit responsible for unallocated sales.

None of the Company's operating segments has been connected to another segment in order to create these reportable operating segments.

The Management Board monitors the operating results in separate segments in order to make decisions about allocating resources, assessing the impact of this allocation, and performance. The basis for the assessment of performance is profit or loss on operating activities, which to some extent, as explained in the table below, are measured differently than the profit or loss from operations in the financial statements. The financing of the Company (including costs and financial income) and income tax are monitored at the levels of the Company and they are not allocated to the segments.

Transaction prices used in transactions between operating segments are determined on the arm's length basis as in transactions with unrelated parties.

Year ended 31 December 2011	*ERP systems*	*Outsourcing*	***Total reportable segments***	*Unallocated*	**Total operations**
Revenues					
Sales to external customers	139 564	12 198	**151 762**	6 363	**158 125**
Sales between segments	–	–	**–**	–	**–**
Total segment revenue	139 564	12 198	**151 762**	6 363	**158 125**
Result					
Segment profit	29 929	2 706	**32 635**	1 106	**33 741**
Other net operating income/(expense)				1 199	**1 199**
Net financial revenues/(expenses)				2 092	**2 092**
Income tax				(7 198)	**(7 198)**
Profit for the period	29 929	2 706	**32 635**	**(2 801)**	29 834
Segment assets	222 485	5 704	**228 189**	60 119	**288 308**
Other information					
Capital expenditure	9 735	186	**9 921**	1 119	**11 040**
Amortization	(9 053)	(738)	**(9 791)**	(90)	**(9 881)**

1. Segment operating profit does not include financial income (PLN 1 473 thousand), financial expenses (PLN 318 thousand), other operating income (PLN 1 784 thousand) and other operating expenses (PLN 344 thousand) and the result of unallocated activity (PLN 1 106 thousand). Segment operating profit includes the

(in PLN thousand)

government subsidy to assets (PLN 241 thousand), which in the financial statements is recognised as an item in other operating assets.

2. Segment assets do not include deferred tax (PLN 1 403 thousand), financial assets and short-term deposits (PLN 57 010 thousand), non-current liabilities (PLN 603 thousand) and other unallocated assets (PLN 1 103 thousand) because these assets are managed at the level of the Company.
3. In October 2011, the Company terminated an agreement with one of the major contractors which generated about 50% of revenues in the outsourcing segment. This change does not result in additional disclosures in these financial statements.

Year ended 31 December 2010	*ERP systems*	*Outsourcing*	***Total reportable segments***	*Unallocated*	**Total operations**
Revenues					
Sales to external customers	146 160	15 568	**161 728**	6 859	**168 587**
Sales between segments	–	–	**–**	–	**–**
Total segment revenue	146 160	15 568	**161 728**	6 859	**168 587**
Result					
Segment profit	29 442	3 841	**33 283**	2 962	**36 245**
Other net operating income/(expense)				(467)	**(467)**
Net financial revenues/(expenses)				1 863	**1 863**
Income tax				(7 549)	**(7 549)**
Profit for the period	29 442	3 841	**33 283**	**(3 191)**	**30 092**
Segment assets	227 508	6 739	**234 247**	63 518	**297 765**
Other information					
Capital expenditure	9 087	187	**9 274**	806	**10 080**
Amortization	(9 205)	(1 185)	**(10 390)**	(95)	**(10 485)**

1. Segment operating profit does not include financial revenue (PLN 1 995 thousand), financial expense (PLN 132 thousand), other operating income (PLN 1 020 thousand) and other operating expense (PLN 1 969 thousand) and the result of unallocated activity (PLN 2 962 thousand). Segment operating profit includes the government subsidy to assets (PLN 482 thousand), which in the financial statements is recognised as an item in other operating revenue.
2. Segment assets do not include deferred tax (PLN 1 291 thousand), cash and short-time deposits (PLN 59 350 thousand), non-current receivables (PLN 601 thousand), assets classified as held for sale (PLN 2 117 thousand), financial assets measured at fair value through profit or loss (PLN 39 thousand) and other unallocated assets (PLN 119 thousand) because these assets are managed at the level of the Company.

Geographic information

Revenues from external customers:

	Year ended 31 December 2011	*Year ended 31 December 2010*
Poland	150 355	163 193
Abroad, including:	7 770	5 394
The Netherlands	2 224	–
France	1 597	1 540
Spain	1 525	1 479
Germany	415	10

(in PLN thousand)

Baltic States (Lithuania, Latvia, Estonia)	479	810
Others	1 530	1 555
Total	158 125	168 587

This information on revenue has been collected based on data from customers' headquarters.

Non-current assets:

	31 December 2011	*31 December 2010*
Poland	25 444	25 312
Total	25 444	25 312

These non-current assets consist of tangible and intangible assets.

10. Income and expense

10.1. Other operating income

	Year ended 31 December 2011	*Year ended 31 December 2010*
Profit from the sale of property, plant and equipment	623	–
Termination of provisions	732	–
Received compensation	90	356
Subsidies	241	482
Sales to employees	3	37
Other	95	145
	1 784	**1 020**

10.2. Other operating expenses

	Year ended 31 December 2011	*Year ended 31 December 2010*
Loss from the sale of property, plant and equipment	–	(170)
Donations to unrelated parties	(19)	(67)
Accident repair costs	(103)	(238)
Penalties and damages	(106)	(1 095)
Liquidation of fixed assets	(12)	(198)
Other operating expenses	(104)	(201)
	(344)	**(1 969)**

10.3. Financial income

	Year ended 31 December 2011	*Year ended 31 December 2010*
Income from bank interest	2 239	1 791
Other interest income	28	37

(in PLN thousand)

Settlement discount	–	25
Positive exchange rates	143	–
Gains from the sale of other investments	–	54
Gains from changes in fair value of currency derivatives - entered forward contracts	–	38
Gains from currency derivatives execution - entered forward contracts	–	50
	2 410	**1 995**

10.4. Financial expenses

	Year ended 31 December 2011	*Year ended 31 December 2010*
Interest on finance lease	(24)	(53)
Bank fees and charges	(1)	(1)
Other interest expense	–	(5)
Negative exchange rates	–	(73)
Losses from changes in fair value of currency derivatives - entered forward contracts	(280)	–
Loss from currency derivatives execution - entered forward contracts	(13)	–
	(318)	**(132)**

10.5. Expenses by type

	Year ended 31 December 2011	*Year ended 31 December 2010*
Value of goods and materials sold	(27 246)	(34 009)
Consumption of materials and energy	(3 184)	(3 394)
External services	(20 487)	(21 425)
Payroll	(52 027)	(52 430)
Employee benefits	(9 276)	(8 629)
Amortization	(9 881)	(10 485)
Taxes and fees	(896)	(693)
Business trips	(964)	(931)
Other expenses by type	(664)	136
Total	**(124 625)**	**(131 860)**
Cost of sales	(4 057)	(3 947)
General and administrative expenses	(17 147)	(17 970)
Cost of products sold and services	(103 421)	(109 943)
Total	**(124 625)**	**(131 860)**

10.6. Amortization and depreciation costs and write-downs recognized in profit or loss

	Year ended 31 December 2011	*Year ended 31 December 2010*

The items included in cost of goods sold		
Depreciation of fixed assets	(4 234)	(4 379)
Amortization of intangible assets	(3 570)	(3 617)
The items included in sales costs		
Depreciation of fixed assets	(100)	(70)
Amortization of intangible assets	(2)	(6)
The items included in general and administrative expenses		
Depreciation of fixed assets	(1 311)	(1 307)
Amortization of intangible assets	(664)	(1 106)
	(9 881)	**(10 485)**

10.7. Employee benefit costs

	Year ended 31 December 2011	*Year ended 31 December 2010*
Payroll	(52 024)	(52 695)
Establishing retirement provision	(38)	(29)
Termination of retirement provision	–	–
Establishing/terminating provisions for unused leave	35	294
Total	**(52 027)**	**(52 430)**
Employee benefits, including:	(8 544)	(7 925)
Social security costs	*(7 733)*	*(7 369)*
ZFŚS	(732)	(704)
Total	**(9 276)**	**(8 629)**
Total employee benefit costs, including:	(61 303)	(61 059)
The items included in cost of goods sold	(47 489)	(46 797)
The items included in sales costs	(2 195)	(2 177)
The items included in general and administrative expenses	(11 619)	(12 085)

11. Income tax

11.1. Tax burden

The main components of tax expense for the year ended 31 December 2011 and 31 December 2010 are as follows:

	Year ended 31 December 2011	*Year ended 31 December 2010*
Current income tax	(7 310)	(8 170)
Current income tax expense	(7 310)	(8 170)
Adjustments for current income tax of previous years	–	–
Deferred income tax	112	621
Linked to the formation and reversal of temporary differences	112	621
Tax expense reported in the statement of comprehensive income	**(7 198)**	**(7 549)**

(in PLN thousand)

11.2. Approval of effective tax rate

Reconcilement of the income tax payable on pre-tax profit according to the statutory tax rates with the income tax computed at the Company's effective tax rate for the year ended 31 December 2011 and 31 December 2010 is as follows:

	Year ended 31 December 2011	*Year ended 31 December 2010*
Gross profit before tax from continuing operations	37 032	37 641
Gross profit before tax from discontinued operations	–	–
Gross profit before tax	37 032	37 641
Income tax at the applicable statutory tax rate of	7 036	7 152
Adjustments for current income tax of previous years	–	–
Costs which are not deductible	208	380
Other	(46)	17
According to the effective tax rate of: 0.1931 (2010: 0.2005)	7 198	7 549
Income tax (charge) shown in the profit and loss account	(7 198)	(7 549)
Income tax attributed to discontinued operations	–	–
	(7 198)	(7 549)

11.3. Deferred income tax

Deferred tax due to the following items:

	Balance sheet		*Profit and loss for year ended*	
	31 December 2011	*31 December 2010*	*31 December 2011*	*31 December 2010*
Provision for deferred tax				
The difference between tax value and accounting value of fixed and intangible assets	(322)	(667)	345	(76)
Revaluation of land and buildings to fair value	–	–	–	136
Revaluation of currency contracts to fair value	–	(3)	3	(3)
Accrued sales revenues	(358)	(522)	164	(50)
Financial revenue from accrued interest	(65)	(37)	(28)	21
Other	(19)	198	(217)	200
Deferred tax gross provisions	**(764)**	**(1 031)**		
Deferred tax assets				
Retirement benefits	44	37	7	6
The difference between tax value and accounting value of fixed and intangible assets	62	65	(3)	(63)
Valuation of financial assets at fair value	46	–	46	–
Provisions for bonuses, holidays, estimated costs	1 532	1 886	(354)	635
Revaluation write-downs on current assets	168	154	14	(26)
Deferred income	313	101	212	(95)

(in PLN thousand)

Other	2	79	(77)	(64)
Deferred tax gross assets	**2 167**	**2 322**		
Deferred tax net assets	**1 403**	**1 291**		
Deferred tax charge			**112**	**621**

12. Non-current assets classified as held for sale

In 2012 the Management Board of Asseco Business Solutions SA decided to earmark for sale an office building that is no longer uses. The property was previously used as the headquarters of the Company. On 28 October 2011, at the notary public, Mrs. Renata Greszta in Lublin, 8/1 Chopin Str. a notarial deed number 15642/2011 as concluded: a contract of sale of real property located in Lublin, at 12 Lucyny Herc Str. The General Meeting of Shareholders approved the sale of this property.

13. Social assets and liabilities to the Company Social Benefit Fund

The Act of 4 March 1994 on the Company Social Benefit Fund with amendments provides that the Company Social Benefit Fund be established by employers with over 20 full time employees. The Company maintains such a fund and makes periodic allowances of the basic allowance level. The objective of the Fund is to finance the social activities of the Company, loans to its employees and other social expenses.

The Company offset the Fund's assets with its commitments to the Fund because these assets do not constitute separate assets of the Company. Accordingly, the net balance at 31 December 2011 amounts to PLN 1 thousand (as at 31 December 2010, PLN 293 thousand).

The tables below break down the Fund's assets, liabilities and expenses.

	31 December 2011	*31 December 2010*
Fixed assets brought to the Fund	–	–
Loans granted to employees	24	48
Cash	196	462
Liabilities to the Fund	219	217
Balance after offset	**1**	**293**

	Year ended 31 December 2011	***Year ended 31 December 2010***
Allowances to the Fund in the financial period	732	704

14. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders of the Company by the weighted average number of issued ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of issued ordinary shares outstanding during the period adjusted by the weighted average of ordinary shares, which would be issued on conversion of all dilutive potential equity instruments into ordinary shares.

Below are data on earnings and shares, which were used in calculating basic and diluted earnings per share:

(in PLN thousand)

	Year ended 31 December 2011	*Year ended 31 December 2010*
Net profit from continuing operations	29 834	30 092
Loss from discontinued operations	–	–
Net profit	29 834	30 092
Interest on redeemable preference shares convertible into ordinary shares	–	–
Net profit attributable to ordinary shareholders, used to calculate diluted earnings per share	29 834	30 092

	Year ended 31 December 2011	*Year ended 31 December 2010*
Weighted average number of issued ordinary shares used to calculate basic earnings per share	33 418 193	33 418 193
Effect of dilution	–	–
Stock options	–	–
Redeemable preference shares	–	–
Adjusted weighted average number of ordinary shares used to calculate diluted earnings per share	33 418 193	33 418 193

Between the balance sheet date and the date of preparation of these financial statements, there were no other transactions involving ordinary shares and potential ordinary shares.

15. Paid and proposed dividends

Dividend on ordinary shares for 2010 was paid on 1 June 2011 and amounted to PLN 30 076 thousand (dividend for 2009 was paid on 24 May 2010 and amounted to PLN 25 064 thousand).

The value of dividends per share paid for 2010 amounted to PLN 0.9 (2009: PLN 0.75)

The Company did not pay advance for dividend for the year 2011.

16. Tangible fixed assets

Year ended 31 December 2011	*Land and buildings*	*Machinery and equipment*	*Motor vehicles*	*Other tangible assets*	*Total*
Gross value at 1 January 2011	**5 508**	**21 981**	**6 252**	**2 553**	**36 294**
Acquisitions	5	3 977	542	23	**4 547**
Sales	–	(1 005)	(816)	–	**(1 821)**
Liquidation	–	(888)	–	(46)	**(934)**
Gross value at 31 December 2011	**5 513**	**24 065**	**5 978**	**2 530**	**38 086**
Depreciation and write-offs at 1 January 2011	**(2 043)**	**(15 480)**	**(2 399)**	**(1 024)**	**(20 946)**
Depreciation for the period	(574)	(3 638)	(1 064)	(370)	**(5 646)**
Sales	–	757	652	–	**1 409**
Liquidation	–	877	–	46	**923**

(in PLN thousand)

Depreciation and write-offs at 31 December 2011	**(2 617)**	**(17 484)**	**(2 811)**	**(1 348)**	**(24 260)**
Net value as at 1 January 2011	3 465	6 501	3 853	1 529	**15 348**
Net value as at 31 December 2011	2 896	6 581	3 167	1 182	**13 826**

Year ended 31 December 2010	*Land and buildings*	*Machinery and equipment*	*Motor vehicles*	*Other tangible assets*	*Total*
Gross value at 1 January 2010	**7 429**	**22 535**	**6 856**	**1 806**	**38 626**
Acquisitions	522	3 298	1 487	923	**6 230**
Transfer from fixed assets under construction	(2 368)	(138)	–	–	**(2 506)**
Sales	–	(329)	(2 002)	(23)	**(2 354)**
Liquidation	(75)	(3 385)	(89)	(153)	**(3 702)**
Gross value at 31 December 2010	**5 508**	**21 981**	**6 252**	**2 553**	**36 294**
Depreciation and write-offs at 1 January 2010	**(1 922)**	**(15 379)**	**(2 701)**	**(899)**	**(20 901)**
Depreciation for the period	(523)	(3 746)	(1 186)	(301)	**(5 756)**
Transfer to fixed assets held for sale	366	23	–	–	**389**
Sales	–	313	1 482	23	**1 818**
Liquidation	36	3 309	6	153	**3 504**
Depreciation and write-offs at 31 December 2010	**(2 043)**	**(15 480)**	**(2 399)**	**(1 024)**	**(20 946)**
Net value as at 1 January 2010	5 507	7 156	4 155	907	**17 725**
Net value as at 31 December 2010	3 465	6 501	3 853	1 529	**15 348**

The carrying value of the machinery and equipment at 31 December 2011, under finance leases and lease purchase contracts, is PLN 525 thousand (at 31 December 2010: PLN 1 005 thousand). No security deposit was set up as regards the assets operated under lease contracts and lease purchase contracts for the related obligations under finance lease and lease purchase contracts.

Land and buildings are not covered by mortgages to secure Company's bank loans.

17. Lease

17.1. Commitments under operating lease – the Company as lessee

The Company has lease contracts on office space, which as at 31 December 2011 and as at 31 December 2010 entailed the following future minimum payments under the non-cancellable operating lease contracts:

	31 December 2011	*31 December 2010*
Within 1 year	5 515	5 252
In the period from 1 to 5 years	16 087	13 281
More than 5 years	2 119	4 362
	23 721	22 895

In the year ended 31 December 2011, the Company recognized lease payments of PLN 5 995 thousand as expenses (for the year ended 31 December 2010: PLN 4 662 thousand).

(in PLN thousand)

17.2. Commitments under finance lease and lease purchase contracts

As at 31 December 2011 and as at 31 December 2010, the future minimum lease payments under these contracts and the current value of minimum net lease payments are as follows:

	31 December 2011		*31 December 2010*	
	Minimum payments	*Current payments*	*Minimum payments*	*Current payments*
Within 1 year	204	191	458	411
In the period from 1 to 5 years	–	–	217	212
More than 5 years	–	–	–	–
Total minimum lease payments	204	191	675	623
Minus financial expenses	(13)		(52)	
Current value of minimum lease payments, including:	191	191	623	623
short-term		191		411
long-term		–		212

18. Intangible assets

Year ended 31 December 2011	*Patents and licences*	*Goodwill*	*IA not put into use*	*Other*	*Total*
Gross value at 1 January 2011	**15 648**	**170 938**	**2 672**	**444**	**189 702**
Acquisitions	354	–	6 139	–	**6 493**
Transfer from IA under construction	7 365	–	(7 365)	–	**–**
Sales	–	–	–	–	**–**
Liquidation	–	–	–	–	**–**
Gross value at 31 December 2011	**23 367**	**170 938**	**1 446**	**444**	**196 195**
Amortization and write-offs at 1 January 2011	**(8 519)**	–	–	**(281)**	**(8 800)**
Amortization for the period	(4 235)	–	–	–	**(4 235)**
Sales	–	–	–	–	**–**
Liquidation	–	–	–	–	**–**
Allowance on receivables	–	–	(604)	–	**(604)**
Amortization and write-offs at 1 December 2011	**(12 754)**	**–**	**(604)**	**(281)**	**(13 639)**
Net value as at 1 January 2011	7 129	170 938	2 672	163	**180 902**
Net value as at 31 December 2011	10 613	170 938	842	163	**182 556**

Year ended 31 December 2010	*Patents and licences*	*Goodwill*	*IA not put into use*	*Other*	*Total*
Gross value at 1 January 2010	**20 518**	**170 938**	**179**	**445**	**192 080**

(in PLN thousand)

Acquisitions	512	–	3 337	–	**3 849**
Transfer from IA under construction	844	–	(844)	–	**–**
Sales	–	–	–	–	**–**
Liquidation	(6 226)	–	–	(1)	**(6 227)**
Gross value at 31 December 2010	**15 648**	**170 938**	**2 672**	**444**	**189 702**
Amortization and write-offs at 1 January 2010	**(10 017)**	**–**	–	**(281)**	**(10 298)**
Amortization for the period	(4 728)	–	–	(1)	**(4 729)**
Sales	–	–	–	–	**–**
Liquidation	6 226	–	–	1	**6 227**
Amortization and write-offs at 1 December 2010	**(8 519)**	**–**	**–**	**(281)**	**(8 800)**
Net value as at 1 January 2010	10 501	170 938	179	164	**181 782**
Net value as at 31 December 2010	7 129	170 938	2 672	163	**180 902**

Intangible assets not put into use are expenditure incurred in connection with the implementation of new software. The Management Board has compared the current value of the cost with their recoverable amount, and due to a change in the development strategy has updated the value of the investment in the amount of PLN 604 thousand. The Management Boards recognizes no need to make other write-offs due to impairment.

19. Goodwill

Goodwill presented in the separate financial statements includes goodwill created from the merger of Asseco Business Solutions SA, Safo Sp. z o.o., Softlab Sp. z o.o., Softlab Trade Sp. z o.o. and WA-PRO Sp. z o.o., and goodwill on consolidation resulting from the merger of Asseco Business Solutions SA with Anica System SA.

	31 December 2011	*31 December 2010*
Carrying value of goodwill	170 938	170 938

Goodwill is allocated to cash-generating unit, who was also a separate operating segment – ERP systems.

Goodwill is tested annually for impairment.

Key assumptions used to calculate the recoverable amount:

- The recoverable amount of the unit was estimated on the basis of use value, calculated on cash flow projections based on financial budgets approved by the Management Board and the Supervisory Board.
- A detailed forecast covered the period of 5 years, during which flows were assumed to increase in subsequent years; for the rest of the period of the unit's operation, the residual value was calculated with the assumed absence of flow increase.
- Probable increases in flows depend on the strategy for the whole Company and tactical plans of the units and take into account the conditions governing individual market; at the same time, they reflect the current and potential portfolio of orders. A potential portfolio of orders assumes the retention of current and prospecting for new customers. The envisaged increases do not depart from the average market growth.
- The discount rate is consistent with the weighted average cost of capital for the Company.

As a result of the test for impairment, it should be noted that on 31 December 2011 there was no need to apply impairment to goodwill.

(in PLN thousand)

	ERP systems
Goodwill assigned to the cash-generating unit	170 938
Gross margin	38%
Growth rate	3% - 4%
Discount rate	8.8%
Recoverable amount of the cash-generating unit	343 744

The carrying value of a cash-generating unit comprises the sum of net operating assets attributable to the reporting segment, i.e. tangible fixed assets, intangible assets, goodwill, inventories, receivables and trade payables.

Estimating the value in use of the unit shows certain sensitivity to changes in the assumptions concerning the discount rate and percentage increase in sales revenues. The Management Board is convinced, however, that no reasonably possible change in any of the key assumptions set out above will enable the carrying value of the unit to exceed the recoverable value.

If the budgeted increase in revenue used to calculate the value in use of the cash-generating unit were 1% lower than the estimates of the Management Board at 31 December 2011, the recoverable amount of the unit would be PLN 321 million.

If the estimated pre-tax discount rate used in discounted cash flow for the cash-generating unit was about 1% higher than the estimates of the Management Board, the recoverable amount of this unit would be PLN 310 million.

20. Financial instruments valued at fair value through profit or loss

	31 December 2011	*31 December 2010*
Forward contracts	–	39
Total	–	39

21. Other assets

21.1. Non-current receivables

	31 December 2011	*31 December 2010*
Other receivables	603	601
Total	603	601
current	–	–
non-current	603	601

Other receivables consist of deposits in escrow account securing the payment of rent in the rented office.

21.2. Accruals and prepayments

(in PLN thousand)

	31 December 2011	*31 December 2010*
Prepaid maintenance services	517	171
Prepaid insurance	63	103
Prepaid subscriptions	18	19
Other prepaid services	142	96
Total	740	389
short-term	505	387
long-term	235	2

22. Employee benefits

22.1. Retirement benefits and other post-employment benefits

The unit shall pay retiring employees retirement benefits in the amount determined by the Labour Code. Accordingly, the Company on the basis of valuation by a professional actuary entity establishes a provision for the present value of retirement liabilities. The amount of this provision and a reconciliation showing its fluctuating status during the financial period are shown in the table below:

	31 December 2011	*31 December 2010*
At 1 January	192	163
Establishment of provision	38	29
The costs of benefits paid	–	–
Termination of provision	–	–
At 31 December	230	192

An employee who meets the eligibility conditions for an invalidity allowance or pension, and whose employment is terminated in connection with the retirement, is entitled to severance pay equal to one-month salary. Pensioners re-employed do not acquire the right to another severance pay.

The resulting value of provision for employee benefits is the present (discounted) value of anticipated future payments, which are required to be made in order to meet the obligations arising from the employee's service in previous periods. This value is the sum of provisions, calculated individually for each person employed by the Company.

The value of expected future payments for retirement benefits is calculated by multiplying the probability of employee's survival to retirement in the Company (taking into account the probability of survival to retirement), the percentage of the basis of severance pay that the employee is entitled to upon payment and undiscounted value of the basis at the time of payment of the benefit. The obtained value is distributed evenly over the number of years, through which the employee becomes entitled to severance payment, and then the amount falling to the already acquired benefit rights is discounted. This discounted amount represents the value of provision for a single employee.

The current employment cost is calculated by discounting the expected nominal value of the benefit associated on a linear basis to a single period. The nominal value of the current employment cost increases with time closer to the expected payment of benefits due to discounting.

Interest expense for the period is calculated by multiplying the initial balance of commitments (i.e. arising from work performed by employees in prior periods) by the interest rate, which is the same as a discount rate adopted for determining the current value of liabilities.

For the calculation of provisions, the following assumptions have been made:

- Assumed long-term annual growth rate of wages is the sum of two assumptions: the annual growth rate of wages and long-term annual rate of inflation.
- For discounting future payments of benefits, a discount rate was assumed at the viability level of the long-term safest securities traded on the Polish capital market, according to the balance sheet date.

(in PLN thousand)

- Likelihood of workers retirements was calculated on the basis of historical data on employment fluctuation in the Company and statistics on employees leaving companies of the industry.
- Mortality and the probability of survival was adopted in accordance with the Life Expectancy Tables, 2010, published by the Central Statistical Office. It was assumed that the population employed in the Company is comparable to the Polish average in terms of mortality.
- No provisions for retirement benefits were calculated separately; in return, the likelihood of retirement was not considered when calculating the probabilities of workers departures.
- A normal transition of workers into retirement was adopted, i.e. for men - after finishing 65 years of age and for women - after finishing 60 years of age, except for those employees who, according to the information supplied by the Company, meet the conditions required to exercise their right to early retirement.

The main assumptions used by the actuary at the balance sheet date to calculate the amount of the liability are as follows:

	31 December 2011	*31 December 2010*
Discount rate (%)	5.9%	6.0%
Expected inflation rate (%)	2.5%	2.5%
Expected wage increase rate (%)	5.0%	5.0%

23. Inventories

	31 December 2011	*31 December 2010*
Goods	1 045	1 019
Goods in transit	–	–
Inventory allowance	(102)	(154)
Inventories in total, the lower of two values of the purchase price (production cost) and realizable net value	943	865

In the year ended 31 December 2011, the Company did not create an additional inventory write-down (in 2010: PLN 45 thousand). The created write-down was related to computer accessories stored in the warehouse for more than 12 months.

In the year ended 31 December 2010, the Company made a reversal of inventory write-down in the amount of PLN 52 thousand (in 2010: PLN 0).

No category of inventories constituted a collateral for credits or loans for the year ended 31 December 2011 and for the year ended 31 December 2010. As at 31 December 2011 or as at 31 December 2010, there were no inventories valued at the net selling price.

24. Trade and other receivables

	31 December 2011	*31 December 2010*
Trade receivables	27 658	29 654
Trade receivables from related parties	1 062	3 035
Trade receivables (net)	28 720	32 689
Allowance on receivables	784	658
Trade receivables (gross)	29 504	33 347

Other receivables	*31 December 2011*	*31 December 2010*
Other receivables from third parties	2 209	4 172
Other receivables from related parties	298	2

(in PLN thousand)

	2 507	4 174

Other receivables		
Receivables arising from the valuation of long-term IT contracts	1 487	2 748
Receivables from non-invoiced delivery	–	21
Advances provided to suppliers	75	97
Other trade receivables (bid bonds, deposits)	815	944
Receivables from employees	76	51
CSBF	1	294
Other receivables	53	19
	2 507	4 174

Terms and conditions of related party transactions are set out in Note 32.

The Company has appropriate policies in place for making the sale only to verified customers. Thus, in the opinion of management, there is no additional credit risk beyond the level specified in the allowance for bad debts applicable to the Company's trade receivables.

The fair value of receivables does not differ significantly from the value at which they were presented in the financial statements.

At 31 December 2011, trade receivables in the amount of PLN 784 thousand (2010: PLN 658 thousand) were covered by a write-down. Changes in the allowance for receivables were as follows:

	31 December 2011	*31 December 2010*
Allowance as at 1 January	658	838
Increase	342	179
Use	(58)	–
Deduction of unused amounts	(158)	(359)
Allowance as at 31 December	**784**	**658**

Below is the analysis of trade and other receivables, which at 31 December 2011 and 31 December 2010 were overdue, but were not considered to be irrecoverable and were not written down.

	Total	*Non-matured*	*Matured*				
			< 1 month	*1 – 3months*	*3 -6months*	*6 – 12months*	*>12 months*
31 December 2011							
Trade receivables	28 720	21 161	5 243	1 313	437	254	312
Other receivables	2 507	2 507	–	–	–	–	–
31 December 2010							
Trade receivables	32 689	25 209	4 923	1 581	772	184	20
Other receivables	4 174	4 174	–	–	–	–	–

25. Cash and short-term deposits

Cash at bank bears interest at variable interest rates, the amount of which depends on the rate on overnight bank deposits. Short term deposits are made at different periods, from one day to six months, depending on the actual

(in PLN thousand)

Company's demand for cash, and bear interest at a fixed interest rate. The fair value of cash and cash equivalents at 31 December 2011 amounts to PLN 57 010 thousand (31 December 2010: PLN 59 350 thousand).

The balance of cash and short-term deposits shown in the balance sheet consisted of the following items:

	31 December 2011	*31 December 2010*
Cash at bank and in hand	2 593	749
Short-term deposits to 3 months	14 385	10 450
Short-term deposits from 3 to 6 months	40 032	48 151
Cash in the balance	**57 010**	**59 350**
Interest accrued on short-term deposits	(343)	(196)
Cash in the balance	**56 667**	**59 154**

For the purposes of the statement of cash flows, short-term deposits with the original maturity over three months are treated as part of investment activity.

The balance of cash and short-term deposits shown in the statement of cash flows consisted of the following items:

	31 December 2011	*31 December 2010*
Cash at bank and in hand	2 593	749
Short-term deposits to 3 months	14 385	10 450
Cash in the balance	**16 978**	**11 199**
Interest accrued on short-term deposits	(10)	–
Cash in the statement of cash flows	**16 968**	**11 199**

26. Spare capital and supplementary/reserve capitals

26.1. Share capital

Share capital	*31 December 2011*	*31 December 2010*
Series A ordinary shares with a nominal value of PLN 5	50 000	50 000
Series B ordinary shares with a nominal value of PLN 5	65 070	65 070
Series C ordinary shares with a nominal value of PLN 5	28 000	28 000
Series D ordinary shares with a nominal value of PLN 5	24 021	24 021
	167 091	167 091

Ordinary shares issued and fully paid up	***Quantity***	***Value***
As at 1 January 2011	33 418	167 091
Change during the year	–	–
As at 31 December 2011	33 418	167 091
As at 31 January 2010	33 418	167 091
Change during the year	–	–

As at 31 December 2010	33 418	167 091

26.1.1 Nominal value of shares

All issued shares have a nominal value of PLN 5 and have been fully paid up.

26.1.2 Rights of shareholders

All shares are ordinary shares. There are no preference shares.

26.1.3 Shareholders with significant share

	31 December 2011	*31 December 2010*
Asseco Poland S.A.		
share in capital	46.47%	46.47%
share in votes	46.47%	46.47%
Amplico Powszechne Towarzysztwo Emerytalne S.A.		
share in capital	12.41%	10.37%
share in votes	12.41%	10.37%

26.1.4 Shares held by the Management Board and Supervisory Board

	31 December 2011		*31 December 2010*	
	number of shares held	*% shareholding*	*number of shares held*	*% shareholding*
managing persons	**2 709 500**	**8.11%**	**2 617 226**	**7.83%**
Wojciech Barczentewicz	1 056 500	3.16%	1 000 000	2.99%
Piotr Masłowski	984 713	2.95%	949 974	2.84%
Romuald Rutkowski	426 828	1.28%	426 828	1.28%
Mariusz Lizon	241 459	0.72%	240 424	0.72%

26.2. Surplus from the sale of shares above their nominal value

Supplementary capital has been created from the issue of series C shares over their par value of PLN 33 600 thousand, which was less share issue costs recognised as a reduction of supplementary equity amounting to PLN 3 683 thousand and the costs associated with raising capital in connection with the merger in the amount of PLN 319 thousand. In addition, supplementary capital has been created from the surplus of the issue of series D shares over their par value of PLN 33 630 thousand, which was less share issue costs recognised as a reduction of supplementary capital in the amount of PLN 805 thousand. In total, supplementary capital at 31 December 2011 was PLN 62 423 thousand.

26.3. Retained earnings and restrictions on payment of dividend

In accordance with the provisions of the Commercial Companies Code, the Company is required to establish supplementary capital to cover for losses. This capital is supplemented by at least 8% of the profit for the financial year disclosed in the Company's statements until it reaches at least one third of the initial capital. The use of supplementary and reserve capital is decided by the General Meeting; however, part of the supplementary capital of one third of the share capital can be used only to cover the loss disclosed in the financial statements and is not distributed for other purposes.

(in PLN thousand)

At 31 December 2011, there are no other restrictions on the payment of dividend.

27. Interest-bearing loans and borrowings

At 31 December 2011 (and at 31 December 2010), the Company did not have open credit lines. The Company uses finance lease. The interest rate is floating and based on WIBOR. At 31 December 2011, the Company did not have long-term lease liabilities (at 31 December 2010: PLN 212 thousand); short-term lease liabilities at 31 December 2011 amounted to PLN 191 thousand (at 31 December 2010: PLN 411 thousand).

28. Provisions

28.1. Changes in provisions

	Provision for retirement	*Other provisions*	*Total*
As at 1 January 2011	192	1 082	1 274
Created during the financial year	38	–	38
Used	–	(100)	(100)
Dissolved	–	(732)	(732)
As at 31 December 2011	230	250	480
Current as at 31 December 2011	6	250	256
Non-current as at 31 December 2011	224	–	224
	230	250	480
As at 1 January 2010	163	–	163
Created during the financial year	29	1 082	1 111
Dissolved	–	–	–
As at 31 December 2010	192	1 082	1 274
Current as at 31 December 2010	8	1 082	1 090
Non-current as at 31 December 2010	184	–	184
	192	1 082	1 274

In other reserves, the presented reserves are for claims registered by the Company's contractors.

29. Trade liabilities, other liabilities, payables and accruals

29.1. Trade and other liabilities (current)

	31 December 2011	*31 December 2010*
Trade liabilities		
To related parties	1	49
To other parties	5 567	8 532
	5 568	8 581

(in PLN thousand)

Financial liabilities		
Liabilities under finance lease (current)	191	411
Liabilities under finance lease (non-current)	–	212
Forward contracts Total	242	–
	433	623

Other liabilities		
Amounts owed to employees for wages	226	1 165
Liabilities arising from the valuation of long-term IT contracts	370	530
Liabilities due to non-invoiced deliveries	361	405
Advance payments received for supplies	29	116
Other liabilities	136	127
	1 122	2 343

Terms and conditions of payment of the above financial liabilities:
Terms and conditions of related party transactions are set out in Note 32.
Interest liabilities are generally settled on a monthly basis throughout the financial year.

29.2. Other liabilities

	31 December 2011	*31 December 2010*
Liabilities from taxes, duties, social security and other	5 099	4 726
Liabilities to Social Security	1 290	1 794
Personal income tax	566	643
VAT	3 163	2 239
Flat-rate tax at source	–	5
Other budgetary liabilities	80	45
Tax liabilities on corporate income tax	2 521	5 615
Total	7 620	10 341
current	7 620	10 341
non-current	–	–

The amount of the difference between the liabilities and receivables in respect of value added tax is paid to the competent tax authorities on a monthly basis.

29.3. Accruals and deferred income

	31 December 2011	*31 December 2010*
Accrued expenses for:		
Unused leaves	1 608	1 643
Bonuses	6 173	7 289
Provision for other expenses	713	774
	8 494	9 706
Deferred income for:		
Prepaid services	345	234
Other revenues	89	264

(in PLN thousand)

	434	498
Total	8 928	
- current	8 806	10 121
- non-current	122	83

Accrued expenses are primarily provisions for unused leave, provisions for wages of a period intended for distribution in subsequent periods, resulting from the principles of bonus systems effective Asseco Business Solutions S.A., and provisions for the costs of current operations of the Company. The balance of deferred income concerns primarily prepayments for services rendered, such as maintenance and IT assistance.

The balance of deferred income concerns primarily prepayments for services rendered, such as maintenance and IT assistance.

30. Long-term contracts

In 2011 and 2010, Asseco Business Solutions S.A. implemented a number of the so-called implementation contracts (IT). In accordance with IAS 11, revenue from such contracts are recognized in accordance with the degree of their advancement. The Company measured the degree of implementation of realised implementation contracts by the cost method, i.e. by determining the ratio of costs incurred to the cost of the entire project, or by the method of "workload", i.e. by determining the ratio of work done to the total labour input on the project.

At 31 December 2011 and at 31 December 2010, the Company had no advances in respect of long-term contracts.

The amount of revenues from contracts for the year ended 31 December 2011 amounted to PLN 7 034 thousand (in the year ended 31 December 2010: PLN 13 759 thousand). Costs related to the execution of contracts for the year ended 31 December 2011 amounted to PLN 885 thousand (in the year ended 31 December 2010: PLN 5 973 thousand.

The receivables for the valuation of contracts for the year ended 31 December 2011 amounted to PLN 1 487 thousand (in the year ended 31 December 2010: PLN 2 748 thousand).

	31 December 2011	*31 December 2010*
Costs incurred by the implementation of IT contracts (-)	(2 515)	(5 443)
Profit (loss) by the implementation of IT contracts	**4 149**	**7 786**
Invoiced revenue by the implementation of IT contracts	5 547	11 011
Receivables arising from the valuation of IT contracts	1 487	2 748
Liabilities arising from the valuation of IT contracts	(370)	(530)

31. Contingent liabilities

	31 December 2011	*31 December 2010*
Other contingent liabilities	85	307
Total contingent liabilities	85	307

Contingent liabilities consist of promissory notes which secure liabilities under finance lease.

31.1. Lawsuits

The Regional Court in Warsaw is hearing the case of recovery arising from the licence agreement and system implementation agreement. The Company, guided by the prudence principle on the valuation of the entire revenue from this agreement, has set up a relevant provision.

In addition, the Company is a party to several lawsuits and enforcement proceedings to recover payments for delivered products and services.

(in PLN thousand)

31.2. Tax settlement

Tax settlements and other areas of regulated activity (such as customs matters and foreign exchange) may be subject to review of administrative bodies that are entitled to impose heavy fines and penalties. No reference to fixed legal regulations in Poland reveals ambiguities and inconsistencies in the existing legislation. Frequent differences of opinion as to the legal interpretation of tax regulations both within state bodies and between government bodies and enterprises give rise to uncertainties and conflicts. These phenomena prove that the tax risk in Poland is significantly higher than that in countries with more developed tax systems.

Tax settlements may be subject to inspection for a period of five years starting from the end of the year in which the tax payment has been made. As a result of carried out inspections, the Company's tax settlements to date may be increased by an additional tax liability. In the Company's opinion, as at 31 December 2011, adequate reserves were established for known and quantifiable tax risk.

32. Information about the related parties

Transactions with related parties are held at arm's length.

The amounts of outstanding payments are not protected and will be settled in cash. No guarantees were granted or received. In the accounting period, the costs attributable to bad or unsafe debts arising from transactions with related parties were not recognised.

The following table shows the total amount of transactions with related parties for the current and previous financial year:

Related party		***Sales to related parties***	***Purchase from related parties***	***Receivables from related parties***	***Liabilities to related parties***
The parent:					
Asseco Poland S.A.	*2011*	12 404	1 367	1 049	1
	2010	13 156	768	2 875	49
Other related parties:					
Asseco Germany AG	*2011*	487	–	309	–
	2010	–	–	–	–
Asseco Systems Sp. z o.o.	*2011*	–	–	–	–
	2010	483	243	160	–
Combidata Sp. z o.o.	*2011*	–	–	–	–
	2010	-100	–	2	–
Pozostałe jednostki	*2011*	12	3	3	–
	2010	59	375	–	–
	2011	12 903	1 370	1 361	1
	2010	13 598	1 386	3 037	49

According to the information held by Asseco Business Solutions SA, at 31 December 2011, there was no outstanding balance of receivables arising from related party transactions by the Company Executives and with the Company Executives (at 31 December 2010: PLN 7 thousand).
According to the information held by Asseco Business Solutions SA, neither at 31 December 2011 nor at 31 December 2010 there were outstanding liabilities arising from related party transactions by the Company Executives and with the Company Executives.

According to the register of Asseco Business Solutions SA, for the financial year ended 31 December 2011, the (net) value of purchase transactions for goods and services (including rental) with related parties by the

(in PLN thousand)

Company Executives and with the Company Executives amounted to PLN 1 514 thousand (in the financial year ended 31 December 2010: PLN 1 447 thousand).

32.1. The parent of the Group

Asseco Poland SA is the parent of the Company.

In the year ended 31 December 2011, there were transactions between the Company and Asseco Poland SA, the details of related party transactions are contained in Note 31.

32.2. Entity with significant impact on the Company

At 31 December 2011, Asseco Poland SA holds 46.47% of ordinary shares of Asseco Business Solutions SA (at 31 December 2010: 46.47%).

32.3. The remuneration of Company executives

32.3.1 Remuneration paid or payable to the members of the Management Board and Supervisory Board

Remuneration paid		*Year ended 31 December 2011*	*Year ended 31 December 2010*
Management Board		**5 061**	**3 484**
Romuald Rutkowski		1 029	869
Wojciech Barczentewicz		1 702	1 071
Piotr Masłowski		1 726	1 071
Mariusz Lizon		604	473
Supervisory Board		**228**	**231**
Adam Góral		84	87
Jarosław Adamski		36	36
Wojciech Kowalczyk	from 20 October 2011	29	36
Zbigniew Pomianek		36	36
Adam Pawłowicz		36	36
Grzegorz Ogonowski	from 20 October 2011	7	–
Total		**5 289**	**3 715**

The amount of remuneration paid for the year ended 31 December 2011 contains a management bonus for 2010 paid in 2011.

Remuneration due		*Year ended 31 December 2011*	*Year ended 31 December 2010*
Management Board		**3 689**	**3 561**
Romuald Rutkowski		637	616
Wojciech Barczentewicz		1 363	1 306
Piotr Masłowski		1 363	1 331
Mariusz Lizon		326	308
Supervisory Board		**–**	**–**
Adam Góral		–	–
Jarosław Adamski		–	–
Wojciech Kowalczyk	from 20 October 2011	–	–
Zbigniew Pomianek		–	–
Adam Pawłowicz		–	–

Grzegorz Ogonowski	from 20 October 2011	–	–
Total		**3 689**	**3 561**

The item Remuneration due for the year ended 31 December 2011 contains a management bonus for 2011 to be paid in 2012.

	31 December 2011	*31 December 2010*
rezerwa emerytalna	19	15
rezerwa urlopowa	102	179
	121	194

33. Information about the remuneration of the auditor or entity authorized to audit financial statements

The following table shows the remuneration of the entity authorized to audit accounts paid or payable for the year ended 31 December 2011 and 31 December 2010 by type of service:

Type of service	*Year ended 31 December 2011**	*Year ended 31 December 2010**
Mandatory testing of annual financial statements	220	275
Other attesting services	–	–
Tax advisory services	–	–
Other services	–	–
Total	220	275

*refers to Ernst & Young Audit Sp. z o.o.

34. Objectives and principles of financial risk management

The main financial instruments used by the Company include financial lease contracts and lease purchase contracts, cash and short-term deposits. The main purpose of these financial instruments is to raise funds for the activities of the Company. The Company also has other financial instruments such as receivables and payables for supplies and services that are created directly in the course of its business.

The Company also enters into transactions involving derivatives, primarily forward currency contracts. The purpose of these transactions is to manage currency risks arising in the Company's operations.

The principle currently applied by the Company and throughout the period covered by the report is trading in no financial instruments.

The main risks arising from the Company's financial instruments include interest rate risk, liquidity risk, currency risk and credit risk. The Management Board reviews and agrees on rules for the management of each of these risks - such rules are briefly discussed below. The Company also monitors market price risks relating to all financial instruments in its possession. The size of this risk in the period is shown in Note 34.

The methods adopted in carrying out a sensitivity analysis

The percentages which were subject to a sensitivity analysis - which aims to identify fluctuations in exchange rates that may affect the Company's financial result - amount to + / - 10%. In carrying out the analysis, the rate of the balance sheet date is enlarged or decreased by that value.

Interest rate risk is analysed at the values + / - 15%.

(in PLN thousand)

34.1. Interest rate risk

Company's exposure to risks due to changes in interest rates pertains primarily to non-current financial obligations - obligations under finance leases and bank deposits.

As at 31 December 2011, the Company had no non-current liabilities on credits and loans.

Interest rate risk – sensitivity to changes

The following table shows the sensitivity of the gross financial result to the reasonably possible changes in interest rates, assuming that other factors remain fixed (in connection with the obligations of a variable rate). No impact was reported on equity or total income of the Company.

	Balance sheet value	*Increase/decrease by percentage points*	*Impact on gross financial result*
Year ended 31 December 2011			
Liabilities under finance lease based on a variable WIBOR rate	191	+ 15%	(2)
		- 15%	2
Bank deposits	54 417	+ 15%	336
		- 15%	(336)
Year ended 31 December 2010			
Liabilities under finance lease based on a variable WIBOR rate	623	+ 15%	(7)
		- 15%	7
Bank deposits	58 601	+ 15%	269
		- 15%	(269)

34.2. Currency risk

The Company is but merely exposed to currency risk by way of conducted transactions. Such a risk arises as a result of operational unit's sales or purchases in currencies other than its valuation currency. About 5% of the Company's sales transactions are denominated in currencies other than the reporting currency of the operational unit making the sale, while 97% of costs are denominated in that reporting currency.

Due to the fact that currency risk is negligible, the Company does not deploy procedures for managing foreign exchange risk. The Company applies the straight forward currency transactions in order to secure contracts settled in foreign currency. The Company does not apply hedge accounting.

The Company does not use financial instruments for speculative purposes.

The following table shows the sensitivity of the gross financial result (in conjunction with the change in fair value of assets and financial liabilities) and comprehensive income of the Company (due to changes in fair value of assets and financial liabilities) on reasonably possible fluctuations in the dollar and euro assuming other factors remaining unchanged.

	Increase/decrease of exchange rate	*Impact on gross financial results*	*Impact on total income*
31 December 2011 – EUR/PLN	+10%	(14)	(11)
	- 10%	14	11
31 December 2010 – EUR/PLN	+10%	64	52

(in PLN thousand)

	- 10%	(64)	(52)
31 December 2011 – USD/PLN	+10%	(1)	(0)
	- 10%	1	0
31 December 2010 – USD/PLN	+10%	2	2
	- 10%	(2)	(2)

34.3. Commodity risk

There are the following price risk factors in the operations of Asseco Business Solutions:

- competition – in all segments of the Company's activity there is strong competition from both Polish and foreign IT companies. The largest players in the Polish global market, hitherto operating in the large enterprises sector, begin to offer solutions and implementation methodology for medium-sized enterprises.
- exchange rates – the Company enters short-term contracts in foreign currencies. These are both revenue and cost contracts for the supply of equipment and licensing of Oracle and Microsoft SQL. The Company does not apply any security measures due to a short-term risk exposure.

34.4. Credit risk

Credit risk faced by the Company may result from:

- creditworthiness of clients, thus the Company has appropriate policies in place for making the sale only to verified customers. All clients who wish to use trade credits, are subject to initial verification procedures. If outstanding receivables occur, the Company creates write-offs to receivables and, in some cases, procures debt collection services by prior assignment of receivables. Because the transaction value with any of the recipients did not exceed 10% of the total revenue on sales, there is no significant concentration of clients, thus credit risk is limited.
- credit risk arising from creditworthiness of financial institutions (banks/brokers) - hence the co-operation with reputable financial institutions,

For other financial assets of the Company, such as cash and cash equivalents, the Company's credit risk arises from the other party's inability to make payment, and the maximum exposure to this risk is equal to the carrying value of these instruments.

The Company reports no significant concentrations of credit risk.

34.5. Financial liquidity risk

The Company monitors the risk of lack of funds by means of a tool for periodic liquidity planning. This solution takes into account the maturity deadlines of investments and financial assets (e.g. accounts receivable, other financial assets) as well as the anticipated cash flows from operating activities.

The Company's objective is to maintain a balance between continuity and flexibility of financing by using various sources of funding, such as finance lease and lease purchase contracts.

The following table shows the Company's financial liabilities as at 31 December 2011and 31 December 2010 according to the maturity date based on contractual undiscounted payments.

31 December 2011	*On demand*	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Total*
Liabilities under finance lease	–	96	108	–	204
Trade and other liabilities	–	6 149	512	–	6 661
	–	6 245	620	0	6 865

(in PLN thousand)

31 December 2010	*On demand*	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Total*
Liabilities under finance lease	–	124	434	117	675
Trade and other liabilities	–	10 120	684	4	10 808
	–	10 244	1 118	121	11 483

35. Financial instruments

35.1. Fair values of each class of financial instruments

Fair values of financial assets and financial liabilities are determined as follows:

- fair value of financial assets and financial liabilities with standard conditions, which are traded on active, liquid markets, is determined by reference to stock prices;
- the fair value of other financial assets and financial liabilities (excluding derivatives) is determined in accordance with generally accepted valuation models based on discounted cash flow analysis, using the prices from observable current market transactions and dealer quotes for similar instruments;

The following table compares the carrying values and fair values of all the Company's financial instruments, broken down by classes and categories of assets and liabilities.

	Category acc. to IAS 39	*balance sheet values*		*fair values*	
		31 December 2011	*31 December 2010*	*31 December 2011*	*31 December 2010*
Financial assets					
Forward currency contracts	ALFVPL	–	39	–	39
Trade receivables and other receivables	L&R	31 152	36 766	31 152	36 766
Cash and short-term deposits	ALFVPL	57 010	59 350	57 010	59 350
		88 162	96 155	88 162	96 155
Financial liabilities					
Liabilities under finance lease and lease purchase contracts	FLMAC	191	623	191	623
Trade liabilities and other financial liabilities	FLMAC	6 661	10 808	6 661	10 808
Forward currency contracts	ALFVPL	242	–	242	–
		7 094	11 431	7 094	11 431

Abbreviations used:

ALFVPL - financial assets/liabilities at fair value through profit or loss,

L&R - loans and receivables,

(in PLN thousand)

FLMAC - other financial liabilities measured at amortized cost

At 31 December 2010, the Company held the following financial instruments measured at fair value:

	31 December 2011	*Level 1*	*Level 2*	*Level 3*
Financial assets valued at fair value through profit or loss				
Concluded forward currency contracts	242	–	242	–
Total	**242**	**–**	**242**	**–**

	31 December 2010	*Level 1*	*Level 2*	*Level 3*
Financial assets valued at fair value through profit or loss				
Concluded forward currency contracts	39	–	39	–
Total	**39**	**–**	**39**	**–**

In the year ended 31 December 2011 and in the year ended 31 December 2010, there were no transfers between Level 1 and Level 2 of the fair value hierarchy, or none of the instruments was moved from/to the Level 3 of the fair value hierarchy. The fair value of financial assets and liabilities held by the Company as at 31 December 2011 and as at 31 December 2010 does not differ significantly from their carrying value.

(in PLN thousand)

35.2. Items of income, expenses, profit and losses included in the profit and loss account are broken down by categories of financial instruments

Year ended 31 December 2011

	Category in accordance with IAS 39	*Revenues /(expense) for interest*	*Gain (losses) on foreign exchange rates*	*Termination/ (creation) of write-downs*	*Gains /(losses)from valuation*	*Gains/(losses)from sale/realization of financial instruments*	*Total*
Financial assets							
Trade receivables and other receivables	L&R	–	143	184	–	–	327
Cash and short-term deposits	ALFVPL	2 239	–	–	–	–	2 239
							2 566
Financial liabilities							
Liabilities under finance lease and lease purchase contracts	FLMAC	(24)	–	–	–	–	(24)
Forward currency contracts		–	–	–	(293)	–	(293)
Trade and other liabilities	FLMAC	–	–	–	–	–	–
							(317)
Total		2 215	143	184	(293)	–	2 249

(in PLN thousand)

Year ended 31 December 2010

	Category in accordance with IAS 39	*Revenues /(expense) for interest*	*Gain (losses) on foreign exchange rates*	*Termination/ (creation) of write-downs*	*Gains /(losses)from valuation*	*Gains/(losses)from sale/realization of financial instruments*	*Total*
Financial assets							
Financial assets available for sale	FAHM	–	–	–	–	54	54
Forward currency contracts	ALFVPL	–	–	–	39	50	89
Trade receivables and other receivables	L&R	–	–	179	–	–	179
Cash and short-term deposits	ALFVPL	1 791	–	–	–	–	1 791
							2 113
Financial liabilities							
Liabilities under finance lease and lease purchase contract	FLMAC	(53)	–	–	–	–	(53)
Trade and other liabilities	FLMAC	–	(73)	–	–	–	(73)
							(126)
Razem		1 738	(73)	179	39	104	1 987

(in PLN thousand)

35.3. Interest rate risk

The following table shows to the carrying value of the Company's financial instruments exposed to interest rate risk, broken down by age categories.

31 December 2011 ***Floating interest rate***	*<1 year*	*1 - 2 years*	*2 - 3 years*	*3 - 4 years*	*4 - 5 years*	*Total*
Liabilities under finance lease	191	–	–	–	–	191
Cash assets	57 010	–	–	–	–	57 010

31 December 2010 ***Floating interest rate***	*<1 year*	*1 - 2 years*	*2 - 3 years*	*3 - 4 years*	*4 - 5 years*	*Total*
Liabilities under finance lease	411	212	–	–	–	623
Cash assets	59 350	–	–	–	–	59 350

The interest rate on financial instruments with a floating rate is updated in periods of less than one year. Interest on financial instruments with fixed interest rate is fixed throughout the period to the expiry of the maturity of these instruments. Other Company's financial instruments, which are not included in the tables above, are not interest-bearing and therefore are not subject to interest rate risk.

36. Capital management

The main objective of the Company's capital management is to secure the Company's ability to continue operations while maintaining an optimal capital structure, allowing to reduce the cost of capital and increasing the shareholder value, and maintaining a good credit rating and secure capital ratios.

The Company manages the capital structure and introduces modifications in response to changing economic conditions. In order to maintain or adjust capital structure, the Company may adjust the level of dividend paid to shareholders, return capital to shareholders or issue new shares. In the year ended 31 December 2011 and at 31 December 2010, no changes were made to the objectives, principles and processes applicable in this area.

A part of net debt, the Company includes trade liabilities and other liabilities, and income tax advances and liabilities minus cash and cash equivalents. Equity includes ordinary shares, surplus from the sale of shares above their nominal value and retained earnings.

	31 December 2011	*31 December 2010*
Interest-bearing loans and borrowings	-	-
Liabilities from deliveries and services and other obligations and liabilities of financial lease	14 743	21 888
Cash and short-term deposits	(57 010)	(59 350)
Net borrowings	(42 267)	(37 462)

(in PLN thousand)

Equity	264 157	264 399
Equity and net borrowings	221 890	226 937
Leverage ratio	-16.00%	-14.17%

37. Employment structure

The Company employees in the year ended 31 December 2011 and 31 December 2010 stood as follows:

	Year ended 31 December 2011	*Year ended 31 December 2010*
The Board	4	4
Production departments	528	514
Service departments	47	52
Trade departments	32	35
Administrative departments	41	52
Other	2	3
Total	654	660

Employees at 31 December 2011 and at 31 December 2010 stood as follows:

	Year ended 31 December 2011	*Year ended 31 December 2010*
The Board	4	4
Production departments	508	541
Service departments	49	52
Trade departments	35	33
Administrative departments	47	48
Other	2	2
Total	645	680

38. Events after the balance sheet

After the balance sheet date, there were no significant events that could have a material impact on the presented results for the year 2011, not included in the current financial statements.

39. Signatures of Board Members

Name and surname	Position/Function	Signature
Romuald Rutkowski	President of the Board	

Wojciech Barczentewicz	Vice-President of the Board
Piotr Masłowski	Vice-President of the Board
Mariusz Lizon	Member of the Board
Artur Czabaj	The person responsible for bookkeeping