# ASSECO BUSINESS SOLUTIONS SA

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

# TOGETHER WITH THE INDEPENDENT CERTIFIED AUDITOR'S REPORT

ASSECO BUSINESS SOLUTIONS SA Financial statements for the year ended 31 December 2010 (in PLN thousand)

## STATEMENT OF COMPREHENSIVE INCOME

### for the year ended 31 December 2010

| | Note | *Year ended 31 December 2010* | *Year ended 31 December 2009* |
|---|---|---|---|
| **Revenues on sales** | | 168 587 | 156 196 |
| Cost of sales | 10.5 | (109 943) | (105 556) |
| **Gross profit on sales** | | **58 644** | **50 640** |
| Selling costs | 10.5 | (3 947) | (6 292) |
| General and administrative costs | 10.5 | (17 970) | (18 121) |
| **Net profit on sales** | | **36 727** | **26 227** |
| Other operating income | 10.1 | 1 020 | 1 013 |
| Other operating expenses | 10.2 | (1 969) | (482) |
| **Profit on operating activities** | | **35 778** | **26 758** |
| Financial income | 10.3 | 1 995 | 1 640 |
| Financial expenses | 10.4 | (132) | (353) |
| **Gross profit** | | **37 641** | **28 045** |
| Income tax | 11.1 | (7 549) | (5 618) |
| **Net profit from continuing operations** | | **30 092** | **22 427** |
| Discontinued operations | | | |
| **Net profit for the financial year** | | **30 092** | **22 427** |
| **Other total income** | | **-** | **-** |
| **Other total net income** | | **-** | **-** |
| **Total income for the period** | | **30 092** | **22 427** |
| Earnings per share: | 14 | | |
| - basic/diluted profit for the reporting period | | 0.90 | 0.67 |
| - basic/diluted profit for continued activity in the reporting period | | 0.90 | 0.67 |

## BALANCE SHEET

### as at 31 December 2010

| | *Note* | *31 December 2010* | *31 December 2009* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | **198 144** | **200 957** |
| Property, plant and equipment | 16 | 15 348 | 17 725 |
| Intangible assets | 18 | 9 964 | 10 844 |
| Goodwill | 18; 19 | 170 938 | 170 938 |
| Non-current receivables | 22.1 | 601 | 777 |
| Deferred tax assets | 11.3 | 1 291 | 670 |
| Long-term accruals and deferred income | 22.2 | 2 | 3 |
| **Current assets** | | **97 504** | **87 959** |
| Inventories | 24 | 865 | 806 |
| Trade receivables | 25 | 32 689 | 32 437 |
| Other receivables | 25 | 4 174 | 4 689 |
| Accruals and deferred income | 22.2 | 387 | 542 |
| Financial assets available for sale | 20 | - | 1 056 |
| Financial instruments valued at fair value through profit or loss | 21 | 39 | - |
| Cash and short-term deposits | 26 | 59 350 | 48 429 |
| Non-current assets classified as held for sale | 12 | 2 117 | - |
| **TOTAL ASSETS** | | **297 765** | **288 916** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | **264 399** | **259 371** |
| Share capital | | 167 091 | 167 091 |
| The surplus from the sale of shares above their nominal value | | 62 423 | 62 423 |
| Retained gains | | 34 885 | 29 857 |
| **Total equity** | 27 | **264 399** | **259 371** |
| **Non-current liabilities** | | **396** | **1 002** |
| Provisions | 29 | 184 | 155 |
| Non-current financial liabilities | 17.2; 30.1 | 212 | 847 |
| **Current liabilities** | | **32 970** | **28 543** |
| Trade liabilities | 30.1 | 8 581 | 9 090 |
| Other liabilities | 30.1; 30.2 | 7 069 | 7 431 |
| Financial liabilities | 17.2; 30.1 | 411 | 594 |
| Provisions | 29 | 1 090 | 8 |
| Income tax liabilities | 30.2 | 5 615 | 3 926 |
| Accruals and deferred income | 30.3 | 10 204 | 7 494 |
| **Total liabilities** | | **33 366** | **29 545** |
| **TOTAL EQUITY AND LIABILITIES** | | **297 765** | **288 916** |

ASSECO BUSINESS SOLUTIONS SA Financial statements for the year ended 31 December 2010 (in PLN thousand)

# CASH FLOWS STATEMENT

## for the year ended 31 December 2010

| | Note | *Year ended 31 December 2010* | *Year ended 31 December 2009* |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Gross profit | | 37 641 | 28 045 |
| **Adjustments:** | | **6 028** | **10 836** |
| Amortization | 10.6 | 10 485 | 9 957 |
| Change in inventories | | (59) | 373 |
| Change in receivables | | 439 | 9 060 |
| Change in liabilities, excluding credits and loans | | (871) | (4 512) |
| Change in accruals and deferred income | | 2 866 | (1 256) |
| Change in provisions | | 1 111 | (2) |
| (Revenue) of interest | | (1 791) | (1 477) |
| Interest expense | | 53 | 115 |
| Investment loss | | 277 | 176 |
| Other | | - | - |
| Income tax paid | | (6 482) | (1 598) |
| **Net cash from operating activities** | | **43 669** | **38 881** |
| **Cash flows from investing activities** | | | |
| Proceeds from the sale of property, plant and equipment | | 365 | 479 |
| Proceeds from the sale of financial assets available for sale | | 1 110 | (43) |
| Acquisition of property, plant and equipment | | (6 230) | (5 877) |
| Purchase of intangible assets | | (3 849) | (4 448) |
| Interest received | | 1 595 | 1 236 |
| Proceeds from forward transactions | | - | - |
| **Net cash from investing activities** | | **(7 009)** | **(8 653)** |
| **Cash flows from financing activities** | | | |
| Repayment of liabilities under lease agreements | | (818) | (890) |
| Repayment of interest | | (53) | (115) |
| Payment of dividends | | (25 064) | (14 036) |
| **Net cash from financing activities** | | **(25 935)** | **(15 041)** |
| **Increase/(Decrease) in net cash and cash equivalents** | | 10 725 | 15 187 |
| Charged interest | | - | 241 |
| **Opening cash** | 26 | 48 429 | 33 001 |
| **Closing cash, including** | 26 | **59 154** | **48 429** |
| Restricted cash | | - | - |

ended 31 December 2010 (in PLN thousand)

# STATEMENT OF CHANGES IN EQUITY
## for the year ended 31 December 2010

| | *Share capital* | *The surplus from the sale of shares above their nominal value* | *Retained earnings/accumulated losses* | *Total* |
|---|---|---|---|---|
| **As at 1 January 2009** | **167 091** | **62 423** | **21 466** | **250 980** |
| Total income for the period | - | - | 22 427 | **22 427** |
| Payment of dividends | - | - | (14 036) | **(14 036)** |
| **As at 31 December 2009** | **167 091** | **62 423** | **29 857** | **259 371** |

| | *Share capital* | *The surplus from the sale of shares above their nominal value* | *Retained earnings/accumulated losses* | *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** |

ended 31 December 2010 (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 2010 and includes comparative information for the year ended 31 December 2009.

For the sake of comparison, the data has been presented from the separate and consolidated financial statements of Asseco Business Solutions SA for the year ended 31 December 2009. This follows from the fact that the Asseco Business Solutions Capital Group operated until 1 April 2009 when Asseco Business Solutions SA merged with Anica System SA. The merger process was described in the separate and consolidated financial statements for the year ended 31 December 2009. Due to the nature of the transaction, the merger was cleared by the pooling-of-interests method. Having employed this method, for the separate financial statements, consolidated data was presented as comparative data, as if the merger had taken place on 1 January 2008.

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

The Company is registered in the Companies' Register of the National Court Register, District Court, XI Economic Department of the National Court Register, under KRS: 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".

The Company comprises a Competence Centre for ERP systems, software for small and medium-sized enterprises, outsourcing 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 Articles of Association, 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 2010, the Management Board of the Company consisted of:

| | |
|---|---|
| Romuald Rutkowski | President of the Management Board |
| Wojciech Barczentewicz | Vice-President of the Management Board |
| Piotr Masłowski | Vice-President of the Management Board |
| Mariusz Lizon | Member of the Management 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 2010, 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 |
| Zbigniew Pomianek | Member of the Supervisory Board |
| Adam Pawłowicz | Member of the Supervisory Board |

In 2010, there were no changes in the composition of the Supervisory Board.

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 9 March 2011.

## 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 leases*

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 29. 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 35 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 life 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 assets available for sale and financial instruments measured at fair value through profit or loss, which are measured at their fair value.

These financial statements are presented in 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 intended to 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 ongoing 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).

# 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 2009, with the exception of the application of the following changes to the standards and new interpretations applicable to annual periods beginning with 1 January 2010.

- IFRS 2 *Share-Based Payments: Group Cash-Settled Share-Based Payment Transactions* - applicable from 1 January 2010. The change aims to clarify the accounting for group cash-settled share-based payment transactions. It withdraws IFRIC 8 and IFRIC 11. The application of this amendment had no impact on the Company's financial position or performance.
- IFRS 3 *Business Combinations* (revised) and IAS 27 *Consolidated and Separate Financial Statements* (amended) - effective from 1 July 2009. The revised IFRS 3 introduces significant changes to the recognition of business combinations occurring after that date. These changes relate to the measurement of non-controlling interests, the recognition of the costs directly associated with the transaction, the initial recognition and subsequent measurement of contingent consideration and settlement of multi-stage mergers. These changes may affect the value of goodwill recognized, the results presented for the period in which the acquisition of entity was made and the results reported in subsequent periods.

The change in accounting policy was implemented prospectively and had no material effect on the financial position or results of the Company's operations, since the Company was not a party to a legal merger that would require the inclusion in the separate financial statements.

IAS 39 *Financial Instruments: Recognition and Measurement: Eligible Hedged Items* - effective from 1 July 2009. The changes relate to the designation of one-sided risk as a hedged item and the designation in certain situations of inflation as a hedged risk or part of risk. This amendment had no impact on the Company's financial position or performance.

IFRIC 17 *Distribution of Non-Cash Assets to Owners* - effective from 1 July 2009. The interpretation provides guidance on accounting for transactions in which holders are issued non-cash assets in the form of distribution of reserves/retained earnings or dividends. This interpretation had no impact on the Company's presented financial position or performance.

Amendments to IFRS (published in May 2008) - in May 2008 the Council issued the first set of amendments to the published standards. The changes that the Company has applied since 1 January 2010 are the following:

◦ IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations:* the change clarifies that if the subsidiary meets the criteria for being qualified for sale, all its assets and liabilities are classified as held for sale, even if after the sale the parent keeps a non-controlling interest in this subsidiary. The change applies only to the consolidated financial statements and has no impact on the Company's financial position or results set out in the separate financial statements.

*Amendments to IFRS* (published in April 2009) - in April 2009 the Council issued a second set of changes to its published standards, primarily in order to remove inconsistencies and ambiguities in the wording. For individual standards, different transitional provisions have been put in place. The application of the following amendments resulted in changes in accounting rules (policies), but did not have any impact on the Company's financial position or performance.

- IFRS 8 *Operating Segments:* It was explained that the segment assets and liabilities be recognized only if such assets and liabilities are included in the measurements used by the chief body responsible for operational decision-making. Since the Company's principal body responsible for operational decision-making reviews the segment assets and liabilities, the Company continues to disclose the required information in Note 9.
- IAS 36 *Impairment of Assets:* It was explained that the largest permissible unit of assignment of goodwill acquired as a result of a business combination for the purpose of impairment testing is an operating segment under IFRS 8 before aggregation for reporting purposes. This change did not affect the Company's financial statements because the annual impairment test is performed prior to aggregation.
- IAS 39 *Financial Instruments: Recognition and Measurement:* It was explained that the prepayment option is considered to be closely linked to the host contract if the price of option exercise gives the lender a repayment approximately equal to the present value of lost interest for the remaining period of the host contract. This amendment had no impact on the presented Company's financial position or performance.
- Other changes to the following standards resulting from the annual review had no effect on the rules (policies), the Company's financial position or results:
    - IFRS 2 *Share-Based Payment*
    - IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*
    - IAS 1 *Presentation of Financial Statements*
    - IAS 7 *Statement of Cash Flows*
    - IAS 17 *Leases*
    - IAS 38 *Intangible Assets*
    - IAS 39 *Financial Instruments: Recognition and Measurement*
    - IFRIC 9 *Reassessment of Embedded Derivatives*
    - IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*

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:

- Amendments to IAS 32 *Financial Instruments: Presentation: Classification of Rights Issues* - effective for annual periods beginning on or after 1 February 2010,
- IAS 24 *Related Party Disclosures* (amended in November 2009) - effective for annual periods beginning on or after 1 January 2011,
- First phase of IFRS 9 *Financial Instruments. Classification and Measurement*- effective for annual periods beginning on or after 1 January 2013 or later - 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 IFRIC 14 *IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction: Prepayments of a Minimum Funding Requirement* - applicable to annual periods beginning on or after 1 January 2011,
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* - effective for annual periods beginning on or after 1 July 2010,
- 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,
- Amendments resulting from the review of IFRS (published in May 2010) - part of the change is applicable for annual periods beginning on or after 1 July 2010, and some for periods beginning on or after 1 January 2011 - not approved by the EU before the date of approval of these financial statements,
- Amendments to IFRS 7 *Financial Instruments: Disclosures: Transfers of Financial Assets* - 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.
- 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.

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

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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 2010* | *31 December 2009* |
|---|---|---|
| USD | 2.9641 | 2.8503 |
| EUR | 3.9603 | 4.1084 |

## 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.

Depreciation 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 economic life and depreciation method of assets are reviewed 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 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 amortization 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 year. 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 amortization | Values for an indefinite period of use are not amortized or revaluated. Amortized over the term of the agreement (2 - years) - straight-line method. | 2 - 5 years straight-line | 2 - 5 years straight-line |
| Generated in-house or acquired | Acquired | Generated in-house | Acquired |
| Impairment test | Indefinite useful life - annual and if there is indication of impairment loss. For others - annual assessment whether there were indications of impairment loss. | Annual for items not put into use Is there is Indication of Impairment loss. | Annual assessment whether there is indication of impairment loss. |

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 lease 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 production 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 the 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) it was in accordance with IAS 39 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 profit and loss account as income or expense. 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 measured at purchase 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 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 dot 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 Available-for-sale financial assets*

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 an asset (net of any principal repayments and amortization) and its current fair 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

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 the 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 overheads | • the cost of direct materials and labour and attributable production production costs, assuming normal production capacity, excluding borrowing costs; |
| Goods | • in the purchase price determined by the "first in-first out" method. |

The selling net realizable price is the estimated 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 amounts, 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 - as current or non-current assets. As non-monetary assets, advances are not discounted.

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

### 8.14. Cash and cash equivalents

Cash and short-term deposits presented in the balance sheet consist of cash kept in banks and on hand by the Company and short-term cash deposits with a maturity not exceeding 3 months.

The balance of cash and cash equivalents disclosed in the statement of cash flows consists of the above-defined cash and cash equivalents, less outstanding loans in current accounts.

### 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.

Revenues and expenses are 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 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. 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. Revenues

Revenues are 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 Sales of goods and products*

Revenues are 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 Provision of services*

Revenues from services are recognised based on the percentage of their completion. The percentage of completion is determined as the ratio of working hours and the estimated number of working hours required to complete the service.

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 are recognized on a time proportion basis (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 of such 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, it is recognized as income in a manner commensurate with the costs that this subsidy 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.

ended 31 December 2010 (in PLN thousand)

#### *8.20.2 Deferred tax*

For the purpose of financial reporting, deferred 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.
- In the 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 is verified at every balance sheet date and is 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 will 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 are 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 will 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 offsets deferred tax assets against deferred tax provisions if and only if it has a legally enforceable right to offset receivables against liabilities for 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 are recognised in the amounts excluding value added tax unless:

- value added tax paid at the purchase of merchandise or services is not recoverable from tax authorities; in such event the value added tax paid shall be recognised as a 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 is included in the balance sheet as 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 management purposes, the Company was divided into segments based on manufactured products and rendered services. There are the following reportable operating segments:

ERP systems segment - ERP solutions based on the technology by Oracle and Microsoft that support the company's management and original solutions intended for companies operating through mobile workforce. 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.

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, outsourcing of human resources in IT, 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.

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 2010*** | *ERP systems* | *Outsourcing* | ***Total reportable segments*** | *Resources not allocated* | **Activity total** |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Sales to external customers | 146 160 | 15 568 | **161 728** | 6 859 | **168 587** |
| Sales between segments | - | - | **-** | - | **-** |

ASSECO BUSINESS SOLUTIONS SA Financial statements for the year ended 31 December 2010 (in PLN thousand)

| | | | | | |
|---|---|---|---|---|---|
| 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 income/(expense) Income tax | | | | 1 863 | **1 863** |
| | | | | (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 120 thousand), which in the financial statements is recognised as an item in other operating income.
2. Segment assets do not include deferred tax (PLN 1 291 thousand), cash (PLN 59 350 thousand), non-current receivables (PLN 601 thousand), assets classified as held for sale (PLN 2 117 thousand), financial assets classified as measured at fair value through profit or loss (PLN 118,000) because these assets are managed at the level of the Company.

| ***Year ended 31 December 2009*** | *ERP systems* | *Outsourcing* | ***Total reportable segments*** | *Resources not allocated* | **Activity total** |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Sales to external customers Sales between segments | 133 348 | 17 288 | **150 636** | 5 560 | **156 196** |
| | 906 | - | **906** | (906) | - |
| Total segment revenue | 134 254 | 17 288 | **151 542** | 4 654 | **156 196** |
| **Result** | | | | | |
| Segment profit/(loss) | 23 209 | 2 890 | **26 099** | 609 | **26 708** |
| Other net operating income/(expense) | | | | 50 | **50** |
| Net financial income/(expense) | | | | 1 287 | **1 287** |
| Income tax | | | | (5 618) | **(5 618)** |
| **Profit for the period** | 23 209 | 2 890 | **26 099** | **(3 672)** | **22 427** |
| Segment assets | 227 913 | 10 017 | **237 930** | 50 986 | **288 916** |
| **Other information** | | | | | |
| Capital expenditure | 9 355 | 424 | **9 779** | 546 | **10 325** |
| Amortization | (8 248) | (1 516) | **(9 764)** | (193) | **(9 957)** |

1. Segment operating profit does not include financial income (PLN 1 640 thousand), financial expense (PLN 353 thousand), other operating income (PLN 1 013 thousand), other operating expense (PLN 482 thousand) and the result from unallocated activity (PLN 609 thousand). Segment operating profit includes the government subsidy to assets (PLN 483 thousand), which in the financial statements is recognised as an item in other operating income.
2. Segment assets do not include deferred tax (PLN 670 thousand), financial assets available for sale (PLN 1 056 thousand), cash (PLN 48 429 thousand), bank guarantees (PLN 704 thousand), and other unallocated assets (PLN 127 thousand) because these assets are managed at the level of the Company.

*Geographic information*

Revenues from external customers:

| | *Year ended 31 December 2010* | *Year ended 31 December 2009* |
|---|---|---|
| Poland | 163 193 | 152 714 |
| Abroad, including: | 5 394 | 3 482 |
| - France | 1 540 | 1 015 |
| - Russia | 360 | 577 |
| - Czech Rep. | 364 | 344 |
| - Germany | 10 | 292 |
| - Baltic States (Lithuania, Latvia, Estonia) | 810 | 407 |
| - other | 2 310 | 847 |
| Total | 168 587 | 156 196 |

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

Non-current assets:

| | *31 December 2010* | *31 December 2009* |
|---|---|---|
| Poland | 25 312 | 28 569 |
| Total | 25 312 | 28 569 |

These non-current assets consist of property, plant and equipment and intangible assets.

# 10. Income and expense

## 10.1. Other operating income

ASSECO BUSINESS SOLUTIONS SA Financial statements for the year ended 31 December 2010 (in PLN thousand)

| | *Year ended 31 December 2010* | *Year ended 31 December 2009* |
|---|---|---|
| Received compensation | 356 | 297 |
| Subsidies | 482 | 482 |
| Sale to employees | 37 | 64 |
| Awards | - | 58 |
| Other | 145 | 112 |
| | **1 020** | **1 013** |

## 10.2. Other operating expenses

| | *Year ended 31 December 2010* | *Year ended 31 December 2009* |
|---|---|---|
| Loss from the sale of property, plant and equipment | (170) | (41) |
| Donations to unrelated parties | (67) | (29) |
| Accident repair costs | (238) | (275) |
| Penalties and compensation | (1 095) | (68) |
| Liquidation of fixed assets | (198) | (53) |
| Other operating expenses | (201) | (16) |
| | **(1 969)** | **(482)** |

A comment to penalties and compensation is included in Note 29.

## 10.3. Financial income

| | *Year ended 31 December 2010* | *Year ended 31 December 2009* |
|---|---|---|
| Income from bank interest | 1 791 | 1 477 |
| Other interest income | 37 | 37 |
| Settlement discount | 25 | 100 |
| Gains from the sale of other investments | 54 | 26 |
| Gains from changes in fair value of currency derivatives - concluded forward contracts | 38 | - |
| Gains from currency derivatives execution - concluded forward contracts | 50 | - |
| | **1 995** | **1 640** |

## 10.4. Financial expenses

| | *Year ended 31 December 2010* | *Year ended 31 December 2009* |
|---|---|---|
| Interest on finance lease | (53) | (115) |
| Bank fees and charges | (1) | (12) |
| Other interest expense | (5) | (34) |
| Negative exchange rates | (73) | (142) |
| Other financial expenses | - | (50) |
| | **(132)** | **(353)** |

## 10.5. Expenses by type

| | *Year ended 31 December 2010* | *Year ended 31 December 2009* |
|---|---|---|
| Value of goods and materials sold | (34 009) | (30 010) |
| Consumption of materials and energy | (3 394) | (3 401) |
| External services | (21 425) | (25 395) |
| Payroll | (52 430) | (51 050) |
| Employee benefits | (8 629) | (9 338) |
| Amortization | (10 485) | (9 957) |
| Taxes and fees | (693) | (795) |
| Business trips | (931) | (1 045) |
| Other expenses by type | 1 36 | (1 99) |
| **Total** | **(131 860)** | **(131 190)** |
| Change in product inventories | - | (1 221) |
| Selling costs | (3 947) | (6 292) |
| General and administrative expenses | (17 970) | (18 121) |
| Cost of products sold and services | (109 943) | (105 556) |
| **Total** | **(131 860)** | **(131 190)** |

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

| | *Year ended 31 December 2010* | *Year ended 31 December 2009* |
|---|---|---|
| The items included in cost of goods sold: | | |
| Depreciation of fixed assets | (4 379) | (4 286) |
| Amortization of intangible assets | (3 617) | (3 668) |
| Impairment of inventories | (45) | 108 |

ended 31 December 2010 (in PLN thousand)

| | | |
|---|---|---|
| The items included in sales costs | | |
| Depreciation of fixed assets | (70) | (226) |
| Amortization of intangible assets | (6) | (4) |
| The items included in general and administrative expenses: | | |
| Depreciation of fixed assets | (1 307) | (1 181) |
| Amortization of intangible assets | (1 106) | (592) |
| | **(10 530)** | **(9 849)** |

## 10.7. Employee benefit costs

| | *Year ended 31 December 2010* | *Year ended 31 December 2009* |
|---|---|---|
| Payroll | (52 695) | (51 178) |
| Establishing retirement provision | (29) | - |
| Termination of retirement provision | - | 2 |
| Establishing/terminating provisions for unused leave | 294 | 126 |
| **Total** | **(52 430)** | **(51 050)** |
| Employee benefits, including: | (7 925) | (8 486) |
| *Social security costs* | (7 369) | (7 368) |
| CSBF | (704) | (852) |
| **Total** | **(8 629)** | **(9 338)** |
| **Total employee benefit costs, including:** | (61 059) | (60 388) |
| The items included in cost of goods sold | (46 797) | (44 583) |
| The items included in sales costs | (2 177) | (3 355) |
| The items included in general and administrative expenses | (12 085) | (12 450) |

# 11. Income tax

## 11.1. Tax burden

The main components of tax expense for the year ended 31 December 2009 and 31 December 2010 are as follows:

| | *Year ended 31 December 2010* | *Year ended 31 December 2009* |
|---|---|---|
| *Current income tax* | (8 170) | (5 184) |
| Income tax expense | (8 170) | (5 184) |
| Adjustments for current income tax of previous years | - | - |
| *Deferred income tax* | 621 | (434) |
| Linked to the origination and reversal of temporary differences | 62 | (434) |
| | 1 | |
| Tax expense reported in the statement of comprehensive income | **(7 549)** | **(5 618)** |

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### 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 2010 and 31 December 2009 is as follows:

| | *Year ended 31 December 2010* | *Year ended 31 December 2009* |
|---|---|---|
| Gross profit before tax from continuing operations | 37 641 | 28 045 |
| Gross profit before tax from discontinued operations | - | - |
| Gross profit before tax | 37 641 | 28 045 |
| Income tax according to the effective tax rate of: 19% (2009 19%) | 7 152 | 5 329 |
| Adjustments for current income tax of previous years | - | - |
| Costs which are not deductible | 380 | 228 |
| Other | 17 | 61 |
| According to the effective tax rate of: 0.1951 (2009: 0.2003) | 7 549 | 5 618 |
| Income tax (charge) shown in the profit and loss account | (7 549) | (5 618) |
| Income tax attributed to discontinued operations | - | - |
| | (7 549) | (5 618) |

### 11.3. Deferred income tax

Deferred tax due to the following items:

| | *Balance sheet* | | *Profit and loss account for 12 months ended* | |
|---|---|---|---|---|
| | *31 December 2010* | *31 December 2010* | *31 December 2010* | *31 December 2010* |
| ***Provision for deferred tax*** | | | | |
| The difference between tax value and accounting value of fixed and intangible assets | (667) | (591) | (76) | (320) |
| Revaluation of land and buildings to fair value | - | (136) | 136 | 5 |
| Revaluation of currency contracts to fair value | (3) | - | (3) | - |
| Accrued sales revenues | (522) | (472) | (50) | (229) |
| Financial revenue from accrued interest | (37) | (58) | 21 | (31) |
| Adjustment to fair value arising from acquisition | - | - | - | 389 |
| Other | 198 | (2) | 200 | 219 |
| **Deferred tax gross provisions** | **(1 031)** | **(1 259)** | | |
| ***Deferred tax assets*** | | | | |
| Retirement benefits | 37 | 31 | 6 | - |
| The difference between tax value and accounting value of fixed and intangible assets | 65 | 128 | (63) | (41) |
| Provisions for bonuses, holidays, estimated costs | 1 886 | 1 251 | 635 | (390) |
| Revaluation write-downs on current assets | 154 | 180 | (26) | 38 |
| Deferred income | 101 | 196 | (95) | 196 |
| Other | 79 | 143 | (64) | (65) |
| **Deferred tax gross assets** | **2 322** | **1 929** | | |
| **Deferred tax net assets** | **1 291** | **670** | | |
| **Deferred tax charge** | | | **621** | **(229)** |

## 12. Non-current assets classified as held for sale

The Management Board of Asseco Business Solutions SA has decided to earmark for sale an office building that is no longer uses. The property was previously used as the headquarters of the Company. Negotiations are being held with the bidder. Due to the fact that the market value of the property is higher than its book value, as at 31 December 2010, there was no need for the recognition of impairment losses resulting from the reclassification of the building as held for sale.

| | *31 December 2010* | *31 December 2009* |
|---|---|---|
| Property, plant and equipment | 2 117 | - |
| Non-current assets classified as held for sale | 2 117 | - |

## 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.

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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 2010 amounts to PLN 293 thousand (as at 31 December 2009, PLN 39 thousand).

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

| | *31 December 2010* | *31 December 2009* |
|---|---|---|
| Fixed assets brought to the Fund | - | - |
| Loans granted to employees | 48 | 94 |
| Cash | 462 | 185 |
| Liabilities to the Fund | 217 | 240 |
| **Balance after offset** | **293** | **39** |

| | ***Year ended 31 December 2010*** | ***Year ended 31 December 2009*** |
|---|---|---|
| Allowances to the Fund in the financial period | 704 | 632 |

## 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:

| | *Year ended 31 December 2010* | *Year ended 31 December 2009* |
|---|---|---|
| Net profit from continuing operations | 30 092 | 22 427 |
| Loss from discontinued operations | - | - |
| Net profit | 30 092 | 22 427 |
| Interest on redeemable preference shares convertible into ordinary shares | - | - |
| Net profit attributable to ordinary shareholders used in the calculation of diluted earnings per share | 30 092 | 22 427 |

| | *Year ended 31 December 2010* | *Year ended 31 December 2009* |
|---|---|---|
| Weighted average number of issued shares used for the calculation of 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 have been no other transactions involving ordinary shares and potential ordinary shares.

## 15. Paid and proposed dividends

Dividend on ordinary shares for 2009 was paid on 24 May 2010 and amounted to PLN 25 064 thousand (dividend for 2008 was paid on 10 June 2009 and amounted to PLN 14 036 thousand).

The value of dividend per share paid for 2009 amounted to PLN 0.75 (2008: PLN 0.42). The Company has not paid an advance for dividend for the year 2010.

ended 31 December 2010 (in PLN thousand)

## 16. Property, plant and equipment

| **Year ended 31 December 2010** | *Land and buildings* | *Machinery and equipment* | *Motor vehicles* | *Other fixed assets* | *In total:* |
|---|---|---|---|---|---|
| **Gross value as at 1 January 2010** | **7 429** | **22 535** | **6 856** | **1 806** | **38 626** |
| Acquisitions | 522 | 3 298 | 1 487 | 923 | **6 230** |
| Transfer to fixed assets held for sale | (2 368) | (138) | - | - | **(2 506)** |
| Sales | - | (329) | (2 002) | (23) | **(2 354)** |
| Liquidation | (75) | (3 385) | (89) | (153) | **(3 702)** |
| **Gross value as at 31 December 2010** | **5 508** | **21 981** | **6 252** | **2 553** | **36 294** |
| **Depreciation and write-downs as at 1 January 2010** | **(1 922)** | **(15 379)** | **(2 701)** | **(899)** | **(20 901)** |
| Depreciation charge 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-downs as 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** |

| **Year ended 31 December 2009** | *Land and buildings* | *Machinery and equipment* | *Motor vehicles* | *Other fixed assets* | *In total:* |
|---|---|---|---|---|---|
| **Gross value as at 1 January 2009** | **7 089** | **20 747** | **6 887** | **1 568** | **36 291** |
| Acquisitions | 564 | 3 056 | 633 | 1 624 | **5 877** |
| Transfer from fixed assets under construction | - | 805 | 218 | (1 358) | **(335)** |
| Sales | - | (338) | (882) | (12) | **(1 232)** |
| Liquidation | (224) | (1 735) | - | (16) | **(1 975)** |
| **Gross value as at 31 December 2009** | **7 429** | **22 535** | **6 856** | **1 806** | **38 626** |
| **Depreciation and write-downs as at 1 January 2009** | **(1 564)** | **(13 844)** | **(1 751)** | **(706)** | **(17 865)** |
| Depreciation charge for the period | (560) | (3 547) | (1 368) | (218) | **(5 693)** |
| Sales | - | 282 | 418 | 12 | **712** |
| Liquidation | 202 | 1 730 | - | 13 | **1 945** |
| **Depreciation and write-downs as at 31 December 2009** | **(1 922)** | **(15 379)** | **(2 701)** | **(899)** | **(20 901)** |
| Net value as at 1 January 2009 | 5 525 | 6 903 | 5 136 | 862 | **18 426** |
| Net value as at 31 December 2009 | 5 507 | 7 156 | 4 155 | 907 | **17 725** |

The carrying value of the machinery and equipment at 31 December 2010, under finance leases and lease purchase contracts, is PLN 1 005 thousand (at 31 December 2009: PLN 1 918 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 bank loans of the Company (as at 31 December 2009: PLN 2 276 thousand).

## 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 2010 and as at 31 December 2009 entailed the following future minimum payments under the non-cancellable operating lease contracts:

| | *31 December 2010* | *31 December 2009* |
|---|---|---|
| Within 1 year | 5 252 | 3 191 |
| From 1 to 5 years | 13 281 | 7 119 |
| Over 5 years | 4 362 | 2 351 |
| | 22 895 | 12 661 |

In the year ended 31 December 2010, the Company has recognized lease payments of PLN 4 662 thousand as expenses (for the year ended 31 December 2009: PLN 4 066 thousand).

### 17.2. Commitments under finance lease and lease purchase contracts

The company operates vehicles under finance lease agreements. As at 31 December 2010 and as at 31 December 2009, the future minimum lease payments under these contracts and the current value of minimum net lease payments are as follows:

| | *31 December 2010* | | *31 December 2009* | |
|---|---|---|---|---|
| | *Minimum payments* | *Current value of payments* | *Minimum payments* | *Current value of payments* |
| Within 1 year | 458 | 411 | 668 | 594 |
| In the period from 1 to 5 years | 217 | 212 | 891 | 847 |
| More than 5 years | - | - | - | - |
| Total minimum lease payments | 675 | 623 | 1 559 | 1 441 |
| Minus financial expenses | (52) | | (118) | |
| Current value of minimum lease payments, including: including: | 623 | 623 | 1 441 | 1 441 |
| Short-term | | 411 | | 594 |
| Long-term | | 212 | | 847 |

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## 18. Intangible assets

| **Year ended 31 December 2010** | *Patents and licences* | *Goodwill* | *IA not put into use* | *Other* | *In total:* |
|---|---|---|---|---|---|
| **Gross value as at 1 January 2010** | **20 518** | **170 938** | **179** | **445** | **192 080** |
| Acquisitions | 512 | - | 3 337 | - | **3 849** |
| Transfer from IA under construction | 844 | - | (844) | - | **-** |
| Sales | - | - | - | - | **-** |
| Liquidation | (6 226) | - | - | (1) | **(6 227)** |
| **Gross value as at 31 December 2010** | **15 648** | **170 938** | **2 672** | **444** | **189 702** |
| **Amortization and write-downs as at 1 January 2010** | **(10 017)** | **-** | **-** | **(281)** | **(10 298)** |
| Amortization charge for the period | (4 728) | - | - | (1) | **(4 729)** |
| Sales | - | - | - | - | **-** |
| Liquidation | 6 226 | - | - | 1 | **6 227** |
| **Amortization and write-downs as at 31 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** |

| **Year ended 31 December 2009** | *Patents and licences* | *Goodwill* | *IA not put into use* | *Other* | *In total:* |
|---|---|---|---|---|---|
| **Gross value as at 1 January 2009** | **14 202** | **170 931** | **1 712** | **445** | **187 290** |
| Acquisitions | 673 | - | 3 775 | - | **4 448** |
| Transfer from IA under construction | 5 643 | - | (5 308) | - | **335** |
| Sales | - | - | - | - | **-** |
| Liquidation | - | - | - | - | **-** |
| Other | - | 7 | - | - | **7** |
| **Gross value as at 31 December 2009** | **20 518** | **170 938** | **179** | **445** | **192 080** |
| **Amortization and write-downs as at 1 January 2009** | **(5 896)** | **-** | - | **(108)** | **(6 004)** |
| Amortization charge for the period | (4 091) | - | - | (173) | **(4 264)** |
| Sales | - | - | - | - | **-** |
| Liquidation | - | - | - | - | **-** |
| Other | (30) | - | - | - | **(30)** |
| **Amortization and write-downs as at 31 December 2009** | **(10 017)** | **-** | **-** | **(281)** | **(10 298)** |
| Net value as at 1 January 2009 | 8 306 | 170 931 | 1 712 | 337 | **181 286** |
| Net value as at 31 December 2009 | 10 501 | 170 938 | 179 | 164 | **181 782** |

Intangible assets not put into use are expenditure incurred in connection with the implementation of new software. The Management Board has analysed the current value of the costs with their recoverable amount and found that there is no need for an impairment loss.

## 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 2010* | *31 December 2009* |
|---|---|---|
| Carrying amount 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 2010 there was no need to apply impairment to goodwill.

| | ***ERP systems*** |
|---|---|
| Goodwill assigned to the cash-flow generating unit | 170 938 |
| Gross margin | 35% |
| Growth rate | 3%-4% |
| Discount rate | 9.6% |
| The recoverable amount of the cash-generating unit | 335 692 |

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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 2010, the recoverable amount of the unit would be PLN 318 million.

If the estimated pre-tax discount rate used in discounted cash flows for the cash-generating unit were about 1% higher than the estimates of the Management Board, the recoverable amount of this unit would be PLN 306 million.

## 20. Financial assets available for sale

| | *31 December 2010* | *31 December 2009* |
|---|---|---|
| Financial assets available for sale | - | 1 056 |
| Total | - | 1 056 |

At 31 December 2010, the Company had no financial assets available for sale; at 31 December 2009, the Company held treasury bonds.

## 21. Financial instruments valued at fair value through profit or loss

| | *31 December 2010* | *31 December 2009* |
|---|---|---|
| Forward contracts | 39 | - |
| Total | 39 | - |

The above instruments are measured at fair value at each balance sheet date.

## 22. Other assets

### 22.1. Other financial assets

| | *31 December 2009* | *31 December 2009* |
|---|---|---|
| Other receivables | 601 | 777 |
| Total | 601 | 777 |
| - short-term | - | - |
| - long-term | 601 | 777 |

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

### 22.2. Other non-financial assets

| | *31 December 2010* | *31 December 2009* |
|---|---|---|
| Prepaid maintenance services | 171 | 318 |
| Prepaid insurance | 103 | 91 |
| Prepaid subscriptions | 19 | 17 |
| Prepaid other services | 96 | 119 |
| Other | - | - |
| Total | 389 | 545 |
| - short-term | 387 | 542 |
| - long-term | 2 | 3 |

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# 23. Employee benefits

## 23.1. 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 2010* | *31 December 2009* |
|---|---|---|
| At 1 January | 163 | 165 |
| Establishment of provision | 29 | - |
| The costs of benefits paid | - | - |
| Termination of provision | - | (2) |
| At 31 December | 192 | 162 |

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.
- 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, 2009, 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 2010* | *31 December 2009* |
|---|---|---|
| Discount rate (%) | 6.0% | 6.2% |
| Expected inflation rate (%) | 2.5% | 2.5% |
| Expected wage increase rate (%) | 5.0% | 5.0% |

# 24. Inventories

| | *31 December 2010* | *31 December 2009* |
|---|---|---|
| Goods | 1 019 | 793 |
| Goods in transit | - | 122 |
| Impairment of inventories | (154) | (109) |
| Inventories total, by lower of the two values: purchase price (production cost) and realizable net value | 865 | 806 |

In the year ended 31 December 2010, the Company made an inventory write-down in the amount of PLN 45 thousand (in 2009: PLN 0). The establishment of the write-down was related to computer accessories in the warehouse for more than 12 months.

In the year ended 31 December 2010, the Company did not make the reversal of the write-down for inventories (in 2009: PLN 108 thousand).

No category of inventories served as security for bank credits or loans for the year ended 31 December 2010 and for the year ended 31 December 2009. As at 31 December 2010 or as at 31 December 2009, there were no inventories valued at the net selling price.

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## 25. Trade receivables and other receivables

| | *31 December 2010* | *31 December 2009* |
|---|---|---|
| Trade receivables | 29 654 | 28 408 |
| Trade receivables from related parties | 3 035 | 4 029 |
| Trade receivables (net) | 32 689 | 32 437 |
| Allowance on receivables | 658 | 838 |
| Trade receivables (gross) | 33 347 | 33 275 |

| | *31 December 2010* | *31 December 2009* |
|---|---|---|
| Other receivables | | |
| Other receivables from third parties | 4 172 | 4 043 |
| Other receivables from related parties | 2 | 646 |
| | 4 174 | 4 689 |

| | | |
|---|---|---|
| Other receivables | | |
| Receivables arising from the valuation of long-term IT contracts | 2 748 | 2 486 |
| Receivables from non-invoiced delivery | 21 | 737 |
| Advances provided to suppliers | 97 | 442 |
| Other trade receivables (bid bonds, deposits) | 944 | 854 |
| Receivables from employees | 51 | 130 |
| CSBF | 294 | 40 |
| Other receivables | 19 | - |
| | 4 174 | 4 689 |

Details of related party transactions are set out in Note 33.

Trade receivables are not interest-bearing and usually have a 14-day payment term.

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 2010, trade receivables in the amount of PLN 658 thousand (2009: PLN 838 thousand) were covered by a write-down. Changes in the allowance for receivables were as follows:

| | *31 December 2010* | *31 December 2009* |
|---|---|---|
| Receivable allowance at 1 January | 838 | 696 |
| Increase | 179 | 242 |
| Use | - | (91) |
| Write-off of unused amounts | (359) | (9) |
| Receivable allowance at 31 December | **658** | **838** |

Below is the analysis of trade and other receivables, which at 31 December 2010 and 31 December 2009 were overdue, but were not considered to be irrecoverable and were not written down.

| | *Total* | *Non-matured* | *Matured* | | | | |
|---|---|---|---|---|---|---|---|
| | | | *< 1 m-th* | *1 - 3m-ths* | *3 -6m-ths* | *6 - 12 m-ths* | *>12 m-ths* |
| *31 December 2010* | | | | | | | |
| Trade receivables | 32 689 | 25 209 | 4 923 | 1 581 | 772 | 184 | 20 |
| Other receivables | 4 174 | 4 174 | - | - | - | - | - |
| *31 December 2009* | | | | | | | |
| Trade receivables | 32 437 | 23 271 | 6 227 | 2 001 | 797 | 107 | 34 |
| Other receivables | 4 689 | 4 689 | - | - | - | - | - |

## 26. Cash and cash equivalents

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 one month, depending on the actual Company's demand for cash and bear interest at a fixed interest rate. The fair value of cash and cash equivalents at 31 December 2010 amounts to PLN 59 350 thousand (31 December 2009: PLN 48 429 thousand).

The balance of cash and cash equivalents shown in the statement of cash flows consisted of the following items:

| | *31 December 2010* | *31 December 2009* |
|---|---|---|
| Cash at bank and in hand | 749 | 2 807 |
| Short-term deposits | 58 601 | 45 622 |
| Cash in the balance | **59 350** | **48 429** |
| Interest accrued on short-term deposits | (196) | - |
| Cash in cash flow statement | **59 154** | **48 429** |

Beginning with 2010, the Company reduces cash presented in the statement of cash flows by added interest.

## 27. Spare capital and supplementary/reserve capitals

### 27.1. Share capital

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| ***Share capital*** | *31 December 2010* | *31 December 2009* |
|---|---|---|
| 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 PLN | 65 070 | 65 070 |
| Series C ordinary shares with a nominal value of PLN 5 PLN | 28 000 | 28 000 |
| Series D ordinary shares with a nominal value of PLN 5 PLN | 24 021 | 24 021 |
| | **167 091** | **167 091** |

| | ***Quantity*** | ***Value*** |
|---|---|---|
| ***Ordinary shares issued and fully paid up*** | | |
| As at 1 January 2010 | 33 418 | 167 091 |
| Change during the year | - | - |
| As at 31 December 2010 | 33 418 | 167 091 |
| | | |
| As at 1 January 2009 | 33 418 | 167 091 |
| Change during the year | - | - |
| As at 31 December 2009 | **33 418** | **167 091** |

### *27.1.1 Nominal value of shares*

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

### *27.1.2 Shareholders' rights*

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

### *27.1.3 Shareholders with significant share*

| | *31 December 2010* | *31 December 2009* |
|---|---|---|
| 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 | 10.37% | 6.22% |
| share in votes | 10.37% | 6.22% |

### *27.1.4 Shares held by the Management Board and Supervisory Board*

| | *31 December 2010* | | *31 December 2009* | |
|---|---|---|---|---|
| | *number of shares held* | *% shareholding* | *number of shares held* | *% shareholding* |
| managing persons | **2 617 226** | **7.8%** | **2 608 066** | **7.8%** |
| Wojciech Barczentewicz | 1 000 000 | 3.00% | 990 840 | 3.00% |
| Piotr Masłowski | 949 974 | 2.80% | 949 974 | 2.80% |
| Romuald Rutkowski | 426 828 | 1.30% | 426 828 | 1.30% |
| Mariusz Lizon | 240 424 | 0.70% | 240 424 | 0.70% |

## 27.2. The 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 the 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 2010 was PLN 62 423 thousand.

## 27.3. 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, i.e. PLN 55 697 thousand can be used only to cover the loss disclosed in the financial statements; the loss is not distributed for other purposes.

At 31 December 2010, there are no other restrictions on the payment of dividend.

# 28. Interest-bearing loans and borrowings

At 31 December 2010 (and at 31 December 2009), 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 2010, long-term lease liabilities amounted to PLN

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212 thousand (at 31 December 2009 - PLN 847 thousand); short-term lease liabilities at 31 December 2010 amounted to PLN 411 thousand (at 31 December 2009 - PLN 594 thousand).

## 29. Provisions

### 29.1. Changes in provisions

| | *Provisions for retirement benefits* | *Other provisions* | *Total* |
|---|---|---|---|
| As at 1 January 2010 | 163 | - | 163 |
| Created during the financial year | 29 | 1 082 | 1 111 |
| Used | - | - | - |
| 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 |
| As at 1 January 2009 | 165 | | 165 |
| Created during the financial year | - | - | - |
| Dissolved | (2) | - | (2) |
| As at 31 December 2009 | 163 | - | 163 |
| Current as at 31 December 2009 | 8 | - | 8 |
| Non-current as at 31 December 2009 | 155 | - | 155 |
| | 163 | - | 163 |

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

## 30. Trade liabilities, other liabilities, accruals and deferred income

### 30.1. Trade and other liabilities (short-term)

| | *31 December 2010* | *31 December 2009* |
|---|---|---|
| Trade liabilities | | |
| To related parties | 49 | 182 |
| To other parties | 8 532 | 8 908 |
| | **8 581** | **9 090** |
| Financial liabilities | | |
| Liabilities under finance lease (short-term) | 411 | 594 |
| Liabilities under finance lease (long-term) | 212 | 847 |
| | **623** | **1 441** |
| Other liabilities | | |
| Employee wages | 1 165 | 1 014 |
| Liabilities arising from the valuation of long-term IT contracts | 530 | 1 034 |
| Liabilities due to non-invoiced deliveries | 405 | 547 |
| Advance payments for supplies | 116 | 132 |
| Other liabilities | 127 | 224 |
| | **2 343** | **2 951** |

Terms and conditions of payment of the above financial liabilities:

Details of related party transactions are set out in Note 33.

Trade liabilities are non-interest bearing and are normally settled on 21-day periods. Other liabilities are interest-free, with an average 14-day payment term.

Interest liabilities are generally settled on a monthly basis throughout the financial year.

### 30.2. Other non-financial liabilities

| | *31 December 2010* | *31 December 2009* |
|---|---|---|
| Liabilities from taxes, duties, social security and other | 4 726 | 4 480 |
| Liabilities to the National Insurance | 1 794 | 1 668 |
| Personal income tax | 643 | 730 |
| VAT | 2 239 | 2 003 |
| Flat-rate tax at source | 5 | 37 |
| Other budgetary liabilities | 45 | 42 |
| Corporate income tax liabilities | 5 615 | 3 926 |

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| | | |
|---|---|---|
| Other non-financial liabilities | - | - |
| Total | 10 341 | 8 406 |
| - short-term | 10 341 | 8 406 |
| - long-term | - | - |

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.

### 30.3. Accruals and deferred income

| | *31 December 2010* | *31 December 2009* |
|---|---|---|
| Accrued expenses for: | | |
| Unused leaves | 1 643 | 1 938 |
| Bonuses | 7 289 | 3 782 |
| Provision for other expenses | 774 | 759 |
| | **9 706** | **6 479** |
| Deferred income for: | | |
| Prepaid services | 234 | 60 |
| Other revenues | 264 | 955 |
| | **498** | **1 015** |

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.

Deferred income includes primarily revenues from maintenance services and a subsidized project entitled "Development of a Logistics and Sales System for SMEs" co-funded by the European Union within the Sectoral Operational Programme Increase of Economic Competitiveness, in the years 2004 - 2006".

## 31. Long-term contracts

In 2010 and 2009, 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. In 2010 and 2009, 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 ration of work done to the total labour input on the project.

At 31 December 2010 and at 31 December 2009, the Company had no advances in respect of long-term contracts.

The amount of revenues from contracts for the year ended 31 December 2010 amounted to PLN 13 759 thousand (in the year ended 31 December 2009: PLN 13 543 thousand). Costs related to the execution of contracts for the year ended 31 December 2010 amounted to PLN 5 973 thousand (the year ended 31 December 2009:
PLN 4 765 thousand).

The receivables for the valuation of contracts for the year ended 31 December 2010 amounted to PLN 2 748 thousand (for the year ended 31 December 2009: PLN 2 486 thousand).

| | *31 December 2010* | *31 December 2009* |
|---|---|---|
| Costs incurred by the implementation of IT contracts (-) | (5 443) | (3 730) |
| **Profit (loss) by the implementation of IT contracts** | **7 786** | **8 778** |
| Invoiced revenue by the implementation of IT contracts | 11 011 | 11 057 |
| Receivables arising from the valuation of IT contracts | 2 748 | 2 486 |
| Liabilities arising from the valuation of IT contracts | (530) | (1 034) |

## 32. Contingent liabilities

| | *31 December 2010* | *31 December 2009* |
|---|---|---|
| Other contingent liabilities | 307 | 882 |
| Total contingent liabilities | 307 | 882 |

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

### 32.1. Lawsuits

The Court of Appeal in Poznan is adjudicating on the case of settlement of remuneration for the implementation contract with a client. Court's unfavourable decision can result in the return of PLN 482 thousand to the client. In addition, the company runs several cases and enforcement proceedings to recover payments for delivered products and services.

### 32.2. 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 2010, adequate reserves were established for known and quantifiable tax risk.

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## 33. 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* | *Purchases from related parties* | *Receivables from related parties* | *Amounts due to related parties* |
|---|---|---|---|---|---|
| The parent: Asseco Poland S.A. | 2010 | 13 156 | 768 | 2 875 | 49 |
| | 2009 | 12 770 | 315 | 2,549 | 2 |
| Other related parties: Asseco Systems Sp. z o.o. | 2010 | 483 | 243 | 160 | - |
| | 2009 | 487 | 451 | 46 | 149 |
| Combidata Sp. z o.o. | 2010 | -100 | - | 2 | - |
| | 2009 | 1 | 36 | 1 806 | 31 |
| Other parties | 2010 | 59 | 375 | - | - |
| | 2009 | 605 | - | 373 | - |
| | 2010 | 13 598 | 1 386 | 3 037 | 49 |
| | 2009 | 13 863 | 802 | 4 774 | 182 |

At 31 December 2010 the outstanding balance of receivables arising from transactions with related parties by the Company Executives and with the Company Executives amounted, according to the information held by Asseco Business Solutions SA, to PLN 7 thousand.
At 31 December 2010, there were no outstanding liabilities arising from transactions with related parties by executives and with executives, according to the information held by Asseco Business Solutions SA
In the financial year ended 31 December 2010, the value (net) of purchases transactions of goods and services (including rental) from related parties by the Company Executives and with the Company Executive amounted, according to the records of Asseco Business Solutions SA, to PLN 1 447 thousand.

At 31 December 2009 the outstanding balance of receivables arising from transactions with related parties by the Company Executives and with the Company Executives amounted, according to the information held by Asseco Business Solutions SA, to PLN 6 thousand.
At 31 December 2009, there were no outstanding liabilities arising from transactions with related parties by executives and with executives, according to the information held by Asseco Business Solutions SA
In the financial year ended 31 December 2009, the value (net) of purchases transactions of goods and services (including rental) from related parties by the Company Executives and with the Company Executive amounted, according to the records of Asseco Business Solutions SA, to PLN 1 249 thousand.

### 33.1. The parent of the Group

Asseco Poland S.A. is the parent of the Company.

In the financial year ended 31 December 2010, transactions occurred between the Company and Asseco Poland. Details of related party transactions are set out in Note 33.

### 33.2. Entity with significant impact on the Company

At 31 December 2010, Asseco Poland SA hold 46.47% of ordinary shares of Asseco Business Solutions SA (31 December 2009: 46.47%).

### 33.3. The remuneration of Company executives

#### *33.3.1 Remuneration paid or payable to the members of the Management Board and Supervisory Board*

| **Remuneration paid** | *Year ended 31 December 2010* | *Year ended 31 December 2009* |
|---|---|---|
| **Board** | **3 484** | **2 807** |
| Romuald Rutkowski | 869 | 416 |
| Wojciech Barczentewicz | 1 071 | 562 |
| Wojciech Frysztak until 24 June 2009 | - | 208 |
| Cezary Maciejewski until 24 June 2009 | - | 208 |
| Maciej Maniecki until 24 June 2009 | - | 480 |
| Piotr Masłowski | 1 071 | 560 |
| Mariusz Lizon from 24 June 2009 | 473 | 163 |
| Severance pay/compensation for Maciej Maniecki | - | 210 |
| **Supervisory Board** | **231** | **222** |
| Adam Góral | 87 | 59 |
| Jarosław Adamski | 36 | 36 |

ended 31 December 2010 (in PLN thousand)

| | | |
|---|---|---|
| Wojciech Kowalczyk | 36 | 36 |
| Maciej Maniecki from 24 June 2009 to 16 November 2009 | - | 33 |
| Konrad Michał Marchlewski until 24 June 2009 | - | 17 |
| Zbigniew Pomianek | 36 | 36 |
| Adam Pawłowicz from 16 November 2009 | 36_ | 5 |
| **Total** | **3 715** | **3 029** |

| **Remuneration owed** | *Year ended 31 December 2010* | *Year ended 31 December 2009* |
|---|---|---|
| **Board** | **3 561** | **4 720** |
| Romuald Rutkowski | 616 | 864 |
| Wojciech Barczentewicz | 1 306 | 1 182 |
| Wojciech Frysztak until 24 June 2009 | - | 290 |
| Cezary Maciejewski until 24 June 2009 | - | 290 |
| Maciej Maniecki until 24 June 2009 | - | 391 |
| Piotr Masłowski | 1 331 | 1 180 |
| Mariusz Lizon from 24 June 2009 | 308 | 313 |
| Severance pay/compensation for Maciej Maniecki | - | 210 |
| **Supervisory Board** | **228** | **222** |

| | | |
|---|---|---|
| Adam Góral | 84 | 59 |
| Jarosław Adamski | 36 | 36 |
| Wojciech Kowalczyk | 36 | 36 |
| Maciej Maniecki from 24 June 2009 to 16 November 2009 | - | 33 |
| Konrad Michał Marchlewski until 24 June 2009 | - | 17 |
| Zbigniew Pomianek | 36 | 36 |
| Adam Pawłowicz from 16 November 2009 | 36 | 5 |
| **Total** | **3 789** | **4 942** |

| | *31 December 2010* | *31 December 2009* |
|---|---|---|
| retirement provision | 15 | 11 |
| holiday provision | 179 | 253 |
| | 194 | 264 |

## 34. 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 2010 and 31 December 2009 by type of service:

| Type of service | *Year ended 31 December 2010** | *Year ended 31 December2009** |
|---|---|---|
| Compulsory audit of annual financial statements | 275 | 268 |
| Other attesting services | - | - |
| Tax advisory services | - | - |
| Other services | - | - |
| Total | **275** | **2688** |

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

## 35. Objectives and principles of financial risk management

The main financial instruments used by the Company include finance 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 accounting policies concerning the Company's derivative instruments are discussed in Note 8.11.

**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%.

### 35.1. 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 2010, the Company had no non-current liabilities on credits and loans.

ended 31 December 2010 (in PLN thousand)

*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.

| | *Carrying value* | *Increase/decrease in percentage points* | *The impact on gross profit* |
|---|---|---|---|
| **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) |
| **Year ended 31 December 2009** | | | |
| Liabilities under financed lease based on a variable WIBOR rate | 1 441 | + 15% | (18) |
| | | - 15% | 18 |
| Bank deposits | 45 622 | + 15% | 221 |
| | | - 15% | (221) |

## 35.2. 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 3% 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 sompehensive 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 in exchange rate* | *Influence on gross financial result* | *Influence on total income* |
|---|---|---|---|
| 31 December 2010 – EUR/PLN | +10% | 64 | 52 |
| | - 10% | (64) | (52) |
| 31 December 2009 – EUR/PLN | +10% | 105 | 85 |
| | - 10% | (105) | (85) |
| 31 December 2010 – USD/PLN | +10% | (2) | (1) |
| | - 10% | 2 | 1 |
| 31 December 2009 – USD/PLN | +10% | 7 | 6 |
| | - 10% | (7) | (6) |

## 35.3. 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.

## 35.4. Credit risk

Credit risk faced by the Company may result from:

- creditworthiness of clients and hence the Company enters into transactions only with reputable companies with good credit. All clients who wish to use trade credits, are subject to initial verification procedures. Moreover, thanks to an ongoing monitoring of the status of amounts due, the Company's exposure to the risk of bad debts is insignificant.
- credit risk arising from creditworthiness of financial institutions (banks/brokers) - hence the co-operation with reputable financial institutions,
- creditworthiness of entities whose securities are the subject of investment.

The Company enters into transactions only with reputable companies with good credit. All clients who wish to use trade credits, are subject to initial verification procedures. Moreover, thanks to an ongoing monitoring of the status of amounts due, the Company's exposure to the risk of bad debts is insignificant.

For other financial assets of the Company, such as cash and cash equivalents, financial assets available for sale and some derivatives, 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.

## 35.5. Financial liquidity risk

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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 assets, 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 2010 and 31 December 2009 according to the maturity date based on contractual undiscounted payments.

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

| *31 December 2009* | *Due already* | *Within 3 months* | *From 3 to 12 months* | *Due after 1 to 5 years* | *Total* |
|---|---|---|---|---|---|
| Liabilities under finance lease | - | 170 | 673 | 716 | 1 559 |
| Trade and other liabilities | - | 10 139 | 1 737 | 33 | 11 909 |
| | **-** | **10 309** | **2 410** | **749** | **13 468** |

The Company has changed the presentation of the note by recognizing only finance lease liabilities, trade liabilities and other financial liabilities.

## 36. Financial instruments

### 36.1. 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* | *carrying amounts* | | *fair values* | |
|---|---|---|---|---|---|
| | | *31 December 2010* | *31 December 2009* | *31 December 2010* | *31 December 2009* |
| *Financial assets* | | | | | |
| Financial assets available for sale | AFS | - | 1 056 | - | 1 056 |
| Trade receivables and other receivables | L&R | 36 766 | 36 684 | 36 766 | 36 684 |
| Cash and cash equivalents | ALFVPL | 59 350 | 48 429 | 59 350 | 48 429 |
| | | **96 116** | **86 169** | **96 116** | **86 169** |
| *Financial liabilities* | | | | | |
| Liabilities under finance lease and lease purchase contracts | FLMAC | 6231 | 441 | 623 | 1 441 |
| Trade liabilities and other financial liabilities | FLMAC | 10 808 | 11 909 | 10 808 | 11 909 |
| | | **11 431** | **13 350** | **11 431** | **13 350** |

*Abbreviations used:*

| | |
|---|---|
| FAHM | - financial assets held to maturity, |
| ALFVPL | - financial assets/liabilities at fair value through profit or loss, |
| L&R | - Loans and receivables, |
| AFS | - Available-for-sale financial assets, |
| FLMAC | - Other financial liabilities measured at amortized cost |

ended 31 December 2010 (in PLN thousand)

At 31 December 2009, the Company held the following financial instruments measured at fair value:

| | *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** | **-** |

| | *31 December 2009* | *Level 1* | *Level 2* | *Level 3* |
|---|---|---|---|---|
| Financial assets available for sale | | | | |
| Bonds | 1 056 | - | 1 056 | - |
| Total | **1 056** | **-** | **1 056** | **-** |

In the year ended 31 December 2010 and in the year ended 31 December 2009, 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 2010 and as at 31 December 2009 does not differ significantly from their carrying value.

## 36.2. Items of income, expenses, gains and losses included in comprehensive income by categories of financial instruments

**Year ended 31 December 2010**

| | *Category in accordance with IAS 39* | *Income/(expense) on interest* | *Gains/(losses) on exchange rates* | *Termination/(creation) of write-downs* | *Gains/(losses) from measurement* | *Gains/(losses) from sales of financial instruments* | *Total* |
|---|---|---|---|---|---|---|---|
| Financial assets | | | | | | | |
| Financial assets available for sale | FAHM | - | - | - | | 26 | 26 |
| Forward currency contracts | ALFVPL | - | - | - | 39 | 50 | 89 |
| Trade receivables and other receivables | L&R | - | - | 179 | - | - | 179 |
| Cash and cash equivalents | ALFVPL | 1 791 | - | - | - | - | 1 791 |
| | | | | | | | 2 113 |
| Financial liabilities | | | | | | | |
| Liabilities under finance lease and lease purchase agreements | FLMAC | (53) | - | - | - | - | (53) |
| Trade and other liabilities | FLMAC | - | (73) | - | - | - | (73) |
| | | | | | | | (126) |
| Total | | **1 738** | **(73)** | **179** | **39** | **104** | **1 987** |

**Year ended 31 December 2009**

| | *Category in accordance with IAS 39* | *Income/(expense) on interest* | *Gains/(losses) from exchange rates* | *Termination/(creation) of write-downs* | *Gains/(losses) from measurement* | *Gains/(losses) from sales of financial instruments* | *Total* |
|---|---|---|---|---|---|---|---|
| *Financial assets* | | | | | | | |
| Financial assets held to maturity | FAHM | - | - | - | | 26 | 26 |
| Trade receivables and other receivables | L&R | - | - | 151 | - | - | 151 |
| Cash and cash equivalents | ALFVPL | 1 477 | - | - | - | - | 1 791<br>1 654 |
| *Financial liabilities* | | | | | | | |
| Liabilities under finance lease and lease purchase contracts | FLMAC | (115) | - | - | - | - | (115) |
| Trade and other liabilities | FLMAC | - | (142) | - | - | - | (142)<br>(257) |
| Total | | **1 362** | **(142)** | **151** | **-** | **26** | **1 397** |

for the year ended 31 December 2010 (in PLN thousand)

### 36.3. 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 2010*

| ***Floating interest*** | *<1 year* | *1 - 2 years* | *2 - 3 years* | *3 - 4 years* | *4 - 5 years* | *Total* |
|---|---|---|---|---|---|---|
| Liabilities under finance lease | 411 | 212 | 0 | - | - | 623 |
| Cash assets | 59 350 | - | - | - | - | 59 350 |

*31 December 2009*

| ***Floating interest*** | *<1 year* | *1 - 2 years* | *2 - 3 years* | *3 - 4 years* | *4 - 5 years* | *Total* |
|---|---|---|---|---|---|---|
| Liabilities under finance lease | 593 | 650 | 198 | - | - | 1 441 |
| Cash assets | 48 429 | - | - | - | - | 48 429 |

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.

## 37. 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 amend the payment of dividend to shareholders, return capital to shareholders or issue new shares. In the year ended 31 December 2010 and at 31 December 2009, no changes were made to the objectives, principles and processes applicable in this area.

As regards net debt, the Company includes interest-bearing loans and borrowings, trade liabilities and other liabilities, advances and tax liabilities minus cash and cash equivalents. The capital comprises convertible preferred shares, equity payable to shareholders of the parent minus reserve capital from unrealized net gains.

| | *31 December 2010* | *31 December 2009* |
|---|---|---|
| Interest-bearing loans and borrowings | - | - |
| Liabilities under deliveries and services and other liabilities under financial lease | 21 888 | 21 888 |
| Minus cash and cash equivalents | (59 350) | (48 429) |
| Net borrowings | (37 462) | (26 541) |

| | | |
|---|---|---|
| Own equity | 264 399 | 259 371 |
| Equity and net debt | 226 937 | 232 830 |
| Leverage ratio | -14,17% | -10,23% |

## 38. Employment structure

The Company employees in the year ended 31 December 2010 and 31 December 2009 stood as follows:

| | *Year ended 31 December 2010* | *Year ended 31 December 2009* |
|---|---|---|
| Board | 4 | 5 |
| Production dept. | 514 | 466 |
| Maintenance dept. | 52 | 56 |
| Sales dept. | 35 | 38 |
| Administration dept. | 52 | 63 |
| Others | 3 | 3 |
| **Total** | **660** | **631** |

Employees on 31 December 2010 and 31 December 2009 stood as follows:

ASSECO BUSINESS SOLUTIONS SA Financial statements for the year ended 31 December 2010 (in PLN thousand)

| | *Year ended 31 December 2010* | *Year ended 31 December 2009* |
|---|---|---|
| Board | 4 | 4 |
| Maintenance dept. | 541 | 511 |
| Sales dept. | 52 | 48 |
| Administration dept. | 33 | 38 |
| Others | 48 | 60 |
| Total | 2 | 4 |
| Total | **680** | **665** |

## 39. Events after the balance sheetdate

After the balance sheet date there were no significant events that could have a significant impact on the presented results for the year 2010, not included in the current financial statements.

## 40. Signatures of Board Members

| Name and surname | Position/function | Signature |
|---|---|---|
| Romuald Rutkowski | President of the Management Board | |
| Wojciech Barczentewicz | Vice-President of the Management Board | |
| Piotr Masłowski | Vice-President of the Management Board | |
| Mariusz Lizon | Member of the Management Board | |
| Artur Czabaj | Person responsible for book-keeping | |