The TOYA Group

Consolidated financial statements

for the financial years ended 31 December 2010, 31 December 2009 and 31 December 2008

All amounts in PLN '000 (unless indicated otherwise)

Consolidated statements of financial position

	Note	31 December 2010	31 December 2009	31 December 2008
ASSETS				
Non-current assets				
Property, plant and equipment	6	15,564	44,602	48,209
Investment property	7	-	550	550
Intangible assets	8	355	255	382
Equity-accounted investments in jointly-controlled entities	28	1,596	6,352	6,830
Other receivables		331	320	422
Deferred tax assets	26	1,072	-	-
		18,918	52,079	56,393
Current assets				
Inventory	10	74,434	90,188	104,432
Trade and other receivables	11	34,776	28,040	32,235
Current income tax receivable	26	-	571	-
Other financial assets	12	-	538	5,285
Cash and cash equivalents	13	2,180	2,183	5,882
		111,390	121,520	147,834
Assets of disposal group classified as held for distribution		82,362	-	-
Total assets		**212,670**	**173,599**	**204,227**
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	14	6,557	6,557	6,557
Transaction cost related to public share issue	14	(398)	-	-
Currency translation differences		(353)	(303)	(132)
Retained earnings	15	75,102	62,374	60,472
		80,908	68,628	66,897
Non-current liabilities				
Loans, borrowings and other debt instruments	16	11,394	44,717	43,070
Deferred income tax liabilities	26	135	104	279
Employee benefit obligations	18	109	94	49
		11,638	44,915	43,398
Current liabilities				
Trade and other payables	17	25,407	28,713	36,332
Employee benefit obligations	18	880	857	342
Dividends payable		-	7,078	6,800
Loans, borrowings and other debt instruments	16	48,958	23,235	49,304
Current income tax liabilities	26	1,786	-	978
Provisions	20	217	173	176
		77,248	60,056	93,932
Liabilities of disposal group classified as held for distribution		42,876	-	-
Total liabilities		131,762	104,971	137,330
Total equity and liabilities		**212,670**	**173,599**	**204,227**

The notes are an integral part of these consolidated financial statements.

All amounts in PLN '000 (unless indicated otherwise)

Consolidated statements of comprehensive income

	Note	12 months ended 31 December		
		2010	**2009**	**2008**
Continuing operations				
Revenue	21	189,136	167,168	188,037
Cost of sales	22	(126,648)	(114,377)	(127,215)
Gross profit		**62,488**	**52,791**	**60,822**
Distribution costs	22	(25,104)	(26,450)	(25,661)
Administrative expenses	22	(9,343)	(8,111)	(9,822)
Other income	24	695	710	4,596
Other expenses	24	(94)	(86)	(271)
Operating profit		**28,642**	**18,854**	**29,664**
Financial income	25	27	497	178
Financial costs	25	(3,389)	(4,364)	(5,834)
Share in profit / (loss) of jointly-controlled entities	28	238	(122)	(84)
Profit before income tax		**25,518**	**14,865**	**23,924**
Income tax expense	26	(4,220)	(2,335)	(4,038)
Net profit for the year from continuing operations		**21,298**	**12,530**	**19,886**
Discontinued operations				
Loss for the year from discontinued operations	33	(3,616)	(3,550)	(4,380)
Net profit		**17,682**	**8,980**	**15,506**
Other comprehensive income				
Currency translation differences		(50)	(171)	240
Other comprehensive income, net of tax		**(50)**	**(171)**	**240**
Total comprehensive income for the financial year		**17,632**	**8,809**	**15,746**
Profit attributable to owners of the parent		**17,682**	**8,980**	**15,506**
Comprehensive income attributable to owners of the parent		**17,632**	**8,809**	**15,746**
Basic/diluted earnings per share from continuing operations (PLN)	27	**0.32**	**0.19**	**0.30**
Basic/diluted loss per share from discontinued operations (PLN)	27	**(0.06)**	**(0.04)**	**(0.07)**

The notes are an integral part of these consolidated financial statements.

All amounts in PLN '000 (unless indicated otherwise)

Consolidated statements of changes in equity

	Attributable to owners of the parent				
	Share capital	**Currency translation differences**	**Retained earnings**	**Transaction cost related to public share issue**	**Total**
As at 1 January 2008	**6,557**	**(372)**	**51,765**	**-**	**57,950**
Net profit	**-**	**-**	15,507	**-**	**15,507**
Currency translation differences	**-**	240	-	**-**	**240**
Total comprehensive income	**-**	**240**	**15,507**	**-**	**15,747**
Transactions with owners					
Dividends	**-**	**-**	(6,800)	**-**	**(6,800)**
Total transactions with owners	**-**	-	**(6,800)**	**-**	**(6,800)**
As at 31 December 2008	**6,557**	**(132)**	**60,472**	**-**	**66,897**
As at 1 January 2009	**6,557**	**(132)**	**60,472**	**-**	**66,897**
Net profit	**-**	**-**	8,980	**-**	**8,980**
Currency translation differences		(171)	-	**-**	**(171)**
Total comprehensive income	**-**	**(171)**	**8,980**	**-**	**8,809**
Transactions with owners					
Dividends	**-**	**-**	(7,078)	**-**	**(7,078)**
Total transactions with owners	**-**	**-**	**(7,078)**	**-**	**(7,078)**
As at 31 December 2009	**6,557**	**(303)**	**62,374**	**-**	**68,628**
As at 1 January 2010	**6,557**	**(303)**	**62,374**	**-**	**68,628**
Net profit	**-**	**-**	17,682	-	17,682
Currency translation differences	**-**	(50)	-	-	(50)
Total comprehensive income	**-**	**(50)**	**17,682**	**-**	**17,632**
Transactions with owners					
Transaction cost related to public shares issue (note 14)	**-**	**-**	**-**	(398)	(398)
Dividends	**-**	**-**	(4,954)	**-**	**(4,954)**
Total transactions with owners	**-**	**-**	**(4,954)**	**-**	**(4,954)**
As at 31 December 2010	**6,557**	**(353)**	**75,102**	**(398)**	**80,908**

The notes are an integral part of these consolidated financial statements.

All amounts in PLN '000 (unless indicated otherwise)

Consolidated statements of cash flows

		12 months ended 31 December		
		2010	**2009**	**2008**
Cash flows from continuing operating activities				
Profit before income tax from continuing operations		**25,518**	**14,865**	**23,924**
Adjustments for:				
Depreciation and amortisation	22	2,513	2,723	2,048
Interest	25	3,096	3,483	4,750
(Gains) / losses on investing activities	24	(102)	5	(93)
Share in profit / loss of jointly-controlled entities	28	(238)	122	84
Foreign exchange (gains) / losses		(112)	57	(266)
Changes in balance sheet items:				
Change in trade and other receivables	13	(8,115)	3,983	10,544
Change in inventory	13	(18,833)	19,128	13,241
Change in provisions	13	43	(2)	(50)
Change in trade and other payables	13	4,673	(7,000)	3,245
Change in employee benefit obligations	13	314	359	(88)
Income tax paid		(2,191)	(4,290)	(2,964)
Net cash from continuing operating activities		**6,566**	**33,433**	**54,375**
Net cash from discontinued operating activities		**(1,411)**	**(3,626)**	**(9,609)**
Cash flows from continuing investing activities				
Proceeds from sale of property, plant and equipment, and intangible assets		108	16	392
Purchases of property, plant and equipment, and intangible assets		(1,866)	(650)	(2,251)
Acquisition of investments in joint ventures	28	-	(731)	(576)
Interest received	12	-	237	-
Repayments of loans advanced and bonds	12	-	-	1,700
Net cash from continuing investing activities		**(1,758)**	**(1,128)**	**(735)**
Net cash from discontinued investing activities		**(4,366)**	**4,771**	**(15,785)**
Cash flows from continuing financing activities				
Proceeds from loans and borrowings	16	62,787	25,052	6,518
Repayments of loans and borrowings	16	(33,001)	(40,804)	(24,959)
Redemption of debt securities	16	(3,300)	-	(14,550)
Payments related to finance lease	16	-	-	(51)
Interest paid on loans and borrowings	16	(2,737)	(3,312)	(4,153)
Interest paid on bonds	16	(122)	(291)	(454)
Dividends paid		(12,032)	(6,800)	-
Net cash from continuing financing activities		**11,595**	**(26,155)**	**(37,649)**
Net cash from discontinued financing activities		**(10,336)**	**(10,955)**	**12,431**

All amounts in PLN '000 (unless indicated otherwise)

Change in cash and cash equivalents – continuing operations		**16,403**	**6,150**	**15,990**
Change in cash and cash equivalents – discontinued operations		**(16,113)**	**(9,809)**	**(12,962)**
Change in cash and cash equivalents – continuing and discontinued operations		**290**	**(3,659)**	**3,028**
Cash and cash equivalents at beginning of year		2,183	5,882	2,767
Exchange gains / (losses) on cash and cash equivalents		16	(40)	87
Cash and cash equivalents at end of year	**13**	**2,489**	**2,183**	**5,882**

The notes are an integral part of these consolidated financial statements.

Accounting policy and other explanatory information

1. General information

TOYA S.A. (the "Company" or the "Parent Company") is a joint stock company established under the Commercial Companies Code. The Company's registered address is ul. Sołtysowicka 13/15, Wrocław, Poland.

The Company is a successor of civil law partnership TOYA IMPORT-EKSPORT of Wrocław, whose partners, given the scale of the business and its rapid development, resolved to transfer the business in 1999 to a newly established joint stock company TOYA S.A. of Wrocław.

The Company was incorporated by virtue of a Notarial Deed of 17 November 1999 drawn up by Notary Public Jolanta Ołpińska in the Notarial Office in Wrocław (Rep. A No. 5945/99). Pursuant to a court decision of 3 December 1999, the Company was entered into the Commercial Register maintained by the District Court for Wrocław-Fabryczna, VI Commercial Division, under entry No. RHB 9053. By virtue of a decision of 4 December 2001, the District Court for Wrocław-Fabryczna, VI Commercial Division of the National Court Register, entered the Company into the Register of Entrepreneurs under entry No. KRS 0000066712.

TOYA S.A. operates two branches located away from its registered office: the Nadarzyn Branch and the Kryniczno Branch. The Kryniczno Branch is an internal organisational unit preparing its own financial statements.

The Company's Industry Identification Number (REGON) is 932093253, the Nadarzyn Branch has been assigned Industry Identification Number (REGON) 932093253-00031, and the Kryniczno Branch – Industry Identification Number (REGON) 932093253-00049.

The core business activities of TOYA S.A. include import and distribution of industrial goods, including primarily hand and power tools for professional and DIY use. The Company distributes goods manufactured and supplied mainly by companies located in China. For many years, the Company has been expanding its operations on the international markets, with a particular focus on Central, Southern, and Eastern Europe (Russia, Romania, Ukraine, Lithuania, Hungary, Czech Republic, Germany, Belarus, the Balkan States, and Slovakia.) Furthermore, a subsidiary company TOYA Romania S.A. was established in 2003, whose business includes sales of hand and power tools in Romania. TOYA Romania S.A. offers the same products and brands as those offered by the Company in Poland.

Besides distribution of industrial goods, until 30 September 2010 the Group was also involved in implementation of a golfing and property development project – Toya Golf & Country Club, through its Kryniczno Branch. The project involved construction of a housing estate in areas adjacent to the Company's golf field. As at 31 December 2010, these activities were classified as discontinued operations, and comparative data was appropriately restated due to the planned transfer of these activities to limited joint stock partnership Toya Development Sp. z o.o. S.K.A. (for further details see Note 33).

Entities of the Toya Group do not form a tax group as defined in the Corporate Income Tax Act of 15 February 1992.

The Company was established for an indefinite period.

As at 31 December 2009 and 31 December 2008, the Company did not have a parent company. In accordance with the agreement entered into on 31 August 2010, the Company's three shareholders, i.e. Jan Szmidt, Romuald Szałagan and Tomasz Koprowski, undertook to cooperate on all matters concerning the Company, including to agree their positions submitted to the Company's governing bodies, and to unanimously vote on resolutions adopted by the Company's General Shareholders Meeting. On the basis of their agreement, starting from 31 August 2010 these shareholders have jointly exercised direct control over the Company.

All amounts in PLN '000 (unless indicated otherwise)

2. Group structure and jointly-controlled entities

Name	Registered address	Business profile	Type of equity link	% of shares and votes held	Date of assuming control	Method of consolidation as at end of reporting period
Toya S.A.	Wrocław, Poland	Distribution of hand and power tools, property development, operation of golf field	Parent Company	Not applicable	Not applicable	Not applicable
Toya Romania S.A.	Bucharest, Romania	Distribution of hand and power tools	Subsidiary	99.99	November 2003	Full consolidation method
Toya Golf & Country Club Sp. z o.o.****	Wrocław, Poland	Leisure, sports, real estate trading – the company is dormant	Subsidiary	*100.00	November 2008	Full consolidation method
Yato China Trading Co., Ltd	China, Shanghai	Distribution of hand and power tools	Jointly-controlled entity	** 51.00	June 2008	Equity method
Armada Development S.A. *****	Bytom, Poland	Lease and management of real estate, implementation of a project involving development of acquired post-mining areas	Jointly-controlled entity	*** 50.00	December 2008	Equity method

* In November 2008, the Company established Toya Golf & Country Club Sp. z o.o., acquiring 1,000 shares with a par value of PLN 50 per share in the new entity. All shares were paid up with a cash contribution.

** In June 2008, the Company and Saame Tools (Shanghai) Import & Export Co., Ltd China established a joint venture under the name Yato China Trading Co., Ltd. The Company and Saame Tools (Shanghai) Import & Export Co., Ltd China acquired respectively 51% and 49% of the shares in the new company. All the shares were paid up with a cash contribution. Although the Company holds 51% of the shares and total vote in Yato China Trading Co., Ltd., it does not control the company – n accordance with the articles of association of the joint venture, material operational and financial decisions must be made unanimously by the partners.

*** In December 2008, the Company acquired a 50% stake in Armada Development S.A. (1,000,000 shares with a par value of PLN 6 per share). The shares were paid up with a cash contribution of PLN 6,000 thousand. The book value of Armada Development S.A.'s net assets as at the acquisition date was PLN 12,318 thousand, and did not materially differ from their fair value.

**** By virtue of a resolution adopted by its shareholders on 21 January 2011, Toya Golf & Country Club Sp. z o.o. was placed in liquidation.

***** As at 31 December 2010, shares in Armada Development Sp. z o.o. were classified as a disposal group held for distribution. On 6 April 2011, shares in Armada Development S.A. were transferred to Toya Development Sp. z o.o. S.K.A. (Note 34.3).

3. Summary of significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. The policies have been consistently applied to all the periods presented, unless indicated otherwise.

3.1 Basis of preparation

These consolidated financial statements of the Toya Group for the financial years ended 31 December 2010, 31 December 2009 and 31 December 2008 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and interpretations issued by the International Accounting Standards Board, as adopted by the European Union ("EU").

These financial statements have been prepared for inclusion in the Prospectus of Toya S.A., which as at 31 December 2010 was the Parent Company of the Toya Group, and together with the Prospectus are subject to approval by the Management Board of Toya S.A.

These consolidated financial statements have been prepared in accordance with IFRS and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which were issued and in effect as at the reporting date i.e. 31 December 2010.

The policies described below have been consistently applied to all the periods presented, except for changes following from the application of new or amended IFRS to the extent prospective application was required.

These financial statements have been prepared in accordance with the historical cost convention.

The preparation of financial statements in conformity with IFRS requires use of significant accounting estimates. It also requires the Management Board to exercise judgment in the process of applying the accounting policies adopted by the Group. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are material from the point of view of the financial statements are disclosed in Note 5.

Going concern

These consolidated financial statements have been prepared based on the assumption that the Group companies will continue as going concerns in the foreseeable future. As at the date of approval of these financial statements, no facts or circumstances are known that would indicate any threat to the Group companies continuing as going concerns.

Effect of new or amended standards and interpretations on the Group's consolidated financial statements

These financial statements have been prepared on the basis of the EU's IFRS issued and effective as at the reporting date i.e. 31 December 2010.

The EU's IFRS comprise all International Accounting Standards, International Financial Reporting Standards and related Interpretations, excluding Standards and Interpretations awaiting endorsement by the European Union.

a) New standards, interpretations and amendments to existing standards effective in 2010

- Amendments to IAS 27 *Consolidated and Separate Financial Statements* and IFRS 3 *Business Combinations*. Amendments to IAS 27 were published by the International Accounting Standards Board on 10 January 2008 and are effective for annual periods beginning on or after 1 June 2009. The standard requires that the effects of transactions with minority interests are recognised directly in equity provided that the existing parent retains control over the entity. The standard also specifies the accounting for loss of control over subsidiaries; any retained interest in the entity should be remeasured to fair value, and the remeasurement gain or loss should be recognised in net profit or loss. Amendments to IFRS 3 were published by the International Accounting Standards Board on 10 January 2008 and are effective prospectively for business combinations with the acquisition date falling on or after 1 July 2009.

The amendments permit measurement of minority interests in an acquiree either at fair value or as the minority interest's proportionate share of the acquiree's net identifiable assets, remeasurement of the previously held interest in the acquired entity to fair value and recognition of remeasurement gain or loss in net profit or loss, and provides additional guidance on applying the acquisition method, including recognition of acquisition-related costs as expenses of the period in which they are incurred.

- IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*. Amendments to IAS 39 *Eligible Hedged Items* were published by the International Accounting Standards Board on 31 July 2008 and are effective for annual periods beginning on or after 1 July 2009. The amendments clarify how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation as a hedged item should be applied in particular situations. The amendments introduce two changes:
  - they prohibit the designation of inflation as a hedgeable component of a fixed rate debt instrument, and
  - they do not permit the inclusion of time value in a one-sided hedged risk when options are used as hedges.

- Improvements to IFRS 2009. On 16 April 2009, the International Accounting Standards Board published *Improvements to IFRS 2009*, amending 12 standards. The amendments include changes in presentation, recognition and measurement, as well as terminological and editing changes. The majority of them are effective for annual periods beginning on or after 1 January 2010.

- Amendments to IFRS 1 *First-Time Adoption of IFRS*. Amendments to IFRS 1 were published by the International Accounting Standards Board on 23 July 2009 and are effective for annual periods beginning on or after 1 January 2010. The amendments provide oil and gas companies with additional exemptions to measurement of assets at the date of transition to IFRS.

- IFRIC 12 *Service Concession Arrangements*. IFRIC 12 was issued by the International Financial Reporting Interpretations Committee on 30 November 2006 and is effective for annual periods beginning on or after 1 January 2010. The Interpretation provides guidance on how the existing standards are to be applied by entities participating in service concession arrangements between the public and private sectors. IFRIC 12 applies to contracts under which the grantor controls the kind of services to be provided by the operator using the infrastructure, as well as the recipient and price of the services.

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

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

- IFRIC 17 *Distributions of Non-Cash Assets to Owners*. IFRIC 17 was issued by the International Financial Reporting Interpretations Committee on 27 November 2008 and is effective for annual periods beginning on or after 1 November 2009. The Interpretation clarifies when dividend payable should be recognised and how it should be measured. It also provides for recognition of the difference between the value of dividend and the carrying amount of the distributed assets.

- IFRIC 18 *Transfers of Assets from Customers*. IFRIC 18 was issued by the International Financial Reporting Interpretations Committee on 29 January 2009 and is effective for annual periods beginning on or after 1 November 2009. The Interpretation provides guidance on the recognition of transfer of assets from customers, namely it clarifies when the definition of an asset is met, the identification of separately identifiable services (services provided in exchange for the transfer), the recognition of revenue and the accounting for transfers of cash from customers.

- Amendments to IFRS 2 *Cash-settled Share-based Payment Transactions*. Amendments to IFRS 2 are effective for annual periods beginning on or after 1 January 2010. The amendments clarify how an entity should account for share-based payment transactions in its own consolidated and separate financial statements. The amendments to IFRS 2 also incorporate guidance previously included in IFRIC 8 and IFRIC 11, which were withdrawn. Additionally, the amendments to IFRS 2 extend the scope of guidance included in IFRIC 11 to areas not covered by the Interpretation. They also amend the definitions included in the appendix to the standard.

The amendments had no material impact on the Group's consolidated financial statements.

b) New standards, interpretations and amendments, which are not yet effective and have not been applied early by the Group

The following new standards, interpretations and amendments have been published and are effective for reporting periods beginning on or after 1 January 2011

- Improvements to IFRS 2010. On 6 May 2010, the International Accounting Standards Board published *Improvements to IFRS 2010*, amending 7 standards. The amendments include changes in presentation, recognition and measurement, as well as terminological and editing changes. The majority of the amendments will be effective for annual periods beginning on or after 1 January 2011.

  The amendments are not expected to have a material impact on the Group's consolidated financial statements.

- Amendments to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*. Amendments to IAS 32 were published by the International Accounting Standards Board on 8 October 2009 and are effective for annual periods beginning on or after 1 February 2010. The changes refer to the accounting for rights issues (rights, options, or warrants) denominated in a currency other than the issuer's functional currency. Under the amended standard, if certain conditions are met, rights issues are to be classified as equity, regardless of the currency in which the exercise price is denominated.

  The amendments are not expected to have a material impact on the Group's consolidated financial statements.

- Amendments to IAS 24 *Related Party Disclosures*. Amendments to IAS 24 *Related Party Disclosures* were published by the International Accounting Standards Board on 4 November 2009 and are effective for annual periods beginning on or after 1 January 2011. They simplify the disclosure requirements for government-related entities and clarify the definition of a related party.

  The Group is currently assessing the impact of this amendment on its consolidated financial statements. The amendment may extend the group of related parties as a result of identification of new links through shareholders who jointly control or significantly influence other entities and are members of key management personnel of other entities.

- IFRS 9 *Financial Instruments*. IFRS 9 was published by the International Accounting Standards Board on 12 November 2009 and is effective for annual periods beginning on or after 1 January 2013. The standard introduces a single model that has only two classification categories: amortised cost and fair value. Classification under IFRS 9 is based on the entity's business model for managing assets and contractual characteristics of financial assets.

  In October 2010, the scope of IFRS 9 was extended to include classification and measurement of financial liabilities. The majority of requirements under IAS 39 concerning classification and measurement of financial liabilities were incorporated into IFRS 9 unchanged. The key change is the new requirement to present in other comprehensive income changes in the entities' own credit risk related to financial liabilities designated to be measured at fair value through profit or loss.

The Group is currently assessing the effects of these amendments and their impact on the consolidated financial statements, and considering the date of adoption of the new standard. As at the date of preparation of these consolidated financial statements, IFRS 9 has not yet been endorsed by the EU.

- Amendments to IFRS 1 *First-Time Adoption of IFRS*. Amendments to IFRS 1 *Limited Exemption for First Time Adopters from Comparative IFRS 7 Disclosures* were published by the International Accounting Standards Board on 28 January 2010 and are effective for annual periods beginning on or after 1 July 2010. The amendments provide additional exemptions for IFRS first time adopters from disclosures required by amendments to IFRS 7 published in March 2009, concerning fair value measurement and liquidity risk.

  The amendments will have no impact on the Group's consolidated financial statements.

- Amendments to IFRS 7 *Transfers of Financial Assets*. Amendments to IFRS 7 *Transfers of Financial Assets* are effective for annual periods beginning on or after 1 July 2011. The amendments introduce new disclosure requirements concerning risk related to transfers of financial assets. Entities are required to disclose, for each class of assets, the nature, carrying value and risks and rewards of financial assets transferred to another entity but still recognised in their statement of financial position.

  Entities must also disclose information enabling the transferee to find out the value of any associated liabilities and the relationship between the transferred assets and associated liability. If financial assets are derecognised from the statement of financial position, but the entity is still exposed to certain risk related to, and may derive benefits from the transferred assets, it is also required to disclose information necessary to understand the effects of such risk.

  The amendments are not likely to have any material impact on the consolidated financial statements. As at the date of preparation of these consolidated financial statements, amendments to IFRS 7 have not yet been endorsed by the EU.

- Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*. Amendments to IFRIC 14 were issued by the International Financial Reporting Interpretations Committee on 26 November 2009 and are effective for annual periods beginning on or after 1 January 2011. The interpretation provides guidance on recognition of an early payment of contributions to cover minimum funding requirements as the entity's assets.

  The amendments are not expected to have an impact on the Group's consolidated financial statements.

- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*. IFRIC 19 was issued by the International Financial Reporting Interpretations Committee on 26 November 2009 and is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies the accounting treatment of a situation when, as a result of renegotiation of the terms of debt, the debtor extinguishes its financial liability by issuing equity instruments to the creditor. The interpretation requires that equity instruments should be measured at fair value and the difference between the carrying amount of the liability and the fair value of the equity instrument should be recognised in profit or loss.

  The interpretation is not expected to have a material impact on the Group's consolidated financial statements.

- Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*. Amendments to IAS 12 were published by the International Accounting Standards Board in December 2010 and are effective for annual periods beginning on or after 1 January 2012. The amendments concern measurement of deferred tax assets and liabilities on investment property measured at fair value in accordance with IAS 40 *Investment Property*, and introduce a rebuttable presumption that the value of investment property may be recovered in full through sale. This presumption is rebutted if the objective of the entity's business model for the investment property is to recover the economic benefits from the investment property over time rather than through its sale. SIC 21 *Income Taxes – Recovery of Revalued*

Non-Depreciable Assets, which covers similar issues related to non-depreciable assets measured with the revaluation model in IAS 16 *Property, Plant and Equipment*, was incorporated into IAS 12, except for guidelines on investment property measured at fair value.

The Group will apply amendments to IAS 12 from 1 January 2012. The amendments should have no effect on the consolidated financial statements of the Group. As at the day of preparation of these consolidated financial statements, amendments to IAS 12 have not yet been endorsed by the EU.

- Amendments to IFRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters*. Amendments to IFRS 1 were published by the International Accounting Standards Board in December 2010 and are effective for annual periods beginning on or after 1 July 2011. The amendment concerning severe hyperinflation provides for an additional exemption when an entity which was subject to severe hyperinflation resumes presenting or intends for the first time to present its financial statements in accordance with the IFRS. The exemption allows an entity to measure assets and liabilities at fair value and to use that fair value as the deemed cost of those assets and liabilities in the opening balance sheet in the first financial statements prepared in accordance with the IFRS.

  The IASB also amended IFRS 1 in order to exclude references to fixed dates for one exception and one exclusion with respect to financial assets and liabilities. The first amendment requires first-time adopters of the IFRS to prospectively apply the requirements concerning derecognition in accordance with the IFRS starting from the date of transition to the IFRS, rather than 1 January 2004. The second amendment relates to financial assets or liabilities recognised at fair value on initial recognition, where there is no active market and the fair value is determined using valuation techniques. It allows an entity to use the guidance prospectively from the date of transition to the IFRS rather than 25 October 2002 or 1 January 2004. This means that first-time adopters do not have to determine fair values of financial assets and liabilities before the date of transition to the IFRS. IFRS 9 was also harmonised with these amendments.

  The Group will apply amendments to IFRS 1 from 1 July 2011. The amendments should have no effect on the consolidated financial statements of the Group. As at the date of preparation of these consolidated financial statements, amendments to IFRS 1 have not yet been endorsed by the EU.

- IFRS 10 *Consolidated Financial Statements*. The standard was published in May 2011 and is effective for annual periods beginning on 1 January 2013. The standard replaces the guidance concerning control and consolidation included in IAS 27 *Consolidated and Separate Financial Statements* and SIC 12 *Consolidation – Special Purpose Entities*. IFRS 10 amends the definition of control, so that all entities may use uniform criteria to determine whether control exists.

  The amendments are not likely to have any impact on the Group's consolidated financial statements.

- IFRS 11 *Joint Arrangements*. The standard was published in May 2011 and is effective for annual periods beginning on 1 January 2013. The standard replaces IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities – Non-Monetary Contributions*. The introduced changes in definitions reduce the number of types of joint arrangements to two: jointly controlled operations and jointly controlled ventures. The option of proportionate consolidation of jointly controlled entities was removed. Thus the only possible consolidation method is the equity method.

  The Group is currently assessing the effects of this amendment and its impact on the Group's consolidated financial statements.

- IFRS 12 *Disclosure of Interests in Other Entities*. The standard was published in May 2011 and is effective for annual periods beginning on 1 January 2013. It relates to entities holding interests in subsidiaries, joint arrangements, associates and non-consolidated entities. The standard replaces the guidance on the disclosure of financial information included in IAS 28 *Investments in Associates*, and requires disclosure of information which will help the reader of financial statements to assess the financial effect and risk connected with holding interests in subsidiaries, joint arrangements, associates and non-consolidated entities.

  The Group is currently assessing the effects this amendment and its impact on the Group's consolidated financial statements.

- IFRS 13 *Fair Value Measurement*. The standard was published in May 2011 and is effective for annual periods beginning on or after 1 January 2013. It simplifies the definition of fair value and enhances consistency among the standards by introducing uniform guidance with respect to the measurement and disclosure of fair value.

  The Group is currently assessing the effects of this amendment and its impact on the Group's consolidated financial statements.

- Amendments to IAS 27 *Separate Financial Statements* – amendments introduced as a consequence of publishing IFRS 10.

- Amendments to IAS 28 *Investments in Associates and Joint Ventures* – amendments introduced as a consequence of publishing IFRS 11 and IFRS 12.

3.2 Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, which usually is the case if the Group holds the majority of the total vote in a company's governing bodies. Any assessment as to whether the Group has control of a given entity is made taking into account the existence and effect of potential voting rights that are currently exercisable or convertible. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

Acquisition of subsidiaries is accounted for using the acquisition method.

With respect to transactions which took place before 1 January 2010, the cost of an acquisition is measured as the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange, increased by costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets acquired, the difference is recognised directly in profit or loss.

With respect to transactions which took place after 1 January 2010, the cost of an acquisition is measured as the fair value of the assets transferred, financial instruments issued and liabilities incurred or assumed at the date of exchange, plus liabilities resulting from a contingent consideration arrangement. Acquisition-related costs are recognised in the consolidated profit or loss as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each acquisition, the Group recognises non-controlling interests in the acquiree at their fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.
Any excess of the consideration transferred, the value of non-controlling interests in the acquiree and the fair value of any previously held equity interest in the acquiree as at the acquisition date over the fair value of net identifiable assets acquired is recorded as goodwill. If that amount is lower than the fair value of net assets of the acquiree, the difference is recognised directly in consolidated profit or loss.

Any revenue and costs, balances and unrealised gains from transactions between the Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Where necessary, the accounting policies of subsidiaries were changed to ensure consistency with the accounting policies applied by the Group.

Interests in jointly-controlled entities

Interests in jointly controlled entities are accounted for using the equity method. The Group's investment in jointly-controlled entities includes goodwill as at the acquisition date.

The Group's share in the profit or loss of jointly-controlled entities from the acquisition date is recognised in profit or loss, and its share in other comprehensive income from the acquisition date – in other comprehensive income. When the Group's share of a jointly-controlled entity's losses becomes equal to or higher than its interest in the entity, the Group no longer recognises further losses, unless it has assumed liabilities or made payments on behalf of the jointly-controlled entity.

All amounts in PLN '000 (unless indicated otherwise)

Unrealised gains on transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's proportionate interests in those entities. Unrealised losses are also eliminated, unless the transaction provides evidence of impairment of the asset transferred.

Where necessary, the accounting policies used by jointly-controlled entities were changed to ensure consistency with the accounting policies applied by the Group.

Investments in jointly-controlled entities are tested for impairment whenever there is indication of impairment or indication that any previously recognised impairment loss is no longer required or has decreased.

3.3 Segment reporting

Information on operating segments is presented on the same basis as that used for internal reporting to the Parent Company's Management Board, which is responsible for the allocation of resources and assessment of the segments' results. Amounts presented in the internal reporting process are measured using the same policies as those followed in these financial statements prepared in accordance with the IFRS.

3.4 Foreign currency translation

Functional currency

Items included in the financial statements of the individual Group companies are measured in the currency of the primary economic environment in which a given company operates (the "functional currency"). The consolidated financial statements are presented in the Polish złoty, which is the functional currency of the Parent Company and the presentation currency of the Group.

Transactions and balances

Transactions expressed in foreign currencies are translated to the functional currency using the exchange rate effective for the transaction date.

Any currency exchange gains or losses arising on settlement of such transactions or on accounting measurement of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Monetary assets and liabilities expressed in foreign currencies are translated as at the reporting period end date using the average market rate effective for the given currency for that date.

Non-monetary assets and liabilities carried at cost in a foreign currency are translated using the average market rate effective for the transaction date. Non-monetary items of the statement of financial position expressed in foreign currencies which are carried at fair values are translated using the average market exchange rate effective for the fair value measurement date.

Foreign currency items of the statement of financial position have been translated using the following exchange rates:

Currency	31 December 2010	31 December 2009	31 December 2008
EUR 1	3.9603	4.1082	4.1724
USD 1	2.9641	2.8503	2.9618
RON 1	0.9238	0.9698	1.0409
CNY 1	0.4497	0.4179	0.4344

Translation of the Group companies' and of jointly-controlled entities' data

Financial results and items of the statement of financial position of all the Group companies and jointly-controlled entities, none of which conducts operations in a hyperinflationary economy, whose functional currencies differ from the currency of presentation, are translated into the presentation currency in the following manner:

All amounts in PLN '000 (unless indicated otherwise)

- in each presented statement of financial position assets and liabilities are translated using the average market exchange rate quoted by the National Bank of Poland for the last day in the reporting period;
- revenue and expenses are translated using exchange rates determined as the arithmetic average of the average market exchange rates effective for the last day in each month of the financial year; and
- any currency exchange differences resulting from such translation are recognised in other comprehensive income.

Items of the statement of financial position have been translated from the functional currency into the presentation currency using the following exchange rates:

Currency	**31 December 2010**	**31 December 2009**	**31 December 2008**
RON 1	0.9238	0.9698	1.0409
CNY 1	0.4497	0.4179	0.4344

Financial results have been translated using the following exchange rates:

Currency	**2010**	**2009**	**2008**
RON 1	0.9502	1.0255	0.9542
CNY 1	0.4497	0.4576	0.4063

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3.5 Property, plant and equipment

Property, plant and equipment are stated at acquisition or production cost less accumulated depreciation and impairment.

Acquisition cost comprises the price for which a given assets was purchased (i.e. amount due to the seller, net of any deductible taxes: VAT and excise duty), public charges (in the case of imports) and expenditure directly attributable to the to the acquisition of the asset and its adaptation for its intended use, including the costs of transport, loading and unloading.

Rebates, discounts as well as other similar concessions and recoveries decrease the asset acquisition cost.

Production cost of a tangible fixed asset or a tangible fixed asset under construction includes all the expenses incurred by the entity during its construction, assembly, adaptation or improvement, incurred until the date on which the asset became available for use, including any non-deductible VAT and excise duties.

Any subsequent expenditure on replacement of parts of items of property, plant and equipment is capitalised if it can be measured reliably and it is probable that the Company will derive economic benefits associated with the replaced items. Repair and maintenance costs are charged to profit or loss as incurred.

Except for land and tangible fixed assets under construction, all items of property, plant and equipment are depreciated over their estimated useful lives using the straight-line method, taking into account the residual value, if material. The following groups are depreciated using the following depreciation rates:

Buildings and structures	3% to 6%
Plant and equipment	5% to 50%
Vehicles	8% to 50%
Other tangible fixed assets	10% to 100%

Correctness of the applied useful lives, depreciation methods and residual values (except where insignificant) is reviewed by the Group on an annual basis. Any changes are presented as changes in accounting estimates and their effect is taken to profit or loss in the period when the estimate changes and in subsequent periods.

Significant components of property, plant and equipment are depreciated based on their estimated useful lives.

Any gains or losses on the disposal or liquidation of items of property, plant and equipment are determined as the difference between the revenue from the sale and the carrying amount of the items, and recognised in profit or loss.

Tangible fixed assets under construction are stated at cost or at the amount of the aggregate expenses directly associated with their production, less impairment. The cost of borrowings contracted to finance tangible fixed assets under construction increases their value.

3.6 Leases

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased asset, are recognised in the statement of financial position at commencement of the lease term at the lower of the fair value of the asset and the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability, in a way to produce a constant rate of interest on the remaining balance of the liability. The finance charge is recognised in profit or loss.

Tangible fixed assets used under finance lease agreements are depreciated over the shorter of their estimated useful life or the lease term.

Leases whereby the lessor retains substantially all the risks and rewards incidental to ownership of the leased asset are classified as operating leases. Operating lease payments are recognised as an expense and charged to profit or loss over the lease term on a straight-line basis.

3.7 Investment property

Investment property is stated at cost less accumulated depreciation and impairment losses. The periods and methods of depreciation applied to investment property are reviewed in same manner as in the case of depreciation of property, plant and equipment. Investment property is depreciated using the straight-line method.

Any gains or losses arising on disposal of investment property are determined as the difference between the net proceeds from the sale and the carrying amount of the asset as at the date of the sale, and recorded in other income or expenses, as appropriate.

3.8 Intangible assets

Intangible assets are stated at acquisition or production cost less accumulated amortisation and impairment.

Any subsequent expenditure on existing intangible assets is capitalised only when it increases the future economic benefits to be generated by the asset; otherwise, it is taken to profit or loss as incurred.

The period and method of amortisation of intangible assets are reviewed at the end of each financial year. Any changes are recognised as changes in accounting estimates and their effect is charged to profit or loss in the period in which the amortisation rates are changed and in subsequent periods.

The amortisation rates applied to intangible assets are as follows:

Trademarks	20%
Licences and software	5% to 50%

3.9 Goodwill

Goodwill is not amortised, but it is tested for impairment annually or more frequently if there is any indication of impairment.

As at the acquisition date, the acquired goodwill is allocated to each of the cash-generating units that will benefit from the synergies of the business combination, not larger than an operating segment. The accounting policies applicable to goodwill impairment testing are presented in Note 3.10.

3.10 Impairment on non-financial non-current assets

As at the end of each reporting period, the Group assesses whether there is any evidence that any of its non-financial non-current assets may be impaired. If the Group finds that there is such evidence, or if the Group is required to perform annual impairment tests (in the case of goodwill), the Group estimates the recoverable amount of the given asset or cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash-generating unit is equal to the higher of the asset's or cash-generating unit's fair value less costs to sell or its value in use. The recoverable amount is determined for individual assets, unless a given asset does not generate separate cash inflows largely independent from those generated by other assets or asset groups. If the carrying amount of an asset is higher than its recoverable amount, the asset is impaired and an impairment loss is recognised up to the established recoverable amount. The impairment loss is allocated in the following order: first, the carrying amount of goodwill is reduced, and then the carrying amounts of other assets of the cash-generating unit are reduced pro rata. Impairment losses related to the assets used in the continued operations are disclosed under the cost categories corresponding to the function of the asset with respect to which impairment has been identified.

As at the end of each reporting period, the Group assesses whether there is evidence that any impairment loss recognised in the previous periods with respect to a given asset (other than goodwill) or cash-generating unit is no longer necessary or should be reduced. If such evidence exists, the Group measures the recoverable amount of the given asset or cash-generating unit.

3.11 Borrowing costs

Borrowing costs that are directly attributable to acquisition or production of assets which take a substantial period of time to become available for their intended use, are capitalised as part of the cost of property, plant and equipment, investment property or intangible assets, as appropriate, until such assets become available for their intended use.

3.12 Financial assets

Upon initial recognition, financial assets are measured at fair value of the consideration given plus transaction cost, with the exception of financial assets at fair value through profit or loss in the case of which the transaction cost is charged to profit or loss.

Then, the financial instruments are classified into one of the following four categories and treated in the following manner:

Financial assets at fair value through profit or loss

This category includes the following two subcategories:

- financial assets held for trading, and
- financial assets designated as assets at fair value through profit or loss on initial recognition.

An asset is classified in this category if it was acquired primarily for the purpose of selling it in the near future or if it was assigned to this category by the Management Board.

Financial assets held to maturity

Financial assets held to maturity are measured at amortised cost using effective interest rate.

Loans and receivables

This category primarily includes loans granted and trade receivables.

Loans and receivables are measured at amortised cost determined using effective interest rate (in the case of current receivables, given that the discount effect would be insignificant due to short maturities, the amortised cost is assumed as equal to the initially invoiced amounts).

Available-for-sale financial assets

Available-for-sale financial assets are measured at fair value and any unrealised revaluation gains/losses are recognised in other comprehensive income.

The fair value of financial instruments for which an active market exists is determined by reference to the prices quoted on that market as at the end of the reporting period. If no quoted market price is available, the fair value is estimated based on a market price quoted for a similar instrument or based on projected cash flows.

Except for financial assets at fair value through profit or loss, all financial assets are tested for impairment as at the end of the reporting period.

As at 31 December 2008, 31 December 2009 and 31 December 2010, all financial assets held by the Group were classified as loans and receivables.

3.13 Impairment of financial assets

An impairment loss on a financial asset is recognised when there is objective evidence of its impairment, which may have an adverse effect on the amount of future cash flows attributable to the asset.

Impairment of financial assets carried at amortised cost is measured as the difference between the carrying amount of an asset and the present value of future cash flows discounted using the initial effective interest rate. Carrying amounts of individual financial assets of material unit value are reviewed as at end of each reporting period in order to check whether there is any indication of impairment. Other financial assets are assigned to groups of assets with similar credit risk and tested for impairment collectively.

Impairment losses are reversed if a subsequent increase in the recoverable amount can be objectively attributed to an event occurring after the date when impairment was recognised. Impairment losses on doubtful receivables are measured based on an analysis of historical data on collectability of receivables, including the aged structures of receivables, as well as information from the legal department concerning receivables with respect to which court proceedings have been instigated (bankruptcies, liquidations, arrangements, claims with respect to which a court payment order is sought). In particular, impairment losses are recognised in respect of the following types of receivables:

- receivables in an enforced debt collection process - 100% of the amount such receivables,
- receivables which are past due for more than 180 days - 50% of the amount of such receivables,
- past due for more than one year - 100% of the amount of such receivables.

Impairment losses on receivables are charged to other expenses or to financial costs, as appropriate depending on the type of the receivable in respect of which impairment is recognised. Impairment losses on previously accrued interest are recognised in financial costs.

3.14 Inventory

Inventory comprised of: as at 31 December 2010 – goods for resale (hand and power tools), and as at 31 December 2009 and 31 December 2008 – goods for resale (hand and power tools), finished products of the property development business (dwellings) and work in progress of the property development business (dwellings under construction).

Inventory is measured at the lower of cost or net realisable value.

Net realisable value is equal to the estimated selling price of an item of inventory less any costs of completion and costs necessary to make the sale.

Impairment losses on inventory are recognised in cost of sales.

Inventory decrease is measured as follows:

- with respect to goods for resale (hand and power tools) - based on average prices, i.e. determined as weighted average prices of individual goods for resale,
- with respect to finished products of the property development business (houses) - based on a detailed identification of production costs attributable to the individual finished products.

In particular, given that the estimated average period in which individual goods for resale are sold is three years, an impairment loss on inventory of goods for resale (tools and power tools) is recognised if the quantitative inventory consumption in a given year is lower than 33% of the total of purchases and the year opening balance for a given item. In the case of goods for resale, if the balance of any particular inventory item at the year end exceeds the estimated consumption of this inventory item over the next two years, a relevant impairment is recognised.

The cost of construction of dwellings comprises of expenditures related to the following:

- auxiliary infrastructure (natural gas and power supply systems, water supply and sewage system, telecommunications system, internal roads, fencing) and other shared costs; expenditure on infrastructure and other shared costs are distributed proportionately to all apartments/houses planned for construction as part of a given project,
- construction of each single dwelling following execution of a preliminary sales agreement with a future owner.

The following items are taken into account in measurement of work in progress: construction materials, salaries and wages of construction workers, including the related employee benefits, cost of contracted services and depreciation of the property, plant and equipment used in the property development business.

3.15 Cash and cash equivalents

Cash and cash equivalents disclosed in the statement of financial position include cash at bank and in hand as well as highly liquid current financial assets whose original maturity does not exceed three months and which are readily convertible into specific cash amounts and subject to insignificant risk of fluctuation in fair value.

3.16 Equity

Equity is disclosed in the accounting records divided into categories, in accordance with the rules set forth in applicable laws and the provisions of the Company's Articles of Association.

The particular categories of equity are:

- share capital of the Parent Company – stated at its par value as specified in the Company's Articles of Association and entered in the court register,
- retained earnings – comprising profit/(loss) distributions, undistributed profit/(loss), and net profit/(loss) for the reporting period to which given financial statements relate.

Transaction cost related to the public share issue is taken to equity and reduces the share premium account as at the share issue date.

3.17 Bank loan liabilities

Bank loans are initially recognised at fair value less transaction cost. Following initial recognition, bank loans are measured at amortised cost, using the effective interest method.

3.18 Trade payables

Trade payables are initially recognised at fair value, and subsequently, where the discount effect is material, they are measured at amortised cost using the effective interest method.

3.19 Current and deferred income tax

Mandatory decreases of profit (increases of loss) include current and deferred income tax.

Current income tax

Current tax expense is calculated based on the taxable profit for the given reporting period. The tax expense is calculated using the tax rates effective for a given fiscal year.

Deferred income tax

Deferred tax assets and liabilities are determined based on temporary differences between the accounting and tax values of assets and liabilities.

Deferred tax assets are recognised only if it is probable that the Group will have future taxable profits allowing for utilisation of the temporary differences and deduction of the tax losses. Deferred tax assets are determined as the amount of income tax recoverable in the future in respect of deductible temporary differences which will reduce future income tax base and any deductible tax loss, determined in accordance with the prudence principle.

The amount of deferred tax assets and liabilities is determined using income tax rates which will be effective when a deferred tax asset is utilised or a deferred tax liability arises.

Deferred tax assets and liabilities have been offset at the level of individual Group members, as at this level the criteria of IAS 12 with respect to offsetting deferred tax assets against deferred tax liabilities were met.

A deferred tax liability is recognised for temporary differences associated with investments in subsidiaries and jointly-controlled entities, except where the Group controls the reversal of such temporary differences and it is probable the differences will not reverse in the foreseeable future.

3.20 Employee benefit obligations

Post-employment benefit plan – the defined contribution plan

The Company participates in the national post-employment benefit plan by paying an appropriate percentage of an employee's gross pay as a contribution to the Social Security Institution (ZUS). This plan is a defined contribution plan. The contributions are expensed as paid.

Post-employment benefit plan – the defined benefit plan (retirement severance pays) and other benefits

In accordance with the applicable remuneration systems and rules, employees of the Group companies are entitled to death benefits and retirement severance pays. Death benefits are one-off benefits paid to an employee's family following the employee's death, whereas retirement severance pays are one-off benefits paid when an employee retires. The amount of a retirement severance pay or death benefit depends on the length of employment and average remuneration of a given employee. The Group accrues for future retirement severance pay and death benefit obligations in order to attribute costs to the periods to which they relate.

The present value of such obligations is determined by an independent actuary using the projected unit credit method. Accrued liabilities are equal to the discounted future payments, taking into account the employee turnover, and relate to the period until the end of the reporting period. Demographic and employee turnover data is based on historical data. Actuarial gains and losses are recognised in profit or loss.

3.21 Provisions

Provisions are created when the Company has a present obligation (legal or constructive) resulting from past events, it is probable that the discharge of this obligation will result in an outflow of economic benefits, and the obligation can be measured reliably.

A provision is recognised as a reliable estimate of the amount required to settle the existing obligation, made as at the end of the reporting period taking into account the risks and uncertainties associated with the obligation.

In particular, a provision is created for the expected returns and complaints. The Company's historical data and past experience show that returns and complaints are generally made within three months of the date of sale. Therefore, the provision for returns and complaints is created as 0.5% of the revenue for the most recent quarter preceding the end of the given reporting period.

3.22 Recognition of revenue

Revenue is recognised at fair value of consideration received or receivable, net of VAT, returns, rebates and discounts. Revenue is recognised to the extent it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably.

Revenue from sales of goods for resale – continuing operations

Revenue from sales of goods for resale is recognised if the significant risks and rewards of the ownership of goods for resale have been transferred to the buyer, that is upon their release from the Group's warehouse.

Revenue from sales of recreation and catering services – discontinued operations

In most cases, revenue from sales of recreation and catering services (related to the golf field and the restaurant) is recognised on a one-off basis following the performance of a service, except for revenue from fees collected for membership in the golf club, which is recognised on a straight-line basis.

Revenue from sales of real estate – property development – discontinued operations

The Company executes property development projects, as part of which it sells real estate (primarily single-family houses). The Company recognises revenue and costs relating to the sold real estate upon transferring to the buyer the control and significant risk related to the ownership, that is on the date of execution of a sale agreement in the form of a notarial deed.

3.23 Interest income

Interest income is recognised using the effective interest rate method.

3.24 Dividends

The obligation to pay dividends is recognised when the shareholders' right to receive such dividends is approved.

3.25 Non-current assets (a disposal group) classified as held for distribution and discontinued operations

Non-current assets (a disposal group) are classified as held for distribution if the entity intends to deliver the asset (or a disposal group) to its owners. This is the case when assets are available for immediate delivery in their present condition, and their delivery is highly probable (i.e. an action has been initiated to deliver the assets and is expected to be completed within a year from the classification date; actions required to complete the delivery of assets indicate that significant changes concerning the delivery of assets or its abandonment are unlikely).

Non-current assets (or a disposal group) classified as held for distribution are measured at the lower of their carrying amount or fair value less distribution costs.

Business activities recognised in the period as discontinued operations is a part of the entity classified as held for distribution, which represents an important separate area of operations.

4. Financial risk management

4.1 Financial risk factors

The Group's business activities expose it to a number of various financial risks, such as market risk (including foreign exchange risk and the risk of fair value or cash flow changes as a result of interest rate movements), credit risk and liquidity risk. The Group's overall risk management programme is designed to mitigate the potential effect of risk on the Group's financial performance. The Group does not use derivatives to hedge against certain risks.

The Management Board defines overall risk management rules as well as the policy for specific areas such as credit risk or investing liquidity surpluses.

4.2 Market risk

Foreign exchange risk

The Group purchases significant amounts of goods from foreign suppliers, located primarily in China, at prices denominated in foreign currencies (particularly USD). As at 31 December 2010, trade payables in

USD represented 74% of the total trade payables (40% as at 31 December 2009 and 50% as at 31 December 2008).

The Group may use EUR and USD denominated credit facilities available under executed credit facility agreements. However, as at 31 December 2010, the Group only had loan liabilities denominated in PLN (as at 31 December 2009 and 31 December 2008, the USD and EUR denominated loans represented 3% and 2%, respectively, of the total loan liabilities).

As at 31 December 2010, cash in foreign currencies (USD and EUR) represented 54% of the total cash (68% as at 31 December 2009 and 46% as at 31 December 2008).

A small portion of the Group's sales revenue is generated from exports, at prices denominated in foreign currencies (mainly EUR). As at 31 December 2010, trade receivables in EUR represented 13% of the total trade receivables (22% as at 31 December 2009 and 30% as at 31 December 2008).

A risk exists that future fluctuations of exchange rates may have a negative or positive effect on the Group's financial performance. To date, the Group has not made extensive use of derivative financial instruments to hedge against the results of future changes in exchange rates.

If the złoty appreciated/depreciated by 10% against the dollar (all other things being equal), the profit before income tax for 2010 would rise/drop by approximately PLN 919 thousand (approximately PLN 244 thousand in 2009 and approximately PLN 820 thousand in 2008), mainly due to the measurement of USD denominated trade payables.

If the złoty appreciated/depreciated by 10% against the euro (all other things being equal), the profit before income tax for 2010 would drop/rise by approximately PLN 141 thousand (approximately PLN 122 thousand in 2009 and approximately PLN 124 thousand in 2008), mainly due to the measurement of EUR denominated trade receivables.

Interest rate risk

In addition to short-term bank deposits (Note 14) disclosed under "Cash and cash equivalents", the Group holds interest-bearing assets, including loans granted and bonds. As at 31 December 2010, the loans and bonds are components of a disposal group classified as held for distribution and are presented as discontinued operations. Bonds and loans receivables bear interest at a fixed rate (Note 13), which exposes the Group to the risk of fair value changes.

The Group's policy envisages the use of bank loans bearing interest at variable rates. This exposes the Group to the risk of interest rate changes affecting its cash flows. As at 31 December 2010, all liabilities under bank loans bear interest at variable rates (which was also the case as at 31 December 2009 and 31 December 2008). Furthermore, the Group has liabilities from fixed-rate bonds outstanding (Note 16), which exposes the Group to the risk of fair value changes.

The Group actively monitors its exposure to the risk of interest rate changes affecting its cash flows and fair values. The Group runs simulations of various scenarios, taking into consideration refinancing, roll-over of the existing positions, and alternative financing. The Group uses the scenarios to assess the impact of a change in interest rates on its financial performance. Simulations are run for bank deposits and liabilities, which represent the largest items exposed to interest rate risk.

The sensitivity analysis of the Group's cash flows to interest rate risk was prepared for financial instruments based on variable interest rates. The financial instruments held by the Company were linked to WIBOR rates. The impact of interest rate fluctuations on the financial result was calculated as the product of liability balances and the assumed WIBOR variance.

All amounts in PLN '000 (unless indicated otherwise)

	+30 basis points		- 30 basis points	
	Effect on profit before income tax	**Effect on net profit**	**Effect on profit before income tax**	**Effect on net profit**
Financial liabilities				
Variable interest rate loans				
– continuing operations	(181)	(147)	181	147
– discontinued operations	(78)	(63)	78	63
Total for 2010	**(259)**	**(210)**	**259**	**210**

	+30 basis points		-30 basis points	
	Effect on profit before income tax	**Effect on net profit**	**Effect on profit before income tax**	**Effect on net profit**
Financial liabilities				
Variable interest rate loans				
– continuing operations	(763)	(618)	763	618
– discontinued operations	(104)	(84)	104	84
Total for 2009	**(867)**	**(702)**	**867**	**702**

	+30 basis points		-30 basis points	
	Effect on profit before income tax	**Effect on net profit**	**Effect on profit before income tax**	**Effect on net profit**
Financial liabilities				
Variable interest rate loans				
– continuing operations	(729)	(590)	729	590
– discontinued operations	(130)	(105)	130	105
Total for 2008	**(859)**	**(695)**	**859**	**695**

The Group does not use derivatives to hedge against the risk of interest rate changes affecting its cash flows and fair values.

4.3 Credit risk

Credit risk is managed at the Group level. It arises mainly from bank deposits, loans granted, purchased bonds and credit exposures to customers, including trade receivables due.

Credit risk relating to bank deposits is considered by the Management Board as low as the Group cooperates with renowned financial institutions which enjoy premium credit ratings (BZ WBK, Raiffeisen Bank, DnB Nord and Citi Bank Handlowy).

Credit risk relating to bonds and loans is considered by the Management Board as low as the bonds were purchased from and the loans were mostly granted to related parties. As at 31 December 2010, the loans and bonds are components of a disposal group classified as held for distribution and are presented as discontinued operations.

Credit risk relating to credit exposures to customers is considered by the Management Board as low. The Group sells its products to two key customer groups: retail chains and wholesale customers (including wholesalers, distributors and authorised retail stores), on the domestic and foreign markets (notably countries in Central, Eastern and Southern Europe, including Russia, Romania, the Baltic States, Hungary, Belarus, Czech Republic, Germany and Ukraine).

The table below presents the Group's sales structure by customer group and market:

All amounts in PLN '000 (unless indicated otherwise)

	2010	2009	2008
Domestic sales – wholesale customers	48%	46%	43%
Domestic sales – retail chains	28%	32%	33%
Export sales	24%	22%	24%
Total	**100%**	**100%**	**100%**

As regards sales to retail chains, the Group sells its products to the largest chains in Poland. Credit exposures in this customer group are rather evenly distributed, except for two key retail chains which jointly account for approximately 50% of sales made through this particular distribution channel. Credit risk exposure to retail chains is considered by the Group as low as most of them are reliable and financially transparent customers with an established market position and a sound payment history.

In the area of wholesale distribution, the Group has established cooperation with ten authorised distributors, a few dozen wholesalers across the country and authorised retail stores. Concentration of receivables from wholesale customers is low – some 14 customers account for 75% of sales moved through this distribution channel. The Group pursues a policy of reducing credit exposures to wholesale customers with the use of a credit limit mechanism. The limits are set for each customer based on a detailed assessment of its financial performance, market position, payment discipline and the overall situation in the sector. The utilisation of credit limits is monitored on a regular basis. A transaction exceeding the credit limit granted may only be executed upon the authorisation by the sales director.

The Group mitigates its credit risk by having trade receivables insured under an insurance contract with Euler Hermes (the contract does not cover receivables owed by retail chains and customers in Romania). As at 31 December 2010, 50% of the Group's trade receivables were insured (31 December 2009: 49%; 31 December 2008: 37%). In some cases, credit limits are awarded to customers on the basis of the ratings prepared based on the insurer's data. Under the insurance contract, the deductible is 10% for customers with a credit limit awarded by the insurer and 20% for customers with a credit limit awarded based on the Company's ratings.

The maturity structure of receivables and details on past due receivables are presented in Note 11.

The maximum credit risk exposure is approximately equal to the book value of trade receivables net of receivables insured, advanced loans, purchased bonds, cash and cash equivalents. As at 31 December 2010, the maximum credit risk exposure is PLN 18,668 thousand (31 December 2009: PLN 15,509 thousand; 31 December 2008: PLN 28,935 thousand), of which PLN 5,806 thousand (PLN 2,155 thousand; PLN 8,135 thousand) pertains to discontinued operations.

4.4 Liquidity risk

The Management Board of the Company believes that the Group's liquidity is secured for the foreseeable future. The Group follows a prudent liquidity risk management policy, which focuses on maintaining an adequate level of cash and securing the ability to use the credit facilities. The management monitors the level of current liabilities and current assets, as well as current cash flows of the Group.

Key items analysed for the purpose of monitoring of the liquidity risk are as follows:

	31 December		
	2010	2009	2008
Current assets	111,389	121,520	147,834
Current liabilities	77,248	60,056	93,932

	2010	2009	2008
Cash flows from operating activities – continued operations	6,566	33,433	54,375

The table below presents financial liabilities of the Company by maturities, which are determined based on contractual future payment dates, uniform for each group of liabilities. The figures presented below represent undiscounted contractual cash flows.

All amounts in PLN '000 (unless indicated otherwise)

	Up to 1 year	1–3 years	3–5 years	More than 5 years	Total
Loans and borrowings	51,503	12,084	-	-	**63,587**
Bonds	-	-	-	-	-
Trade and other payables	24,676	-	-	-	24,676
As at 31 December 2010*	**76,179**	**12,084**	-	-	**88,263**
Loans and borrowings	22,138	37,648	6,001	3,240	**69,027**
Bonds	3,572	-	-	-	**3,572**
Trade and other payables	25,862	-	-	-	**25,862**
As at 31 December 2009	**51,572**	**37,648**	**6,001**	**3,240**	**98,461**
Loans and borrowings	52,024	30,642	6,265	6,175	**95,106**
Bonds	281	3,572	-	-	**3,853**
Trade and other payables	35,355	-	-	-	**35,355**
As at 31 December 2008	**87,660**	**34,214**	**6,265**	**6,175**	**134,314**

* Cash flows from continuing operations.

4.5 Capital management

The Management Board of the Parent Company defines capital as the Group's equity. The equity held by the Parent Company meets the requirements provided for in the Polish Commercial Companies Code. There are no other capital requirements imposed by external regulations.

The Group's capital management activities are aimed at protecting the Group's ability to continue its operations so as to ensure a return on investment for the shareholders and benefits for other interested parties, as well as maintenance of the optimum capital structure to lower the cost of capital. In the period covered by these consolidated financial statements, the Group implemented the above objective.

4.6 Risks associated with the financial crisis

The 2008/2009 financial market crisis had a profound effect on the economies of practically all countries worldwide. Most sectors and industries in Europe and worldwide were strongly hit by the deteriorating economic indicators, followed by a collapse of capital markets. Many companies faced bankruptcy or recorded a strong deterioration in financial performance. The Group operates in the global market and the effects of the crisis were also directly felt by the customers of the Group, which caused a decrease in orders. In 2008 and 2009, the revenues declined. Due to the cost restructuring strategy followed by the Management Board of the Parent Company, operating profit as well as net profit were not affected by similar downward trends. The first signs of an improvement in economic indicators worldwide, or rather signs of levelling off of the downward trend in the second half of 2009, translated into improved performance in 2010. Orders from customers began to increase and are continuing on the rise.

4.7 Fair value measurement

The book value of financial assets and liabilities is similar to their fair value. For disclosure purposes, the fair value of long-term financial liabilities is estimated by discounting future contractual cash flows with market interest rate currently available to the Group for similar financial instruments.

5. Material accounting estimates and judgements

Estimates and judgements are verified on an ongoing basis. Estimates and judgements used during the preparation of the financial statements are based on historical experience as well as analyses and expectations of future events which, to the best knowledge of the Management Board of the Parent Company, are believed to be reasonable under the circumstances.

Material accounting estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the actual results. The estimates and assumptions that involve a significant risk of the necessity to make a material adjustment to the carrying amounts of assets and liabilities during the current or following financial year are outlined below.

Estimated impairment losses

<u>Test for impairment of a single item of property, plant and equipment – a warehouse with a carrying amount of PLN 5,326 thousand as at 31 December 2010 (PLN 5,493 thousand as at 31 December 2009)</u>

As at 31 December 2009, the Company's Management Board identified indications of a potential impairment of non-current assets with respect to a single item of property, plant and equipment, namely the main warehouse, whose capacity had not been used in full.
For the purposes of determining the recoverable value of the warehouse, a valuation was prepared by an independent real estate appraiser. The valuation was performed with the comparative method. The appraiser determined the fair value of the warehouse at PLN 8,440 thousand, that is PLN 2,947 thousand over the carrying amount as at 31 December 2009 (costs to sell were deemed immaterial). Based on the results of the impairment test performed, no need was identified to recognise an impairment loss on the main warehouse.

In 2010, no indications of potential impairment of the main warehouse were identified. Consequently, no impairment test was performed.

<u>Test for impairment of a golf field – classified as the "disposal group held for distribution" as at 31 December 2010 and representing discontinued operations.</u>

As at 31 December 2009, the Company's Management Board identified indications of potential impairment of a golf field with the carrying amount of PLN 24,148 thousand (a separate cash generating unit), which until the end of the reporting period had been generating negative cash flows.
For the purposes of a test for impairment, the golf field was recognised as a separate cash generating unit. A professional appraiser determined the recoverable value of the cash generating unit. Key assumptions for the determination of the fair value included a discount rate of 8%.

Based on the results of the impairment test performed, no need was identified to recognise an impairment loss on this cash generating unit.

If the discount rate assumed for the determination of fair value had been by 5% (or 0.4 pp) higher than the Group's estimate as at 31 December 2009, the Group would have recognised an impairment loss of PLN 1,198 thousand.

As at 31 December 2010, the golf field was, jointly with the real estate construction operations, classified as "disposal group held for distribution and discontinued operations" (for more detailed information, see Section "Assets and liabilities of disposal group held for distribution and discontinued operations" and in Note 33a).
Prior to the reclassification to the disposal group held for distribution, a test for impairment was performed by comparing the carrying amount of the golf field with its fair value (costs to sell were deemed immaterial); the test did not show an impairment of the golf field assets.
Following the reclassification to "disposal group held for distribution", the carrying amount of the entire disposal group (PLN 39,486 thousand) was compared with its fair value, net of distribution costs. The fair value, net of distribution costs, was higher than the carrying amount of the disposal group. Therefore, no need was identified to recognise an impairment loss on the disposal group.

Useful lives and depreciation rates for property, plant and equipment

The Group's Management Board determines estimated useful lives and depreciation rates for property, plant and equipment. The estimates are based on the projected useful lives for individual groups of assets. The estimates may change materially as a result of new technological solutions emerging on the market, plans of the Parent Company's Management Board, or intensity of use. The Management Board increases or decreases a depreciation rate for a given asset if its useful life proves shorter or longer, respectively, than expected, and revalues technologically obsolete assets, and assets which are not of strategic importance and whose use has been discontinued. Property, plant and equipment value and depreciation are described in Note 6.

If the actual useful lives of property, plant and equipment had been by 10% shorter than the Management Board's estimates, the carrying amount of property, plant and equipment would have been lower by PLN 218 thousand as at 31 December 2010, PLN 2,158 thousand as at 31 December 2009, and PLN 1,051 thousand as at 31 December 2008.

Provisions and impairment write-downs

As at each end of a reporting period, the Management Board of the Parent Company makes material estimates of impairment write-downs:

- provisions for warranties and complaints – for detailed information see Note 20;
- impairment write-downs on inventory – for detailed information see Note 10;
- impairment write-downs on receivables – for detailed information see Note 11.

Assets and liabilities of disposal group held for distribution and discontinued operations

Assets and liabilities of the Kryniczno Branch, whose net book value is presented in Note 33, did not qualify for removal from the statement of financial position of TOYA S.A. as at 31 December 2010, as TOYA S.A. retained most of the risks and rewards associated with these assets and liabilities.
– TOYA S.A. was a general partner in Toya Development Sp. z o.o. S.K.A., and under the applicable laws had joint and several unlimited liability, with the other general partner, for Toya Development Sp. z o.o. S.K.A.'s operations,
– the ownership of TOYA S.A. Kryniczno Branch's assets (including land) had not been transferred to Toya Development Sp. z o.o. S.K.A.,
– TOYA S.A. had not transferred the liabilities from bank loans contracted to finance construction of the golf field to Toya Development Sp. z o.o. S.K.A.

In the financial statements prepared as at 31 December 2010, the assets and liabilities (whose values are presented in Note 33) of the Kryniczno Branch are disclosed as "Disposal group held for distribution" and "Liabilities directly associated with disposal group held for distribution" because the criteria required by IFRS 5 are met, in particular, the necessary resolutions were passed to transfer the ownership of the assets and liabilities to Toya Development Sp. z o.o. S.K.A. The operations of the Kryniczno Branch are disclosed as discontinued operations and the comparative data in all periods presented was restated.

In accordance with the agreement signed on 6 April 2011, after the balance sheet date, the Company effectively disposed of the assets and liabilities of the Kryniczno Branch by contributing them to Toya Development Sp. z o.o. S.K.A., The value of the actual contribution is described in Note 34.3.

On 4 May 2011, the Extraordinary General Shareholders Meeting of Toya Development S.K.A. adopted a resolution to approve TOYA S.A.'s withdrawal as a general partner from Toya Development S.K.A. The date of withdrawal was set for 4 May 2011. The compensation due to Toya S.A. for its withdrawal was agreed at PLN 2,250 thousand, payable in 18 monthly instalments starting from May 2011. On 16 May 2011, the changes connected with Toya S.A.'s withdrawal from Toya Development S.K.A. were registered in the National Court Register.

Given the fact that the transaction took place between related parties and control over the net assets transferred is not lost by the existing shareholders controlling both entities prior and subsequent to the transaction, in the opinion of the Management Board any excess of the carrying amount over the compensation received will in economic substance be a distribution to shareholders and at the time of distribution will be recognised in equity.

All amounts in PLN '000 (unless indicated otherwise)

6. Property, plant and equipment

	31 December		
	2010	2009	2008
Land	2,945	4,027	4,025
Buildings and structures	9,813	30,444	31,103
Plant and equipment	788	2,369	3,375
Vehicles	1,206	1,992	2,717
Other	812	3,419	4,407
Total	**15,564**	**42,251**	**45,627**
Tangible fixed assets under construction	-	2,351	2,582
Total property, plant and equipment	**15,564**	**44,602**	**48,209**

As at 31 December 2010, 31 December 2009 and 31 December 2008, no impairment losses were recognised on property, plant and equipment. Results of the impairment test have been presented in Note 5.

As at 31 December 2010, 31 December 2009 and 31 December 2008, the Group did not hold any property, plant and equipment used under finance lease agreements.

As at 31 December 2010, the Group used a warehouse in Nadarzyn under an operating lease agreement (Note 19).

Apart from the property, plant and equipment serving as security in respect of investment loans and working capital facilities (Note 16), there are no restrictions on the use of property, plant and equipment held by the Company.

For contractual commitments to purchase property, plant and equipment, see Note 31.

All amounts in PLN '000 (unless indicated otherwise)

Changes in property, plant and equipment (by type)

	Land	Buildings and structures	Plant and equipment	Vehicles	Other	Tangible fixed assets under construction	Total
Gross book value							
As at 1 January 2008	**3,987**	**22,825**	**4,969**	**4,158**	**3,451**	**10,819**	**50,209**
Purchase	38	608	1,200	1,086	3,236	757	**6,925**
Disposal	-	(19)	(71)	(1,304)	-	-	**(1,394)**
Transfer	-	8,994	-	-	-	(8,994)	**-**
Currency translation differences	-	-	12	33	9	-	**54**
As at 31 December 2008	**4,025**	**32,408**	**6,110**	**3,973**	**6,696**	**2,582**	**55,794**
Purchase	2	8	311	123	775	-	**1,219**
Disposal	-	-	(178)	(189)	(89)	-	**(456)**
Transfer	-	231	-	-	-	(231)	-
Currency translation differences	**-**	**-**	(18)	(37)	(12)	**-**	**(67)**
As at 31 December 2009	**4,027**	**32,647**	**6,225**	**3,870**	**7,370**	**2,351**	**56,490**
Purchase	-	230	678	322	728	724	**2,682**
Disposal	-	-	(61)	(47)	(4)	-	**(112)**
Transfer	-	-	-	-	-	-	**-**
Currency translation differences	-	-	(18)	(37)	(12)	-	**(67)**
Reclassification to disposal group classified as held for distribution (Note 33)	(1,082)	(21,865)	(4,240)	(675)	(3,693)	(3,073)	**(34,628)**
As at 31 December 2010	**2,945**	**11,012**	**2,585**	**3,433**	**4,390**	**-**	**24,365**
Accumulated depreciation							
As at 1 January 2008	**-**	**643**	**1,613**	**888**	**1,297**	**-**	**4,441**
Depreciation for the financial year	-	811	1,148	751	992	-	**3,702**
Decrease in accumulated depreciation	-	(149)	(34)	(385)	(6)	-	**(574)**
Currency translation differences	-	-	8	2	6	-	**16**
As at 31 December 2008	**-**	**1,305**	**2,735**	**1,256**	**2,289**	**-**	**7 585**
Depreciation for financial year	-	898	1,284	683	1,736	-	**4,601**
Decrease in accumulated depreciation	-	-	(148)	(51)	(65)	-	**(264)**
Currency translation differences	-	-	(15)	(10)	(9)	-	**(34)**
As at 31 December 2009	**-**	**2,203**	**3,856**	**1,878**	**3,951**	**-**	**11,888**
Depreciation for the financial year	-	789	711	936	1,264	-	**3,700**
Decrease in accumulated depreciation	-	-	(59)	-	(4)	-	**(63)**
Currency translation differences	-	-	(9)	(13)	(6)	-	**(28)**
Reclassification to disposal group classified as held for distribution (Note 33)	**-**	(1,793)	(2,703)	(574)	(1,627)	**-**	**(6,697)**
As at 31 December 2010	**-**	**1,199**	**1,797**	**2,227**	**3,578**	**-**	**8,801**

All amounts in PLN '000 (unless indicated otherwise)

	Land	Buildings and structures	Plant and equipment	Vehicles	Other	Tangible fixed assets under construction	Total
<u>Net book value</u>							
As at 31 December 2008	**4,025**	**31,103**	**3,375**	**2,717**	**4,407**	**2,582**	**48,209**
As at 31 December 2009	**4,027**	**30,444**	**2,369**	**1,992**	**3,419**	**2,351**	**44,602**
As at 31 December 2010	**2,945**	**9,813**	**788**	**1,206**	**812**	**-**	**15,564**

All amounts in PLN '000 (unless indicated otherwise)

7. Investment property (land)

Investment property comprises own land, which is not used by the Group or transferred for use to third parties.

	2010	2009	2008
Carrying amount as at 1 January	**550**	**550**	**550**
Changes	-	-	-
Reclassification to disposal group classified as held for distribution (Note 33)	(550)	-	-
Carrying amount as at 31 December	**-**	**550**	**550**

As at 31 December 2010, the fair value of the land (as estimated by an independent real estate appraiser) was PLN 550 thousand.

In 2010, investment property in the amount of PLN 550 thousand was reclassified to disposal group classified as held for distribution (Note 33).

8. Intangible assets

Changes in intangible assets (software)

	2010	2009	2008
Gross book value as at 1 January	**806**	**779**	**459**
Purchase	248	31	320
Disposal	-	(4)	-
Currency translation differences	(4)	-	-
Reclassification to disposal group classified as held for distribution (Note 33)	(291)	-	-
Gross book value as at 31 December	**759**	**806**	**779**
Accumulated amortisation as at 1 January	**551**	**397**	**265**
Amortisation for the financial year	9	158	132
Decrease in accumulated amortisation due to disposal	-	(4)	-
Currency translation differences	(1)	-	-
Reclassification to disposal group classified as held for distribution (Note 33)	(155)	-	-
Accumulated amortisation as at 31 December	**404**	**551**	**397**
Net book value as at 31 December	**355**	**255**	**382**

There are no material intangible assets produced internally by the Group.

No security interests in the intangible assets have been created. For information on commitments to purchase intangible assets, see Note 31.

9. Other receivables

	31 December		
	2010	2009	2008
Security deposits receivable	92	78	177
Accruals and deferrals related to the perpetual usufruct right acquired against consideration	239	242	245
Total other receivables	**331**	**320**	**422**

All amounts in PLN '000 (unless indicated otherwise)

10. Inventory

	31 December		
	2010	2009	2008
Materials	165	1,474	1,640
Goods for resale	74,269	56,085	75,735
Work in progress (property development project)	-	32,629	27,057
Total inventory	**74,434**	**90,188**	**104,432**

In 2010, inventory in the amount of PLN 43,015 thousand was reclassified to disposal group classified as held for distribution (Note 33).

The table below presents changes in impairment write-downs of inventory:

	2010	2009	2008
As at 1 January	**2,032**	**3,108**	**1,541**
Increase	569	-	1,567
Reversal/use	-	(1,076)	-
As at 31 December	**2,601**	**2,032**	**3,108**

For security created over inventory, see Note 16.

11. Trade and other receivables

Trade and other receivables comprise the following items:

	31 December		
	2010	2009	2008
Trade receivables from related parties	725	2,931	-
Trade receivables from third parties	35,128	25,379	30,623
Total trade receivables	**35,853**	**28,310**	**30,623**
Taxes, customs duties and social security receivable	174	311	2,495
Other receivables from third parties	289	593	193
Prepayments and accrued income	195	268	219
Total receivables, gross	**36,511**	**29,482**	**33,530**
Impairment write-downs of trade receivables	(1,564)	(1,271)	(1,096)
Impairment write-downs of other receivables	(171)	(171)	(199)
Total receivables, net	**34,776**	**28,040**	**32,235**

In 2010, trade and other receivables in the amount of PLN 1,825 thousand were reclassified to disposal group classified as held for distribution (Note 33).

As at 31 December 2010, trade receivables in the amount of PLN 9,295 thousand (31 December 2009: PLN 6,344 thousand; 31 December 2008: 8,170 thousand) were past due, of which trade receivables of PLN 7,560 thousand were past due but not impaired (31 December 2009: PLN 5,073 thousand, 31 December 2008: PLN 7,074 thousand).

All amounts in PLN '000 (unless indicated otherwise)

The table below presents the aging structure of receivables which are past due but not impaired.

	31 December		
Overdue period	**2010**	**2009**	**2008**
from 1 to 180 days	7,560	4,997	7,074
from 181 to 360 days	-	76	-
more than 360 days	-	-	-
Total	**7,560**	**5,073**	**7,074**

The table below presents changes in impairment write-downs of trade receivables.

	2010	**2009**	**2008**
As at 1 January	1,271	1,096	837
Increase	481	774	429
Use	(134)	(564)	(152)
Reversal	(54)	(35)	(18)
As at 31 December	**1,564**	**1,271**	**1,096**

Recognition and reversal of impairment write-downs of receivables was recorded in distribution costs.

For security created over receivables, see Note 16.

12. Other financial assets

	Loans granted	**Bonds acquired**	**Total**
As at 1 January 2008	**1,937**	**-**	**1,937**
Loans granted / bonds acquired	-	5,000	5,000
Interest for the period (Note 25)	-	48	48
Repayment of principal	(1,700)	-	(1,700)
As at 31 December 2008	**237**	**5,048**	**5,285**
Loans granted / bonds acquired	1,500	5,000	6,500
Interest for period (Note 25)	17	766	783
Interest received	(254)	(276)	(530)
Repayment of principal	(1,500)	(10,000)	(11,500)
As at 31 December 2009	**-**	**538**	**538**
Loans granted / bonds acquired	3,000	-	3,000
Interest for period (Note 25)	132	-	132
Reclassification to disposal group classified as held for distribution (Note 33)	(3,132)	(538)	3,670
As at 31 December 2010	-	-	-

In 2010, other financial assets in the amount of PLN 3,670 thousand were reclassified to disposal group classified as held for distribution (Note 33).

The table below presents an overview of the financial assets.

Agreement concerning	**Signed on**	**Redemption / repayment date as per the agreement**	**Interest rate**	**31 December 2010**	**31 December 2009**	**31 December 2008**
1. Loan - Marina-Maal	3 April 2006	31 December 2007	8%		-	237
2. Loan - Armada Development S.A.	19 October 2009	25 March 2011	13%	-	-	-
3. Armada Development S.A. bonds	28 November 2008	30 September 2009	13%	-	538	5,048
Total				-	**538**	**5,285**

** The interest on the bonds was paid on 31 March 2011.*

All amounts in PLN '000 (unless indicated otherwise)

13. Cash and cash equivalents

	31 December 2010	2009	2008
Cash in hand and at banks	1,074	1,946	4,009
Bank deposits	1,106	237	1,873
Total cash and cash equivalents	**2,180**	**2,183**	**5,882**

As at 31 December 2010, cash in the amount of PLN 310 thousand was reclassified to disposal group classified as held for distribution (Note 33).

Short-term deposits are placed at banks for periods of up to several days; most frequently these are overnight deposits.

As at 31 December 2010, the Group carried no restricted cash (31 December 2009: PLN 72 thousand; 31 December 2008: PLN 1,188 thousand).

Reconciliation of changes in inventory as shown in the statement of financial position and in the statement of cash flows:

12 months ended 31 December 2010		**Adjustments**		
	Balance sheet change	**Separation of discontinued operations**	**Measurement of cash in foreign currencies**	**Change in statement of cash flows**
Change in trade and other receivables	(6,747)	(1,367)	-	(8,115)
Change in inventory	15,754	(34,588)	-	(18,833)
Change in provisions	43	-	-	43
Change in trade and other payables	(3,304)	7,977	-	4,673
Change in employee benefit obligations	39	276	-	314
Change in cash	(4)	310	(16)	290

12 months ended 31 December 2009		**Adjustments**		
	Balance sheet change	**Separation of discontinued operations**	**Measurement of cash in foreign currencies**	**Change in statement of cash flows**
Change in trade and other receivables	4,297	(314)	-	3,983
Change in inventory	14,243	4,885	-	19,128
Change in provisions	(2)	-	-	(2)
Change in trade and other payables	(7,619)	620	-	(7,000)
Change in employee benefit obligations	559	(200)	-	359
Change in cash	(3,699)	-	40	(3,659)

All amounts in PLN '000 (unless indicated otherwise)

12 months ended 31 December 2008

	Adjustments			
	Balance sheet change	**Separation of discontinued operations**	**Measurement of cash in foreign currencies**	**Change in statement of cash flows**
Change in trade and other receivables	9,354	1,190	-	10,544
Change in inventory	(2,644)	15,885	-	13,241
Change in provisions	(50)	-	-	(50)
Change in trade and other payables	9,601	(6,357)	-	3,245
Change in employee benefit obligations	(13)	(75)	-	(88)
Change in cash	3,115	-	(88)	3,028

14. Share capital and transaction cost related to public share issue

As at 31 December 2010, the share capital of the Parent Company amounted to PLN 6,557 thousand and comprised 65,573,800 shares with a par value of PLN 0.1 per share.

The table below presents the ownership structure and percentage stakes held in the Parent Company as at 31 December 2010.

Surname	First name	Status	Series of shares	Number of shares	Type of shares	Par value per share (PLN)	Par value of the shares (PLN)	Stake (%)
Szmidt	Jan	natural person	A	31,266,000	ordinary bearer	0.1	3,126,600	47%
				143,900		0.1	14,390	
Koprowski	Tomasz	natural person	A	16,200,000	ordinary bearer	0.1	1,620,000	25%
				127,900		0.1	12,790	
Szałagan	Romuald	natural person	A	12,084,000	ordinary bearer	0.1	1,208,400	19%
				112,700		0.1	11,270	
Wojciechowski	Piotr	natural person	B	5,573,800	ordinary bearer	0.1	557,380	9%
			A	65,500		0.1	6,550	
TOTAL:				**65,573,800**			**6,557,380**	**100%**

On 1 December 2010, based on applications submitted by all the shareholders and a Resolution adopted by the Management Board, all the Company shares (registered shares) were converted to bearer shares.

By virtue of Resolution of the Company's Extraordinary General Shareholders Meeting of 7 December 2010, the Company shares were split 100-for-1 by decreasing the par value of the shares, without reducing the Company's share capital. 655,738 shares with a par value of PLN 10 per share were split into 65,573,800 shares with a par value of PLN 0.1 per share.

As at 31 December 2009 and 31 December 2008, the share capital of the Parent Company amounted to PLN 6,557 thousand and comprised 655,738 shares with a par value of PLN 10 per share.

The table below presents the ownership structure and percentage stakes held in the Parent Company as at 31 December 2009.

All amounts in PLN '000 (unless indicated otherwise)

Surname	First name	Status	Series of shares	Number of shares	Type of shares	Par value per share (PLN)	Par value of the shares (PLN)	Stake (%)
Szmidt	Jan	natural person	A	312,660	preference registered	10	3,126,600	47%
				1,439		10	14,390	
Koprowski	Tomasz	natural person	A	162,000	preference registered	10	1,620,000	25%
				1,279		10	12,790	
Szałagan	Romuald	natural person	A	120,840	preference registered	10	1,208,400	19%
				1,127		10	11,270	
Wojciechowski	Piotr	natural person	B	55,738	ordinary bearer	10	557,380	9%
			A	655	preference registered	10	6,550	
TOTAL:				**655,738**			**6,557,380**	**100%**

On 30 December 2009, an agreement was executed providing for the transfer of ownership of shares between Wojciech Sielecki and other shareholders of the Parent Company, under which 4,500 Series A registered preference shares previously held by Wojciech Sielecki were acquired by other shareholders in the following manner:

a) Jan Szmidt 1,439 shares

b) Tomasz Koprowski 1,279 shares

c) Romuald Szałagan 1,127 shares

d) Piotr Wojciechowski 655 shares

Save for the changes described above, in the period covered by these financial statements there were no other changes in the Company's share capital.

Transaction cost related to public share issue

In connection with the planned public issue of shares, the cost directly associated with this transaction was charged to equity and disclosed as transaction cost related to public share issue. Following the share issue, these costs will reduce the share premium account.

For information on resolutions adopted subsequent to the balance sheet date and relating to the share issue, see Note 35.1.

15. Retained earnings and dividend per share

In line with the provisions of the Commercial Companies Code, retained earnings are used to create statutory reserve funds, to which at least 8% of the profit generated in a given financial year is transferred until the statutory reserve funds reach at least one-third of the share capital, i.e. in case of the Parent Company – PLN 2,185 thousand as at 31 December 2010 (the same at 31 December 2009 and 31 December 2008). These statutory reserve funds are exempt from distribution among shareholders and may only be used to cover losses. As at 31 December 2010, 31 December 2009, and 31 December 2008, the statutory reserve funds exempt from distribution amounted to PLN 4,372 thousand.

The remaining portion of the retained earnings, in the amount of PLN 70,730 thousand as at 31 December 2010, represents accumulated profit brought forward, and may be used for payment of dividend. Under the loan agreements with Raiffeisen Bank Polska S.A. and Bank Millennium S.A., the Company decided to limit the dividend paid for 2010 and 2011, as well as throughout the term of the loan agreements. Under these agreements, the Company decided to pay dividend of no more than 50% of its net profit for the given financial year throughout the lending period.

Dividend per share:

	12 months ended 31 December		
	2010	**2009**	**2008**
Dividend	4,954	7,078	6,800
Weighted average number of ordinary shares following the split ('000)	65,574	65,574	65,574
Dividend per share (PLN)	**0.08**	**0.11**	**0.10**

By virtue of a Resolution of the Company's Extraordinary General Shareholders Meeting of 7 December 2010, the Company shares were split 100-for-1 by decreasing the par value of the shares, without reducing the Company's share capital. 655,738 shares with a par value of PLN 10 per share were split into 65,573,800 shares with a par value of PLN 0.1 per share. The dividend per share in 2008–2010 was calculated based on the number of shares after the split.

16. Loans, borrowings and other debt instruments

	31 December		
	2010	**2009**	**2008**
Bank loans, including:	**55,057**	**64,641**	**89,063**
- non-current	11,394	44,717	39,759
- current	43,663	19,924	49,304
Bonds and borrowings, including:	**5,295**	**3,311**	**3,311**
- non-current	-	-	3,311
- current	5,295	3,311	-
Total loans and other debt instruments, including:	**60,352**	**67,952**	**92,374**
- non-current	11,394	44,717	43,070
- current	48,958	23,235	49,304

In 2010, bank loans in the amount of PLN 25,998 thousand were reclassified to disposal group classified as held for distribution (Note 33).

	Increase in loans	Increase in borrowings	Bonds issued	Total
As at 1 January 2008	**95,217**	**-**	**14,617**	**109,834**
Increase in loans / issue of bonds	21,308	-	3,300	24,608
Interest for the period (Note 25)	7,309	-	398	7,707
Interest paid	(6,967)	-	(454)	(7,421)
Repayment of principal	(27,804)	-	(14,550)	(42,354)
As at 31 December 2008	**89,063**	**-**	**3,311**	**92,374**
Increase in loans / issue of bonds	25,052	2,950	-	28,002
Interest for the period (Note 25)	5,562	34	291	5,887
Interest paid	(5,765)	(34)	(291)	(6,090)
Repayment of principal	(49,271)	(2,950)	-	(52,221)
As at 31 December 2009	**64,641**	**-**	**3,311**	**67,952**
Increase in loans / issue of bonds	56,846	6,850	-	63,696
Interest for the period (Note 25)	4,503	196	111	4,810
Interest paid	(4,861)	(51)	(122)	(5,034)
Repayment of principal	(40,074)	(1,700)	(3,300)	(45,074)
Transfer to liabilities held for distribution	(25,998)	-	-	(25,998)
As at 31 December 2010	**55,057**	**5,295**	**-**	**60,352**

Changes in loans, borrowings and bonds related to continuing and discontinued operations are presented in the table below.

All amounts in PLN '000 (unless indicated otherwise)

Description of loan agreements and bonds:

Type of agreement, value	Bank / person acquiring the bonds	Loan amount as per agreement as at 31 December 2010	Amount outstanding as at 31 December 2010	Amount outstanding as at 31 December 2009	Amount outstanding as at 31 December 2008	Current interest rate	Date of expiry	Events subsequent to the end of the reporting period	
								Change of facility limit	Change of final repayment date
1. Overdraft facility agreement No. 62853219/05 of 18 March 2005, and revolving credit facility agreement No. 63060970 of 30 March 2005	Bank Millennium of Warsaw	30,000	24,881	18,257	8,303	1M WIBOR + margin	31 January 2011	-	(****) 31 January 2012
2. Working capital loan agreement No. 41/2005 of 1 April 2005 (including revolving credit facility available in EUR and USD, and overdraft credit facility available in PLN, USD, and EUR)	Bank DnB NORD Polska of Warsaw	35,000	5,788	10,122	32,590	1M WIBOR / EURIBOR 1M LIBOR + margin	31 January 2011	-	(***) 13 January 2011
3. Debt limit facility agreement No. CRD/L/11381/02 of 2 October 2002 (available in PLN, USD and EUR)	Raiffeisen Bank Polska of Warsaw	30,000	11,394	1,425	4,649	1M WIBOR + margin 1M EURIBOR / LIBOR + margin	20 February 2012	-	-
4. Investment loan agreement No. K0004411 of 12 December 2007 (*)	Bank Zachodni WBK of Wrocław	25,000	12,004	18,066	23,904	1M WIBOR + margin	30 June 2011	-	-
5. Loan agreement No. CRD/19815/05 of 11 October 2005 (*)	Raiffeisen Bank Polska of Warsaw	21,000	13,994	16,706	19,418	1M WIBOR + margin	(**) 26 February 2016	-	-
6. Overdraft facility agreement No. BOK/KRB/0408/06 of 14 July 2006	Bank Handlowy of Warsaw	250	-	65	199	1M WIBOR + margin	14 July 2010	-	-
9. Series I Bonds	Jan Szmidt	3,300	-	3,311	3,311	8.5pp	19 December 2010	-	-
10. Overdraft facility agreement No. BDK/KR-RB/000054601/0641/10 of 22 December 2010	Bank Handlowy of Warsaw	15,000	12,994	-	-	1M WIBOR + margin	23 December 2011	(*****) 17,000-	-
11. Loans from a related party	Jan Szmidt	5,150	5,295	-	-	8.50%	31 March 2011	-	-
Total liabilities, including:		**164,700**	**86,350**	**67,952**	**92,374**				
- current portion			48 958	23,235	49,304				
- non-current portion			11,394	44,717	43,070				
- (*) classified as liabilities of disposal group classified as held for distribution (Note 33)			25,998	-	-				

All amounts in PLN '000 (unless indicated otherwise)

(*)Agreements with Bank BZ WBK S.A.

Pursuant to Annex 9 of 6 April 2011 to investment loan agreement No. K0004411 of 12 December 2007 executed with Bank BZ WBK S.A., the borrower under agreement was changed to Toya Development Sp. z o.o. S.K.A., while TOYA S.A. became a surety in respect of the loan. Pursuant to the said annex, any claims by the lender towards the Company under the surety agreement may not exceed PLN 21,770 thousand and are effective until Toya Development Sp. z o.o. S.K.A. repays the loan (Note 34.6.) but no longer than until 30 June 2014.

Agreements with Raiffeisen Bank Polska S.A.

Pursuant to Annex 10 of 6 April 2011 to loan agreement No. CRD/19815/05 of 11 October 2005 with Raiffeisen Bank Polska S.A., the borrower under agreement was changed to Toya Development Sp. z o.o. S.K.A. On the same day, TOYA S.A. executed an agreement with Raiffeisen Bank Polska S.A. providing for its accession to obligations under the agreement. Under the agreement, TOYA S.A. is jointly and severally responsible with the borrower for its liabilities up to the amount of PLN 19,974 thousand. The end of term of the debt accession agreement was defined as the date of full repayment of the debt under the loan agreement with BZ WBK S.A. (Note 16, Note 34.2.3. and Note 34.6), but no later than 26 February 2019.

(**) The agreement provides for repayment of the loan in tranches. The last tranche is to be repaid by 26 February 2016.

(***) Pursuant to the annex of 13 January 2011, the agreement with Bank DnB Nord was terminated. The entire debt along with the due interest was repaid on 13 January 2011.

(****) Pursuant to Annex 7 of 28 January 2011, to overdraft facility agreement No. 628329/05 of 18 March 2005 with Bank Millenium, the facility term was extended until 31 January 2012.
Pursuant to Annex 9 of 28 January 2011 to revolving credit facility agreement No. 63060970/05 of 18 March 2005 with Bank Millenium, the facility term was extended until 31 January 2012.

(*****) Pursuant to Annex 2 of 20 April 2011 to overdraft facility agreement of 22 December 2010, the facility amount was increased from PLN 15m to PLN 17m in the period from 21 April 2011 to 29 July 2011.

The bank margins relating to the loans listed above range from 1.2% to 3.5%.

The table below presents security for repayment of the loans.

	31 December		
Type of security	**2010**	**2009**	**2008**
Mortgage	(*) 115,410	111,000	109,000
Transfer of title to inventory	77,600	42,092	50,501
Assignments of claims	(**) 33,144	15,361	11,909
Registered pledge over trade receivables	7,930	5,768	6,633
Cash	(***) 52	72	1,188
Total restricted assets	**234,136**	**174,293**	**179,231**

(*) Of which:

- PLN 61,500 thousand relates to security over property included in non-current assets classified as held for distribution, and
- PLN 10,000 thousand relates to a mortgage created to secure the loan contracted with Bank DnB Nord, which was repaid subsequent to the balance sheet date.

(**) Of which:

- PLN 33,090 thousand relates to a pledge over inventory securing the loan contracted with Bank DnB Nord, which was repaid subsequent to the balance sheet date.

(***) The entire amount relates to security over property included in non-current assets classified as held for distribution.

The value of mortgage security was determined at the value of the secured liability or, if the liability was higher than the value of the security, in the amount determined by a real estate appraiser for the bank's needs. The values of other types of security were determined at the carrying amounts of the assets provided as security as at 31 December 2010, 31 December 2009, and 31 December 2008.

Effective interest rate for loans and bonds

The effective interest rates are close to the nominal interest rates calculated in line with the terms of the agreements described above.

Defaults under the loans

In 2010, 2009, and 2008, the Group did not default on its debt repayment obligations or on any other of its obligations under loan agreements in a manner which would result in an acceleration of debt repayment.

Both the investment loan agreements and the working capital credit facility agreements require the borrower to maintain its financial debt ratios and debt servicing ratios at an agreed level throughout the lending period. If these requirements are not met, the bank has the right to terminate the agreement.

Loans from related parties

In 2010 and 2011, TOYA S.A. (borrower) and Jan Szmidt, one of the Company's shareholders (lender), entered into the following loan agreements:

All amounts in PLN '000 (unless indicated otherwise)

No.	Lender	Agreement date	Loan amount as per agreement	Amount as at 31 December 2010	Interest rate	Final repayment date
1	Jan Szmidt (shareholder)	Loan agreement of 22 February 2010	2,650	950	8.5% p.a.	31 March 2011
		Agreement of 10 May 2010 on earlier repayment of a portion of the loan	(700)			
		Agreement of 27 July 2010 on earlier repayment of a portion of the loan	(1,000)			
		Agreement of 23 December 2010 on earlier repayment of the loan	(300)			
		Agreement of 3 January 2011 on earlier repayment of a portion of the loan	(650)			
2	Jan Szmidt (shareholder)	Loan agreement of 6 July 2010	500	500	8.5% p.a.	31 March 2011
		Agreement of 3 January 2011 on earlier repayment of a portion of the loan	(500)			
3	Jan Szmidt (shareholder)	Loan agreement of 2 September 2010	1,400	1,400	8.5% p.a.	11 April 2011
		Agreement of 3 January 2011 on earlier repayment of a portion of the loan	(1,350)			
		Annex 2 of 30 March 2011 extending the loan repayment date	(50)			
4	Jan Szmidt (shareholder)	Loan agreement of 8 September 2010	600	600	8.5% p.a.	11 April 2011
		Annex 2 of 30 March 2011, extending the loan repayment date	(600)			
5	Jan Szmidt (shareholder)	Loan agreement of 20 December 2010	1,700	1,700	8.5% p.a.	31 December 2011
		Annex 1 of 30 March 2011 extending the loan repayment date	(650)			11 April 2011
		Total principal		5,150		
		Interest		145		
		Total liability		5,295		

All amounts in PLN '000 (unless indicated otherwise)

17. Trade and other payables

	31 December		
	2010	**2009**	**2008**
Trade payables to related parties	-	783	-
Trade payables to third parties	24,515	24,368	34,493
Total trade payables	**24,515**	**25,151**	**34,493**
Taxes payable (VAT)	732	2,851	977
Other payables to third parties	160	711	862
Total other current payables	**892**	**3,562**	**1,840**
Total	**25,407**	**28,713**	**36,332**

In 2010, payables in the amount of PLN 14,281 thousand were reclassified to disposal group classified as held for distribution (Note 33).

18. Employee benefit obligations

	31 December		
	2010	**2009**	**2008**
Provisions for retirement benefits and disability pensions, and for death benefits	109	94	49
Employee benefit obligations – non-current portion	**109**	**94**	**49**
Provisions for retirement benefits and disability pensions, and for death benefits	4	4	-
Taxes and social security contributions payable	187	493	5
Salaries and wages payable	406	41	32
Unused holidays	283	319	305
Employee benefit obligations – current portion	**880**	**857**	**342**

In 2010, liabilities in the amount of PLN 35 thousand were reclassified to disposal group classified as held for distribution (Note 33).

19. Operating lease – the Group as a lessee

The Group uses a warehouse in Nadarzyn and a car park in Wrocław under non-cancellable operating lease agreements. The costs incurred in connection with the operating leases are presented in the table below.

	12 months ended 31 December		
	2010	**2009**	**2008**
Costs incurred under warehouse lease agreements	2,445	1,732	1,349
Costs incurred under car park lease agreements	7	12	12
Total	**2,452**	**1,744**	**1,361**

All amounts in PLN '000 (unless indicated otherwise)

The aggregate future minimum lease payments under non-cancellable operating leases are as follows:

	31 December		
	2010	**2009**	**2008**
up to 1 year	1,855	1,337	1,362
1–3 years	3,709	3,106	3,611
3–5 years	3,709	3,734	3,734
more than 5 years	3,709	9,334	7,467
Total	**12,982**	**17,511**	**16,174**

The warehouse is leased from ProLogis Poland XXXIX Sp. z o.o. under a ten-year lease agreement of 17 July 2006. An annex to the agreement was executed subsequent to the balance sheet date (see Note 34.11). The future minimum lease payments presented in the above table have not been adjusted for the changes introduced by the annex.

20. Provisions

	Provisions for guarantee repairs and returns	**Other provisions**	**TOTAL**
As at 1 January 2010	**173**	**-**	**173**
Provision created	217	**-**	**217**
Provision released	173	-	**173**
As at 31 December 2010	**217**	**-**	**217**
Current as at 31 December 2010	217	-	**217**
As at 1 January 2009	**176**	**-**	**176**
Provision released	(3)	-	**(3)**
As at 31 December 2009	**173**	**-**	**173**
Current as at 31 December 2009	173	-	**173**
As at 1 January 2008	**213**	**13**	**226**
Provision used	(37)	(13)	**(50)**
As at 31 December 2008	**176**	**-**	**176**
Current as at 31 December 2008	176	-	**176**

In 2010, provisions in the amount of PLN 170 thousand were reclassified to disposal group classified as held for distribution (Note 33).

21. Revenue

	12 months ended 31 December		
	2010	**2009**	**2008**
Revenue			
Sales of services	-	-	99
Sales of goods for resale	189,136	167,168	187,938
Total revenue	**189,136**	**167,168**	**188,037**

All amounts in PLN '000 (unless indicated otherwise)

22. Costs by type and cost of goods sold

	12 months ended 31 December		
	2010	**2009**	**2008**
Depreciation and amortisation	2,513	2,723	2,048
Materials and energy used	2,388	1,531	2,163
Contracted services	10,893	11,442	12,607
Taxes and charges	736	805	935
Cost of employee benefits	13,435	13,486	13,164
Other costs by type	4,482	3,956	4,009
Cost of goods sold	126,648	114,995	127,772
Total costs by type and cost of goods sold	**161,095**	**148,938**	**162,698**
Change in work in progress	-	-	-
Distribution costs	25,104	26,450	25,661
Administrative expenses	9,343	8,111	9,822
Cost of products and goods sold	**126,648**	**114,377**	**127,215**

23. Cost of employee benefits

	12 months ended 31 December		
	2010	**2009**	**2008**
Salaries and wages	11,311	11,332	11,005
Cost of social security contributions	1,897	1,853	1,837
Cost of retirement benefits	-	48	-
Cost of other employee benefits	227	253	322
Total cost of employee benefits	**13,435**	**13,486**	**13,164**

24. Other income and expenses

	12 months ended 31 December		
	2010	**2009**	**2008**
Gain on sale of property, plant and equipment	102	-	-
Net currency exchange gains related to operating activities	469	236	4,243
Returned taxes	**-**	133	-
Compensations received under automobile insurance agreements or from business partners	26	252	219
Other	98	89	134
Total other income	**695**	**710**	**4,596**

	12 months ended 31 December		
	2010	**2009**	**2008**
Loss on sale of property, plant and equipment	-	58	159
Other items of other expenses	94	28	112
Total other expenses	**94**	**86**	**271**

All amounts in PLN '000 (unless indicated otherwise)

25. Financial income and costs

	12 months ended 31 December		
	2010	2009	2008
Interest on cash in bank accounts	27	27	80
Other interest	-	79	98
Currency translation gains on financial liabilities	-	389	-
Other financial income	-	2	-
Total financial income	**27**	**497**	**178**
Interest, fees and commissions on loans and borrowings	3,267	3,439	4,430
Other interest	-	-	15
Interest on debt securities in issue	122	291	398
Other financial costs	-	634	958
Currency translation losses on financial liabilities	-	-	34
Total financial costs	**3,389**	**4,364**	**5,835**

26. Income tax

Tax expense

The reporting periods presented in these financial statements cover the following tax periods:
– from 1 January 2010 to 31 December 2010,
– from 1 January 2009 to 31 December 2009,
– from 1 January 2008 to 31 December 2008.

	12 months ended 31 December		
	2010	2009	2008
Current income tax	(4,560)	(2,665)	(3,626)
Deferred income tax	340	330	(412)
Total income tax	**(4,220)**	**(2,335)**	**(4,038)**

A 19% corporate income tax rate was applicable in all the presented periods.

The income tax includes the total tax expense relating to both continuing and discontinued operations. Given the tax loss on discontinued operations and the resultant reduction of the tax base relating to continuing operations, total income tax has been presented as income tax from continuing operations.

Reconciliation of the theoretical tax on the pre-tax profit and the statutory tax rate with the income tax expense recognised in profit or loss is presented in the table below.

	12 months ended 31 December		
	2010	2009	2008
Profit before income tax	25,518	14,865	23,924
Tax rate applicable in the period	19%	19%	19%
Tax calculated at the applicable tax rate	**4,848**	**2,824**	**4,545**
Tax effect of the following items:			
– accounting for jointly-controlled entities using the equity method	(45)	21	16
– permanent differences – costs	125	250	435
– temporary differences in respect of which no deferred tax assets were recognised	-	77	148

All amounts in PLN '000 (unless indicated otherwise)

– adjustment to deferred income tax brought forward	-	(149)	149
– other	(13)	(21)	(27)
Difference between tax rates applicable in other countries (in Romania: 16%)	(62)	-	-
Effect of the tax loss on the operations held for distribution	(633)	(667)	(1,228)
Income tax recognised in profit or loss	**4,220**	**2,335**	**4,038**

Regulations on value added tax, corporate and personal income tax or social security contributions change frequently, and as a consequence it is often not possible to rely on established regulations or legal precedents. The regulations in effect tend to be unclear, thus leading to differences in opinions as to legal interpretation of fiscal regulations, both between state authorities themselves and between state authorities and entrepreneurs. Tax and other settlements (customs duty or foreign exchange settlements) may be inspected by authorities empowered to impose high penalties, and any additional amounts assessed following an inspection must be paid together with high interest. Consequently, the tax risk in Poland is higher than in other countries where tax systems are more developed. In Poland, there are no formal procedures for the determination of the final amount of tax due. Tax settlements may be inspected for the period of five years. Therefore, the amounts disclosed in the financial statements may change at a later date, following final determination of their amount by the competent tax authorities.

Deferred income tax

	As at 31 December 2010			**As at 1 January 2010**	**Adjustment related to separation of discontinued operations**	**Recognised in profit or loss**
	Assets	**Liabilities**	**Net**	**Net**		
Non-current assets						
Property, plant and equipment	136	127	9	(190)	(79)	120
Trade and other receivables	-	-	-	67	-	(67)
Current assets						
Inventory	545	-	545	(75)	(551)	69
Trade and other payables	120	-	120	-	-	120
Other financial assets	-	-	-	(102)	(102)	0
Cash and cash equivalents	3	-	3	8		(5)
Non-current liabilities						
Trade and other payables	-	8	(8)	32	-	(40)
Employee benefit obligations	182	-	182	70	-	112
Loans, borrowings and other debt instruments	45	-	45	58	-	(13)
Provisions	41	-	41	28	31	44
Total assets and liabilities	**1,072**	**135**	**937**	**(104)**	**(701)**	**340**
Tax losses	-	-	-	-	-	-
Total	**1, 072**	**135**	**937**	**(104)**	**(701)**	**340**
Income tax recognised in profit or loss						**340**

All amounts in PLN '000 (unless indicated otherwise)

	As at 31 December 2009			As at 1 January 2009	Adjustment related to separation of discontinued operations	Recognised in profit or loss
	Assets	**Liabilities**	**Net**	**Net**		
Non-current assets						
Property, plant and equipment	703	(893)	(190)	(294)	(106)	(2)
Trade and other receivables	67	-	67	-	-	67
Current assets						
Inventory	490	(565)	(75)	253	153	(175)
Trade and other receivables	-	-	-	(147)	-	147
Other financial assets	-	(102)	(102)	-	102	-
Cash and cash equivalents	8	-	8	(17)	-	25
Liabilities						
Loans, borrowings and other debt instruments	-	-	-	(52)	23	75
Trade and other payables	32	-	32	(183)	-	215
Employee benefit obligations	70	-	70	58	14	26
Loans, borrowings and other debt instruments	58	-	58	70	-	(12)
Provisions	71	(43)	28	33	(31)	(36)
Total	**1,499**	**(1,603)**	**(104)**	**(279)**	**155**	**330**
Deferred income tax recognised in profit or loss						**330**

	As at 31 December 2008			As at 1 January 2008	Adjustment related to separation of discontinued operations	Recognised in profit or loss
	Assets	**Liabilities**	**Net**	**Net**		
Non-current assets						
Property, plant and equipment	659	(953)	(294)	6	200	(100)
Current assets						
Inventory	651	(398)	253	211	278	320
Trade and other receivables	32	(179)	(147)	193	-	(340)
Other financial assets	-	-	-	-	-	-
Cash and cash equivalents	-	(17)	(17)	(30)	-	13
Liabilities						
Loans, borrowings and other debt instruments	-	(52)	(52)	-	-	(52)
Trade and other payables	-	(183)	(183)	46	(23)	(252)
Employee benefit obligations	58	-	58	43	-	15
Loans, borrowings and other debt instruments	70	-	70	-	(14)	56
Finance lease liabilities	-	-	-	10	-	(10)
Provisions	33	-	33	95	-	(62)
Total	**1,503**	**(1,782)**	**(279)**	**574**	**441**	**(412)**
Deferred income tax recognised in profit or loss						**(412)**

27. Earnings per share

	12 months ended 31 December		
	2010	2009	2008
Net profit from continuing operations	21,298	12,530	19,886
Weighted average number of ordinary shares following the split ('000)	65,574	65,574	65,574
Basic earnings per share from continuing operations (PLN)	**0.32**	**0.19**	**0.30**
Diluted net profit from continuing operations	21,298	12,530	19,886
Adjusted weighted average number of ordinary shares used for calculating diluted earnings per share ('000)	65,574	65,574	65,574
Diluted earnings per share from continuing operations (PLN)	**0.32**	**0.19**	**0.30**

	12 months ended 31 December		
	2010	2009	2008
Net loss on discontinued operations	(3,616)	(3,550)	(4,380)
Weighted average number of ordinary shares following the split ('000)	65,574	65,574	65,574
Basic loss per share from discontinued operations (PLN)	**(0.06)**	**(0.05)**	**(0.07)**
Diluted net loss	(3,616)	(3,550)	(4,380)
Adjusted weighted average number of ordinary shares used for calculating diluted earnings per share ('000)	65,574	65,574	65,574
Diluted loss per share from discontinued operations (PLN)	**(0.06)**	**(0.04)**	**(0.07)**

By virtue of a Resolution of the Company's Extraordinary General Shareholders Meeting of 7 December 2010, the Company shares were split 100-for-1 by decreasing the par value of the shares, without reducing the Company's share capital. 655,738 shares with a par value of PLN 10 per share were split into 65,573,800 shares with a par value of PLN 0.1 per share. Earnings per share were calculated based on the number of shares after the split.

28. Equity-accounted investments in jointly-controlled entities

	Yato China Trading	Armada Development	TOTAL
As at 1 January 2008	**-**	**-**	**-**
+ acquisition of shares, share capital increase	576	6,000	6,576
+/- share in net profit / loss	(83)	159	76
+/- currency translation differences	178	-	178
As at 31 December 2008	**671**	**6,159**	**6,830**
+ acquisition of shares, share capital increase	731	-	731
+/- share in net profit / loss	(122)	(1 070)	(1,192)
+/- currency translation differences	(17)	-	(17)
As at 31 December 2009	**1,263**	**5,089**	**6,352**

All amounts in PLN '000 (unless indicated otherwise)

+/- share in net profit / loss	238	(134)	104
+/- currency translation differences	95	-	94
- reclassification to a disposal group classified as held for distribution (Note 33)	-	4,925	4,925
As at 31 December 2010	**1,596**	**-**	**1,596**

As at the balance sheet date, the Parent Company was a general partner in Toya Development Sp. z o.o. S.K.A., which does not hold any significant assets or liabilities other than those transferred to it for use under the agreement to provide an organised part of business for use against payment (see Note 33a).

Key financial data of jointly-controlled entities is presented in the table below.

	Non-current assets	**Current assets**	**Non-current liabilities**	**Current liabilities**	**Revenue**	**Costs**	**Net profit / (loss)**
2010							
Yato China Trading Co., Ltd	818	11,122	-	8,809	21,925	21,458	467
Armada Development S.A.*	9,134	26,146	12,358	8,418	6,331	5,918	413
	9,952	**37,268**	**12,358**	**17,227**	**28,256**	**27,376**	**880**
2009							
Yato China Trading Co., Ltd	413	5 224	-	3,163	5,082	5,322	(240)
Armada Development S.A.*	3,754	30,995	-	24,566	1,937	4,077	(2,140)
	4,167	36,219	-	27,729	7,019	9,399	(2,380)
2008							
Yato China Trading Co., Ltd	441	3 627	-	2,751	288	452	(164)
Armada Development S.A.	6,898	18,798	10,000	278	1,000	979	21
	7,339	22,425	10,000	3,029	1,288	1,431	(143)

* Data after adjustment of the measurement methods to those applied by the Toya Group

For information on the guarantee issued by the Group for the benefit of Yato China Trading Co., Ltd see Note 29.

29. Financial guarantees issued

No.	Counterparty	Type of guarantee	Subject matter and value	Date of expiry
1	Bank Handlowy	Guarantee of repayment of loan liabilities by Yato China Trading ***	Bank guarantee of USD 2,500 thousand	31 December 2011
2	Raiffeisen Bank Polska**	Guarantee of repayment of loan liabilities by Scubatech	Bank guarantee of USD 2,775 thousand	* 28 February 2011

* Pursuant to a representation of 25 January 2011, the end of the guarantee validity term was set at 30 April 2011.
** On 24 March 2011, the Company was released by the bank from its obligations under the guarantee (Note 34.7).
***To secure repayment of the loan, Toya S.A. created a USD 2,500 thousand mortgage on real estate located at ul. Sołtysowicka 13-15 in Wrocław (Kw No. WR1K/00096765/9).

30. Related party transactions

In 2010, 2009, and 2008, the Group effected transactions with the following related parties:

- Yato China Trading Co., Ltd – jointly- controlled entity,
- Armada Development S.A. – jointly-controlled entity,
- Toya Development Sp. z o.o. S.K.A. – entity jointly controlled by the shareholders jointly controlling TOYA S.A.,
- Toya Development Sp. z o.o. S.K. – entity jointly controlled by the shareholders jointly controlling TOYA S.A.,
- Toya Development Sp. z o.o. – entity jointly controlled by the shareholders jointly controlling TOYA S.A.,
- Jan Szmidt – jointly-controlling shareholder,
- Beata Szmidt – close family member of a shareholder,
- Tomasz Koprowski – jointly-controlling shareholder,
- Romuald Szałagan – jointly-controlling shareholder,
- Grzegorz Pinkosz – President of the Management Board of the Parent Company – member of key management personnel,
- Dariusz Hajek – member of the Management Board of the Parent Company – member of key management personnel,
- Tomasz Suchowierski – member of the Management Board of the Parent Company – member of key management personnel,
- Wiesław Komór – former member of the Management Board of the Parent Company – member of key management personnel,
- Wojciech Sielecki – shareholder until 30 December 2009 and former President of the Management Board of the Parent Company – member of key management personnel,
- Lucyna Sielecka – close family member of a member of the Management Board.

As at 31 December 2009 and 31 December 2008, the Company did not have a parent company. In accordance with the agreement entered into on 31 August 2010, the Company's three shareholders, i.e. Jan Szmidt, Romuald Szałagan and Tomasz Koprowski, agreed to cooperate on all matters concerning the Company, including to agree their positions submitted to the Company's governing bodies, and to unanimously vote on resolutions adopted by the Company's General Shareholders Meeting. On the basis of their agreement, starting from 31 August 2010 these shareholders have jointly exercised direct control over the Company.
On 6 April 2011, i.e. subsequent to the balance sheet date, Company shareholder Piotr Wojciechowski acceded to the shareholders' agreement concerning joint control over the Company (the table below does not include transactions with this shareholder).

All amounts in PLN '000 (unless indicated otherwise)

	Trade and other receivables	Loans advanced	Bonds acquired	Liabilities (***)	Revenue	Purchase of goods for resale	Remuneration for work	Financial costs – interest	Financial income – interest	Dividend paid	Other income (**)
2010											
Jointly-controlled entities	696	-	-	-	341	6,804	-	-	-	-	-
Jointly-controlled entities classified as held for distribution	-	3,132	538	-	-	-	-	-	132	-	-
Shareholders *	-	-	-	5,295	-	-	57	307	-	9,680	-
Close family members of shareholders	-	-	-	-	-	-	12	-	-	-	-
Entities jointly controlled by controlling shareholders	489	-	-	1,578	-	3	-	-	-	-	402
Total 2010	**1,186**	**3,132**	**538**	**6,873**	**341**	**6,807**	**69**	**307**	**132**	**9,680**	**402**
2009											
Jointly-controlled entities	2,931	-	538	-	792	228	-	-	765	-	-
Shareholders holding more than 20% shares	-	-	-	8,464	-	-	49	325	-	4,922	-
Close family members of shareholders	-	-	-	-	-	-	12	-	-	-	-
Close family members of the Management Board members	-	-	-	-	-	-	-	-	-	-	-
Total 2009	**2,931**	-	**538**	**8,464**	**792**	**228**	**61**	**325**	**765**	**4,922**	-
2008											
Jointly-controlled entities	-	-	5,048	-	-	-	-	-	48	-	-
Shareholders holding more than 20% shares	-	-	-	8,233	-	-	49	302	-	-	-
Close family members of shareholders	-	-	-	-	-	-	12	-	-	-	-
Close family members of the Management Board members	-	-	-	-	-	-	72	-	-	-	-
Total 2008	**-**	-	**5,048**	**8,233**	**-**	**-**	**133**	**302**	**48**	**-**	-

* Before 31 August 2010, only shareholders holding more than 20% of shares were qualified as related parties. The following shareholders have been qualified as related parties subsequent to 31 August 2010: Jan Szmidt, Romuald Szałagan and Tomasz Koprowski.
** Other income includes PLN 375 thousand income from provision of an organised part of business (the Kryniczno Branch) for use to TOYA Development Sp. z o.o. S.K.A.
*** Other liabilities include TOYA S.A.'s liability towards TOYA Development Sp. z o.o. S.K.A. related to the increase in net assets held for distribution in the period from 30 September 2010 to 31 December 2010, of PLN 1,575 thousand. This liability was settled on 6 April 2011 (see Note 34.3).

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All amounts in PLN '000 (unless indicated otherwise)

Related party transactions are entered into on arm's length terms in the course of the Group's day-to-day operations.
For information on the guarantee issued by the Group for the benefit of Yato China Trading Co., Ltd., see Note 29.

In the years ended 31 December 2010, 31 December 2009 and 31 December 2008, no receivables from related parties were written down and no impairment losses on such receivables were recognised.

In the period covered by these financial statements, the Company also acquired 10 registered Series B bonds issued by Armada Development S.A. with a par value of PLN 500 thousand per bond, bearing interest of 13% per annum. The bonds were issued on 9 January 2009 with the maturity date 30 September 2009. On 5 March 2009, the Company as the bondholder and Armada Development S.A. as the issuer of those bonds concluded an agreement providing for early redemption of Series A and B bonds on 5 March 2009 and for contractual set-off of mutual receivables. Under the agreement, the parties also set off the amounts due for the redemption of bonds, payable to the Company (PLN 10m), against the amount due from the Company to Armada Development S.A. as a prepayment under the preliminary conditional real estate sale agreement of 4 March 2009 (PLN 12.2m). The parties resolved to settle the balance with cash. As ultimately the sales agreement was not concluded, the entire prepayment paid by the Company towards the performance of the agreement in accordance with the provisions of the preliminary conditional sale agreement was returned to the Company in December 2009.

Information on remuneration and benefits of key management personnel, and on transactions executed with such personnel

The Management Board and Supervisory Board of the Parent Company comprise the key management personnel of the Group.

The remuneration and benefits paid or payable to the Group's key management personnel are as follows:

	2010	2009	2008
Remuneration and benefits	1,106	1,368	822

The Group concluded the following transactions with Wojciech Sielecki, during his term of office as the President of the Management Board:

2009: payment of dividend in the amount of PLN 47 thousand.

31. Future contractual commitments

Johnson Controls International Sp. z o.o. (JCI) of Warsaw has called upon the Company to pay a total of PLN 1,420.4 thousand as remuneration under two contracts:

- Contract of 1 August 2007, executed with York International Chłodnictwo i Klimatyzacja Sp. z o.o. of Warsaw, for delivery and installation of air-conditioning and ventilation equipment, ice water installation and mechanical heating installation,
- Contract of 1 August 2007 for the execution of low-voltage installations.

In the opinion of the Company's Management Board, neither of the contracts has so far been properly performed, thus the Company has not accepted part of the invoices issued by JCI and has not paid the relevant amounts. JCI has expressed its will to complete proper installation of the two systems. At the same time, talks are under way with a view to signing an appropriate agreement to regulate the issue of financial settlement and the obligation to properly perform the contracts. The likelihood that a liability arises is closely connected with the possibility that work under the contracts may be completed.

On 30 December 2010, the Company executed Lease Agreement No. PL121006 with IBM Polska Sp. z o.o. of Warsaw. The subject matter of the agreement is a lease of server systems.

The net lease liability is PLN 518 thousand. The agreement was executed for a period of 36 months, with the last lease payment due on 31 January 2014. Monthly lease payments amount to PLN 14 thousand. The buyout payment is 1% of the financing amount, i.e. PLN 5 thousand. The terms and conditions of the agreement are not different from terms and conditions typical to this type of transactions. The server system was delivered after the balance sheet date.

Furthermore, on 12 January 2011, a software purchase agreement was executed with IBM Polska Sp. z o.o. The total liability amount is PLN 208 thousand, payable in 36 instalments of PLN 6 thousand each, with the last one falling due on 31 January 2014.

32. Operating segments

Identification of operating and reporting segments

The Management Board of the Parent Company makes decisions related to the Company's operations from the perspective of types of activity, distribution channels, or geographical coverage. Types of operations are divided into: property development, operation and maintenance of a golf field, and trading. Trading activities are further subdivided based on distribution channels and geographical criteria.

The Group specifies five operating and reporting segments for its activities:

- trading area – domestic sales to retail networks,
- trading area – domestic sales – wholesale,
- trading area – exports,
- property development segment,
- golfing business segment.

As part of the retail networks segment, the Group cooperates with the largest retail networks throughout Poland. Wholesale on the domestic market is conducted through a network of wholesalers, authorised retail stores and sales representatives. The Romania-based subsidiary, supported by the Parent Company's sales forces, is responsible for sales on the foreign markets.

As at 31 December 2010, the property development and golfing business activities were classified as discontinued operations, and comparative data was appropriately restated due to the planned transfer of these activities to limited joint stock partnership Toya Development Sp. z o.o. S.K.A. (for further details see Note 33). These activities still qualify as operating segments, as they continue their operations, their results are reviewed by the Management Board of the Parent Company on a regular basis and separate financial information is available.

All amounts in PLN '000 (unless indicated otherwise)

	Continuing operations				*Discontinued operations*			
12 months ended 31 December 2010	*Trading - EXPORTS*	*Trading - WHOLESALE MARKET*	*Trading - RETAIL NETWORKS*	*Total continuing operations*	*GOLFING BUSINESS*	*PROPERTY DEVELOPMENT*	*Total discontinued operations*	*Total*
Revenue								
Sales to external customers	44,804	91,325	53,007	189,136	3,766	9,959	13,725	202,861
Total revenue	**44,804**	**91,325**	**53,007**	**189,136**	**3,766**	**9,059**	**13,725**	**202,861**
Cost of sales								
Sales to external customers	(31,302)	(58,500)	(36,846)	(126,648)	(2,001)	(5,947)	(7,948)	(134,396)
Total cost of sales	**(31,302)**	**(58,500)**	**(36,846)**	**(126,647)**	**(2,001)**	**(5,947)**	**(7,948)**	**(131,680)**
Gross margin								
Sales to external customers	13,502	32,825	16,161	62,488	1,765	4,012	5,777	68,265
Sales to external customers (%)	30%	36%	30%	33%	47%	40%	42%	33%
Total gross margin	**30%**	**36%**	**30%**	**33%**	**47%**	**40%**	**42%**	**33%**
Gross profit – all operating segments								**68,265**
Adjustment for gross profit / (loss) on discontinued operations					(1,765)	(4,012)		(5,777)
Gross profit								**62,488**
Distribution costs								(25,104)
Administrative expenses								(9,343)
Other income								927
Other expenses								(326)
Operating profit								**28,642**
Financial income								27
Financial costs								(3,389)
Share in loss of jointly-controlled entities								238
Profit before income tax								**25,518**

	Trading	**Golfing and property development**	
Assets as at 31 December 2010	**111,391**	**82,362**	**193,753**

All amounts in PLN '000 (unless indicated otherwise)

	Continuing operations				*Discontinued operations*			
12 months ended 31 December 2009	*Trading - EXPORTS*	*Trading - WHOLESALE MARKET*	*Trading - RETAIL NETWORKS*	*Total continuing operations*	*GOLFING BUSINESS*	*PROPERTY DEVELOPMENT*	*Total discontinued operations*	*Total*
Revenue								
Sales to external customers	36,215	77,551	53,402	167,168	3,689	9,020	12,709	179,878
Total revenue	**36,215**	**77,551**	**53,402**	**167,168**	**3,689**	**9,020**	**12,709**	**179,878**
Cost of sales								
Sales to external customers	(24,528)	(51,532)	(38,317)	(114,377)	(4,804)	(6,219)	(11,023)	(125,400)
Total cost of sales	**(24,528)**	**(51,532)**	**(38,317)**	**(114,377)**	**(4,804)**	**(6,219)**	**(11,023)**	**(125,400)**
Gross margin								
Sales to external customers	11,687	26,019	15,085	52,791	(1,115)	2,801	1,686	54,478
Sales to external customers (%)	32%	34%	28%	32%	(30%)	31%	13%	30%
Total gross margin	**32%**	**34%**	**28%**	**32%**	**(30%)**	**31%**	**13%**	**30%**
Gross profit - all segments								**54,478**
Adjustment for gross profit / (loss) on discontinued operations					1,115	(2,801)		(1,686)
Gross profit								**52,791**
Distribution costs								(26,450)
Administrative expenses								(8,111)
Other income								710
Other expenses								(86)
Operating profit								**18,854**
Financial income								497
Financial cost								(4,364)
Share in profit of jointly-controlled entities								(122)
Profit before income tax								**14,865**

	Trading	**Golfing and property development**	
Assets as at 31 December 2009	**102,968**	**70,631**	**173,599**

All amounts in PLN '000 (unless indicated otherwise)

	Continuing operations				*Discontinued operations*			
12 months ended 31 December 2008	*Trading - EXPORTS*	*Trading - WHOLESALE MARKET*	*Trading - RETAIL NETWORKS*	*Total continuing operations*	*GOLFING BUSINESS*	*PROPERTY DEVELOPMENT*	*Total discontinued operations*	*Total*
Revenue								
Sales to external customers	45,011	80,754	62,272	188,037	4,239	2,696	6,935	194,972
Total revenue	**45,011**	**80,754**	**62,272**	**188,037**	**4,239**	**2,696**	**6,935**	**194,972**
Cost of sales								
Sales to external customers	(30,817)	(53,147)	(43,251)	(127,215)	(7,050)	(1,401)	(8,451)	(135,666)
Total cost of sales	**(30,817)**	**(53,147)**	**(43,251)**	**(127,215)**	**(7,050)**	**(1,401)**	**(8,451)**	**(135,666)**
Gross margin								
Sales to external customers	14,194	27,607	19,021	60,822	(2,811)	1,295	1,516	59,306
Sales to external customers (%)	32%	34%	31%	32%	(66%)	48%	22%	30%
Total gross margin	**32%**	**34%**	**31%**	**32%**	**(66%)**	**48%**	**22%**	**30%**
Gross profit - all segments								**59,306**
Adjustment for gross profit / (loss) on discontinued operations					2,811	(1,295)		1,516
Gross profit								**60,822**
Distribution costs								(25,661)
Administrative expenses								(9,822)
Other income								4,596
Other expenses								(271)
Operating profit								**29,664**
Financial income								178
Financial costs								(5,834)
Share in profit / (loss) of jointly-controlled entities								(84)
Profit before income tax								**23,924**

	Trading	**Golfing and property development**	
Assets as at 31 December 2008	**130,978**	**73,249**	**204,227**

Data analysed by the Management Board of the Parent Company for segment description is consistent with the data disclosed in the statement of comprehensive income.

Revenues from transactions with the only single external customer which exceeded 10% of the total revenue were as follows: PLN 21,579 thousand in 2010, PLN 19,598 thousand in 2009, and PLN 23,637 thousand in 2008, and related to the trading - retail networks segment.

33. Assets and liabilities of disposal group classified as held for distribution and discontinued operations

a) Joining a limited joint stock partnership

On 31 August 2010, TOYA S.A. joined newly established limited joint stock partnership Toya Development Sp. z o.o. S.K.A. as a general partner. Toya Development Sp. z o.o. S.K.A. and TOYA S.A. are jointly controlled by the same shareholders.

TOYA S.A. joined the partnership as part of the plan to separate the property development and golfing business conducted by the Kryniczno Branch of TOYA S.A. from the trading activities of TOYA S.A. The intention of TOYA S.A.'s owners was to transfer the benefits and risks associated with the operations of the Kryniczno Branch of TOYA S.A. onto the newly established Toya Development Sp. z o.o. S.K.A.

Pursuant to provisions of the agreements executed between TOYA S.A. and the new partnership, the ownership of assets and liabilities of the Kryniczno Branch was finally transferred onto Toya Development Sp. z o.o. S.K.A. on 6 April 2011. In the period from 29 September 2010 to the date of transfer of ownership (i.e. 6 April 2011), the organised part of business representing the Kryniczno Branch was provided by TOYA S.A. to Toya Development Sp. z o.o. S.K.A. for use against payment of PLN 125 thousand per month.

Assets and liabilities of the Kryniczno Branch did not qualify for removal from the statement of financial position of TOYA S.A. as at 31 December 2010, as TOYA S.A. retained most of the risks and benefits associated with these assets and liabilities.

- TOYA S.A. was a general partner in Toya Development Sp. z o.o. S.K.A., and under the applicable laws had jointly and severally with the other general partner unlimited liability for Toya Development Sp. z o.o. S.K.A.'s operations,
- the ownership of TOYA S.A. Kryniczno Branch's assets (including land) had not been transferred to Toya Development Sp. z o.o. S.K.A.,
- TOYA S.A. had not transferred the liabilities under the bank loans contracted to finance construction of the golf field to Toya Development Sp. z o.o. S.K.A.

Pursuant to the adopted resolutions and agreement of 6 April 2011, assets and liabilities of the Kryniczno Branch were transferred as a non-cash contribution to Toya Development Sp. z o.o. S.K.A. As at the date of preparation of these financial statements, the change of ownership of these assets and liabilities was not registered. The carrying amount of the contributed net assets as at 5 April 2011 has been described in Note 34.3.

On 8 April 2011, the Supervisory Board of the Company adopted a resolution to approve TOYA S.A.'s withdrawal as a general partner from Toya Development Sp. z o.o. S.K.A.

On 4 May 2011, the Extraordinary General Shareholders Meeting of Toya Development S.K.A. adopted a resolution to approve TOYA S.A.'s withdrawal as a general partner from Toya Development S.K.A. The date of withdrawal was set for 4 May 2011. The compensation due to Toya S.A. for its withdrawal was agreed at PLN 2,250 thousand, payable in 18 monthly instalments starting from May 2011. On 16 May 2011, the changes connected with Toya S.A.'s withdrawal from Toya Development S.K.A. were registered in the National Court Register.

Given the fact that the transaction is effected between related parties and control over the net assets transferred is not lost by the existing shareholders controlling both entities equally prior and subsequent to the transaction, in the opinion of the Management Board any excess of the carrying amount over the compensation received will in substance be an economic distribution to shareholders and at the time of distribution will be recognised in equity.

In the financial statements prepared as at 31 December 2010, the assets and liabilities (in values given in the table below) of the Kryniczno Branch are disclosed as “disposal group classified as held for distribution” and “Liabilities of disposal group classified as held for distribution” because the criteria required by IFRS 5 are met, in particular, the necessary resolutions were passed to transfer the ownership of the assets and liabilities to Toya Development Sp. z o.o. S.K.A. within 12 months of the end of the reporting period. The activities are presented as discontinued operations and comparative data for all the presented periods has been restated.

All amounts in PLN '000 (unless indicated otherwise)

ASSETS	29 September 2010 Data of the branch as per the adopted resolutions, prepared in accordance with the Accounting Act, prior to restatement to IFRS, as at 29 September 2010	31 December 2010 Data according the statement of financial position prepared in accordance with the IFRS*
Non-current assets		
Property, plant and equipment	27,094	27,931
Investment property	588	550
Intangible assets	3	136
Equity-accounted investments in jointly-controlled entities (in accordance with IFRS) **	6,000	4,925
Deferred tax assets	12	-
	33,697	**33,542**
Current assets		
Inventory	39,047	43,015
Trade and other receivables	1,713	1,825
Other financial assets	3,538	3,670
Cash and cash equivalents	5,806	310
	50,104	**48,820**
Total assets	**83,801**	**82,362**
Non-current liabilities		
Loans, borrowings and other debt instruments	12,186	11,282
Deferred income tax liabilities	-	817
	12,186	**12,099**
Current liabilities		
Trade and other payables	13,633	14,281
Employee benefit obligations	77	35
Loans, borrowings and other debt instruments	18,700	14,716
Current income tax liabilities	101	-
Provisions	225	170
	32,736	**29,202**
Total liabilities	**44,922**	**41,301**
Liability of TOYA S.A. towards Toya Development Sp. z o.o. S.K.A. related to increase in net assets classified as held for distribution in the period from 30 September 2010 to 31 December 2010	-	1,575
Total	**44,922**	**42,876**
Net assets plus liabilities related to increase in net assets from 30 September 2010	**38,879**	**39,486**

* Differences between the data result mainly from IFRS adjustments and transactions effected between 29 September 2010 and 31 December 2010

All amounts in PLN '000 (unless indicated otherwise)

** In the separate financial statements prepared in accordance with the Accounting Act, investments in jointly-controlled entities (Armada Development S.A.) were measured at cost. In the consolidated financial statements prepared in accordance with IFRS, these investments are accounted for using the equity method.

Results of discontinued operations:

	12 months ended 31 December		
	2010	**2009**	**2008**
Revenue and other income	14,104	12,838	7,058
Cost of sales and other expenses	(15,424)	(15,147)	(9,951)
Operating loss	**(1,320)**	**(2,309)**	**(2,893)**
Financial income	190	781	48
Financial costs	(682)	(708)	(1,254)
Share in loss of jointly-controlled entities	(165)	(1,070)	159
Loss before income tax	**(1,977)**	**(3,306)**	**(3,940)**
Income tax	(64)	(244)	(440)
Net loss	**(2,041)**	**(3,550)**	**(4,380)**
Liability of TOYA S.A. towards Toya Development Sp. z o.o. S.K.A. related to increase in net assets of the discontinued operations in the period from 30 September 2010 to 31 December 2010	**(1,575)**	**-**	**-**
	(3,616)	**(3,550)**	**(4 380)**

Discontinued operations comprise separate operating segments – see Note 32.

Because the carrying amount of net assets classified as held for distribution is not higher than their fair value less costs of distribution, no impairment write-downs were recognised as at 30 September 2010 and 31 December 2010.

Given the agreement on provision for use against payment (30 September 2010), until the transfer of ownership of the net assets (6 April 2011) the operating result of the Kryniczno Branch will be limited to the amounts of monthly payments due to TOYA S.A. and its right to share in Toya Development Sp. z o.o. S.K.A.'s profits under the articles of association of the limited joint stock partnership.

b) Loans

On 4 January 2010, the Company signed a loan agreement with Armada Development S.A. (as the borrower). The agreement provided for a loan of PLN 3,000 thousand. TOYA S.A., Toya Development Sp. z o.o. S.K.A. and Armada Development S.A. signed another agreement to the effect that as of 1 October 2010 TOYA S.A. would transfer onto Toya Development Sp. z o.o. S.K.A. its rights and obligations under the loan agreement of 4 January 2010 between TOYA S.A. and Armada Development S.A., under which TOYA S.A. was the lender. On 20 November 2010, Toya Development Sp. z o.o. S.K.A. (as the lender) and Armada Development S.A. (as the borrower) signed an annex to the loan agreement of 4 January 2010. The annex provided for 25 March 2011 as the loan repayment date. As at 31 December 2010, the receivable under the loan was disclosed as a component of the disposal group classified as held for distribution (Note 33a) under "Other financial assets". The loan was repaid on 31 March 2011.

34. Material events subsequent to the end of reporting period

34.1 Adoption of resolutions concerning TOYA S.A. shares

Subsequent to the end of the reporting period, on 8 February 2011, the Extraordinary General Shareholders Meeting adopted a resolution to increase the share capital through the issue of Series C shares in a public offering with disapplication of the existing shareholders’ pre-emptive rights. The Company's share capital will be increased from PLN 6,557 thousand to no more than PLN 9,368 thousand through the issue of up to 28,103,060 Series C ordinary bearer shares with a par value of PLN 0.10 per share. Series C Shares will be offered in Poland in a public offering as defined in the Act on Public Offering, based on an issue prospectus approved by the Polish Financial Supervision Authority.

Subsequent to the end of the reporting period, on 8 February 2011, the Extraordinary General Shareholders Meeting adopted a resolution on a conditional share capital increase through the issue of Series D shares. The Company's share capital will be conditionally increased by an amount of up to PLN 224 thousand, through the issue of 2,243,430 Series D ordinary bearer shares with a par value of PLN 0.10 per share. The conditional increase in share capital of the Company will be effected with a view to granting rights to acquire Series D shares to holders of Series A subscription warrants (see Note 53.6 for further information on the scheme). The right to acquire Series D shares expires on 31 December 2015.

Subsequent to the end of the reporting period, on 14 February 2011, the Extraordinary General Shareholders Meeting adopted a resolution authorising the Management Board to increase the Company's share capital through the issue of new shares with a total par value of no more than PLN 162 thousand, as part of three share capital increases within the above limit (authorised share capital), to provide for implementation of a resolution of the Extraordinary General Shareholders Meeting concerning remuneration of the Supervisory Board members (described in Note 35.7). The issue price will be equal to the par value of the shares. The authorisation given the Management Board to increase the share capital and to issue shares within the limit of the authorised share capital expires 3 (three) years after the registration of the relevant amendment to the Articles of Association in the Register of Entrepreneurs.

34.2 Agreements with banks

34.2.1 Agreement with Bank DnB Nord

Pursuant to an annex signed on 13 January 2011, the agreement with Bank DnB Nord was terminated. The entire debt along with the due interest was repaid on 13 January 2011. In February 2011, a mortgage for a total amount of PLN 10m was deleted by the court.

34.2.2 Agreements with Bank Millennium

Pursuant to Annex 7 of 28 January 2011, to overdraft facility agreement No. 628329/05 of 18 March 2005 with Bank Millenium, the facility term was extended until 31 January 2012.

Pursuant to Annex 9 of 28 January 2011 to revolving credit facility agreement No. 63060970/05 of 18 March 2005 with Bank Millenium, the facility term was extended until 31 January 2012.

34.2.3 Agreements with Bank BZ WBK S.A.

Pursuant to Annex 9 of 6 April 2011 to investment loan agreement No. K0004411 of 12 December 2007 executed with Bank BZ WBK S.A., the borrower under agreement was changed to Toya Development Sp. z o.o. S.K.A., while TOYA S.A. became the surety of the loan agreement. Pursuant to the said annex, any claims by the lender towards the Company under the surety agreement may not exceed PLN 21,770 thousand and are effective until Toya Development Sp. z o.o. S.K.A. repays the loan (Note 34.6.) but no longer than until 30 June 2014. On 4 May 2011, Toya Development Sp. z o.o. S.K.A. repaid the above loan in its entirety. Therefore, Toya S.A. was released by the Bank from all of its obligations as provider of sureties and security. As at the date of preparation of these financial statements, registration of the security deletion by the court was pending.

34.2.4 Agreements with Raiffeisen Bank Polska S.A.

Pursuant to Annex 10 of 6 April 2011 to loan agreement No. CRD/19815/05 of 11 October 2005 with Raiffeisen Bank Polska S.A., the borrower under agreement was changed to Toya Development Sp. z o.o. S.K.A. On the same day, TOYA S.A. executed an agreement with Raiffeisen Bank Polska S.A. providing for its accession to obligations under the agreement. Under the agreement, TOYA S.A. is jointly and severally responsible with the borrower for its liabilities up to the amount of PLN 19,974 thousand. The end of term of the debt accession agreement was defined as the date of full repayment of the debt under the loan agreement with BZ WBK S.A. (Note 16, Note 34.2.3. and Note 34.6), but no later than 26 February 2019. The loan extended by BZ WBK S.A. was repaid in its entirety on 4 May 2011. On 12 May 2011, the bank confirmed that following the loan repayment, the agreement providing for accession to debt by Toya S.A. expired.

On 11 May 2011, the Company submitted an application with the court requesting deletion of security (a ceiling mortgage of up to PLN 30m) created for the benefit of Raiffeisen Bank S.A. in connection the debt limit facility agreement No. CRD/L/11381/02 of 2 October 2002. As at the date of preparation of these financial statements, registration of the mortgage deletion by the court was pending.

34.2.5 Agreement with Bank Handlowy w Warszawie S.A.

Pursuant to Annex 2 of 20 April 2011 to loan agreement No. BDK/KR-RB/000054601/0641/10 of December 22nd 2010 with Bank Handlowy w Warszawie S.A, the loan repayment dates and available amounts were changed as follows:
- PLN 17,000 thousand from 21 April to 29 July 2011,
- PLN 15,000 thousand from 30 July to 23 December 2011.

34.2.6 Agreement with Bank Zachodni WBK S.A. of Wrocław

On 23 May 2011, an agreement was executed with Bank Zachodni WBK S.A. of Wrocław. The agreement provides for a working capital loan granted to finance the Company's working capital needs. The loan amount is PLN 6m. It is to be repaid by 22 September 2011.

Repayment of the loan is secured with a power of attorney to debit the account held with BZ WBK S.A., a declaration on submission to enforcement up to a total amount of PLN 12m, and a blank promissory note with a promissory note declaration.

34.2.7 Separation of the property development and golfing business

Subsequent to the balance sheet date, on 6 April 2011, the Company executed an agreement to make a non-cash contribution in the form of an organised part of business (i.e. the Kryniczno Branch) to Toya Development Sp. z o.o. S.K.A. with a dispositive effect. Under the agreement, the value of the contribution on the date immediately preceding the date the contribution was made, was PLN 37,399 thousand. This agreement allowed the Company to discharge the contractual obligation, which had rested upon it from 30 September 2010 (execution of the agreement described in Section 33a).

All amounts in PLN '000 (unless indicated otherwise)

Financial data of the non-cash contribution (Kryniczno Branch) as per the contribution agreement of 6 April 2011:

ASSETS	**5 April 2011 Data of the branch as per the adopted resolutions, prepared in accordance with the Accounting Act, prior to restatement to IFRS, as at 5 April 2011**
Non-current assets	
Property, plant and equipment	26,979
Investment property	588
Intangible assets	117
Equity-accounted investments in jointly-controlled entities	6,000
Other financial assets	3,621
Deferred tax assets	38
	37,343
Current assets	
Inventory	42,190
Trade and other receivables	2,064
Cash and cash equivalents	4,607
	48,861
Total assets	**86,204**
Non-current liabilities	
Loans, borrowings and other debt instruments	14,304
	14,304
Current liabilities	
Trade and other payables	19,839
Employee benefit obligations	446
Loans, borrowings and other debt instruments	13,597
Current income tax liabilities	276
Provisions	343
	34,501
Total liabilities	**48,805**
Net assets	**37,399**

(*) Net assets of the non-cash contribution determined in line with the provisions of the Accounting Act. Net assets of the contribution determined in accordance with the IFRS at TOYA.S.A. as at 6 April 2011 will not differ from net assets shown as at 31 December 2010 in Note 33a.

On 4 May 2011, the Extraordinary General Shareholders Meeting of Toya Development S.K.A. adopted a resolution to approve TOYA S.A.'s withdrawal as a general partner from Toya Development S.K.A. The date of withdrawal was set for 4 May 2011. The compensation due to Toya S.A. for its withdrawal was agreed at

PLN 2,250 thousand, payable in 18 monthly instalments starting from May 2011. On 16 May 2011, the changes connected with Toya S.A.'s withdrawal from Toya Development S.K.A. were registered in the National Court Register.

34.3 Annexes to related party loans

On 30 March 2011, the Company executed the following annexes to loan agreements with Jan Szmidt, who is one of the Company's shareholders (Note 16):

Annex 2 to loan agreement of 2 September 2010 extending the loan repayment date until 11 April 2011.

Annex 2 to loan agreement of 8 September 2010 extending the loan repayment date until 11 April 2011.

Annex 1 to loan agreement of 20 December 2010 extending the loan repayment date as follows: for PLN 650 thousand -until 11 April 2011, and for PLN 1,050 thousand - until 31 December 2011.

As at the date of preparation of these financial statements, the loans maturing on 11 April 2011 were repaid by the Company.

34.4 Changes in the structure of related parties

On 6 April 2011, Company shareholder Piotr Wojciechowski joined the agreement concerning joint control over the Company, executed between the other shareholders (Jan Szmidt, Tomasz Koprowski, and Romuald Szałagan) on 31 August 2010.

34.5 Agreements related to assets and liabilities of disposal group classified as held for distribution

On 31 March 2011, the loan granted by TOYA S.A. to Armada Development S.A. on 4 January 2010 (described in one of the notes), and transferred to Toya Development Sp. z o.o. S.K.A. under the agreement signed between TOYA S.A. and Toya Development Sp. z o.o. S.K.A., was repaid.

On 15 March 2011, Toya Development Sp. z o.o. S.K.A. acquired shares in GC Investment S.A. for PLN 3,621 thousand. Under the agreement, Toya Development Sp. z o.o. S.K.A. acquired 1,248,500 shares with a par value of PLN 1 per share (5% of the company's share capital). The Company paid for the acquired shares on 16 March 2011. Concurrently, on 15 March 2011, Toya Development Sp. z o.o. S.K.A. executed a preliminary agreement for sale of shares in GC Investment S.A. with MGJ Inwestycje Sp. z o.o. Under the agreement, MGJ Inwestycje Sp. z o.o. undertook to acquire 1,248,500 shares in GC Investment with a par value of PLN 1 per share for PLN 3,621 thousand, on or before 30 June 2011.

The contribution made under the agreement for non-cash contribution by the Company to Toya Development Sp. z o.o. S.K.A., dated 6 April 2011, included 1,000,000 shares in Armada Development S.A. with a par value of PLN 6 per share, which as at 31 December 2010 were included in "disposal group classified as held for distribution" and whose value amounted to PLN 4,925 thousand. Pursuant to the above agreement and the preliminary agreement for sale of shares dated 15 March 2011, executed between Toya Development Sp. z o.o. S.K.A. and GC Investment S.A., shares in Armada Development S.A. were designated for sale for PLN 10,722 thousand. In line with the agreement, the entire payment for Armada Development S.A. shares was effected in tranches (the last payment was made on 4 May 2011). Pursuant to a Resolution by the Management Board of general partner Toya Development Sp. z o.o., the proceeds from the sale of Armada Development S.A. shares were to be used to repay in full the investment loan No. K0004411 of 12 December 2007 contracted with Bank BZ WBK S.A. (for details of the loan see Note 16 and Note 34.2.3). The investment loan was repaid by Toya Development Sp. z o.o. S.K.A. on 4 May 2011, as a result of which TOYA S.A. was released from its obligations under the sureties described in Note 34.2.3 and Note 34.2.4.

34.6 Release of the Company from its obligations under a bank loan guarantee issued for the benefit of Scubatech Sp. z o.o.

Pursuant to the notification received from Raiffeisen Bank Polska S.A., on 24 March 2011 TOYA S.A. was released from its obligations under a corporate guarantee of up to PLN 1,800 thousand (Note 29).

34.7 Arrangements concerning employees' participation in the Company's share capital

A management incentive scheme has been introduced at the Company to create incentive mechanisms which ensure long-term growth of the Company's value and a steady increase of net profit, as well as contribute to stable management staff. Based on Resolution No. 2 of the Extraordinary General Shareholders Meeting of 8 February 2011, approving the rules of the incentive scheme for the Company's management staff and key employees, the Company launched an incentive scheme which will be implemented over four consecutive financial years (2011–2014). On 23 May 2011, by virtue of its Resolution No. 11, the Annual General Shareholders Meeting introduced a number of corrections to Resolution No. 2 of the EGM. The incentive scheme is addressed to members of the Management Board and key employees of the Company, selected annually by the Supervisory Board. Under the scheme, its participants will be entitled to acquire in aggregate up to 2,243,430 Series A registered subscription warrants carrying the right to acquire Series D ordinary bearer shares with a par value of PLN 0.10 per share and an aggregate par value of PLN 2,243 thousand.

At the end of a given year of the scheme its participants will be granted the right to acquire the shares, provided that the Company achieves specific parameters and objectives. The objectives and parameters which the Company is required to attain were set forth by the Supervisory Board in its Resolution of 24 May 2011, which specified:

- that the total number of shares issued as part of the incentive scheme would not be higher than 2,243,430 shares, representing up to 2.29% of the Company's share capital;

- that the eligible persons would have the right to acquire: 18% of shares for 2011, 25% of shares for 2012, 27% of shares for 2013, and 30% of shares for 2014;

- the conditions, upon the fulfilment of which the options would be granted. The conditions were as follows:
  - growth of the Company's net profit for the financial years 2011–2014 by at least 22% per annum. Upon fulfilment of this condition, eligible persons would be granted the right to acquire 75% of the shares under the incentive scheme;
  - an increase in the price of Company shares in 2012–2014 by no less than 10% relative to WIG. Upon fulfilment of this condition, eligible persons would be granted the right to acquire 25% of the shares under the incentive scheme.

Failure to fulfil any of the above conditions in a given year does not rule out the possibility to acquire shares if the conditions are met at the end of the term of the scheme.

The Supervisory Board was obliged by the Extraordinary General Shareholders Meeting to prepare Rules for the Incentive Scheme, to specify the detailed terms of granting options under the incentive scheme, including:
- the total number of persons eligible to participate in the incentive scheme,
- the detailed list of persons eligible to participate in the incentive scheme each year,
- the terms of granting each of the three option tranches,
- rules for transfer of options between the years of the scheme,
- option grant dates, and dates of acquisition of Series D shares.

To enable implementation of the scheme, Series A subscription warrants intended for the scheme participants will be issued in an aggregate number of up to 2,243,430, carrying the right to acquire up to 2,243,430 Series D shares. The subscription warrants will be issued free of charge, on such terms and conditions as specified by the Supervisory Board in the Rules for the Incentive Scheme. One Series A subscription warrant will carry the right to acquire one Series D share. The issue price of Series D shares acquired in exercise of the rights attached to Series A subscription warrants will be equal to PLN 0.10. Series D subscription warrants will not be issued in a public offering as referred to in Art. 3.3 of the Act on Public Offering. The warrants will be non-transferable, except that they may be transferred to the Company. Moreover, the warrants may be inherited.

As at date of these consolidated financial statements, the Rules for the Incentive Scheme have not been approved by the Supervisory Board.

34.8 Arrangements concerning participation in the Company's share capital by the Supervisory Board members

By virtue of Resolution No. 10, the Annual General Shareholders Meeting of 23 May 2011 approved the rules of remuneration of the Supervisory Board members. In accordance with the approved scheme, three members of the Supervisory Board will be entitled to payment in the form of the Company shares for serving as members of the Supervisory Board during the three-year term from 2011 to 2013.

Pursuant to the approved scheme:

a) Three members of the Supervisory Board (Piotr Mondalski, Dariusz Górka and Grzegorz Maciąg) will receive payment in the form of a right to acquire the Company shares in an aggregate number equal to 0.75% of all the Company shares registered on the date when the offer to acquire the share is made, of which Piotr Mondalski will have the right to acquire 0.35% of such shares, whereas Dariusz Górka and Grzegorz Maciąg will each have the right to acquire 0.2% of the shares. The shares will be acquired in three tranches.
b) The four other members of the Supervisory Board (who are the Company shareholders) will not be entitled to any remuneration for serving as members of the Supervisory Board.

The Management Board will offer the shares to the Supervisory Board members at par value.

The shares will be offered by the Management Board to the three eligible Supervisory Board members in three tranches: the first tranche between 1 December 2011 and 30 April 2012, the second between 1 December 2012 and 30 April 2013, and the third between 1 December 2013 and 30 April 2014. If the offered shares are not acquired by the eligible persons as stated above, they will be offered to them in next tranches.

Each of the Supervisory Board members may decide to collect his remuneration in cash, up to the maximum amount of PLN 7 thousand a month. If a Supervisory Board member decides to collect a portion of his remuneration in cash, the number of shares to be offered to him by the Management Board will be reduced accordingly.

If the public issue of Series C shares is not successful by 31 December 2011, the Supervisory Board members will each receive PLN 100 thousand for serving as Supervisory Board members in 2011.

34.9 Significant Supervisory Board resolutions

On 8 April 2011, the Supervisory Board appointed members of the Management Board for another three-year term of office. The composition of the Management Board remained unchanged.

On 8 April 2011, the Supervisory Board approved the Company's withdrawal from its general partner position in Toya Development Sp. z o.o. S.K.A. on such terms and conditions as set forth in the agreement of 1 November 2010, against a compensation of PLN 2,250 thousand.

34.10 Extension of the term of a warehouse lease agreement on favourable terms

On 29 March 2011, the Company signed an annex with ProLogis Poland LXXXIX Sp. z o.o., amending the amount of rent paid for leasing a warehouse in Nadarzyn (see Note 19). The annex gives the Company the right to a reduced rent for nine months starting from 29 January 2012. During this period, the rent will be reduced by a total of 252,048, and subsequent to the nine-month period the monthly rent will amount to EUR 34,648 (i.e. it will be lower by EUR 4,377 relative to the reporting period).

34.11 Resolution concerning approval of the 2010 financial statements of Toya S.A. and distribution of profit

Subsequent to the balance sheet date, on 23 May 2011 the General Shareholders Meeting of Toya S.A. approved the financial statements of Toya S.A. for 2010, and resolved to distribute the profit earned in 2010 by allocating:

- PLN 9,282 thousand for payment of dividend by 31 May 2011,
- PLN 9,283 thousand for contribution to a reserve account.

34.12 Other events

Subsequent to the balance sheet date, a tax inspection was initiated in the Company in order to check the correctness of its tax settlements for 2009. Upon completion of the inspection, the Tax Supervision Authority issued an inspection report. The Company submitted explanations regarding the issues described in the report. In the Management Board's opinion, as at the date of these financial statements there is no risk related to the inspection or its results.

Grzegorz Pinkosz President of the Management Board	Dariusz Hajek Vice-President of the Management Board	Tomasz Suchowierski Vice-President of the Management Board

Wrocław, 30 May 2011