SECO/WARWICK S.A.

SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD

JANUARY 1ST–DECEMBER 31ST 2013

CONTENTS

SEPARATE STATEMENT OF FINANCIAL POSITION
(PLN '000)

PLN '000	Note	Dec 31 2013	Dec 31 2012
ASSETS			
Non-current assets			
Property, plant and equipment	9	2,446	19,607
Investment property	11	-	409
Intangible assets	10	11,404	12,409
Investments in subsidiary, jointly-controlled and associated entities	12	188,901	97,432
Deferred tax assets	6	2,330	4,207
		205,081	**134,063**
Current assets			
Inventories	14	-	14,213
Trade receivables	16	8,725	33,430
Income tax assets	16	-	634
Other current receivables	16	1,771	6,811
Prepayments and accrued income	18	224	847
Financial assets	17	-	2,671
Loans and receivables	17	4,220	2,463
Cash and cash equivalents	19	10,288	24,249
Contract settlement	15	-	13,447
		25,228	**98,764**
ASSETS HELD FOR SALE	7	**361**	**3,347**
TOTAL ASSETS		**230,670**	**236,174**

PLN '000	Note	Dec 31 2013	Dec 31 2012
EQUITY AND LIABILITIES			
Equity			
Share capital	*20*	3,693	3,652
Statutory reserve funds	*20*	171,219	165,531
Other components of equity	*20*	3,147	-
Retained earnings/(deficit)	*21*	17,808	9,923
		195,867	**179,106**
Non-current liabilities			
Borrowings and other debt instruments	*22*	8,162	3,100
Financial liabilities	*17*	3,981	-
Deferred tax liabilities	*6*	2,510	6,828
Provision for retirement and similar benefits	*24*	-	238
Accruals and deferred income	*26*	4,143	4,515
		18,796	**14,681**
Current liabilities			
Borrowings and other debt instruments	*22*	3,410	1,550
Financial liabilities	*17*	3,952	186
Trade payables	*23*	2,800	9,569
Other current liabilities	*23*	3,210	3,120
Provision for retirement and similar benefits	*24*	1,629	2,432
Other provisions	*24*	687	1,873
Accruals and deferred income	*26*	319	23,658
		16,007	**42,388**
TOTAL EQUITY AND LIABILITIES		**230,670**	**236,174**

Date: April 29th 2014

Person responsible for keeping accounting records: Ryszard Rej	Paweł Wyrzykowski	Wojciech Modrzyk	Jarosław Talerzak
	President of the Management Board	*Vice-President of the Management Board*	*Vice-President of the Management Board*

SEPARATE STATEMENT OF COMPREHENSIVE INCOME
(PLN '000)

PLN '000	Note	Year ended Dec 31 2013	Year ended Dec 31 2012
Revenue from sale of finished goods		14,188	155,459
Revenue from sale of merchandise and materials		365	533
Revenue	**1,2**	**14,553**	**155,992**
Finished goods sold		-13,373	-116,099
Merchandise and materials sold		-365	-507
Cost of sales	**2.3**	**-13,738**	**-116,605**
Gross profit/(loss)		**815**	**39,387**
Other income	*4*	837	1,986
Distribution costs	*2.3*	-	-4,702
Administrative expenses	*2.3*	-10,615	-25,432
Other expenses	*4*	-347	-2,341
Operating profit/(loss)		**-9,310**	**8,898**
Finance income	*5*	24,917	2,585
Finance costs	*5*	-677	-4,027
Profit/(loss) before tax		**14,930**	**7,456**
Actual tax expense	*6*	-24	-1,767
Net profit/(loss) from continuing operations		**14,906**	**5,689**
Discontinued operations		-	-
Loss on discontinued operations		-	-
Net profit/(loss) for financial year		**14,906**	**5,689**

OTHER COMPREHENSIVE INCOME:		
Effective portion of changes in fair value of cash flow hedges	-	2,575
Income tax on other comprehensive income	-	-489
Other comprehensive income, net of tax	**-**	**2,086**
Total comprehensive income	**14,906**	**7,775**

Date: April 29th 2014

Person responsible for keeping accounting records: Ryszard Rej	Paweł Wyrzykowski	Wojciech Modrzyk	Jarosław Talerzak
	President of the Management Board	*Vice-President of the Management Board*	*Vice-President of the Management Board*

SEPARATE STATEMENT OF CASH FLOWS
(PLN '000)

	Note	for the period Jan 1–Dec 31 2013	for the period Jan 1–Dec 31 2012
OPERATING ACTIVITIES			
Profit/(loss) before tax	*27*	**14,930**	**7,456**
Adjustments for:		**-15,099**	**30,357**
Depreciation and amortisation	*3*	1,321	3,199
Foreign exchange gains/(losses)		-716	-593
Interest and profit distributions (dividends)		-21,804	238
Gain/(loss) on investing activities		-9	2,352
Change in provisions		407	438
Change in inventories		2,112	961
Change in receivables		-582	6,282
Change in current liabilities (other than financial liabilities)		256	-2,030
Change in accruals and deferrals		769	23,071
Derivatives		-	-4,413
Other adjustments		3,147	851
Cash from operating activities		**-168**	**37,813**
Income tax (paid)/recovered		-	-48
Net cash flows from operating activities		**-168**	**37,765**
INVESTING ACTIVITIES			
Cash provided by investing activities		**22,068**	**2,888**
Proceeds from sale of intangible assets and property, plant and equipment		53	668
Interest received		-	66
Decrease in non-current loans advanced		-	2,154
Dividends and profit distributions received		22,015	-
Cash used in investing activities		**43,043**	**9,222**
Investments in intangible assets, property, plant and equipment, and investment property		384	2,232
Acquisition of related entities		41,048	3,703
Increase in loans advanced		1,610	3,029

Cash paid in connection with derivative instruments	-	258
Net cash flows from investing activities	**-20,975**	**-6,334**
FINANCING ACTIVITIES		
Cash provided by financing activities	**13,146**	**-**
Net proceeds from issue of shares or other equity instruments and additional contributions to equity	41	-
Borrowings and other debt instruments	13,105	-
Cash used in financing activities	**5,968**	**8,568**
Repayment of borrowings and other debt instruments	5,481	8,079
Payment of finance lease liabilities	138	187
Interest paid	349	302
Net cash flows from financing activities	**7,178**	**-8,568**
Total net cash flows	**-13,965**	**22,863**
Net change in cash, including:	**-13,960**	**22,797**
- effect of exchange rate fluctuations on cash held	5	66
Cash at beginning of period	**24,274**	**1,411**
Cash at end of period, including:	**10,309**	**24,274**
- restricted cash	-	-

Date: April 29th 2014

Person responsible for keeping accounting records: Ryszard Rej	Paweł Wyrzykowski	Wojciech Modrzyk	Jarosław Talerzak
	President of the Management Board	*Vice-President of the Management Board*	*Vice-President of the Management Board*

SEPARATE STATEMENT OF CHANGES IN EQUITY (PLN '000)

	Share capital	Statutory reserve funds	Hedging reserve	Other components of equity	Retained earnings/(deficit)	Non-controlling interests	Total equity
				Twelve months ended Dec 31 2012			
Equity as at Jan 1 2012	**3,652**	**161,361**	**- 753**	**-**	**7,071**	**-**	**171,331**
Total comprehensive income for the twelve months ended Dec 31 2012	-	-	2,086	-	5,689	-	**7,775**
Distribution of profit	-	4,169	-	-	-4,169	-	**-**
Equity as at Dec 31 2012	**3,652**	**165,531**	**1,333**	**-**	**8,591**	**-**	**179,106**
				Twelve months ended Dec 31 2013			
Equity as at Jan 1 2013	**3,652**	**165,531**	**1,333**	**-**	**8,591**	**-**	**179,106**
Total comprehensive income for the twelve months ended Dec 31 2013	-	-	-	-	14,906	-	**14,906**
Share capital increase	41	-	-	-	-	-	**41**
Management stock options	-	-	-	3,147	-	-	**3,147**
Disposal of organised part of business	-	-	-1,333	-	-	-	**-1,333**
Distribution of profit	-	5,688	-	-	-,5,688	-	**-**
Equity as at Dec 31 2013	**3,693**	**171,219**	**-**	**3,147**	**17,809**	**-**	**195,867**

Date: April 29th 2014

Person responsible for keeping accounting records: Ryszard Rej

Paweł Wyrzykowski
President of the Management Board

Wojciech Modrzyk
Vice-President of the Management Board

Jarosław Talerzak
Vice-President of the Management Board

SECO/WARWICK S.A.

SUPPLEMENTARY INFORMATION TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31ST 2013

I. GENERAL INFORMATION

1. Company details

Name:		**SECO/WARWICK S.A.**
Legal form:		Joint-stock company (spółka akcyjna)
Registered offices:		ul. Sobieskiego 8, 66-200 Świebodzin, Poland
Core business according to the Polish Classification of Business Activities (PKD):		
	28.21.Z	Manufacture of ovens, furnaces and furnace burners,
	33.20.Z	Installation of industrial machinery and equipment,
	28.29.Z	Manufacture of other general-purpose machinery n.e.c.,
	28.24.Z	Manufacture of power-driven hand tools,
	28.99Z	Manufacture of other special-purpose machinery n.e.c.,
	28.94.Z	Manufacture of machinery for textile, apparel and leather production,
	46.14.Z	Agents involved in the sale of machinery, industrial equipment, ships and aircraft,
	46,19,Z	Agents involved in the sale of a variety of goods,
	46.69.Z	Wholesale of other machinery and equipment,
	71.12.Z	Engineering activities and related technical consultancy,
	72.11.Z	Research and experimental development on biotechnology.
National Court Register (KRS) No.:		KRS 0000271014
Industry Identification Number (REGON)		970011679

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

2. Duration

The Company has been established for an indefinite period.

3. Presented periods

These separate financial statements contain data for the period January 1st–December 31st 2013. The comparative data is presented as at December 31st 2012 in the case of the statement of financial position, and for the period from January 1st to December 31st 2012 in the case of the statement of comprehensive income, statement of cash flows, and statement of changes in equity.

4. Management and Supervisory Boards of SECO/WARWICK S.A.

As at December 31st 2013, the composition of the SECO/WARWICK Management Board was as follows:
- Paweł Wyrzykowski – President of the Management Board
- Wojciech Modrzyk – Vice-President of the Management Board
- Jarosław Talerzak – Vice-President of the Management Board

As at December 31st 2012, the composition of the SECO/WARWICK Management Board was as follows:
- Paweł Wyrzykowski – President of the Management Board
- Wojciech Modrzyk – Vice-President of the Management Board
- Witold Klinowski − Member of the Management Board
- Józef Olejnik − Member of the Management Board

As at December 31st 2013, the composition of the SECO/WARWICK Supervisory Board was as follows:
- Andrzej Zawistowski – Chairman of the Supervisory Board
- Henryk Pilarski – Deputy Chairman of the Supervisory Board
- Jeffrey Boswell – Member of the Supervisory Board
- James A. Goltz – Member of the Supervisory Board
- Zbigniew Rogóż – Member of the Supervisory Board
- Gutmann Habig – Member of the Supervisory Board
- Witold Klinowski – Member of the Supervisory Board

As at December 31st 2012, the composition of the SECO/WARWICK Supervisory Board was as follows:
- Andrzej Zawistowski – Chairman of the Supervisory Board
- Henryk Pilarski – Deputy Chairman of the Supervisory Board
- Jeffrey Boswell – Member of the Supervisory Board
- James A. Goltz – Member of the Supervisory Board
- Zbigniew Rogóż – Member of the Supervisory Board
- Gutmann Habig – Member of the Supervisory Board

Changes in the composition of the Management Board

On December 14th 2012, in Current Report No. 38/2012, the SECO/WARWICK Management Board reported on Mr Witold Klinowski's resignation from the position of Member of the Company's Management Board. The resignation was due to Mr Klinowski's intention to accept the position of Member of the SECO/WARWICK Supervisory Board.

On December 14th 2012, in Current Report No. 38/2012, the SECO/WARWICK Management Board reported on Mr Józef Olejnik's resignation from the position of Member of the Company's Management Board Mr Olejnik cited his retirement age as the reason behind the resignation.

On December 14th 2012, in Current Report No. 39/2012, the SECO/WARWICK Management Board reported on Mr Jarosław Talerzak's appointment to the Management Board. Mr Talerzak was appointed by the Supervisory Board to serve as Vice-President of the Management Board, with effect from January 1st 2013.

Changes in the composition of the Supervisory Board:

On November 28th 2012, the Extraordinary General Meeting of SECO/WARWICK S.A., by virtue of Resolution No. 10, appointed Mr Witold Klinowski to serve as Member of the Company's Supervisory Board as of January 1st 2013 (for details see Current Report No. 36/2012).

5. Auditors

PKF Consult Sp. z o.o.

ul. Orzycka 6, lok. 1B
02-695 Warsaw, Poland

6. Large shareholders

The table below lists the shareholders holding over 5% of the total vote at the General Meeting as at December 31st 2013:

Shareholder	Number of shares	Ownership interest (%)	Number of votes at GM	% of total voting rights
SW Poland Holding B.V. (Netherlands)	3,387,139	31.71%	3,387,139	31.71%
Spruce Holding Limited Liability Company (USA)	1,419,294	13.29%	1,419,294	13.29%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	904,794	8.47%	904,794	8.47%
Funds represented by PKO BP BANKOWY PTE S.A.	849,698	7.96%	849,698	7.96%
Bleauhard Holdings LLC	743,456	6.96%	743,456	6.96%
ING NN OFE	600,000	5.62%	600,000	5.62%
AMPLICO	577,470	5.41%	577,470	5.41%

The data presented in the table is based on notifications received from the shareholders.

7. Subsidiaries

SECO/WARWICK S.A. is the parent of the following subsidiaries:

- SECO/WARWICK EUROPE S.A. (before October 19th 2012: SECO/WARWICK ThermAL S.A.),
- SECO/WARWICK Corporation,
- SECO/WARWICK Rus,
- Retech Systems LLC,
- SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co., Ltd.,
- SECO/WARWICK GmbH,
- OOO SCT (Solnechnogorsk) Russia,
- SECO/WARWICK Service GmbH,
- SECO/WARWICK Allied Pvt., Ltd. (Mumbai) India.
- SECO/WARWICK do Brasil Ind. de Fornos Ltda.

Other Group companies are:

- SECO/WARWICK of Delaware Inc.
- Retech Tianjin Holdings LLC.

II. Key financial data translated into the euro

The table below presents average EUR/PLN exchange rates quoted by the National Bank of Poland for the periods covered by these financial statements and by the historical financial information:

Financial year	**Year ended Dec 31 2013**	**Year ended Dec 31 2012**
Average exchange rate for the period*	4.2110	4.1736
Exchange rate effective for the last day of the period	4.1472	4.0882

**) Average of the exchange rates effective for the last day of each month in the period.*

Items of assets, equity and liabilities in the statement of financial position have been translated using the EUR/PLN exchange rates quoted by the National Bank of Poland for the last day of the period.

Items of the statement of comprehensive income and statement of cash flows have been translated using the exchange rates calculated as the arithmetic means of the EUR/PLN mid-market rates quoted by the National Bank of Poland as effective for the last day of each month in the reporting period.

The table below presents key items of the separate statement of financial position, statement of comprehensive income and statement of cash flows presented in these financial statements, together with the relevant comparative data, translated into the euro:

Separate financial highlights	2013	2012	2013	2012
	(PLN '000)		(EUR '000)	
Revenue	14,553	155,992	3,456	37,376
Cost of sales	-13,738	-116,605	-3,262	-27,939
Operating profit/(loss)	-9,310	8,898	-1,890	2,132
Profit/(loss) before tax	14,930	7,456	3,866	1,786
Net profit/(loss)	14,906	5,689	3,846	1,363
Net cash flows from operating activities	-168	37,765	-40	9,049
Net cash flows from investing activities	-20,975	-6,334	-4,981	-1,518
Net cash flows from financing activities	7,178	-8,568	1,705	-2,053
	Dec 31 2013	**Dec 31 2012**	**Dec 31 2013**	**Dec 31 2012**
Total assets	230,670	236,174	55,686	57,770
Total liabilities	34,803	57,068	8,392	13,959
including current liabilities	16,007	42,388	3,860	10,368
Equity	195,867	179,106	47,294	43,810
Share capital	3,693	3,652	890	893

III. Statement of compliance

In compliance with the requirements laid down in the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009, the Management Board of the Parent represents that to the best of its knowledge these financial statements and the relevant comparative data have been prepared in compliance with the accounting standards applicable to the Company and give an accurate, fair and clear view of the Company's assets, financial standing and financial performance, and the report on the Company's operations gives a true picture of the Company's development, achievements and standing; they also include a description of key risks and threats.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") endorsed by the EU, and their scope is compliant with the requirements set forth in the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009 (Dz.U. of 2009 No. 33, item 259, as amended).

These financial statements cover the period from January 1st to December 31st 2013 and a comparative period from January 1st to December 31st 2012.

The Management Board represents that the auditor of these financial statements was appointed in compliance with the applicable laws, and that both the auditing firm and the qualified auditors who performed the audit met the conditions required to issue an impartial and independent auditor's opinion, in accordance with the applicable provisions of Polish law. In line with the corporate governance principles adopted by the Management Board, the auditor was appointed by the Company's Supervisory Board (Resolution No. 8/2013 on appointment of the auditor). The Supervisory Board appointed the auditor with due regard for the impartiality and objectivity of the selection itself as well as of the performance of the auditor's tasks.

Date: April 29th 2014

Paweł Wyrzykowski	Wojciech Modrzyk	Jarosław Talerzak
President of the Management Board	*Vice-President of the Management Board*	*Vice-President of the Management Board*

IV. Compliance with International Financial Reporting Standards

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS endorsed by the European Union. As at the date of approval of these financial statements for issue, given the ongoing process of implementation of IFRS in the European Union and the scope of the Company's business, as far as the accounting policies applied by the Company are concerned there are no differences between the IFRS which have come into force and the IFRS endorsed by the European Union.

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

These separate financial statements of the Company should be read in conjunction with the consolidated financial statements approved for issue by the Management Board and released on the date of issue of these separate financial statements, in order to obtain complete information on the SECO/WARWICK Group's assets and financial position as at December 31st 2013 and its financial performance in the period from January 1st to December 31st 2013, in accordance with the International Financial Reporting Standards endorsed by the European Union.

V. Going concern assumption and comparability of accounts

These financial statements have been prepared on the assumption that the Company would continue as a going concern for the 12 months after the most recent reporting date, that is December 31st 2013. As at the date of signing these financial statements, the Company's Management Board was aware of no facts or circumstances that would indicate a threat to the Company's continuing as a going concern in the 12 months after the reporting date, as a result of any planned or forced discontinuation or material downsizing of its existing operations.

By the date of these financial statements for 2013, no events occurred which have not but should have been disclosed in the accounting books for the reporting period. In these financial statements no material events related to prior years are disclosed.

VI. Description of applied accounting policies, including methods of measurement of assets, equity and liabilities, income and expenses

These financial statements have been prepared based on a historical cost approach, except with respect to financial derivatives, which are measured at fair value.

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

Presentation of financial statements

<u>Presentation of the statement of financial position</u>

In accordance with IAS 1 Presentation of Financial Statements, assets and liabilities are presented in the statement of financial position as current and non-current.

In accordance with IFRS 5, non-current assets held for sale are presented separately in the statement of financial position.

<u>Presentation of the statement of comprehensive income</u>

In accordance with IAS 1 Presentation of Financial Statements, in the statement of comprehensive income expenses are presented by function.

<u>Earnings per share</u>

Earnings per share for each period are determined by dividing net profit for the period by the weighted average number of shares outstanding in the period. The weighted average number of shares accounts for the dilutive effect of the issue of shares on the Warsaw Stock Exchange.

Intangible assets

As intangible assets the Company recognises such assets which are identifiable (they can be separated or sold), are controlled by the entity and are highly probable to bring future economic benefits to the entity.

Intangible assets include mainly software and development expense, and are initially recognised at cost, which includes purchase price, import duties and non-deductible taxes included in the price, decreased by discounts and rebates and increased by all expenditure directly connected with the preparation of the asset for its intended use.

In order to determine whether an internally generated intangible asset meets the recognition criteria, the entity distinguishes two phases in the asset origination process:

- the research phase,
- the development phase.

All expenditure incurred in the first phase is charged directly to expenses of the period.

Intangible assets created as a result of development work are capitalised by the Group only if the following criteria are met:

- it is certain that the intangible asset will be completed,
- it is possible to demonstrate that the asset can be used or sold,
- the expenditure incurred can be measured reliably.

Goodwill arises on acquisition of a business and corresponds to the excess of transferred consideration over the acquirer's share in the fair value of net identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is recognised at cost less any cumulative impairment losses. Goodwill is not amortised.

The table below summarises the Company's accounting policies with respect to intangible assets:

Item	Patents and licences	Software
Useful life	5–10 years	5–15 years
Amortisation method	Amortised over agreement term using straight-line method	Amortised using straight-line method
Origin	Acquired	Acquired
Impairment testing/measuring recoverable amount	Annual impairment testing	Annual impairment testing

Property, plant and equipment

Property, plant and equipment are carried at cost less cumulative depreciation and impairment losses, if any.

Depreciation is charged using the straight-line method by estimating the useful lives of given assets, which are as follows:

Buildings and structures	from 10 to 40 years
Machinery and equipment	from 5 to 30 years
Vehicles	from 5 to 10 years
Other tangible assets	from 5 to 15 years

Non-current assets held under finance lease agreements are recognised in the statement of financial position and depreciated in accordance with the same policies as those applied to other non-current assets.

Non-current assets held under finance leases and liabilities corresponding to those assets were initially recognised at amounts equal to the discounted value of future lease payments. Lease payments made in the reporting period were charged to finance lease liabilities in an amount equal to the principal, and the excess (finance charge) was charged in full to finance costs of the period.

Any gains and losses arising on a sale or liquidation are determined as the difference between the income from the sale and the net value of the tangible assets, and are recognised in profit or loss.

The Company has adopted a policy that the residual value of tangible assets is nil.

Non-current assets under construction

Non-current assets under construction include expenditure on property, plant and equipment and intangible assets which are not yet fit for use but it is highly probable that they will be completed. Non-current assets under construction are presented in the statement of financial position at cost less any impairment losses. Non-current assets under construction are not depreciated or amortised.

Investment property

The Group classifies as investment property all property which is considered a source of income (earns rentals) and/or is held for capital appreciation.

Investment property is carried at cost less cumulative depreciation and impairment losses, if any.

Depreciation is charged over the estimated useful life of the investment property, using the straight-line method. Land is not depreciated.

Financial assets and liabilities

Financial assets include equity interests in related entities, assets at fair value through profit or loss, hedging derivatives, loans and receivables and cash and cash equivalents.

Financial liabilities include borrowings and other debt instruments, other types of financing, overdraft facilities, financial liabilities at fair value through profit or loss, hedging derivatives, trade payables, liabilities to suppliers of property, plant and equipment, and lease liabilities.

Except for investments in subsidiaries, jointly controlled entities and associates, which are carried at cost in accordance with IAS 27 and IAS 28, financial assets and liabilities are recognised and measured in line with IAS 39 Financial Instruments: Recognition and Measurement.

Recognition and measurement of financial assets

Upon initial recognition, financial assets are recognised at fair value, which in the case of investments not measured at fair value through profit or loss is increased by transaction costs directly attributable to such assets.

Receivables

Trade receivables are recognised and carried at amounts initially invoiced, less any impairment losses on doubtful receivables. Impairment losses on receivables are estimated when the collection of the full amount of a receivable is no longer probable.

If the effect of the time value of money is material, the value of a receivable is determined by discounting the projected future cash flows to their present value using a discount rate that reflects the current market estimates of the time value of money. If the discount method is applied, any increase in the receivable amount with the passage of time is recognised as finance income.

Other receivables include in particular prepayments made in connection with planned purchases of property, plant and equipment, intangible assets and inventories. As non-monetary assets, prepayments are not discounted.

Cash and cash equivalents

Cash and cash equivalents are held mainly in connection with the need to meet the Company's current demand for cash rather than for investment or any other purposes.

Cash and cash equivalents include cash in bank accounts, cash in hand, as well as all liquid instruments which may immediately be converted into cash of known amount and in the case of which the risk of value changes is insignificant.

Recognition and measurement of financial liabilities

Liabilities under borrowings

Liabilities under borrowings and other financial liabilities are initially recognised at fair value and then carried at amortised cost using the effective interest rate method.

Transaction costs directly attributable to the acquisition or issue of a financial liability increase the carrying amount of the liability, because upon initial recognition the liability is recognised at the fair value of amounts paid or received in exchange for the liability. Thereafter, such costs are amortised throughout the term of the liability, using the effective interest rate method.

Hedge accounting

Hedge accounting recognises the offsetting effects on the statement of comprehensive income of changes in the fair value of hedging instruments and the hedged items.

There are three types of hedging relationships:

a) a fair value hedge: a hedge of the exposure to changes in the fair value of a recognised asset or liability or an identified portion of such an asset, liability or highly probable future liability that is attributable to a particular risk and could affect the statement of comprehensive income;
b) a cash flow hedge: a hedge of the exposure to variability in cash flows that (i) is attributable to a particular risk associated with a recognised asset or liability and (ii) could affect the statement of comprehensive income;
c) a hedge of a net investment in a foreign operation as defined in IAS 21.

A hedging relationship qualifies for hedge accounting if, and only if, all of the following conditions are met:

a) At the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. That documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.
b) The hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship.
c) For cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss.
d) The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument, can be reliably measured.
e) The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

Inventories

Inventories are measured at cost, using the weighted average cost formula. Any downward adjustment of the value of inventories to the net selling price is made through recognition of write-downs. Furthermore, inventories that are slow-moving or which have become obsolete or whose usability has become in any way limited are revalued as at the end of each financial year. If the circumstances leading to a decrease in the value of inventories cease to apply, the write-down is reversed.

Write-downs of inventories and stocktaking discrepancies are charged to cost of sales.

Deferred income tax

In line with IAS 12 Income Taxes, deferred income tax is determined using the liability method and recognised in the financial statements for all temporary differences between the carrying amounts of assets and liabilities and their tax bases, as well as for any unused tax losses carried forward. Deferred tax assets are recognised for temporary differences to the extent that it is probable that the assets will be realised and that future taxable profit will be available against which the differences can be utilised. Unrecognised deferred tax assets are reviewed as at each reporting date. Any previously unrecognised deferred tax assets are recognised to the extent that it is probable that there will be future taxable income available against which the assets can be realised.

Deferred tax assets are recognised for all deductible temporary differences arising from investments in subsidiaries and associates only to the extent it is probable that:

- the temporary differences will reverse in the foreseeable future, and
- taxable profit will be available against which the temporary differences can be utilised.

In line with IAS 12, deferred tax assets and liabilities are not discounted. Deferred income tax is determined based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Provisions

A provision is recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the expenditures required to settle a provision are expected to be reimbursed, for instance under an insurance policy, the reimbursement is recognised as a separate asset, but only if it is virtually certain that the reimbursement will be received.

The cost related to a given provision is disclosed in the statement of comprehensive income net of any recoveries. If the effect of the time value of money is material, the amount of a provision is determined by discounting the projected future cash flows to their present value, using a pre-tax discount rate reflecting the current market estimates of the time value of money, as well as any risk associated with a given obligation. If the discount method has been applied, any increase in the provision with the passage of time is charged to finance costs.

The estimates of outcome and financial effect are determined by the judgement of the management, supplemented by experience of similar transactions and, in some cases, reports from independent experts.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

The Group recognises the following provisions:

- provision for warranty repairs – on the basis of the historical cost of warranty repairs;
- provision for accrued holiday entitlements – in an amount equivalent to the number of days of accrued unused holidays multiplied by average gross daily pay;
- provision for retirement benefits and length-of-service awards – calculated by actuaries;
- provision for employee benefits – bonus payments, salaries and wages;
- provision for probable costs related to the current financial year which will only be invoiced in the following year (accrued expenses). Depending on the type of accrued expenses, they are charged to cost of sales, distribution costs or administrative expenses;
- provision for a defined benefit plan. Fixed contributions are paid to a separate entity (a fund), as a consequence of which the actuarial risk (that benefits will be lower than expected) and investment risk (that assets invested will be insufficient to meet the expected benefits) are borne by the Company.

Assumptions underlying the estimates and the provision amounts are reviewed as at the end of each reporting period.

Accruals and deferred income

In accordance with the matching principle, expenses relating to future periods and deferred income are posted under liabilities of a given reporting period.

Accrued expenses

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

- services provided to the Company by its trading partners, where the liability can be reliably estimated,
- up to the estimated contract revenue, advances received under construction contracts reduce the receivables under settlement of long-term contracts.

Deferred and accrued income

Deferred/accrued income includes primarily government grants intended to finance assets and revenue, as well as any excess of estimated revenue related to the stage of completion of a long-term contract, in accordance with IAS 11, over advances received.

Government grants are disclosed in the statement of financial position at the amount of funds received and then recognised as income over the periods necessary to match them with the related costs they are intended to compensate, on a systematic basis. Government grants are not credited directly to equity.

Accruals and deferrals settled over a period longer than 12 months as from the end of the reporting period are classified as non-current accruals and deferrals, whereas those settled over a period of 12 months or shorter are classified as current accruals and deferrals.

Functional currency and presentation currency

a) Functional currency and presentation currency

Items of the financial statements are measured in the currency of the primary economic environment in which the Company operates (“functional currency”). The financial statements are presented in the Polish złoty (PLN), which is the functional currency and the presentation currency of the Group.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of these transactions, as well as from changes in the carrying amounts of monetary assets and liabilities expressed in foreign currencies, are recognised in profit or loss, unless they are taken to equity (when they qualify for recognition as cash flow hedges or hedges of net investments).

VII. Material judgements and estimates

In view of the fact that many items presented in the financial statements cannot be measured accurately, certain estimates need to be made in the preparation of the separate financial statements. The Management Board reviews such estimates taking into account the changes in the factors on which such estimates were based, new information and past experience. Therefore, the estimates made as at December 31st 2013 may change in the future.

Depreciation/amortisation charges

Depreciation/amortisation charges are determined based on the expected useful lives of property, plant and equipment and intangible assets. The Group reviews the useful lives of its assets annually, on the basis of current estimates.

Depreciation/amortisation charges for assets used under finance lease agreements

Depreciation/amortisation charges for items of property, plant and equipment and intangible assets used under finance lease agreements are determined based on their expected useful lives, which is consistent with depreciation policy for assets that are owned. Useful lives equal to agreement term are not applied. The Company assumes that assets used under lease agreements must be purchased.

Deferred tax assets

Deferred tax assets are recognised in respect of all unused tax losses to be deducted in the future to the extent it is probable that taxable profit will be available against which these losses can be utilised.

Provision for accrued holidays

Provision for accrued holidays is determined based on the number of days of accrued unused holidays as at the end of the reporting period.

Provision for old-age and disability retirement benefits

Disability severance payments and retirement bonuses are paid to employees of the Company's subsidiaries operating under the Polish law in accordance with the provisions of Art. 92 of the Polish Labour Code, whereas at foreign companies such payments or bonuses are paid in accordance with the local labour laws. Actuarial valuation of long- and short-term benefits is performed as at the end of each financial year.

Provision for warranty repairs

Provision for warranty repairs is calculated on the basis of the historical costs of manufacturing of the equipment sold and of the warranty repairs made in the previous years.

Long-term contracts

To account for long-term contracts, the Company applies the provisions of IAS 11 Construction Contracts. When the outcome of a construction contract can be estimated reliably, the percentage of completion method is used. The stage of completion is determined by reference to the contract costs incurred to date and the total costs planned to be incurred.

At the end of each reporting period, the Company makes estimates regarding the outcome of each contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is immediately recognised in profit or loss.

The amount of such a loss is determined irrespective of: whether or not work has commenced on the contract, the stage of completion of contract activity, or the amount of profits expected to arise on other contracts which are not treated as single construction contracts in accordance with IAS 11:9.

The Company applies the above rules to account for commercial contracts related to the Company's core business whose performance terms exceed three months and whose total value is material from the point of view of reliability of the financial statements (revenue, expenses, and the financial result). The Company accrues only documented revenue, i.e. revenue which is guaranteed under the original contract, adjusted to account for any subsequent amendments to the original contract (annexes), or which constitutes any other revenue closely related to the project. Any changes of the contract revenue are taken into account if it is certain (i.e. a contract or annexes to a contract have been signed) or at least highly probable (i.e. annexes to a contract or preliminary contracts have been initialled) that the client will accept the amendments and the revenue amounts provided for in the amendments, and such revenue can be reliably measured. The stage of completion of a contract is determined by reference to the contract costs actually incurred in the reporting period and documented by appropriate accounting evidence, and the costs of trading partners not yet invoiced.

The revenue as at the end of the reporting period is determined based on the percentage of completion of the contract, net of any revenue which affected the financial result in previous reporting periods. Estimated contract revenue attributable to the given reporting period is recognised as revenue from sales of products for the period, and disclosed under assets in the statement of financial position as receivables under settlement of long-term contracts.

Any excess of advances received under a contract over the estimated revenue attributable to a given reporting period is recognised under liabilities as prepaid deliveries. Up to the amount of the estimated contract revenue, advances reduce the receivables under settlement of long-term contracts.

Any excess of invoiced revenue is recognised as deferred income.

Derivative financial instruments

Derivative financial instruments are remeasured at the end of each reporting period at their fair value as determined by the bank.

Subjective judgement

Where a given transaction does not fall within the scope of any standard or interpretation, the Management Board relies on its subjective judgement to determine and apply accounting policies which will ensure that the financial statements contain only relevant and reliable information and that they:

- give an accurate, clear and fair view of the Group's assets, its financial standing, results of operations and cash flows,

- reflect the economic substance of transactions,
- are objective,
- conform with the principles of prudent valuation,
- are complete in all material respects.

Subjective judgements as at December 31st 2012 were made with respect to contingent liabilities and provisions for claims.

VIII. Changes in accounting policies

The accounting policies applied when preparing annual consolidated financial statements are consistent with the accounting policies used to draw up the annual consolidated financial statements for the year ended December 31st 2012, save for the following amendments to standards and interpretations effective for periods beginning on January 1st 2013.

a) Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
b) Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – *Government Loans*
c) Amendments to IFRS 7 Financial Instruments – Disclosures: *Offsetting Financial Assets and Financial Liabilities*
d) IFRS 13 Fair Value Measurement
e) Amendments to IAS 12 Income Taxes – *Deferred Tax: Recovery of Underlying Assets*
f) Amendments to IAS 19 Employee Benefits
g) Annual Improvements to IFRSs (2009−2011 Cycle) covering IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34
h) IFRIC 20 − Stripping Costs in the Production Phase of a Surface Mine.

In 2013, the Company adopted all the new and approved standards and interpretations issued by the International Accounting Standards Board and the Interpretations Committee and endorsed by the EU, which apply to the Company's business and are effective for reporting periods beginning on or after January 1st 2013.
With the exception of amendments to IAS 19, the application the above amendments to standards has not caused any changes in the accounting policies of the Company or in the presentation of data in its financial statements.

IX. New standards to be applied by the Company

The Company did not choose to apply early any standards and amendments to standards endorsed by the European Union, which are effective for reporting periods beginning on or after January 1st 2014:

Standard	Nature of impending change in accounting policy	Effective for periods beginning on or after:
IFRS 10 Consolidated Financial Statements (May 12th 2011)	IFRS 10 Consolidated Financial Statements will replace IAS 27 Consolidated and Separate Financial Statements and supersede interpretation SIC 12 Consolidation – Special Purpose Entities. Under IFRS 10, an entity may be consolidated only if it is controlled, irrespective of the nature of the investee, which eliminates the risk and rewards method presented in SIC 12. According to IFRS 10, an investor controls an investee if and only if the investor has all of the following elements: - power over the investee, - exposure, or rights, to variable returns from involvement with the investee, - the ability to use its power over the investee to affect the amount of the investor's returns. An investor considers all relevant facts and circumstances when assessing whether it controls an investee. Such assessment is revised if there are any reasons to conclude that at least one of the above control conditions has changed. IFRS 10 stipulates detailed guidelines on determining control in various situations, including with respect to agency relations and potential voting rights. If facts or circumstances change, an investor must re-assess its ability to control an investee. IFRS 10 replaces the IAS 27 provisions concerning time and manner of preparation of consolidated financial statements by an investor and disapplies interpretation SIC 12 in full.	January 1st 2014

Standard	Nature of impending change in accounting policy	Effective for periods beginning on or after:
IFRS 11 Joint Arrangements (May 12th 2011)	The standard replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. IFRS 11 classifies joint arrangements as a joint operation (combination of the existing concepts of jointly controlled assets and jointly controlled operations) or as a joint venture (corresponding to the existing concept of jointly controlled entities). - A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. - A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. IFRS 11 requires that a joint venturer account for its interest in a joint venture using the equity method, thus disapplying the proportional consolidation method. A party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations. Existence of a separate legal entity is no longer the basic condition of classification.	January 1st 2014
IFRS 12 Disclosure of Interests in Other Entities	An entity should disclose information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial statements. IFRS 12 determines the disclosure objectives and the minimum scope of disclosure required to satisfy those objectives. An entity should disclose information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial statements. Disclosure requirements are extensive.	January 1st 2014
IAS 27 Separate Financial Statements (May 12th 2011)	The requirements concerning accounting and disclosure of information on investments in subsidiaries, associates and joint venture are unchanged with respect to separate financial statements and are incorporated in the modified IAS 27. Other requirements contained in IAS 27 have been replaced with the requirements laid down in IFRS 10.	January 1st 2014
IAS 28 Investments in Associates and Joint Ventures (May 12th 2012)	The standard has been modified so as to ensure consistency with IFRS 10 and IFRS 11. The rules for accounting for investments in associates using the equity method have not been changed. In line with IFRS 11, the guidelines for equity method accounting apply also to joint ventures (the proportional consolidation method has been disapplied).	January 1st 2014
Offsetting Financial Assets and Financial Liabilities (amendment to IAS 32 of December 16th 2011)	The amendment clarifies the rules for offsetting financial assets and liabilities. IAS 32 prescribes rules for the offsetting of financial assets and financial liabilities. It specifies that a financial asset and a financial liability should be offset and the net amount reported when, and only when, an entity has a legally enforceable right to set off the amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.	January 1st 2014

Standards and Interpretations adopted by the IASB, but not yet endorsed by the EU:

a) IFRS 9 Financial Instruments (of November 12th 2009, with subsequent amendments to IFRS 9 and IFRS 7 of December 16th 2011)

The new standard replaces the guidance contained in IAS 39 Financial Instruments: Recognition and Measurement, regarding classification and measurement of financial assets. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables. Financial assets will be classified into one of two categories on initial recognition:

- financial assets measured at amortised cost, or
- financial assets at fair value.

A financial asset that meets the following two conditions can be measured at amortised cost: the objective of the entity's business model is to hold the financial asset to collect the contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Gains and losses on remeasurement of financial assets measured at fair value are recognised in profit or loss, except for an investment in an equity instrument which is not held for trading. IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (OCI). Such election is irrevocable. The election is available on an individual instrument-by-instrument basis. No amount recognised in OCI may be ever reclassified to profit or loss at a later date.

b) Amendments to IAS 19 Employee Benefits – Employee contributions, effective for reporting periods beginning on or after July 1st 2014.

The proposals provide that contributions from employees or third parties that are linked solely to the employee's service rendered in the same period in which they are paid, may be treated as a reduction in the service cost and accounted for in that same period.

Other employee contributions would be attributed to periods of service in the same way as the gross benefits under the scheme.

a) Annual Improvements to IFRSs (2010–2012 Cycle), effective for reporting periods beginning on or after July 1st 2014.
b) Annual Improvements to IFRSs (2011–2013 Cycle), effective for reporting periods beginning on or after July 1st 2014.
c) IFRIC 21: Levies (May 20th 2013), effective for reporting periods beginning on or after January 1st 2014.

The interpretation relates to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. One of the criteria for the recognition of a liability under IAS 37 is the requirement for a present obligation to have arisen as a result of a past event (obligating event).
The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy imposed by the government is an activity that triggers the payment of the levy in accordance with applicable legislation. The interpretation does not apply to fines and penalties imposed for breach of law and levies that are within the scope of other IFRS/IAS (e.g. IAS 12 Income Taxes).

The Management Board does not expect the above standards and interpretations to have any significant effect on the accounting policies applied by the Group, save for the need to make certain additional or new disclosures. The Management Board of the parent is in the process of analysing the consequences and effects of applying these new standards and interpretations on its financial statements.

Date: April 29th 2014

Person responsible for keeping accounting records: Ryszard Rej	Paweł Wyrzykowski	Wojciech Modrzyk	Jarosław Talerzak
	President of the Management Board	*Vice-President of the Management Board*	*Vice-President of the Management Board*

SECO/WARWICK S.A.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31ST 2013

Note 1. REVENUE

As provided for under IAS 18, revenue from sales of products, merchandise, materials and services, net of VAT, discounts and rebates, is recognised when the entity has transferred to the buyer the significant risks and rewards incidental to their ownership.

Revenue from sales and total revenue and income of the Company:

Item	2013	2012
Sales of products	14,188	155,459
Sales of merchandise and materials	365	533
TOTAL revenue from sales	**14,553**	**155,992**
Other income	837	1,986
Finance income	24,917	2,585
TOTAL revenue and income	**40,307**	**160,563**

The Company did not generate any revenue from discontinued operations.

Note 2. OPERATING SEGMENTS

For detailed information on operating segments, see the consolidated financial statements of the SECO/WARWICK Group (Note 2 to the consolidated financial statements for the twelve months ended December 31st 2013).

Note 3. OPERATING EXPENSES

COSTS BY NATURE OF EXPENSE	Jan 1–Dec 31 2013	Jan 1–Dec 31 2012
Depreciation and amortisation	1,321	3,199
Raw materials and consumables used	555	75,221
Services	5,877	25,634
Taxes and charges	43	456
Salaries and wages	8,484	27,895
Social security and other benefits	1,506	5,347
Management Stock Options	3,147	
Other costs	2,751	8,742
Total costs by nature of expense, including:	**23,684**	**146,494**
Distribution costs	-	-4,702
Administrative expenses	-10,615	-25,432
Change in products	304	1,430
Work performed by entity and capitalised	-	-1,691
Cost of products sold and services rendered	**13,373**	**116,099**

DEPRECIATION/AMORTISATION AND IMPAIRMENT LOSSES RECOGNISED IN PROFIT OR LOSS	Jan 1–Dec 31 2013	Jan 1–Dec 31 2012
Items recognised in cost of sales:	**365**	**1,049**
Depreciation of property, plant and equipment	365	930
Amortisation of intangible assets	-	119
Items recognised in distribution costs	**-**	**403**
Depreciation of property, plant and equipment	-	324
Amortisation of intangible assets	-	79
Items recognised in administrative expenses:	**956**	**1,734**
Depreciation of property, plant and equipment	143	921
Amortisation of intangible assets	812	813
Items recognised in operating expenses:	**-**	**13**
Depreciation of investment property	-	13

EMPLOYEE BENEFIT EXPENSE

PERSONNEL COSTS	Jan 1–Dec 31 2013	Jan 1–Dec 31 2012
Salaries and wages	8,484	27,895
Social security	850	4,148
Other employee benefits	656	1,199
Total employee benefit expense, including:	**9,990**	**33,242**
Items recognised in cost of sales	6,542	17,894
Items recognised in distribution costs	-	1,924
Items recognised in administrative expenses:	3,449	13,424

Note 4. OTHER INCOME AND EXPENSES

OTHER INCOME	Jan 1–Dec 31 2013	Jan 1–Dec 31 2012
Reversal of impairment losses on receivables	33	-
Gain on disposal of non-current non-financial assets	7	-
Penalties and compensation/damages received	98	78
Income from lease of tangible assets and investment property	-	893
Income from re-invoicing	8	38
Financing for development	248	
Other	443	977
Total other income	**837**	**1,986**

OTHER EXPENSES	Jan 1–Dec 31 2013	Jan 1–Dec 31 2012
Loss on disposal of non-current non-financial assets	-	18
Impairment losses on receivables	-	171
Court expenses, compensation/damages, penalties	-	615
Revaluation of inventories	334	722
Cost of lease of tangible assets	-	369
Revaluation of tangible asset	-	224
Donations	-	66
Other	13	155
Total other expenses	**347**	**2,341**

Note 5. FINANCE INCOME AND COSTS

FINANCE INCOME	Jan 1–Dec 31 2013	Jan 1–Dec 31 2012
Interest income	224	213
Revaluation of investments	-	4,413
Net foreign exchange gains	2,634	-
Impairment losses on loans	-	-821
Impairment losses on equity interests	-	-1,220
Dividend received	22,020	-
Other	40	-
Total finance income	**24,917**	**2,585**

FINANCE COSTS	Jan 1–Dec 31 2013	Jan 1–Dec 31 2012
Interest paid	351	311
Loss on derivative instruments at maturity	-	258
Net foreign exchange losses	-	3,349
Other	326	109
Total finance costs	**677**	**4,027**

Note 6. INCOME TAX AND DEFERRED INCOME TAX

The main items of the tax expense for the annual periods ended December 31st 2013 and December 31st 2012 were as follows:

INCOME TAX DISCLOSED IN PROFIT OR LOSS	Jan 1–Dec 31 2013	Jan 1–Dec 31 2012
Current income tax	**-**	**724**
Current income tax expense	-	724
Adjustments to current income tax for previous years	-	-
Deferred income tax	**24**	**1,043**
Related to temporary differences and their reversal	24	1,043
Related to reduction of income tax rates	-	-
Income tax benefit arising from transactions involving items of equity	-	-
Tax expense recognised in profit or loss	**24**	**1,767**

INCOME TAX RECOGNISED IN EQUITY	Jan 1–Dec 31 2013	Jan 1–Dec 31 2012
Current income tax	**-**	**-**
Current income tax expense	-	-
Deferred income tax	**-**	**-**
Tax on net gain/(loss) on revaluation of cash flow hedges	-	-
Tax benefit / (tax expense) recognised in equity	**-**	**-**

CURRENT INCOME TAX	2013	2012
Profit before tax	**14,930**	**7,456**
Non-taxable income and previous years' income increasing tax base	-27,079	-19,253
Non-tax-deductible costs and previous years' costs decreasing tax base	5,285	15,647
Taxable income	**-6,864**	**3,850**
Deductions from income – donation, loss		-40
Tax base		**3,810**
Income tax at 19%		724
Effective income tax rate (share of income tax in profit before tax)		**10%**

The current portion of the income tax was calculated as 19% of the income tax base.

No tax related to foreign tax jurisdictions applies.

Item	Dec 31 2013		Dec 31 2012	
	carrying amount	*amount recognised in profit or loss*	*carrying amount*	*amount recognised in profit or loss*
Deferred tax liabilities				
Accelerated tax depreciation/amortisation	1,935	92	3,227	1,359
Lease (net)	51	-14	64	53
Foreign exchange gains	496	489	48	-478
Adjustments to long-term contracts	-	-	2,980	977
Forward transactions	-	-	195	195
Other	28	28	-	-
Deferred tax liabilities	**2,510**	**595**	**6,515**	**2,106**
Deferred tax assets				
Provision for disability severance payments and retirement bonuses	-	-	58	12
Provision for length-of-service awards and bonuses	270	-67	336	60
Provision for accrued holiday entitlements	40	20	113	-10
Provision for warranty repairs	-	-	253	-
Other provisions	557	551	103	-38
Assets under long-term contracts	-	-	1,743	677
Foreign exchange losses	35	-	139	-49
Salaries, wages and social security contributions payable in subsequent periods	31	-63	94	-38
Settlement of grant	616	-3	631	631
Lease liabilities	105	70	34	33
Other	-	-	47	47
Assets held for sale	-	-	43	43
Write-downs of inventories	171	63	107	107
Impairment losses on investment	505	-	505	232
Valuation of financial instruments	-	-	1	-643
Deferred tax assets	**2,330**	**571**	**4,207**	**1,063**

Item	Dec 31 2013		Dec 31 2012	
	carrying amount	amount recognised in equity	carrying amount	amount recognised in equity
Valuation of financial instruments – equity component	-	-	-	-
Deferred tax assets	**-**	**-**	**-**	**-**

Item	Dec 31 2013		Dec 31 2012	
	carrying amount	amount recognised in equity	carrying amount	amount recognised in equity
Valuation of financial instruments – equity component	-	-	313	313
Deferred tax liabilities	**-**	**-**	**313**	**313**

Note 7. ASSETS HELD FOR SALE

On October 8th 2010, the Board of Directors of SECO/WARWICK (Tianjin) Industrial Furnace Co. Ltd. executed an agreement for sale to the Chinese shareholder Tianjin Kama Electric Thermal Equipment Manufacturing Co., Ltd. of a 25% equity interest in SECO/WARWICK (Tianjin) Industrial Furnace Co. Ltd. held by SECO/WARWICK Corp. for USD 300 thousand and a 25% equity interest held by SECO/WARWICK S.A. also for USD 300 thousand. Initially, it was agreed that the transaction would be finalised by December 31st 2010. However, this arrangement had not been met by the Chinese partner. Therefore, a new payment schedule was agreed upon. An annex to the original agreement was also signed, providing for a potential dissolution of SECO/WARWICK (Tianjin) Industrial Furnace Co. Ltd. if payments are not made as scheduled. The President of SECO/WARWICK (Tianjin) Industrial Furnace Co. completed the first stage of the transaction concerning change of the company's name.

As the Company expects to encounter difficulties in collecting the cash owed, in keeping with the principle of prudence in accounting, an impairment loss was recognised on the interest in an amount of up to the cash received so far from the Chinese owner of KAMA Eletric Thermal Equipment Manufacturing Co.

The shares in SECO/WARWICK Tianjin were accounted for in the statement of financial position as assets held for sale of PLN 361 thousand.

Held-for-sale assets are presented by the Company as a separate item of assets.

Item	Dec 31 2012	Dec 31 2012
Opening balance	**3,347**	**3,770**
Machinery and equipment (transferred with organised part of business)	-2,986	2,986
Impairment loss	-	224
Financial assets	361	361
Impairment loss	-	32
Assets held for sale	**361**	**3,347**

As at December 31st 2013, the Company no longer carried machinery and equipment held for sale with the value of PLN 2,986 thousand, as the assets had been transferred as part of an organised part of business to a subsidiary, SECO/WARWICK EUROPE Sp. z o.o.

Note 8. DIVIDENDS PROPOSED OR APPROVED BY WAY OF RESOLUTION BY THE DATE OF APPROVAL OF THESE FINANCIAL STATEMENTS

On May 24th 2013, the Annual General Meeting of SECO/WARWICK S.A. adopted Resolution No. 24 concerning allocation of profit for the period from January 1st to December 31st 2012. The entire net profit earned by the Company in the financial year 2012 of PLN 5,688,592.75 (five million, six hundred and eighty-eight thousand, five hundred and ninety-two złoty, 75/100) was transferred to statutory reserve funds.
On February 19th 2013, the Company received a dividend of PLN 7,000 thousand from a wholly-owned subsidiary, SECO/WARWICK EUROPE Sp. z o.o.

On May 29th 2013, the Company received a dividend of PLN 5,015 thousand from SECO/WARWICK EUROPE Sp. z o.o.

On December 4th 2013, the Company received a dividend of PLN 10,000 thousand from SECO/WARWICK EUROPE Sp. z o.o.

Note 9. PROPERTY, PLANT AND EQUIPMENT

Changes in property, plant and equipment (by type) in the period Jan 1–Dec 31 2012

Item	Land	Buildings and structures	Machinery and equipment	Vehicles	Other	Total
Gross carrying amount as at Jan 1 2012	**840**	**12,433**	**13,443**	**3,788**	**1,457**	**31,961**
Increase, including:	**-**	**636**	**768**	**1,205**	**85**	**2,694**
assets acquired	-	636	768	842	85	**2,331**
assets generated internally	-	-	-	-	-	**-**
concluded lease agreements	-	-	-	363	-	**363**
other	-	-	-	-	-	**-**
Decrease, including:	**-**	**668**	**1,181**	**833**	**63**	**2,745**
disposal	-	6	565	816	16	**1,403**
liquidation	-	662	616	17	48	**1,343**
revaluation	-	-	-	-	-	**-**
reclassification (assets held for sale)	-	-	-	-	-	-
Gross carrying amount as at Dec 31 2012	**840**	**12,401**	**13,030**	**4,160**	**1,479**	**31,910**
Cumulative depreciation as at Jan 1 2012	**-**	**3,092**	**5,928**	**2,016**	**841**	**11,877**
Increase, including:	**-**	**616**	**984**	**452**	**122**	**2,174**
depreciation	-	616	984	452	122	**2,174**
revaluation	-	-	-	-	-	**-**
other	-	-	-	-	-	**-**
Decrease, including:	-	**483**	**779**	**438**	**45**	**1,745**
sale	-	5	334	421	5	**765**
liquidation	-	478	445	17	40	**980**
revaluation	-	-	-	-	-	**-**
Cumulative depreciation as at Dec 31 2012	**-**	**3,226**	**6,133**	**2,029**	**917**	**12,306**
Impairment losses as at Jan 1 2012	-	-	-	-	-	**-**
Increase:	-	-	-	-	-	-
Decrease:	-	-	-	-	-	-
Impairment losses as at Dec 31 2012	**-**	-	-	-	-	**-**
Net carrying amount as at Dec 31 2012	**840**	**9,174**	**6,896**	**2,132**	**561**	**19,603**

Changes in property, plant and equipment (by type) in the period Jan 1–Dec 31 2013

Item	Land	Buildings and structures	Machinery and equipment	Vehicles	Other	Total
Gross carrying amount as at Jan 1 2013	**840**	**12,401**	**13,030**	**4,160**	**1,479**	**31,910**
Increase, including:	**-**	**57**	**222**	**617**	**4**	**901**
assets acquired	-	-	222	110	4	**337**
assets generated internally	-	57	-	-	-	**57**
concluded lease agreements	-	-	-	507	-	**507**
other	-	-	-	-	-	**-**
Decrease, including:	**790**	**11,195**	**12,800**	**2,762**	**1,389**	**28,936**
disposal	-	-	6	247	-	**253**
liquidation	-	-	-	-	-	**-**
revaluation	-	-	-	-	-	**-**
contribution of organised part of business	790	11,195	12,794	2,515	1,389	**28,683**
Gross carrying amount as at Dec 31 2013	**50**	**1,264**	**450**	**2,015**	**94**	**3,874**
Cumulative depreciation as at Jan 1 2013	**-**	**3,226**	**6,133**	**2,029**	**917**	**12,306**
Increase, including:	**-**	**66**	**62**	**385**	**5**	**519**
depreciation	-	66	62	385	5	**519**
revaluation	-	-	-	-	-	**-**
other	-	-	-	-	-	**-**
Decrease, including:	-	**2,719**	**6,019**	**1,802**	**855**	**11,396**
sale	-	-	3	206	-	**209**
liquidation	-	-	-	-	-	**-**
contribution of organised part of business	-	2,719	6,016	1,596	855	**11,187**
Cumulative amortisation as at Dec 31 2013	**-**	**574**	**175**	**611**	**68**	**1,428**
Impairment losses as at Jan 1 2013	-	-	**-**	-	-	**-**
Increase:	-	-	**-**	**-**	**-**	**-**
Decrease:	-	-	**-**	-	-	**-**
Impairment losses as at Dec 31 2013	**-**	-	-	-	-	**-**
Net carrying amount as at Dec 31 2013	**50**	**689**	**276**	**1,404**	**26**	**2,446**

OWNERSHIP STRUCTURE – net value	**Dec 31 2013**	**Dec 31 2012**
Owned	2,446	19,240
Used under lease, tenancy or similar contract	-	363

Total	**2,446**	**19,603**

As at December 31st 2013, the Company analysed information from external and internal sources for any indication of necessity to test assets for impairment. As no such indications were found, assets were not tested for impairment.

Gross value of items of property, plant and equipment which had a net value of zero but were still used as at December 31st 2013, was PLN 40 thousand (December 31st 2012: PLN 1,808 thousand).

Non-current assets under construction:

Non-current assets under construction as at Jan 1 2012	*Expenditure incurred in the financial year*	*Accounting for the expenditure*					*Dec 31 2012*
		Buildings, premises and civil engineering structures	*Machinery and equipment*	*Vehicles*	*Other*	*Intangible assets*	
1,084	**3,490**	636	2,376	1,205	85	267	**4**
Non-current assets under construction as at Jan 1 2013	*Expenditure incurred in the financial year*	*Accounting for the expenditure*					*Dec 31 2013*
		Buildings, premises and civil engineering structures	*Machinery and equipment*	*Vehicles*	*Other*	*Transferred with organised part of business*	
4	**901**	57	222	617	4	4	**0**

Non-current assets under construction	**Dec 31 2013**	**Dec 31 2012**
Other	0	4
Total	**0**	**4**

Value and area of land held in perpetual usufruct as at Dec 31 2012

Address	**Number of entry in the Land and Mortgage Register**	**Lot No.**	**Surface area [sq m] as at Dec 31 2012**	**Value as at Dec 31 2012**
ul. Sobieskiego 8, Świebodzin, Poland	KW 9507	951/1	712	40
ul. Sobieskiego 8, Świebodzin, Poland	KW 9507	951/2	2,162	123
ul. Sobieskiego 8, Świebodzin, Poland	KW 1306	95/7	5,098	289
ul. Sobieskiego 8, Świebodzin, Poland	KW 9562	94/4	2,467	140
ul. Sobieskiego 8, Świebodzin, Poland	KW 9444	94/16	285	16
ul. Sobieskiego 8, Świebodzin, Poland	KW 9444	94/22	1,415	80
ul. Sobieskiego 8, Świebodzin, Poland	KW 19319	94/19	214	12
ul. Sobieskiego 8, Świebodzin, Poland	KW 39300	94/25	1,279	73
ul. Świerczewskiego 76, Świebodzin, Poland	KW 40641	195/80	11,605	23
ul. Świerczewskiego 76, Świebodzin, Poland	KW 41410	195/94	221	1

ul. Sobieskiego 8, Świebodzin, Poland	KW 9507	94/6	1,121	10
		Total	**26,579**	**808**

On December 21st 2010, SECO/WARWICK S.A. signed a USD 2,500 thousand investment credit agreement with BRE Bank Spółka Akcyjna. The facility was taken to finance 10% of the purchase cost of five shares in Retech Systems LLC. The borrowing is secured with a blanket ordinary mortgage of USD 2,500 thousand and a blanket ceiling mortgage of up to USD 250 thousand created over a property owned by the State Treasury and comprising the following lots:

- Nos. 94/21, 94/8, 94/23, 94/6, with a total area of 0.3995ha, situated at ul. Sobieskiego 8, Świebodzin
- Nos. 94/16, 94/22, with a total area of 0.1700ha, situated at ul. Sobieskiego 8, Świebodzin
- No. 94/19, with an area of 0.0214ha, situated at ul. Sobieskiego 8, Świebodzin
- No. 94/4, with an area of 0.2467ha, situated at ul. Sobieskiego 8, Świebodzin
- No. 94/7, with an area of 0.5098ha, situated at ul. Sobieskiego 8, Świebodzin
- No. 94/25, with an area of 0.1279ha, situated at ul. Sobieskiego 8, Świebodzin
- No. 195/80, with an area of 1.1605ha, situated at ul. Świerczewskiego 76, Świebodzin
- No. 195/94, with an area of 0.0221ha, situated at ul. Świerczewskiego 76, Świebodzin
- as well as buildings and structures situated on the above lots, owned by the borrower, and on undeveloped lot No. 94/14, owned by the borrower, with an area of 0.1030ha, situated at ul. Sobieskiego 8, Świebodzin.

In 2012, the lots originally marked with numbers 94/8, 94/21 and 94/23 were combined to become lot No 951. Then lot No. 951 with an area of 0.2874ha was divided into two lots: No. 951/1 with an area of 0.0712ha and No. 951/2 with an area of 0.2162ha.

On February 2nd 2013, the following lots of land held in perpetual usufruct were transferred to SECO/WARWICK EUROPE Sp. z o.o. as part of the disposal of the organised part of business:

Address	Number of Land and Mortgage Register Entry	Lot No.	Surface area [sq m]
ul. Sobieskiego 8, Świebodzin, Poland	KW 9507	951/2	2,162
ul. Sobieskiego 8, Świebodzin, Poland	KW 1306	95/7	5,098
ul. Sobieskiego 8, Świebodzin, Poland	KW 9562	94/4	2,467
ul. Sobieskiego 8, Świebodzin, Poland	KW 9444	94/16	285
ul. Sobieskiego 8, Świebodzin, Poland	KW 9444	94/22	1,415
ul. Sobieskiego 8, Świebodzin, Poland	KW 19319	94/19	214
ul. Sobieskiego 8, Świebodzin, Poland	KW 39300	94/25	1,279
ul. Świerczewskiego 76, Świebodzin, Poland	KW 40641	195/80	11,605
ul. Świerczewskiego 76, Świebodzin, Poland	KW 41410	195/94	221
		Total	**24,746**

Value and area of land held in perpetual usufruct as at Dec 31 2013

Address	Number of entry in the Land and Mortgage Register	Lot No.	Surface area [sq m] as at Dec 31 2013	Value as at Dec 31 2013
ul. Sobieskiego 8, Świebodzin, Poland	KW 9507	951/1	712	40
ul. Sobieskiego 8, Świebodzin, Poland	KW 9507	94/6	1,121	10
		Total	**1,833**	**50**

On May 22nd 2013, SECO/WARWICK S.A. executed a USD 3,000 thousand investment credit agreement with Bank Handlowy of Warsaw. The facility is to finance the acquisition of shares in Engefor Engenharia Industria e Comercio Ltda.
It is secured by a mortgage of up to USD 3,750 thousand created on the perpetual usufruct right to a property situated at ul. Świerczewskiego in Świebodzin and the related ownership title to a building, held by SECO/WARWICK EUROPE Sp. z o.o., with its registered office at ul. Świerczewskiego 76, Świebodzin, Poland, and entered into the Land and Mortgage Register under No. ZG1S/00010363/4.

Note 10. INTANGIBLE ASSETS

OWNERSHIP STRUCTURE – net value	Dec 31 2013	Dec 31 2012
Owned	11,404	12,409
Used under lease, tenancy or similar contract	-	-
Total	**11,404**	**12,409**

As at December 31st 2013 and December 31st 2012, the Company carried no intangible assets held for sale.

As at December 31st 2013, the Company carried no fully amortised intangible assets that were still used and controlled by the Company (as at December 31st 2012, carrying amount of these assets was PLN 171 thousand).

Changes in intangible assets (by type) in the period January 1st–December 31st 2012

Item	*Development expense*	*Patents and licences, software*	*Other intangible assets*	*Total*
Gross carrying amount as at Jan 1 2012	**9,286**	**2,654**	**3,453**	**15,393**
Increase, including:	**384**	**149**	**-**	**533**
under development	378	-	-	**378**
acquisitions	6	149	-	**155**
revaluation	-	-	-	**-**
Other	-	-	-	**-**
Decrease, including:	**-**	**13**	**-**	**13**
disposal of subsidiary	-	-	-	**-**
Disposal	-	13	-	**13**
Liquidation	-	-	-	**-**
Other	-	-	-	**-**
Gross carrying amount as at Dec 31 2012	**9,671**	**2,790**	**3,453**	**15,914**
Cumulative amortisation as at Jan 1 2012	**355**	**1,291**	**857**	**2,503**
Increase, including:	**573**	**272**	**166**	**1,011**
amortisation	573	272	166	**1,011**
revaluation	-	-	-	**-**
Other	-	-	-	**-**
Decrease, including:	**-**	**8**	**-**	**8**
Liquidation	-	-	-	**-**
Sale	-	8	-	**8**
revaluation	-	-	-	**-**
Other	-	-	-	**-**
Cumulative amortisation as at Dec 31 2012	**928**	**1,555**	**1,023**	**3,506**
Impairment losses as at Jan 1 2012	-	-	-	**-**
Increase:	-	-	-	**-**
Decrease:	-	-	-	**-**
Impairment losses as at Dec 31 2012	-	-	-	**-**
Net carrying amount as at Dec 31 2012	**8,742**	**1,235**	**2,431**	**12,409**

Changes in intangible assets (by type) in the period January 1st–December 31st 2013

Item	*Development expense*	*Patents and licences, software*	*Other intangible assets*	*Total*
Gross carrying amount as at Jan 1 2013	**9,671**	**2,790**	**3,453**	**15,914**
Increase, including:	**624**	**-**	**-**	**624**
under development	624	-	-	**624**
acquisitions	-	-	-	**-**
other	-	-	-	**-**
Decrease, including:	**-**	**2,075**	**12**	**2,087**
contribution of organised part of business	-	2,075	12	**2,087**
disposal	-	-	-	**-**
liquidation	-	-	-	**-**
other	-	-	-	**-**
Gross carrying amount as at Dec 31 2013	**10,295**	**715**	**3,441**	**14,451**
Cumulative amortisation as at Jan 1 2013	**928**	**1,555**	**1,023**	**3,506**
Increase, including:	**611**	**126**	**75**	**812**
amortisation	611	126	75	**812**
revaluation	-	-	-	**-**
other	-	-	-	**-**
Decrease, including:	**-**	**1,264**	**7**	**1,271**
liquidation	-	-	-	**-**
Sale	-	-	-	**-**
contribution of organised part of business	-	1,264	7	**1,271**
other	-	-	-	**-**
Cumulative amortisation as at Dec 31 2013	**1,539**	**417**	**1,091**	**3,047**
Impairment losses as at Jan 1 2013	-	-	-	**-**
Increase:	-	-	-	**-**
Decrease:	-	-	-	**-**
Impairment losses as at Dec 31 2013	-	-	-	**-**
Net carrying amount as at Dec 31 2013	**8,756**	**298**	**2,350**	**11,404**

Intangible assets are not pledged as security for liabilities.

Note 11. INVESTMENT PROPERTY

SECO/WARWICK S.A. used to own an investment property located at ul. Sobieskiego 8 in Świebodzin, Poland, which comprised a production hall leased out to VACMAX.

On February 2nd 2013, the investment property was transferred to SECO/WARWICK EUROPE Sp. z o.o. as part of the disposal of the organised part of business.

Item	**Dec 31 2013**	**Dec 31 2012**
Opening balance	**409**	**422**
Increase (subsequent expenditure), including:	**-**	**-**
modernisation	-	-

Decrease, including:	**409**	**13**
Depreciation	-	13
Transfer of organised part of business	409	-
Closing balance	**-**	**409**

Item	Dec 31 2013	Dec 31 2012
Gross carrying amount – opening balance	**527**	**527**
Increase, including:	**-**	**-**
Acquisitions	**-**	**-**
Decrease, including:	**527**	**-**
Transfer of organised part of business	527	**-**
Carrying amount – closing balance	**-**	**527**
Cumulative depreciation – opening balance	**118**	**105**
Increase, including:	**-**	**13**
Depreciation	**-**	**13**
Decrease, including:	**118**	**-**
Transfer of organised part of business	118	**-**
Cumulative depreciation – closing balance	**-**	**118**
Impairment losses – opening balance	**-**	**-**
Increase	**-**	**-**
Decrease	**-**	**-**
Impairment losses – closing balance	-	-
Net carrying amount – closing balance	**-**	**409**

Item	Dec 31 2013	Dec 31 2012
Lease income	**-**	**54**
Cost of generating lease income	**-**	**23**
Real property tax	-	10
Depreciation	-	13

Note 12. Investments in subsidiary, jointly-controlled and associated entities

Investments in subordinated entities carried at cost

Shares in subordinated entities	Dec 31 2013	Dec 31 2012
subsidiaries	184,680	83,867
jointly-controlled entities*	361	361
associates	4,288	12,921

***Discontinued operations**

Change in investments in subsidiaries

Item	2013	2012
As at beginning of the period	**83,867**	**83,920**
Increase during the period, including:		
- additional contributions to SECO/WARWICK Retech equity	-	796
- acquisition of 49% of shares in SECO/WARWICK GmbH	-	338

- reclassification (acquisition of control over S/W Allied)	12,921	-
- acquisition of shares in S/W Allied	6,416	-
- acquisition of shares in SECO/WARWICK EUROPE in connection with transfer of organised part of business	62,757	-
- acquisition of shares in SECO/WARWICK Brasil	18,718	-
Decrease during the period, including:		
- impairment loss on investment in SECO/WARWICK GmbH	-	1,187
As at end of the period	**184,680**	**83,867**

Change in investments in jointly-controlled and associated entities

Item	2012	2011
As at beginning of the period	**13,926**	**11,389**
Increase during the period, including:		
- additional contribution to equity	-	1,927
- establishment of OOO SCT*		643
- additional contribution to OOO SCT equity*	504	-
- in-kind contribution to OOO SCT*	3,081	-
Decrease during the period, including:		
- reclassification (acquisition of control over S/W Allied)	12,921	-
- impairment loss on investment in SECO/WARWICK Tianjin	-	33
As at end of the period	**4,590**	**13,926**
Including discontinued operations	361	361

*Reclassification of OOO SCT from subsidiary to associate

Investments in subsidiary, jointly-controlled and associated entities

Dec 31 2013	Carrying amount of shares as at Dec 31 2013	Ownership interest (%)	% of the total vote	Method of consolidation	Assets	Liabilities	Revenue	Net profit/(loss)
SECO/WARWICK EUROPE	89,875	100%	100%	full	214,787	96,634	224,213,	22,199
SECO/WARWICK Corporation	21,806	100%	100%	full	54,189	47,185	94,213	-3,552
SECO/WARWICK Rus	172	100%	100%	full	4,354	4,858	12,223	-686
RETECH Systems LLC	50,863	100%	100%	full	73,896	20,488	160,299	12,510
SECO/WARWICK ALLIED	19,337	67%	67%	full	55,114	39,161	19,208	-4,267
SECO/WARWICK Retech	3,370	90%	90%	full	9,238	7,988	11,611	-4,340
OOO SCT Russia	4,228	50%	50%	equity method	7,555	747	0	-1,080
SECO/WARWICK GmbH	0	100%	100%	full	3,950	3,634	981	798
SECO/WARWICK Service GmbH	0	100%	100%	full	6,561	7,208	8,824	-1,497
SECO/WARWICK do Brasil	18,718	100%	100%	full	6,087	4,237	5,015	-955
Dec 31 2012								
SECO/WARWICK EUROPE	7,657	100%	100%	full	70,086	35,213	75,925	5,015
SECO/WARWICK Corporation	21,806	100%	100%	full	73,943	63,496	98,390	3,261
SECO/WARWICK Rus	172	100%	100%	full	2,022	1,732	25,360	-274
RETECH Systems LLC	50,863	100%	100%	full	84,633	41,905	186,424	13,485
SECO/WARWICK ALLIED	12,921	50%	50%	equity method	53,534	32,297	61,331	2,245
SECO/WARWICK Retech	3,370	100%	100%	full	12,056	6,616	16,579	190
OOO SCT Russia	643	50%	50%	full	1,317	97,021	0	-0.5
SECO/WARWICK GmbH	0	100%	100%	full	3,412	3,862	3,461	-826
SECO/WARWICK Service GmbH	0	100%	100%	full	4,423	3,601	672	30

Note 13. TEST FOR IMPAIRMENT OF SHARES

Tests for impairment of shares

The Company carried out tests for impairment of shares held in subsidiaries Seco/Warwick Allied Pvt. Ltd., Seco/Warwick do Brasil Ind. de Fornos Ltda., Seco/Warwick Corp., Retech Systems LLC and Seco/Warwick Retech Thermal Equipment Manufacturing Tianjin Co. Ltd. No impairment loss was recognised as a result of the tests. The recoverable amounts attributable to individual cash-generating units were determined based on their calculated value in use.

Cash-generating unit

In each case the value in use was calculated based on cash flow projections derived from the financial budgets covering a period of five years. The projections reflect the management's business experience and an analysis of third-party information. The table below presents the key assumptions concerning the discount rate and the estimated growth rate after the period of detailed projections:

Item					
The forecast period	*Seco/Warwick Allied Pvt. Ltd.*	*Seco/Warwick do Brasil Ind. de Fornos Ltda.*	*Seco/Warwick Corp. (USA)*	*Retech Systems LLC (USA)*	*Seco/Warwick Retech Thermal Equipment Manufacturing Tianjin Co. Ltd.*
The average discount rate	13,88%	15,00%	10,75%	9,50%	13,20%
The average rate of growth in revenues	39,00%	49,20%	5,30%	9,20%	28,70%
Decrease in value	none	none	none	none	none

Other important assumptions for the calculation of the value in use are as follows:

Estimates of the value in use of a cash-generating unit are sensitive to changes of the following variables:

• free cash flows;

• discount rates;

• market share in the projection period.

Free cash flows are estimated based on historical data concerning individual cash-generating units and forecast operating profit, depreciation and amortisation, capital expenditure, changes in non-cash current assets and non-financial liabilities.

The discount rate reflects the management's assessment of the risk inherent in the company's operations. It is used by the management to assess the operating efficiency (performance) and future investment proposals. The discount rate was determined taking into account the risk-free interest rate determined for each period covered by the projection as the arithmetic mean of the following: median of the forecast risk-free interest rates calculated by stock-exchange analysts and estimated future risk-free interest rates.

Growth rates after the budget period are estimated based on the published findings of industry research.

Assumptions regarding the market are material because – in addition to using industry data to determine the growth rate – the management assesses how the assets and financial standing of individual cash-generating units may change over the budget period relative to their peers. The management expects the market share to remain stable over the projection period.

Sensitivity to changes of assumptions

With respect to the estimation of the value in use of individual cash-generating units, the management believes that no reasonably possible change of any of the key assumptions referred to above could cause the carrying amount of a given cash-generating unit to exceed its recoverable amount. As the carrying amounts are lower than the respective value in use (recoverable amounts), no impairment losses were recognised on the shares held.

Note 14. INVENTORIES

Inventories are measured at the lower of cost and net realisable value as at the reporting date. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories	**Dec 31 2013**	**Dec 31 2012**
Materials (at cost)	-	11,173
Semi-finished products and work in progress	-	3,040
Finished products	-	-
Merchandise	-	-
Prepaid deliveries	-	-
Total inventories (carrying amount)	**-**	**14,213**
Write-downs of inventories	901	567
Gross inventories	**901**	**14,780**

CHANGE IN WRITE-DOWNS OF INVENTORIES

Item	**Dec 31 2013**	**Dec 31 2012**
Write-downs as at beginning of the period	**567**	**-**
Increase, including:	**334**	**901**
- write-downs recognised	334	901
Decrease, including:	**-**	**334**
- write-downs reversed	-	334
- write-downs used	-	-
Write-downs of finished products at end of the period	**901**	**567**

Note 15. LONG-TERM CONTRACTS

Item	**Dec 31 2013**	**Dec 31 2012**
Aggregate amount of costs incurred on construction contracts and recognised profits (less recognised losses)	-	54,904
Advances received	-	-54,806
Excess of advances received over recognised revenue estimated using the percentage of completion method	-	13,349
Total assets under construction contracts in progress	**-**	**13,447**

Note 16. TRADE AND OTHER RECEIVABLES

Item	Dec 31 2013	Dec 31 2012
a) from related entities	**7,854**	**9,967**
- trade receivables, maturing in:	7,854	9,967
- up to 12 months	7,854	9,967
- over 12 months	-	-
- other	-	-
b) from other entities	**2,642**	**30,908**
- trade receivables, maturing in:	871	23,463
- up to 12 months	871	23,463
- over 12 months	-	-
- income tax assets	-	634
- taxes, grants, customs duties, social security and other benefits receivable	40	3,871
- other	1,731	2,940
- receivables under court proceedings	-	-
Total trade and other receivables, net	**10,496**	**40,875**
c) impairment losses on receivables	834	1,258
Total trade and other receivables, gross	**11,330**	**42,133**

The Company operates a policy of selling its products and services only to customers whose credibility has been verified. Management believes that thanks to this policy there is no additional credit risk beyond the level determined by the impairment losses recognised with respect to the Company's uncollectible trade receivables.

As at December 31st 2013, trade receivables of PLN 834 thousand (2012: PLN 1,258 thousand) were classified as unrecoverable and, accordingly, a relevant impairment loss was recognised.

The changes in impairment losses on receivables were as follows:

CHANGE IN IMPAIRMENT LOSSES ON TRADE AND OTHER RECEIVABLES	Dec 31 2013	Dec 31 2012
Change in impairment losses on receivables from related entities		
Impairment losses as at beginning of the period	**-**	**2**
a) increase, including:	**-**	**-**
- trade receivables	-	-
- impairment losses of acquired entities	-	-
- receivables under court proceedings	-	-
- other	-	-
b) decrease, including:	**-**	**2**
- reversal of impairment losses on trade receivables	-	-
- reversal of impairment losses on receivables under court proceedings	-	-
- reversal of impairment losses on other receivables	-	-
- use	-	2
- exchange differences	-	-
Impairment losses on trade receivables from related entities as at end of the period	**-**	**-**
Change in impairment losses on receivables from other entities		

Impairment losses as at beginning of the period	**1,258**	**1,292**
a) increase, including:	**-**	**171**
- trade receivables	-	171
- receivables under court proceedings	-	-
- other	-	-
b) decrease, including:	**424**	**205**
- reversal of impairment losses on trade receivables	424	2
- reversal of impairment losses on receivables under court proceedings	-	-
- reversal of impairment losses on other receivables	-	-
- use	-	203
Impairment losses on trade receivables from other entities as at end of the period	**834**	**1,258**
Impairment losses on trade receivables as at end of the period	**834**	**1,258**

Maturity structure of trade receivables (gross) as from the end of the reporting period:

Item	Dec 31 2013	Dec 31 2012
current	7,314	29,721
up to 1 month	-	996
more than 1 month, up to 6 months	892	640
more than 6 months	519	2,073
Total trade receivables (net)	**8,725**	**33,430**
Impairment losses on trade receivables	834	1,258
Total trade receivables (gross)	**9,559**	**34,688**

Trade and other receivables (gross) by currency:

Item	Dec 31 2013		Dec 31 2012	
	in foreign currency	restated in PLN	in foreign currency	restated in PLN
PLN	-	5,510	-	14,888
EUR	102	423	4,285	17,516
USD	1,746	5,397	3,137	9,723
GBP	-	-	1	6
Other	-	-	-	-
Total		**11,330**		**42,133**

Trade receivables under court proceedings:

Item	Dec 31 2013	Dec 31 2012
Trade receivables under court proceedings	-	-
Impairment losses on disputed receivables	-	-
Net trade receivables under court proceedings	**-**	**-**

Contingent receivables

As at December 31st 2013 and December 31st 2012, SECO/WARWICK S.A. disclosed no guarantees received.

Note 17. OTHER FINANCIAL ASSETS AND LIABILITIES

Loans advanced (including loans advanced to members of the Management Board) as at December 31st 2013

No loans were advanced to members of the Management Board or the Supervisory Board in 2013.

LOANS ADVANCED	Dec 31 2013	Dec 31 2012
Increase in loans advanced	4,220	2,463
Impairment losses	-	
Total net loans advanced	**4,220**	**2,463**
- non-current	-	-
- current	4,220	2,463

On December 17th 2012, SECO/WARWICK S.A. advanced a EUR 600 thousand loan to its subsidiary, SECO/WARWICK GmbH.

On February 1st 2013, SECO/WARWICK S.A. advanced a EUR 150 thousand loan to its subsidiary, SECO/WARWICK Service GmbH.

On March 27th 2013, SECO/WARWICK S.A. advanced a EUR 100 thousand loan to its subsidiary, SECO/WARWICK Service GmbH.

On November 21st 2013, SECO/WARWICK S.A. advanced a RUB 6,000 thousand loan to its subsidiary, OOO SCT.

In 2012, impairment losses on loans advanced totalled PLN 821 thousand at SECO/WARWICK S.A. As at December 31st 2013, impairment losses on loans advanced remained unchanged.

BORROWINGS RECEIVED

On January 30th 2013, SECO/WARWICK EUROPE Sp. z o.o. advanced a USD 100 thousand loan to its parent, SECO/WARWICK S.A. The loan was repaid on December 11th 2013.

On May 14th 2013, SECO/WARWICK EUROPE Sp. z o.o. advanced a PLN 3,100 thousand loan to its parent, SECO/WARWICK S.A. The loan was repaid on December 11th 2013.

OTHER FINANCIAL ASSETS AND LIABILITIES

	Dec 31 2013		Dec 31 2012	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Derivative financial instruments	-	-	2,671	5
Liabilities arising from the purchase of shares in SECO/WARWICK do Brasil	-	7,383	-	-
Lease liabilities	-	550	-	181
Total financial assets and liabilities at fair value through profit or loss	**-**	**7,933**	**2,671**	**186**
- non-current	-	3,981	-	-
- current	-	3,952	2,671	186
Total financial assets and liabilities at fair value through equity	**-**	**-**	**1,333**	**-**
- non-current	**-**	**-**	**-**	**-**
- current	**-**	-	**1,333**	-

Disclosures of derivative financial instruments which qualify for hedge accounting

The Company did not enter into any derivative transactions in 2013.

In 2012, SECO/WARWICK S.A. used currency forwards and zero-cost collars established by writing a put option and buying a call option to hedge an average of 60% of its EUR-denominated cash flows generated from export sales and up to 55% of its USD-, GBP- and CZK-denominated cash flows. The purpose is to hedge the budgeted exchange rates for contracts. Any changes in the value of the EUR- or USD-denominated cash flows are offset by changes in the fair value of the hedging instrument. Hedge accounting is applied if all the criteria provided for in IAS 39:88 are met. Any negative balance-sheet valuation of derivative instruments is recognised directly in equity. If a transaction which has been hedged with a currency forward affects profit or loss, any negative valuation previously recognised in equity is reclassified to profit or loss. Fair value of currency forward contracts was determined by the bank which is party to the transactions.

The table below presents total values of hedging relationships open as at December 31st 2012.

Dec 31 2012	Notional amount of contract (EUR'000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Dec 31 2012	Fair value of the instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date for final settlement of hedging instrument
TOTAL	15,694	9,646	8,086	709	276	433	Jan 31−Sep 30 2013

Dec 31 2012	Notional amount of contract (USD'000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Dec 31 2012	Fair value of the instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date for final settlement of hedging instrument
TOTAL	16,433	9,238	6,313	1,801	632	1,169	Feb 26−Oct 31 2013

Dec 31 2012	Notional amount of contract (CZK'000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Dec 31 2012	Fair value of the instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date for final settlement of hedging instrument
TOTAL	37,500	24,225	16,150	87	71	16	Mar 29−Apr 30 2013

Dec 31 2012	Notional amount of contract (GBP'000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Dec 31 2012	Fair value of the instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date for final settlement of hedging instrument
TOTAL	692	400	400	70	42	27	Jun 28 2013

Note 18. PREPAYMENTS AND ACCRUED INCOME

Item	Dec 31 2013	Dec 31 2012
Insurance policies	80	314
Subscriptions	2	1
VAT to be settled in the following period	47	371
Lease of software	18	116
Other	77	45
Total current prepayments and accrued income	**224**	**847**

Note 19. CASH AND CASH EQUIVALENTS

Item	Dec 31 2013	Dec 31 2012
Cash at banks and cash in hand	10,288	24,249
Short-term deposits	-	-
Other cash equivalents	-	-
Total cash and cash equivalents	**10,288**	**24,249**

CASH AND CASH EQUIVALENTS (BY CURRENCY):

Item	Dec 31 2013		Dec 31 2012	
	in foreign currency	restated in PLN	in foreign currency	restated in PLN
PLN	-	7,380	-	17,814
EUR	631	2,617	896	3,661
USD	96	290	589	1,827
GBP	0.2	1	189	947
Total		**10,288**		**24,249**

Note 20. SHARE CAPITAL AND STATUTORY RESERVE FUNDS/CAPITAL RESERVES

Share capital

Item	Dec 31 2013	Dec 31 2012
Number of shares	10,680,197	10,476,210
Par value of shares	0.2	0.2
Share capital	2,136	2,095
Share capital restated using hyperinflation index (IAS 19)	1,557	1,557
Share capital at end of the period	**3,693**	**3,652**

Share capital structure:

Shareholder	Type of preference attached to shares	Type of limitation on rights to shares	Number of shares
SW Poland Holding B.V. (Netherlands)	None	-	3,387,139
Spruce Holding Limited Liability Company (USA)	None	-	1,419,294
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	None	-	904,794
Funds represented by PKO BP BANKOWY PTE S.A.	None	-	849,698
Bleauhard Holdings LLC	None	-	743,456
ING NN OFE	None	-	600,000
AMPLICO	None	-	577,470
Other	None	-	2,198,346
TOTAL			**10,680,197**

Changes in share capital	Jan 1–Dec 31 2013	Jan 1–Dec 31 2012
Share capital at beginning of the period	**3,652**	**3,652**
Share capital increases during the period		
capital increase – management stock options	41	-
Share capital restated using hyperinflation index (IAS 19)	-	-
Share capital reductions during the period		
Share capital at end of the period	**3,693**	**3,652**

Other components of equity

Item	Statutory reserve funds	Other components of equity
Balance as at Jan 1 2012	**161,361**	**-**
Increase		
Profit distributions	4,169	-
Share capital increase – share premium	-	-
Valuation of management stock options	-	-
Decrease		
Management stock options	-	-
Balance as at Dec 31 2012	**165,531**	**-**
Increase		
Profit distributions	5,689	-
Share capital increase – share premium	-	-
Management stock options	-	3,147
Decrease		
Management stock options	-	-
Balance as at Dec 31 2013	**171,219**	**3,147**

Note 21. RETAINED EARNINGS (DEFICIT)

Retained earnings (deficit) do not include non-distributable amounts (amounts that are not available for distribution as dividends):

Item	Dec 31 2013	Dec 31 2012
Retained earnings (retained earnings/deficit)	2,902	2,902
Capital reserve from revaluation of hedging derivatives	-	1,333

Note 22. FINANCIAL LIABILITIES

Item	Dec 31 2013	Dec 31 2012
Bank borrowings	11,572	4,649
Other financial liabilities:	7,933	186
- valuation of financial instruments	*-*	*5*
- lease liabilities	*550*	*181*
- liabilities arising from the purchase of shares in SECO/WARWICK do Brasil	*7,383*	*-*
Total financial liabilities	**19,505**	**4,835**
- non-current	12,143	3,100
- current	7,362	1,735

Bank and other borrowings:

Item	Amount of liability	Interest rate
	BORROWINGS	
Dec 31 2013		
	Investment overdraft facilities	
MBANK BANK S.A.	3,012	LIBOR 1M +1.55%
BANK HANDLOWY	8,560	LIBOR 3M +1.80%
Total borrowings	**11,572**	**x**
Dec 31 2012		
	Investment overdraft facility	
MBANK BANK S.A.	4,649	LIBOR 1M +1.55%
Total borrowings	**4,649**	**x**

Non-current and current bank and other borrowings as at December 31st 2013 and December 31st 2012:

Name and registered office of lender	Borrowing amount		Repayment date	Security
	PLN	Currency (USD)		
MBANK BANK S.A. investment facility	3,012	1,000	Dec 31 2015	Ordinary mortgage for USD 2,500 thousand Ceiling mortgage for USD 250 thousand Submission to enforcement for up to USD 2,750 thousand
BANK HANDLOWY investment facility	8,560	2,842	Apr 27 2018	mortgage of up to USD 3,750 thousand, SECO/WARWICK EUROPE Sp. z o.o.'s surety under civil law
Total as at Dec 31 2013	**11,572**	**X**	**x**	

Name and registered office of lender	Borrowing amount PLN	Borrowing amount Currency (USD)	Repayment date	Security
mBANK S.A. investment facility	4,649	1,500	Dec 31 2015	Ordinary mortgage for USD 2,500 thousand Ceiling mortgage for USD 250 thousand Submission to enforcement for up to USD 2,750 thousand
Total as at Dec 31 2012	**4,649**	**X**	**x**	

Borrowings by maturity:

Item	*Dec 31 2013*	*Dec 31 2012*
Current bank and other borrowings	3,410	1,550
Non-current bank and other borrowings	8,162	3,100
- repayable in more than 1 year, up to 3 years	*7,217*	*3,100*
- repayable in more than 3 years, up to 5 years	*945*	*-*
- repayable in more than 5 years	*-*	*-*
Total bank and other borrowings	**11,572**	**4,649**

Bank and other borrowings by currency:

Item	Dec 31 2013		Dec 31 2012	
	Value in foreign currency	Value in PLN	Value in foreign currency	Value in PLN
PLN	-	-	-	-
USD	3,842	11,572	1,500	4,649
Total bank and other borrowings	**x**	**11,572**	**x**	**4,649**

Credit and other facilities as at Dec 31 2013:

Lender	Overdraft facility	Bank loan	Borrowing amount as per agreement	Interest	Repayment date	Security
MBANK S.A.	-	3,012	Credit agreement No. 29/058/10/D/IN for a USD 2,500 thousand investment facility	USD 1M LIBOR + 1.55 %	Dec 31 2015	Ordinary mortgage for USD 2,500 thousand Ceiling mortgage for USD 250 thousand Submission to enforcement for up to USD 2,750 thousand
BANK HANDLOWY	-	8,560	Credit agreement No. BDK/KR-D/000009908/0028/13 for a USD 3,000 thousand investment facility	LIBOR USD 3M + 1.80%	Apr 27 2018	mortgage of up to USD 3,750 thousand, SECO/WARWICK EUROPE Sp. z o.o.'s surety under civil law
Total	-	**11,572**				

As at December 31st 2012, SECO/WARWICK S.A. did not use any available overdraft facility.

Credit lines and other facilities as at Dec 31 2012:

Lender	Overdraft facility	Bank loan	Borrowing amount as per agreement	Interest	Repayment date	Security
MBANK S.A.		4,649	Credit agreement No. 29/058/10/D/IN for a USD 2,500 thousand investment facility	USD 1M LIBOR + 1.55%	Dec 31 2015	Ordinary mortgage for USD 2,500 thousand Ceiling mortgage for USD 250 thousand Submission to enforcement for up to USD 2,750 thousand
Total		**4,649**				

As at December 31st 2012, SECO/WARWICK S.A. did not use any available overdraft facility.

LEASES

On July 31th 2012, SECO/WARWICK S.A. concluded with Volkswagen Leasing Sp. z o.o. lease agreement No. 6044242-1212-07457 for the lease of passenger car Audi A6. The initial value, as per the lease agreement, was PLN 363 thousand. The agreement expiry date is June 30th 2014. As at the end of 2012 and as at the end of 2013, the lease liability amounted to PLN 181 thousand and PLN 104 thousand, respectively.

On December 17th 2012, SECO/WARWICK S.A. concluded with Bre Leasing Sp. z o.o. lease agreement No. SECOWAR/PO/148702/2012 for the lease of passenger cars Ford Mondeo-3 and Skoda Superb-2. In 2013, an additional lease agreement was concluded for a passenger car, Volkswagen Golf. As at the end of 2013, the lease liability amounted to PLN 446 thousand.

As at December 31st 2013, the future minimum lease payments under these lease agreements and the net present value of the minimum lease payments were as follows:

Item	Dec 31 2013		Dec 31 2012	
	Minimum lease payments	Present value of the lease payments	Minimum lease payments	Present value of the lease payments
Up to 1 year	250	187	81	77
From 1 year to 5 years	479	363	100	99
Over 5 years			-	-
Total minimum lease payments	**729**	**550**	**181**	**176**
Future interest expense	179		5	-
Present value of minimum lease payments, including:	**550**	**550**	**176**	**176**
Current	187	187	77	77
Non-current	187	363	99	99

Note 23. TRADE PAYABLES AND OTHER LIABILITIES

TRADE PAYABLES AND OTHER LIABILITIES	Dec 31 2013	Dec 31 2012
a) trade payables maturing in:	1,027	8,750
- up to 12 months	1,027	8,750
- over 12 months	-	-
b) prepaid deliveries	1,773	819
c) promissory notes payable	-	-
d) taxes, customs duties, social security and other benefits payable (net of	966	2,531

income tax)		
e) salaries and wages payable	422	-
f) other	1,822	589
TOTAL	**6,010**	**12,689**

Trade payables and other current liabilities by currency:

Item	Dec 31 2013		Dec 31 2012	
	in foreign currency	restated in PLN	in foreign currency	restated in PLN
PLN	-	3,615	-	9,542
EUR	574	2,381	354	1,447
USD	4	13	465	1,443
GBP			51	257
other	-		-	-
Total	**x**	**6,010**	**x**	**12,689**

Trade payables by delinquency period:

Item	*Total*	*Not past due*	*Past due but recoverable*				
			< 30 days	*30–60 days*	*60–90 days*	*90–180 days*	*>180 days*
Dec 31 2013	**2,800**	2,800					
Dec 31 2012	**9,569**	9,569					

Other current liabilities by delinquency period:

Item	*Total*	*Not past due*	*Past due but recoverable*				
			< 30 days	*30–60 days*	*60–90 days*	*90–180 days*	*>180 days*
Dec 31 2013	**3,210**	3,210					
Dec 31 2012	**3,120**	3,120					

Contingent liabilities

Contingent liabilities under guarantees and sureties for the end of 2013 amounted to 18,358 thousand PLN, while at the end of 2012 23,290 thousand. zł. The guarantees were granted the title:

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

Sureties advanced by SECO/WARWICK S.A.

Company	Bank	Surety in respect of	Currency	Dec 31 2013	*AMOUNT (PLN)*
S/W ALLIED Pvt. Ltd.	Union Bank of India	Guarantee and credit facility	INR	258,200	12,589
RETECH Systems	HSBC BANK USA	Guarantee and credit facility	USD	25,000*	75,300
RETECH Systems	HSBC BANK USA	Guarantee and credit facility	USD	3,500*	10,542
S/W Corp.	HSBC BANK USA	Guarantee and credit facility	USD	1,800	5,422
TOTAL					**103,853**

* The amount drawn by Retech Systems under the available credit facilities as at December 31st 2013 was USD 726 thousand.

On March 25th 2013, the Company's Supervisory Board approved increasing the amount of surety provided to SECO/WARWICK Allied Pvt. Ltd. (India) from INR 225,000 thousand to INR 258,200 thousand. The total value of the surety, translated at the INR/PLN mid-exchange rate quoted by the National Bank of Poland for the date of the resolution, was PLN 15,228 thousand.

Company	Bank	Surety in respect of	Currency	Dec 31 2012	*AMOUNT (PLN)*
S/W ALLIED Pvt. Ltd.	Union Bank of India	Guarantee and credit facility	INR	225,000	12,753
RETECH Systems	East West Bank	Credit guarantee	USD	1,000	3,100
RETECH Systems	HSBC BANK USA	Guarantee and credit facility	USD	25,000*	77,490
RETECH Systems	HSBC BANK USA	Guarantee and credit facility	USD	3,500*	10,849
S/W Corp.	HSBC BANK USA	Guarantee and credit facility	USD	1,800	5,579
S/W EUROPE S.A.	Bank Handlowy	Guarantee and credit facility	PLN	6,000	6,000
TOTAL					**115,771**

* The amount drawn by Retech Systems under the available credit facilities as at December 31st 2012 was USD 2,450 thousand.

Social assets and liabilities of the Company Social Benefits Fund

The Act on Company Social Benefits Fund of March 4th 1994 (as amended) stipulates that an employer should set up a Company Social Benefits Fund if it has more than 20 full-time employees. The Company has set up such a Fund and makes periodic contributions to the Fund in the amount of the basic contribution / contribution agreed upon with the trade unions. Additionally, the Fund holds property, plant and equipment. The Fund is used to subsidise the Company's social activity, loans advanced to the employees and other social expenses.

The Company set off the Fund's assets against its liabilities towards the Fund, as the Fund's assets do not represent a separate asset category.

The table below presents analytic data on the Fund's assets, liabilities and expenses, as well as the net balance of the Fund.

Item	Dec 31 2013	Dec 31 2012
Total tangible assets contributed to the Fund		
Loans advanced to employees		98
Cash	15	55
Liabilities to the Fund	14	
Net balance	1	108
Contributions to the Fund during financial period	26	351

Investment commitments

As at December 31st 2013, SECO/WARWICK S.A. had an investment commitment related to the purchase of shares in Engefor Engenharia Industria e Comerci Ltda 9 (current name: SECO/WARWICK do Brasil Ind. de Fornos Ltda.) in the amount of BRL 6,000 thousand. This commitment will be paid in two instalments of BRL 3,000 thousand each, on the first and second anniversary of the transaction closing date.

The Company had no investment commitments as at December 31st 2012.

Note 24. PROVISIONS

EMPLOYEE BENEFITS

Retirement benefits and other post-employment benefits

Retiring employees of the Company receive retirement bonuses in amounts established pursuant to the Polish Labour Code. Therefore, based on a valuation prepared by a qualified actuary, the Company recognises a provision for the present value of the retirement bonus obligations.

Provision for retirement bonuses and similar benefits

NON-CURRENT PROVISION FOR RETIREMENT BONUSES AND BENEFITS	Jan 1–Dec 31 2013	Jan 1–Dec 31 2012
as at beginning of the period	238	165
increase	-	238
- provisions of acquired entities	-	-
- provision recognised	-	238
transfer of organised part of business	238	-
reversal	-	165
as at end of the period	**-**	**238**

The table below presents key assumptions made by the actuary, AVCS Sp. z o.o., as at the end of the reporting period.

Item	Dec 31 2013	Dec 31 2012
Discount rate (%)	-	4.20
Expected inflation rate (%)	-	2.50
Expected rate of growth of salaries and wages (%)	-	5.00

CURRENT PROVISION FOR RETIREMENT AND SIMILAR BENEFITS (BY CATEGORY)	Jan 1–Dec 31 2013	Jan 1–Dec 31 2012
1. Provision for accrued holiday entitlements		
a) as at beginning of the period	**594**	**649**
b) increase	103	594
- provisions of acquired entities	-	-
- provision recognised	103	594
c) transfer of organised part of business	487	-
d) reversal	-	649
e) as at end of the period	**210**	**594**
2. Provision for bonuses		
a) as at beginning of the period	**1,770**	**1,452**
b) increase	1,601	2,901
- provisions of acquired entities	-	-
- provision recognised	1,601	2,901

c) use	1,741	2,583
d) reversal	210	-
e) as at end of the period	**1,419**	**1,770**
3. Provision for retirement bonuses		
a) as at beginning of the period	**68**	**78**
b) increase	-	68
- provisions of acquired entities	-	-
- provision recognised	-	68
c) transfer of organised part of business	68	-
d) reversal	-	78
e) as at end of the period	**-**	**68**

Other provisions

CHANGE IN OTHER CURRENT PROVISIONS (BY CATEGORY)	Jan 1–Dec 31 2013	Jan 1–Dec 31 2012
Provision for projected losses/additional expenses		
a) as at beginning of the period	**543**	**742**
b) increase	654	4,374
- provision recognised	654	4,374
c) transfer of organised part of business	510	-
d) reversal	-	4,573
e) as at end of the period	**687**	**543**
Provision for warranty repairs		
a) as at beginning of the period	**1,330**	**1,330**
b) increase	-	-
- provision recognised	-	-
c) transfer of organised part of business	1,330	-
d) reversal	-	-
e) as at end of the period	**-**	**1,330**
Provision for penalties		
a) as at beginning of the period	**-**	**-**
b) increase	-	-
- provision recognised	-	-
c) use	-	-
d) reversal	-	-
e) as at end of the period	**-**	**-**

Note 25. LEASES

SECO/WARWICK S.A. uses a passenger car Audi A6. The relevant agreement with Volkswagen Leasing Polska sp. z o.o. was signed on July 31st 2012. See Note 22 for more details.

SECO/WARWICK S.A. uses passenger cars Ford Mondeo-3 and Skoda Superb-2. The relevant agreement with Bre Leasing Polska sp. z o.o. was signed on December 17th 2012. In 2013, an additional lease agreement was concluded for a passenger car, Volkswagen Golf. See Note 22 for more details.

Note 26. DEFERRED INCOME

Item	Dec 31 2013	Dec 31 2012
- grant for partial financing of tangible assets	-	-
- grant from the Polish Ministry of Science and Higher Education	4,143	4,515
- excess of received advances over revenue recognised using the percentage of completion method	-	13,349
- contract costs – trading partners	-	1,137
- adjustment to revenue connected with settlement of long-term contracts (invoiced amount exceeding revenue recognised using the percentage of completion method)	319	9,173
Total deferred income, including:	**4 462**	**28,174**
Non-current	4,143	4,515
Current	319	23,659

Note 27. EXPLANATORY INFORMATION TO THE STATEMENT OF CASH FLOWS

Item	Dec 31 2013	Dec 31 2012
Cash in the statement of financial position	**10,288**	**24,249**
exchange differences on balance-sheet valuation	21	26
Total cash and cash equivalents disclosed in the statement of cash flows	**10,309**	**24,274**

Item	Dec 31 2013	Dec 31 2012
Depreciation and amortisation	**1,321**	**3,199**
amortisation of intangible assets	812	2,175
depreciation of property, plant and equipment	509	1,011
depreciation of investment property	-	13
Change in provisions results from the following items:	**407**	**438**
net change in provisions	-6,543	2,544
elimination of change in deferred tax liabilities	-595	-2,419
elimination of WTT settlements – equity component	-	313
transfer of organised part of business	7,545	-
Change in inventories results from the following items:	**2,112**	**961**
net change in inventories	14,213	322
reclassification from property, plant and equipment to inventories	-	640
transfer of organised part of business	-12,101	
Change in receivables results from the following items:	**-582**	**6,282**
balance-sheet change in current receivables	30,379	6,958

elimination of income tax receivable		-676
transfer of organised part of business	-30,961	-
Change in current liabilities (excluding financial liabilities) results from the following items:	**256**	**-2,030**
balance-sheet change in current liabilities	7,990	-12,242
elimination of change in borrowings	-6,923	6,719
valuation of derivative instruments	-	4,141
leases	-369	-187
obligation to pay for shares in SECO/WARWICK do Brasil	-9,000	-
liability towards SECO/WARWICK EUROPE	-	-461
transfer of organised part of business	8,557	-
Change in accruals and deferrals results from the following items:	**769**	**23,071**
net change in accruals and deferrals	- 7,702	22,184
elimination of change in deferred tax assets	508	887
reclassification of development expense	-624	-
transfer of organised part of business	8,587	-
Other:	**3,147**	**851**
Income tax payable (by a group for tax purposes)	-	461
Management stock options	3,147	-
Change in property, plant and equipment held for sale	-	390

Note 28. RELATED PARTIES

Related party	*Year*	*Sales to related parties*	*Purchases from related parties*	*Receivables from related parties*	*Liabilities towards related parties*
SECO/WARWICK EUROPE					
	2013	5,713	4,051	2,904	289
	2012	7,559	6,624	916	3,216
SECO/WARWICK Corporation					
	2013	2,401	3	891	3
	2012	438	2,276	117	3,331
SECO/WARWICK GmbH					
	2013	-	56	-	56
	2012	107	2,516	46	524
SECO/WARWICK Rus					
	2013	-	-	-	-
	2012	965	19,838	85	40
RETECH					
	2013	1,640	-	751	-
	2012	1,445	7,783	3,780	1,611
SECO/WARWICK RETECH					
	2013	1,447	-	1,494	18
	2012	421	1,234	400	4,607
SECO/WARWICK Allied					
	2013	1,691	-	1,704	-
	2012	-	30	-	562
SECO/WARWICK Service GmbH					
	2013	54	-	54	-
	2012	-	-	-	-
SECO/WARWICK do Brasil					

2013	31	-	55	-
2012	-	-	-	-

Other related parties

Employment contract between SECO/WARWICK S.A. and Piotr Zawistowski
Under the contract of February 1st 2007, Piotr Zawistowski was obliged to provide work to the Company as a junior maintenance engineer. The contract was first concluded for a probationary period of three months. On March 1st 2007, the parties signed an annex to the contract, transforming it into an employment contract for an indefinite term. The contract contains standard provisions, which comply with the Polish Labour Code. On May 5th 2008, Piotr Zawistowski assumed the position of Chief Manager of the Melting Furnaces Maintenance Division, on February 1st 2010 he was appointed Deputy Head of the Vacuum Division in charge of LPC technology and on May 4th 2010 − Head of the VOC Division. On December 31st 2012, an amending agreement was signed to the employment contract, under which Piotr Zawistowski assumed the position of Sales Representative (one-fifth of a full-time equivalent) in Meadville, USA.
Piotr Zawistowski is a close member of the family, as defined in IAS 24, of Mr Andrzej Zawistowski, Chairman of the Supervisory Board of SECO/WARWICK S.A.

Employment Agreement between SECO / WARWICK EUROPE Ltd. and Anna Klinowska
Under the contract of 1 January 2013, is a commitment Anna Klinowska to work for the Company as a Specialist for Personnel and Payroll in full-time work. Anna Klinowska is a close family member as defined in IAS 24 Witold Klinowski, who is a member of the Supervisory Board of SECO / WARWICK SA and is a close family member as defined in IAS 24 Bartosz Klinowski who is the President of SECO / WARWICK Europe *Ltd.*.

Employment Agreement between SECO / WARWICK EUROPE Ltd. and Bartosz Klinowski
Under the contract of January 3, 2011, is a commitment by Bartosz Klinowski to work for the Company as a managing director on a full-time job. Bartosz Klinowski is a close family member as defined in IAS 24 Witold Klinowski, who is a member of the Supervisory Board of SECO / WARWICK SA.

Employment Agreement between SECO / WARWICK EUROPE Ltd. and Ewa Zawistowska
Under the contract of 1 January 2013, is a commitment Ewa Zawistowska to work for the Company as a Management Office Administrator at ¾ of full-time employment. Ewa Zawistowska is a close family member as defined in IAS 24 Andrzej Zawistowski, who is the Chairman of the Supervisory Board of SECO / WARWICK SA.

Employment Agreement between SECO / WARWICK EUROPE Ltd. and Katarzyna Zawistowska
Under the contract of 1 January 2013, is Katarzyna Zawistowska commitment to work for the Company as a Clerk in the spare parts department at half of full-time work. Katarzyna Zawistowska is a close family member as defined in IAS 24 Andrzej Zawistowski, who is the Chairman of the Supervisory Board of SECO / WARWICK SA.

Employment Agreement between SECO / WARWICK EUROPE Ltd. and Anna Barbara Talerzak
Under the contract of 1 January 2013, is a commitment by Barbara Talerzak to work for the Company as a Specialist transport of full-time work. Barbara Talerzak is a close family member as defined in IAS 24 Talerzak Jaroslaw, who is Vice President of SECO / WARWICK SA.

Note 29. KEY PERSONNEL REMUNERATION

Senior management of SECO\WARWICK S.A. comprises members of the Management and Supervisory Boards.

MANAGEMENT BOARD REMUNERATION:

Name and surname	Remuneration for the period	Other benefits	Total remuneration for the period
Dec 31 2013			
Paweł Wyrzykowski	1,529	41	1,570
Wojciech Modrzyk	510	25	535
Jarosław Talerzak	443	18	461

Total	**2,482**	**84**	**2,566**
Dec 31 2012			
Paweł Wyrzykowski	1,569	9	1,578
Wojciech Modrzyk	673	12	685
Witold Klinowski	746	9	755
Józef Olejnik	474	9	483
Andrzej Zawistowski – Vice-President of the Management Board (until May 25th 2012)	80	0.2	80
Total	**3,542**	**39**	**3,581**

SUPERVISORY BOARD REMUNERATION:

Name and surname	2013	2012
Andrzej Zawistowski, including:	268	206
- for his work as Chairman of the Supervisory Board	*120*	*76*
*- under agreement for advisory services**	*148*	*130*
Henryk Pilarski	54	47
Zbigniew Rogóż	42	4
Gutmann Habig	46	-
Witold Klinowski, including:	120	-
- for his work as Chairman of the Supervisory Board	*42*	-
*- under agreement for advisory services**	*78*	-
Jeffrey Boswell	-	-
James A. Goltz	-	-
Piotr Kowalewski		33
Piotr Kula		21
Artur Rusiecki		10
Mariusz Czaplicki		31
Total	**530**	**352**

* Under a service agreement between SECO/WARWICK S.A. and Andrzej Zawistowski, who conducts business activities under the name USŁUGI DORADCZE Andrzej Zawistowski. The agreement of July 2nd 2012 is for the provision of technical and product development advisory services.

Note 30. FINANCIAL ASSETS

Item	Category (IAS 39)	*Carrying amount* Dec 31 2013	*Carrying amount* Dec 31 2012	*Fair value* Dec 31 2013	*Fair value* Dec 31 2012	*Maximum credit risk exposure in 2013*
Financial assets						
Investments in related entities	AFS	188,901	97,432	188,901	97,432	188,901
Financial assets available for sale	AFS	-	-	-	-	-
Loans advanced	L&R	4,220	2,463	4,220	2,463	4,220
Trade and other receivables	L&R	10,496	40,875	10,496	40,875	10,496
Derivative financial instruments	M at FV through P/L	-	2,671	-	2,671	-
Cash and cash equivalents	L&R	10,288	24,249	10 288	24,249	10,288
Sureties advanced	L&R	103,853	115,771	103,853	115,771	103,853
Financial liabilities						
Current						
Interest-bearing bank and other borrowings, including:	OFL at AC					
- overdraft facility	OFL at AC	-	-	-	-	-
- current borrowings	OFL at AC	3,410	1,550	3,410	1,550	-
- finance lease liabilities (current)	OFL at AC	188	181	188	181	-
Trade payables and other liabilities	OFL at AC	6,564	12,689	6,564	12,689	-
- currency forwards	M at FV through P/L	-	5	-	5	-
Non-current						
- non-current borrowings	OFL at AC	8,163	3,100	8 163	3,100	-
Trade payables and other liabilities	OFL at AC	3,619	-	3,619	-	-
- finance lease liabilities (non-current)	OFL at AC	362	-	362	-	-

Financial assets and liabilities at fair value	**Dec 31 2013**		
	Level 1	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss		X	
Financial assets available for sale		-	
Financial liabilities at fair value through profit or loss		X	
Hedging instruments – assets		X	
Hedging instruments – liabilities		X	

Financial assets and liabilities at fair value	**Dec 31 2012**		
	Level 1	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss		X	
Financial assets available for sale		-	
Financial liabilities at fair value through profit or loss		X	
Hedging instruments – assets		X	
Hedging instruments – liabilities		X	

For the purpose of measurement of derivative financial instruments the Company uses information provided by banks without reviewing their respective valuation models in detail. Therefore, the Group decided to classify the measurement of derivative instruments as Level 2 measurement.

Note 31. WORKFORCE STRUCTURE

Item	**Dec 31 2013**	**Dec 31 2012**
Blue-collar employees	-	105
White-collar employees	25	193
Employees on parental leaves	-	2
Total	**25**	**300**

Note 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY

In the course of its operating and financing activities, SECO/WARWICK S.A. is exposed to risks arising mainly in connection with the financial instruments held by the Company. Those risks may be broadly defined as market risk, comprising currency risk, interest rate risk, liquidity risk and credit risk. The objective behind the Company's financial risk management is to mitigate any adverse movements in foreign exchange and interest rates, stabilise cash flows and ensure an adequate level of liquidity and financial flexibility. The rules of financial risk management at the Company are determined by the Management Board.

As of January 2nd 2013, SECO/WARWICK S.A.'s organised part of business (including all manufacture, marketing, repair and maintenance operations) has been transferred to SECO/WARWICK Europe. In 2013, SECO/WARWICK S.A.'s activities were limited to performing the functions of a holding company and providing management services and support to the Group companies. Hence, the related operating risk is considered immaterial.

The relevant risk factors and the Group-wide financial risk management policy are described in detail in the consolidated report.

32.1 Currency risk

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

In 2013, the Company was closely monitoring the movements in exchange rates of the US dollar and the euro as the two currencies with the largest potential impact on its currency risk exposure. The Management Board identified no need for using hedging instruments.

Analysis of the Company's sensitivity to fluctuations in PLN/USD and PLN/EUR exchange rates

Assuming a 10% depreciation of the US dollar against the złoty as at December 31st 2013 (all other things being equal), both net profit for the financial year 2013 and equity would have been lower by PLN -1,030 thousand. Conversely, assuming a 10% appreciation of the US dollar against the złoty (all other things being equal), both net profit for the financial year 2013 and equity would have been higher by PLN +1,030 thousand.

Assuming a 10% depreciation of the euro against the złoty as at December 31st 2013 (all other things being equal), both net profit for the financial year 2013 and equity would have been lower by PLN -72 thousand. Conversely, assuming a 10% appreciation of the euro against the złoty (all other things being equal), both net profit for the financial year 2013 and equity would have been higher by PLN +72 thousand. It is safe to say then that at present the Company is not sensitive to PLN/EUR exchange rate fluctuations.

Furthermore, given the Company's significant liability denominated in the Brazilian real, arising from the purchase of a Brazilian company, the Company's sensitivity to PLN/BRL exchange rate fluctuations was also analysed. Assuming a 10% depreciation of the Brazilian real against the złoty as at December 31st 2013 (all other things being equal), net profit for the financial year 2013 would have been higher by PLN +598 thousand. Conversely, assuming a 10% appreciation of the Brazilian real against the złoty (all other things being equal), net profit for the financial year 2013 would have been lower by PLN -598 thousand.

Assumptions adopted for 2013:

- average USD/PLN exchange rate used to translate items of the income statement: 3.1653
- average EUR/PLN exchange rate used to translate items of the income statement: 4.2110
- USD/PLN exchange rate as at the end of the period used to translate items of the statement of financial position: 3.0120
- EUR/PLN exchange rate as at the end of the period used to translate items of the statement of financial position: 4.1472
- average BRL/PLN exchange rate used to translate items of the income statement: 1.3800 (for the period June−December 2013)
- BRL/PLN exchange rate as at the end of the period used to translate items of the statement of financial position: 1.2753

The Company recognises that its sales may potentially lead to a concentration of currency risk. In the financial year under analysis, 57% of revenue was generated in USD, 12% – in EUR and 31% – in PLN.

32.2 Interest rate risk

The Company's exposure to interest rate risk is not material. In the financial year 2013, the total amount of interest on the Company's liabilities under bank borrowings was PLN 351 thousand.

32.3 Risk related to product prices

Most of the Company's revenue is generated under agreements with the Group companies. The revenue sources include remuneration for services rendered and fees for the use of the Company's patents and licences.

The detailed rules for calculating the rates of prices and fees are defined in the relevant agreements between SECO/WARWICK S.A. and its subsidiaries and are based on a fixed mark-up. Accordingly, the Company's price risk is deemed immaterial.

32.4 Capital management

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

The Company's capital management policy takes into account two key elements:

- operating performance in the context of investment and development plans,
- dividend policy and the external debt repayment schedule.

In order to combine these factors, the Company periodically defines its financing structure framework. The current targets under the capital management policy are as follows:

- current ratio – in the range from 1.5 to 2.5,

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

32.5 Liquidity risk

Liquidity risk is the risk that the Company may face problems with meeting its financial liabilities. Liquidity risk is managed by projecting future cash flows, analysing the relation of liquid assets to cash flows, monitoring liquidity ratios based on items of the statement of financial position and ensuring constant access to various sources of financing at the level of the individual members of the Company.

The Company also manages its liquidity risk by maintaining available unused credit facilities which serve as a liquidity reserve securing solvency and financial flexibility. The Company considers its bank borrowings as financial instruments that may potentially lead to a concentration of liquidity risk as the Company enters into cooperation with selected financial institutions only (see Note 22). As at December 31st 2013, current bank borrowings represented 18% of total current liabilities (December 31st 2012: 11%).

The table below presents the Company's financial liabilities by maturity as at December 31st 2013 and December 31st 2012, based on contractual undiscounted payments.

Dec 31 2013	Payable on demand	up to 1 year	1–5 years	Over 5 years	Total as at Dec 31 2013
Interest-bearing bank and other borrowings	-	3,410	8,162	-	**11,572**
Trade payables	-	2,800	-	-	**2,800**
Other liabilities	-	7,162	3,981	-	**11,143**
TOTAL	**-**	**13,372**	**12,143**	**-**	**25,515**

Dec 31 2012	Payable on demand	up to 1 year	1–5 years	Over 5 years	Total as at Dec 31 2012
Interest-bearing bank and other borrowings	-	1,550	3,100	-	**4,649**
Trade payables	-	9,569	-	-	**9,569**
Other liabilities	-	3,306	-	-	**3,306**
TOTAL	**-**	**14,425**	**3,100**	**-**	**17,525**

The maturity structure of liabilities is presented in Note 23.

32.6 Credit risk

The Company operates a policy of selling its products and services only to customers whose credibility has been verified. Management believes that thanks to this policy there is no additional credit risk beyond the level defined by the impairment losses recognised with respect to uncollectible trade receivables. The Company considers its trade receivables as financial assets that may potentially lead to a concentration of liquidity risk. The Company defines its exposure to credit risk as the total amount of outstanding receivables and monitors the balances owed by each customer on a regular basis. As at December 31st 2013, the share of receivables from none of the customers exceeded the materiality level (10% of total net trade receivables).

Item	Dec 31 2013	Dec 31 2012
current	7,314	29,721
up to 1 month	-	996
more than 1 month, up to 6 months	892	640
more than 6 months	1,353	3,331
Total trade receivables (gross)	9,559	34,688
Impairment losses on trade receivables	834	1,258
Total trade receivables (net)	**8,725**	**33,430**

Note 33. MANAGEMENT STOCK OPTIONS

With a view to providing additional incentives to the Company's management staff to continue work on the development and consolidation of the SECO/WARWICK Group, and to further increase the value of SECO/WARWICK shares, on May 28th 2012 the Annual General Meeting approved the key objectives of the 2012–2016 Incentive Scheme for members of the SECO/WARWICK Group's management staff (the "2012–2016 Incentive Scheme").

Key terms of the 2012–2016 Incentive Scheme:

1. The person serving as President of the Management Board as at the date of the Resolution (**"President of the Management Board"**) and the key company employees indicated by the President of the Management Board in consultation with the Supervisory Board (jointly with the President of the Management Board - the **"Eligible Persons"**) will be eligible for participation in the 2012–2016 Incentive Scheme. With respect to each Eligible Person other than the President of the Management Board, an a_i ratio, referred to in Par. 2.11 below, will be determined along with the indication of the person. A list of Eligible Persons will be prepared by the Supervisory Board in consultation with the President of the Management Board within three months from the date of the Resolution.

2. The 2012–2016 Incentive Scheme will include up to 500,000 (five hundred thousand) of Company Series E shares (**"Series E Shares"**). The President of the Management Board will be entitled to acquire up to 250,000 (two hundred and fifty thousand) Series E Shares, and the other Eligible Persons will have the right to acquire the maximum of the remaining 250,000 (two hundred and fifty thousand) Series E Shares.

3. Under the 2012–2016 Incentive Scheme, Eligible Persons will be entitled to acquire Series B subscription warrants (**"Series B Warrants"**) free of charge. Series B Warrants will confer the right to acquire Series E Shares at their par value of PLN 0.20 (twenty grosz) per share.

4. One Series B Warrant will confer the right to acquire one Series E Share.

5. The 2012–2016 Incentive Scheme will be implemented by way of resolutions adopted by the General Meeting on conditional share capital increase by up to PLN 100,000 (one hundred thousand złoty), through an issue of up to 500,000 (five hundred thousand) Series E Shares and an issue of up to 500,000 (five hundred thousand) Series B Warrants, with full waiver of the existing shareholders' pre-emptive rights to all Series E Shares and Series B Warrants.

6. The 2012–2016 Incentive Scheme is planned to cover a period of four years starting from the date of its approval by the General Meeting. The duration of the 2012–2016 Incentive Scheme may be extended by the Supervisory Board making relevant changes in the Rules of the Incentive Scheme.

7. The number of Series B Warrants issued to Eligible Persons will depend on:

(i) the price of the Company shares on the Warsaw Stock Exchange ("**WSE**"), or

(ii) the selling price of shares, whether sold in one or more transactions (including as part of a tender offer), conferring the rights to at least 33% (thirty-three per cent) of the total votes at the General Meeting, by a shareholder or shareholders acting jointly under a memorandum of understanding, agreement, arrangement, or as part of any other relationship in fact or in law, holding in aggregate, directly or indirectly, Company shares conferring the right to at least 33% (thirty-three per cent) of the total votes at the General Meeting ("**Major Shareholder**"; the term may refer to one or more shareholders acting jointly), to a third party (other than a Major Shareholder or a related party of any of the Major Shareholders). If the shares are sold by a Major Shareholder in more than one transaction, then the number of Series B Warrants to be issued to Eligible Persons will be calculated on the basis of the arithmetic mean of the selling prices in all the transactions, weighted by the number of the Company shares sold in a given transaction.

8. An Eligible Person will be entitled to acquire Series B Warrants a number of times during the term of the Incentive Scheme, however, not more frequently than twice in a calendar year. The limited frequency with which the right to acquire Series B Warrants may be exercised does not apply when the exercise of the right by an Eligible Person is based on the sale of the Company shares by a Major Shareholder.

9. An Eligible Person will be entitled to acquire Series B Warrants if:

(i) the average price of the Company shares from the 6 (six) months immediately preceding the date of acquiring Series B Warrants by the Eligible Person is at least PLN 35 (thirty-five złoty) per share, or

(ii) a Major Shareholder decides to sell at least 33% (thirty-three per cent) of all Company shares to an entity other than a Major Shareholder or a related party of a Major Shareholder, at a price of at least PLN 35 (thirty-five złoty) per share. An Eligible Person may acquire Series B Warrants no sooner than 3 (three) months from the date of notifying the Company of his or her intention to acquire Series B Warrants. The Company will procure that Series B Warrants are issued to Eligible Persons no later than within 4 (four) months following the receipt of the notification. Series B Warrants may be issued through an investment firm, acting as a custodian.

10. The maximum number of Series B Warrants which may be acquired by the President of the Management Board will be calculated based on the following formula:

$$Q = 6{,}666\,P - 183{,}310$$

provided that:

$$for\ P < 35PLN \rightarrow Q = 0$$

$$for\ P \geq 65PLN \rightarrow Q = 250{,}000$$

where:

Q stands for the number of Series B Warrants;

P stands for, as the case may be (i) the average price of the Company shares in the 6 (six) months immediately preceding the date of acquiring Series B Warrants by the President of the Management Board, or (ii) the price of one Company share sold in a transaction between a Major Shareholder and a buyer.

If the number of Series B Warrants which may be acquired by the President of the Management Board as determined based on the above formula is not an integer, such number will be rounded down to the nearest integer.

Each time the President of the Management Board exercises his or her right to acquire Series B Warrants, the number of Series B Warrants to which he or she is entitled will be reduced, in accordance with the above formula, by the number of Series B Warrants previously issued to the President of the Management Board under the 2012–2016 Incentive Scheme.

11. The maximum number of Series B Warrants which may be acquired by an Eligible Person other than the President of the Management Board will be calculated based on the following formula:

$$Q = a_i \times (6{,}666\,P - 183{,}310)$$

provided that:

$$for\ P < 35PLN \rightarrow Q = 0$$

$$for\ P \geq 65PLN \rightarrow Q = a_i \times 250{,}000$$

where:

Q stands for the number of Series B Warrants;

P stands for, as the case may be (i) the average price of the Company shares in the 6 (six) months immediately preceding the date of acquiring Series B Warrants by the given Eligible Person, or (ii) the price of one Company share sold in a transaction between a Major Shareholder and a buyer.

a_i is a ratio determined individually for each Eligible Person, provided that:

$$a_i \in (0.1) \; and \; \sum_{i=1}^{n} a_i \leq 1$$

If the number of Series B Warrants which may be acquired by an Eligible Person as determined based on the above formula is not an integer, such number will be rounded down to the nearest integer.

Each time an Eligible Person exercises his or her right to acquire Series B Warrants, the number of Series B Warrants to which he or she is entitled will be reduced, in accordance with the above formula, by the number of Series B Warrants previously issued to the Eligible Person under the 2012–2016 Incentive Scheme.

12. The number of Series B Warrants acquired by each Eligible Person will in no event be higher than: (i) 250,000 (two hundred and fifty thousand) in the case of Series B Warrants acquired by the President of the Management Board; and (ii) a_i × 250,000 (two hundred and fifty thousand) in the case of an Eligible Person other than the President of the Management Board.

13. The Eligible Person who has acquired Series B Warrants under the 2012–2016 Incentive Scheme will be entitled to acquire Series E Shares at any time, however, no later than by December 31st 2016.

As of December 31st 2013, 203.987 Series E Company shares had been acquired under the 2012–2016 Incentive Scheme for the management personnel of the SECO/WARWICK Group, approved by virtue of Resolution No. 21 of the Annual General Meeting held on May 28th 2012, whereof:
- Paweł Wyrzykowski President of the Board received 84 796 Series E Shares of the fair value of 1,445 thous. zł;
- Wojciech Modrzyk Vice President received 25 558 Series E Shares of the fair value of 435 thous. zł;
- Jarosław Talerzak Vice President received 25 558 Series E Shares of the fair value of 435 thous. zł

Note 34. CAPITALISED BORROWING COSTS

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

Note 35. REVENUE GENERATED SEASONALLY, CYCLICALLY OR OCCASIONALLY

In the presented reporting periods, there were no material items of seasonal, cyclical or occasional revenue at the Company.

Note 36. COURT PROCEEDINGS

There are no proceedings pending before central or local government administration bodies, court proceedings or arbitration proceedings which could have a material effect on the financial standing or profitability (exceeding 10% of equity) of the Company.

Note 37. TAX SETTLEMENTS

Tax settlements and other regulated areas of activity (e.g. customs or foreign exchange control) are subject to inspection by competent administration authorities, which are authorised to impose high penalties and sanctions. Lack of reference to well-established legal regulation in Poland has resulted in ambiguity and inconsistency of the applicable laws and regulations. Frequent differences of opinion on the legal interpretation of tax laws, both between different governmental authorities and between governmental authorities and companies, create areas of uncertainty and conflicts. Therefore, the tax risk in Poland is significantly higher than is usually the case in countries with more developed tax systems.
Tax settlements may be subject to tax inspection for a period of five years from the end of the calendar year in which the tax payment was made. As a result of such inspections, additional tax liabilities may be assessed with respect to the tax settlements made by the Group.
In the Management Board's opinion, as at December 31st 2013, there was no need to recognise provisions for any recognised and measurable tax risks. The Company pays its tax liabilities when due.

From January 1st 2004 to March 31st 2010, SECO/WARWICK S.A. and SECO/WARWICK EUROPE Sp. z o.o., the subsidiary, formed a tax group. From January 1st 2012 to March 31st 2013, the two companies were again consolidated for tax purposes.

Note 38. WASTE ELECTRICAL AND ELECTRONIC EQUIPMENT

Not applicable

Note 39. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On January 20th 2014, in Current Report No. 02/2014, the Management Board of SECO/WARWICK S.A. reported the acquisition of 57,640 (fifty-seven thousand, six hundred and forty) Series E ordinary bearer shares in the Company.

On January 20th 2014, in Current Report No. 03/2014, the Management Board of SECO/WARWICK S.A. reported that it had received a notification under Art. 160 of the Act on Trading in Financial Instruments from a Management Board Member. According to the notification, on January 20th 2014 the Management Board Member acquired – under the 2012–2016 Incentive Scheme adopted by virtue of Resolution No. 21 of the Annual General Meeting of May 28th 2012 – a total of 47,529 Series E shares in the Company, with a par value of PLN 0.20 per share, at the issue price of PLN 0.20 per share.

On January 23rd 2014, in Current Report No. 04/2014, the Management Board of SECO/WARWICK S.A. reported that it had received a notification under Art. 160 of the Act on Trading in Financial Instruments from a Supervisory Board Member. According to the notification, on July 3rd 2013 the Supervisory Board Member sold 90 shares in the Company at a price of PLN 48.60 per share.

On February 4th 2014, in Current Report No. 05/2014, the Management Board of SECO/WARWICK S.A. reported that it had received a decision by the District Court in Zielona Góra, 8th Commercial Division of the National Court Register, dated January 28th 2014, case No.: ZG.VIII NS-REJ.KRS/000223/14/060, concerning registration of a change in the Company's share capital. Pursuant to the decision, the Court registered a share capital increase by 27,518 Series E shares acquired under the Company's incentive scheme (see Current Report No. 43/2013 of December 3rd 2013).

On February 10th 2014, in Current Report No. 06/2014, the Management Board of SECO/WARWICK S.A. reported that on that day it was notified that on February 7th 2014 the Management Board of the Warsaw Stock Exchange (WSE) adopted Resolution No. 140/2014 on admission and introduction of the Company's Series E ordinary bearer shares to trading on the WSE Main Market. Pursuant to Sections 19.1 and 19.2 of the WSE Rules, the WSE Management Board decided to admit 57,640 (fifty-seven thousand, six hundred and forty) Series E ordinary bearer shares of the Company, with a par value of PLN 0.20 (twenty grosz) per share, to trading on the WSE main market.

On February 11th 2014, in Current Report No. 07/2014, the Management Board of SECO/WARWICK S.A. reported that on that day it was notified of an Announcement of the Operations Department of Krajowy Depozyt Papierów Wartościowych S.A. (Polish NDS) of February 10th 2014, issued pursuant to Resolution No. 661/13 of the Polish NDS Management Board of August 28th 2013, stating that on February 12th 2013 a total of 57,640 (fifty-seven thousand, six hundred and forty) Series E ordinary bearer shares in the Company, with a par value of PLN 0.20 per share, assigned code PLWRWCK00013, would be registered with the Polish NDS.

On February 17th 2014, in Current Report No. 08/2014, the Management Board of SECO/WARWICK S.A. announced that between August 19th 2013 and February 17th 2014 SECO/WARWICK EUROPE Sp. z o.o. executed with mBank S.A. of Warsaw fourteen forward contracts to sell a total of EUR 3,417,500 (PLN 14,393,410), and five forward contracts to sell a total of USD 1,800,000 (PLN 5,523,240). The value of the forward contracts totals PLN 19,916,650.

On February 17th 2014, in Current Report No. 09/2014, the Management Board of SECO/WARWICK S.A. announced that on that day it was notified of a contract concluded between Retech Systems LLC of Ukiah, SECO/WARWICK S.A.'s US subsidiary, and Carpenter Technology Corporation of the United States, for the construction and delivery of equipment for the production of metal powder. The contract was executed on February 14th 2014, its term runs until March 25th 2015, and its value is USD 11,500,000 (PLN 34,787,500).

On March 14th 2014, in Current Report No. 10/2014, the Management Board of SECO/WARWICK S.A. announced that it had received a decision by the District Court in Zielona Góra, 8th Commercial Division of the National Court Register, dated March 7th 2014, case No.: ZG.VIII NS-REJ.KRS/002677/14/815, concerning registration of a change in the Company's share capital. Pursuant to the decision, the Court registered a share capital increase by 57,640 Series E shares acquired as part of the Company's incentive scheme (see Current Report No. 2/2014 of January 20th 2014).

For details on events subsequent to the end of the reporting period, see current reports available on the corporate website at www.secowarwick.com

Note 40. FINANCIAL STATEMENTS ADJUSTED FOR INFLATION

In the presented reporting periods, the Company did not revalue its share capital and other capitals to account for hyperinflation.

Date: April 29th 2014

Paweł Wyrzykowski	Wojciech Modrzyk	Jarosław Talerzak
President of the Management Board	*Vice-President of the Management Board*	*Vice-President of the Management Board*