THE SECO/WARWICK GROUP

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31ST 2012

CONTENTS

GENERAL INFORMATION

I. Parent

The Parent of the SECO/WARWICK Group is SECO/WARWICK Spółka Akcyjna of Świebodzin. The Company was registered on January 2nd 2007 by virtue of a decision issued by the District Court for Zielona Góra, VIII Commercial Division of the National Court Register, and entered in the Register of Entrepreneurs of the National Court Register under No. KRS 0000271014.

Name:		**SECO/WARWICK S.A.**
Legal form:		Joint-stock company (spółka akcyjna)
Registered address:		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

II. Duration of the Group

SECO/WARWICK S.A. and other entities of the SECO/WARWICK Group have been registered to operate for an unlimited period of time, except for SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co. Ltd. established for the period of 27 years.

III. Presented periods

These consolidated financial statements contain data for the period January 1st–December 31st 2012. The comparative data is presented as at December 31st 2011 in the case of the statement of financial position, and for the period from January 1st 2011 to December 31st 2011 in the case of the statement of comprehensive income, statement of cash flows, and statement of changes in equity.

IV. Composition of SECO/WARWICK S.A.'s governing bodies

MANAGEMENT BOARD		
Composition of the Management Board as at December 31st 2011	Leszek Przybysz Andrzej Zawistowski Wojciech Modrzyk Witold Klinowski Józef Olejnik	President of the Management Board Vice-President of the Management Board Vice-President of the Management Board Member of the Management Board Member of the Management Board
Composition of the Management Board as at December 31st 2012	Paweł Wyrzykowski Wojciech Modrzyk Witold Klinowski Józef Olejnik	President of the Management Board Vice-President of the Management Board Member of the Management Board Member of the Management Board
Composition of the Management Board as at January 1st 2013	Paweł Wyrzykowski Wojciech Modrzyk Jarosław Talerzak	President of the Management Board Vice-President of the Management Board Vice-President of the Management Board

SUPERVISORY BOARD		
Composition of the Supervisory Board as at December 31st 2011	Jeffrey Boswell Henryk Pilarski Piotr Kowalewski Piotr Kula Artur Rusiecki Mariusz Czaplicki	Chairman of the Supervisory Board Deputy Chairman of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board
Composition of the Supervisory Board as at December 31st 2012	Andrzej Zawistowski Henryk Pilarski Jeffrey Boswell James A. Goltz Zbigniew Rogóż Dr Gutmann Habig	Chairman of the Supervisory Board Deputy Chairman of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board
Composition of the Supervisory Board as at January 1st 2013	Andrzej Zawistowski Henryk Pilarski Jeffrey Boswell James A. Goltz Zbigniew Rogóż Dr Gutmann Habig Witold Klinowski	Chairman of the Supervisory Board Deputy Chairman of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board

Changes in the composition of the Management Board

On January 12th 2012, in Current Report No. 02/2012, the SECO/WARWICK Management Board reported on appointment by the Supervisory Board of Mr Paweł Wyrzykowski to serve as President of the Management Board as of February 1st 2012.

On May 25th 2012, the SECO/WARWICK Management Board was notified of Mr Andrzej Zawistowski's decision to resign as Vice-President and Member of the SECO/WARWICK Management Board. The resignation was due to Mr Zawistowski’s plans to take the position of Chairman of the SECO/WARWICK Supervisory Board. See Current Report No. 14/2012.

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 plans to take 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 Józef 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 appointment by the Supervisory Board of Mr Jarosław Talerzak to serve as Vice-President of the Management Board as of January 1st 2013.

Changes in the composition of the Supervisory Board:

On May 25th 2012, the SECO/WARWICK Management Board was notified of Mr Artur Rusiecki's decision to resign as Member of the SECO/WARWICK Supervisory Board, with effect as of May 17th 2012. The resignation was due to important personal reasons. See Current Report No. 15/2012.

On May 28th 2012, the Annual General Meeting of SECO/WARWICK S.A. by virtue of Resolution No. 40 appointed Mr Andrzej Zawistowski to serve as Member of the Company’s Supervisory Board. See Current Report No. 17/2012.

On May 28th 2012, the Annual General Meeting of SECO/WARWICK S.A. by virtue of Resolution No. 34 appointed Mr James A. Goltz to serve as Member of the Company’s Supervisory Board. See Current Report No. 17/2012.

In Current Report No. 25/2012 of September 3rd 2012, the SECO/WARWICK Management Board reported on Mr Piotr Kula’s resignation as Member of the Company’s Supervisory Board. The resignation followed from Mr Piotr Kula's appointment, as of September 1st 2012, as Deputy Dean of the Łódź University of Technology.

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. See Current Report No. 36/2012.

On November 28th 2012, the Extraordinary General Meeting of SECO/WARWICK S.A. by virtue of Resolution No. 6 removed from office Mr Piotr Kowalewski, who served as Member of the Company’s Supervisory Board. See Current Report No. 36/2012.

On November 28th 2012, the Extraordinary General Meeting of SECO/WARWICK S.A. by virtue of Resolution No. 7 removed from office Mr Mariusz Czaplicki, who served as Member of the Company’s Supervisory Board. See Current Report No. 36/2012.

On November 28th 2012, the Extraordinary General Meeting of SECO/WARWICK S.A. by virtue of Resolution No. 8 appointed Mr Zbigniew Rogóż to serve as Member of the Company’s Supervisory Board. See Current Report No. 36/2012.

On November 28th 2012, the Extraordinary General Meeting of SECO/WARWICK S.A. by virtue of Resolution No. 9 appointed Dr Gutmann Habig to serve as Member of the Company's Supervisory Board. See Current Report No. 36/2012.

V. Auditors

PKF Audyt Sp. z o. o.
ul. Orzycka 6, lok. 1B
02-695 Warsaw, Poland

VI. Significant shareholders of the parent

The table below lists the shareholders holding over 5% of the total vote at the General Meeting as at December 31st 2012:

Shareholder	Number of shares	Ownership interest (%)	Number of votes at GM	% of total vote
SW Poland Holding B.V. (Netherlands)	4,119,508	39.32%	4,119,508	39.32%
Spruce Holding Limited Liability Company (USA)	1,726,174	16.48%	1,726,174	16.48%
Bleauhard Holdings LLC	904,207	8.63%	904,207	8.63%
ING NN OFE	600.000	5.73%	600.000	5.73%
AMPLICO	577,470	5.51%	577,470	5.51%
OFE POLSAT S.A.	485,974	4.64%	485,974	4.64%

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

VII. Subsidiaries

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

- SECO/WARWICK EUROPE S.A. (before October 19th 2012: SECO/WARWICK ThermAL S.A.),
- SECO/WARWICK Corporation,
- OOO SECO/WARWICK Group Moscow,
- Retech Systems LLC,
- SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co., Ltd.,
- SECO/WARWICK GmbH,
- OOO SCT (Solnechnogorsk) Russia,
- SECO/WARWICK Service GmbH.

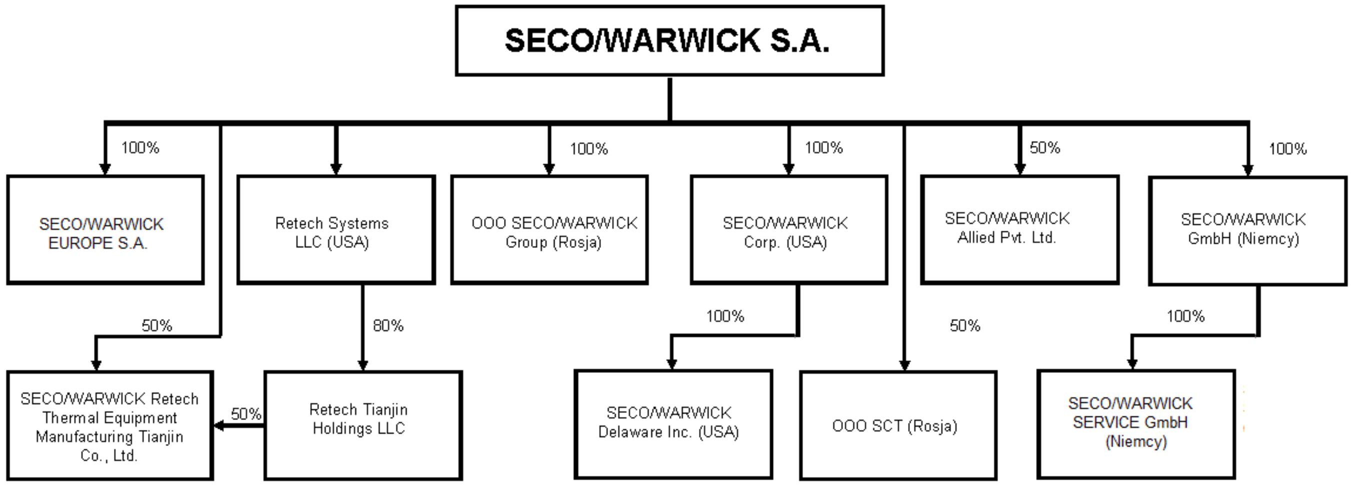
Other Group companies are:

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

VIII. Associates.

- SECO/WARWICK Allied Pvt., Ltd., in which the Parent holds a 50% interest conferring the right to 50% of the total vote at the company's general meeting.

IX. Organisation of the Group:



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	Dec 31 2012	Dec 31 2011
Average exchange rate for the period*	4.1736	4.1401
Exchange rate effective for the last day of the period	4.0882	4.4168

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

Assets and equity and liabilities in the consolidated 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 consolidated statement of comprehensive income and consolidated 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 consolidated statement of financial position, statement of comprehensive income and statement of cash flows disclosed in the consolidated financial statements and the comparable data, translated into the euro:

Key consolidated financial data

Item	2012	2011	2012	2011
	(PLN '000)		(EUR '000)	
Revenue	497,192	370,964	119,128	89,602
Cost of sales	-378,142	-278,754	-90,603	-67,330
Operating profit/(loss)	38,689	29,025	9,270	7,011
Profit (loss) before tax	39,537	19,735	9,473	4,767
Profit (loss), net of tax	28,170	15,093	6,749	3,646
Net cash flows from operating activities	56,937	26,552	13,642	6,413
Net cash flows from investing activities	-9,725	-8,760	-2,330	-2,116
Net cash flows from financing activities	-11,864	-12,499	-2,843	-3,019
	Dec 31 2012	**Dec 31 2011**	**Dec 31 2012**	**Dec 31 2011**
Total assets	426,613	390,364	104,352	88,382
Total liabilities	175,972	159,032	43,044	36,006
including current liabilities	142,645	128,250	34,892	29,037
Equity	250,642	231,332	61,309	52,375
Share capital	3,652	3,652	893	827

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, dated February 19th 2009, the Management Board of the Parent represents that to the best of its knowledge these consolidated financial statements and the comparative data have been prepared in compliance with the accounting standards applicable to the Group and give an accurate, fair and clear view of the Group's assets, financial standing and financial performance.

These consolidated financial statements have been prepared in accordance with the 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, dated February 19th 2009 (Dz. U. of 2009, No. 33, item 259). These financial statements cover the period from January 1st to December 31st 2012 and a comparative period from January 1st to December 31st 2011.

The Management Board represents that the auditor of these consolidated 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 by virtue of Resolution No. 11/2011 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 26th 2013

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

THE SECO/WARWICK GROUP

CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD

JANUARY 1ST–DECEMBER 31ST 2012 PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (PLN '000)

Assets		as at Dec 31 2012	as at Dec 31 2011
NON-CURRENT ASSETS		**159,131**	**160,853**
Property, plant and equipment	*10*	49,769	52,979
Investment property	*12*	409	422
Goodwill	*13*	60,720	65,116
Intangible assets	*11*	16,462	14,091
Investments in associates	*15*	19,077	18,462
Financial assets available for sale		3	3
Non-current receivables	*18*	2 113	
Loans and receivables		13	
Deferred tax assets	*6*	10,565	9,780
CURRENT ASSETS		**263,775**	**225,347**
Inventories	*16*	28,349	26,034
Trade receivables	*18*	72,235	107,077
Income tax assets	*18*	634	1,311
Other current receivables	*18*	16,762	11,642
Accruals and deferred income	*20*	2,840	2,171
Financial assets at fair value through profit or loss	*19*	4,028	10
Loans and receivables	*19*	8	
Cash and cash equivalents	*21*	55,556	20,285
Contract settlement	*17*	83,362	56,817
ASSETS HELD FOR SALE	7	**3,708**	**4,164**
TOTAL ASSETS		**426,613**	**390,364**

Equity and liabilities		as at Dec 31 2012	as at Dec 31 2011
EQUITY		**250,642**	**231,332**
Equity attributable to owners of the parent		249,489	231,540
Share capital	*22*	3,652	3,652
Statutory reserve funds	*22*	189,136	177,662
Retained earnings/(deficit)	*23*	56,701	50,226
Non-controlling interests		**1,153**	**-208**
NON-CURRENT LIABILITIES		**33,326**	**30,782**
Borrowings and other debt instruments	*24*	3,100	5,568
Financial liabilities	*24*	267	113
Other non-current liabilities	*24*	26	
Deferred tax liabilities	*6*	19,010	15,654
Provision for retirement and similar benefits	*27*	6,408	4,896
Accruals and deferred income	*28*	4,515	4,552
CURRENT LIABILITIES		**142,645**	**128,250**
Borrowings and other debt instruments	*24*	17,620	22,555
Financial liabilities	*24*	867	7,342
Trade payables	*26*	32,459	26,353
Income tax payable	*26*	5,431	
Taxes, customs duties and social security payable	*26*	1,550	1,806
Other current liabilities	*26*	5,234	6,007
Provision for retirement and similar benefits	*27*	6,446	5,088
Other provisions	*27*	5,569	4,490
Accruals and deferred income	*28*	67,469	54,608
TOTAL EQUITY AND LIABILITIES		**426,613**	**390,364**

Date: April 26th 2013
Prepared by:
Piotr Walasek

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (PLN '000)

		for the period Jan 1–Dec 31 2012	for the period Jan 1–Dec 31 2011
Revenue, including:	*1,2*	497,192	370,964
Revenue from sale of finished goods		484,683	368,612
Revenue from sale of merchandise and materials		12,509	2,352
Cost of sales, including:	*2,3*	-378,142	-278,754
Finished goods sold		-368,306	-277,064
Merchandise and materials sold		-9,836	-1,690
Gross profit/(loss)		**119,050**	**92,210**
Other income	*4*	2,982	1,866
Distribution costs	*2,3*	-25,203	-20,107
Administrative expenses	*2,3*	-54,866	-42,509
Other expenses	*4*	-3,275	-2,434
Operating profit/(loss)		**38,689**	**29,025**
Gain (loss) on accounting for obtaining control			
Gain (loss) on disposal / result related to loss of control over subordinated entities		0	-1,161
Finance income	*5*	8,267	466
Finance costs	*5*	-8,541	-9,791
Share of net profit (loss) of associates		1,122	1,196
Profit (loss) before tax		**39,537**	**19,735**
Actual tax expense	*6*	-11,674	-4,936
Net profit (loss) from continuing operations		**27,863**	**14,799**
Profit/(loss) on discontinued operations			
Profit (loss) attributable to non-controlling interests		-307	-294
Net profit/(loss) for financial year		**28,170**	**15,093**
Earnings per share (PLN)	*8*	2,69	1,44
Weighted average number of shares as at	*8*	10,476,210	10,476,210
OTHER COMPREHENSIVE INCOME:			
Valuation of cash flow hedging derivatives		3,114	-1,142
Exchange differences on translation of foreign operations		-12,121	11,135
Actuarial gains/(losses) on a defined benefit retirement plan		305	-1,487
Income tax relating to other comprehensive income		-592	781
Other comprehensive income, net		**-9,294**	**9,287**
Total comprehensive income		**18,876**	**24,380**

Date: April 26th 2013
Prepared by:
Piotr Walasek

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

CONSOLIDATED STATEMENT OF CASH FLOWS (PLN '000)

		for the period Jan 1–Dec 31 2012	for the period Jan 1–Dec 31 2011
OPERATING ACTIVITIES			
Pre-tax profit/(loss)	30	**39,537**	**19,735**
Total adjustments:		**20,861**	**12,540**
Share of net profit of associates		-1,122	-1,196
Depreciation and amortisation	3	7,291	6,273
Foreign exchange gains/(losses)		-1,954	1,880
Interest and profit distributions (dividends)		1,359	1,368
Profit/(loss) on investing activities		1,143	2,166
Balance sheet valuation of derivative instruments		-8,544	6,532
Change in provisions		5,011	2,550
Change in inventories		-1,068	-3,820
Change in receivables		24,307	-39,568
Change in current liabilities (other than financial liabilities)		6,953	738
Change in accruals and deferrals		-12,829	35,653
Other adjustments		314	-38
Cash from operating activities		**60.398**	**32,275**
Income tax (paid)/refunded		-3,461	-5,722
Net cash flows from operating activities		**56,937**	**26,552**
INVESTING ACTIVITIES			
Cash provided by investing activities		**1,305**	**565**
Proceeds from disposal of intangible assets and property, plant and equipment		797	287
Proceeds from disposals of financial assets		508	
Other inflows from financial assets			5
Cash paid in connection with derivative instruments			273
Cash used in investing activities		**11,029**	**9,326**
Investments in intangible assets, property, plant and equipment, and investment property		7,923	7,019
Acquisition of related entities		2,264	478
Acquisition of financial assets		25	
Cash attributable to entities the Group no longer controls			508

Cash paid in connection with derivative instruments	818	1,320
Net cash flows from investing activities	**-9,724**	**-8,760**
FINANCING ACTIVITIES		
Cash provided by financing activities	**10,778**	**10,987**
Net proceeds from issue of shares or other equity instruments and equity contributions	643	
Borrowings and other debt instruments	10,135	10,987
Cash used in financing activities	**22,642**	**23,486**
Dividends and other distributions to owners		1,048
Repayment of loans and borrowings	20,810	20,861
Decrease in finance lease liabilities	433	297
Interest paid	1,398	1,280
Net cash flows from financing activities	**-11,864**	**-12,499**
Total net cash flow	**35,347**	**5,293**
Balance-sheet change in cash, including:	**35,271**	**4,484**
- exchange differences on cash and cash equivalents	75	-5
Cash at beginning of the period	**20,239**	**14,946**
Cash at end of the period, including:	**55,586**	**20,239**
- restricted cash	16,572	
- cash relating to discontinued operations		

Date: April 26th 2013
Prepared by:
Piotr Walasek

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (PLN '000)

	Share capital	Statutory reserve funds	Capital reserve from revaluation of derivatives	Other components of equity	Exchange differences	Retained earnings/(deficit)	Equity attributable to non-controlling interests	Total equity
Twelve months ended Dec 31 2011								
Equity as at Jan 1 2011	**3,652**	**172,843**	**-17**	**35**	**1,155**	**30,335**		**208,002**
Total comprehensive income for the twelve months ended Dec 31 2011			-925		11,135	-923		**9,287**
Distribution of profit (dividend)						-1,048		**-1,048**
Share-based payments				-35				**-35**
Transfer of 2010 earnings to		4,819				-4,819		**0**
Net profit						15,093		**15,093**
Changes in equity of SECO/WARWICK Allied (India) not related to profit or loss						241		**241**
Equity attributable to non-controlling interests in SECO/WARWICK GmbH							-208	**-208**
Equity as at Dec 31 2011	**3,652**	**177,662**	**-942**	**0**	**12,289**	**38,879**	**-208**	**231,332**
Twelve months ended Dec 31 2012								
Equity as at Jan 1 2012	**3,652**	**177,662**	**(942)**	**0**	**12,289**	**38,879**	**-208**	**231,332**
Total comprehensive income for the twelve months ended Dec 31 2012			2,522		-12,121	305		**-9,294**
Correction of errors of previous years						-132		**-132**
Transfer of 2011 earnings to		11,475				-11,475		**0**
Net profit						28,170		**28,170**
Equity attributable to non-controlling interests in SECO/WARWICK Retech						113	543	**656**
Equity attributable to non-controlling interests in SECO/WARWICK GmbH						-908	208	**-700**
Equity attributable to non-controlling interests in OOO SCT							610	**610**
Equity as at Dec 31 2012	**3,652**	**189,136**	**1,580**	**0**	**168**	**54,953**	**1,153**	**250,642**

Date: April 26th 2013
Prepared by:
Piotr Walasek

Paweł Wyrzykowski — *President of the Management Board*

Wojciech Modrzyk — *Vice-President of the Management Board*

Jarosław Talerzak — *Vice-President of the Management Board*

THE SECO/WARWICK GROUP

SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31ST 2012

I. Compliance with International Financial Reporting Standards

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

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

II. Going concern assumption and comparability of accounts

These consolidated financial statements have been prepared on the assumption that the Group would continue as a going concern for the 12 months after the most recent balance-sheet date, i.e. December 31st 2012. As at the date of signing these financial statements, the Parent's Management Board was aware of no facts or circumstances that would involve a threat to the Group's continuing as a going concern in the 12 months after the balance-sheet date, as a result of any planned or forced discontinuation or material downsizing of its existing operations.

By the date of these consolidated financial statements for 2012, no events occurred which have not but should have been disclosed in the accounting books for the reporting period. These financial statements do not report any material events related to prior years.

III. Basis of consolidation

a) Subsidiaries

A subsidiary is an entity with respect to which the Group has the power to govern its financial and operating policies. Such power is usually derived from the holding of the majority of the total vote in the entity's governing bodies. While assessing whether the Group controls a given entity, the existence and effect of potential voting rights which may be exercised or converted at a given time are taken into consideration.

As at the date of acquisition of a subsidiary (obtaining control), the assets, equity and liabilities of the acquiree are measured at fair value. An excess of the acquisition cost over the fair value of net identifiable assets of the acquiree is recognised as goodwill under assets in the balance sheet. If the acquisition cost is lower than the fair value of net identifiable assets of the acquiree, the difference is recognised as profit for the period in which the acquisition took place. Non-controlling interests are recognised at the fair value of net assets attributable to such interests. In subsequent periods, losses attributable to non-controlling interests are attributed to owners of the parent and non-controlling interests even if, as a consequence, the value of non-controlling interests turns negative. Subsidiaries sold during a financial year are consolidated from the beginning of the financial year to the date of disposal. Financial results of entities acquired during a year are recognised in the financial statements from the date of acquisition.

Income and expenses, receivables and payables, and unrealised gains arising from intra-Group transactions are eliminated. Unrealised losses are also eliminated, but only to the extent there is no evidence of impairment of the asset transferred in the transaction. The accounting policies of the subsidiaries have been changed whenever it was deemed necessary to align them with the accounting policies applied by the Group.

b) Equity and transactions related to non-controlling shareholders

Interests held by non-controlling shareholders include interests in consolidated companies which are not owned by the Group. Equity held by non-controlling shareholders is determined as the value of net assets of the related entity which are attributable, as at the acquisition date, to shareholders from outside the group. The value is reduced/increased by increases/decreases in equity attributable to the value of interests held by non-controlling shareholders. As a rule, the Group treats transactions with non-controlling shareholders as transactions with third parties not related to the Group.

c) Associates

An associate is an entity over which the Group has significant influence, but not control. Significant influence is presumed to exist when the Group holds between 20% and 50% of the total vote in an entity's governing bodies. Investments in associates are accounted for using the equity method and are initially recognised at cost.

The Group's share in an associate's net profit (loss) is recognised in the statement of comprehensive income, and the Group's share of the movements in the entity's other capitals after the acquisition date is recognised under other capitals. The carrying amount of the investment is adjusted for the total changes as from the acquisition date.

d) Companies included in the consolidated financial statements

The following Group entities are included in these consolidated financial statements for the periods ended December 31st 2012 and December 31st 2011:

Item	% of total vote	
	Dec 31 2012	Dec 31 2011
SECO/WARWICK S.A.	parent	
SECO/WARWICK EUROPE S.A.	100%	100%
SECO/WARWICK Corp.	100%	100%
SECO/WARWICK of Delaware, Inc	100%	100%
OOO SECO/WARWICK Group Moscow	100%	100%
SECO/WARWICK GmbH	100%	51%
SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co., Ltd.	100%	100%
Retech Systems LLC	100%	100%
SECO/WARWICK Allied Pvt., Ltd.	50%	50%
OOO SCT	50%	-
SECO/WARWICK Service GmbH	100%	-

IV. Description of adopted accounting policies, including methods of measurement of assets, equity and liabilities, revenue and expenses

These consolidated financial statements have been prepared based on a historical cost approach, except with respect to financial derivatives, which are measured at fair value. Liabilities under the pension plan operated by a subsidiary are also measured at fair value.

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

Presentation of financial statements

Presentation of the statement of financial position

In accordance with IAS 1 "Presentation of financial statements", assets and liabilities are presented in the balance sheet 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.

Presentation of the statement of comprehensive income

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

Earnings per share

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 Group 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 a self-created intangible asset meets the recognition criteria for an asset, the entity distinguishes two phases in the asset origination process:

- the research phase,
- the development phase.

All costs originating in the first phase are 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 the cost of business combination 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 cumulative impairment losses. Goodwill is not amortised.

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

Item	Patents and licences	Computer software
Useful life	5–10 years	5–15 years
Method used	Amortised throughout the agreement term using the straight-line method	Amortised using the straight-line method
Origin	Acquired	Acquired
Review for impairment / recoverable value testing	Annual assessment whether there are any indications of impairment	Annual assessment whether there are any indications of impairment

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 life of a given asset, which is:

Buildings and structures	from 10 to 40 years
Plant 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 have been disclosed in the balance sheet equally with other non-current assets and are depreciated in the same way.

The initial values of non-current assets held under finance lease agreements and of the obligations corresponding with such assets have been determined at amounts equal to the discounted value of future lease payments. Lease payments made in the reporting period have been charged against finance lease liabilities in an amount equal to the principal instalment and the excess (the finance charge) has been charged in full to finance expense 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 Group has adopted the rule that the residual value of tangible assets is always equal to "zero".

Tangible assets under construction

Tangible 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. Tangible assets under construction are presented in the balance sheet at cost less impairment losses. Tangible assets under construction are not depreciated.

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 loans and borrowings, 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 attributed 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 has been 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.

Cash and cash equivalents

Cash and cash equivalents are held mainly in connection with the need to meet the Group'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 bank 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 connected with 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

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) The hedging relationship is formally designated and documented, including the entity's risk management objective and strategy for entity the hedge, at the time when the hedge is undertaken. The relevant documentation identifies the hedging instrument, the hedged item or transaction, the nature of the hedged risk, as well as how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the fair value of the hedged item or cash flows attributable to the hedged risk.

b) The hedge is expected to be highly effective in offsetting changes in the fair value or cash flows attributable to the hedged risk, based on the originally documented risk management strategy pertaining to a given hedging relationship.

c) In the case of a cash flow hedge, the contemplated transaction to which the hedge relates is highly probable and exposed to variability in cash flows, which may ultimately affect the statement of comprehensive income.

d) The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item attributable to the hedged risk, as well as the fair value of the hedging instrument, can be reliably measured.

e) The hedge is assessed on an ongoing basis and determined to have been highly effective throughout the financial reporting periods for which the hedge was designated.

Inventories

Inventories are measured at cost, using a weighted average cost formula. Any downward adjustment of the value of inventories to the net selling price is made through recognition of impairment losses. 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, a reverse adjustment is made, i.e. inventories are remeasured at their pre-impairment value.

Impairment losses on inventories and stocktaking discrepancies are charged to cost of products sold.

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 values, as well as for any unused tax loss carry-forwards. Deferred tax assets are recognised for temporary differences to the extent it is probable that the assets will be realised and that taxable profit will be available against which the differences can be utilised. Unrecognised deferred tax assets are reviewed as at each balance-sheet date. Any previously unrecognised deferred tax assets are recognised to the extent it is probable that there will be future taxable income 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 as at the balance-sheet date.

Provisions

A provision is recognised when the Group 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 Group anticipates that the costs for which provisions have been made will be recovered, e.g. under an insurance agreement, any such recovery is recognised as a separate item of assets, but only when it is practically certain to occur.

The cost related to a given provision is recognised 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 expenses.

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

Provisions are reviewed at each balance-sheet date 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 costs of products sold, selling costs or general and 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 Group.

Assumptions underlying the estimates and the provision amounts are reviewed as at each balance-sheet date.

Accruals and deferred income

In order to ensure the matching of revenues with related expenses, expenses relating to future periods and deferred income are posted under liabilities of a given reporting period.

Accrued expenses

The Group 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 balance-sheet date 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 balance-sheet valuation 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).

V. 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 consolidated 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 2012 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 Group 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 which will enable these losses to 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 Group'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 Group 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 Group 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 Group applies the above rules to account for commercial contracts related to the Group'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 Group 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 business 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 judgment 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.

VI. Changes in accounting policies

The accounting policies applied to prepare the annual financial statements are consistent with the policies applied in the preparation of the financial statements for the year ended December 31st 2012, save for the effect of application of the following amendments to standards and new standards and interpretations effective for annual periods beginning on or after January 1st 2013.

The Group did not choose to apply early any new standards and interpretations which have already been issued and endorsed by the European Union but will be effective after the balance-sheet date.

Standard	Nature of impending change in accounting policy	Possible impact on financial statements
Amendments to IAS 19 "Employee Benefits" (July 16th 2011)	The amendments eliminate the corridor approach, hence any financial deficit or surplus of a plan is recognised in full amount. Also, different presentation of gains and losses related to a defined benefit plan is no longer possible. Employment costs and finance costs are recognised in profit or loss, and the effect of revaluation is disclosed in other comprehensive income, owing to which the effect of revaluation is presented separately from changes resulting from day-to-day operations. Disclosure requirements concerning defined benefit plans have been expanded in order to better reflect the nature of the plans and related risk.	The Management Board does not expect the amendments to have any material impact on the accounting policies applied by the Company.

Effective date: January 1st 2015.

VII. New standards to be applied by the Group

Below are presented new standards and IFRIC interpretations which have been published by the International Accounting Standards Board but are not yet effective for the current reporting period.

Standard	Nature of impending change in accounting policy	Effective for periods beginning on or after:
IFRS 9 "Financial Instruments" (November 12th 2009)	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 measured 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.	January 1st 2015
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
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

Standard	Nature of impending change in accounting policy	Effective for periods beginning on or after:
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
IFRS 13 "Fair Value Measurement" (May 12th 2011)	The standard provides guidelines on fair value measurement for the purposes of all other standards. The standard applies to both financial and non-financial items. Rather than introducing any new or revised requirements with respect to items to be recognised or measured at fair value, IFRS 13: - defines fair value, - sets out in a single IFRS a framework for measuring fair value, - requires disclosures about fair value measurements. Application of the new standard may necessitate change of the valuation method for individual items and disclosure of additional information relating to the valuation.	January 1st 2013
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
Deferred Tax: Recovery of Underlying Assets (amendment to IAS 12)	The 2010 amendment introduces an exception to the current measurement principles based on the manner of recovery, contained in paragraph 52 of IAS 12. This exception concerns deferred tax on investment property measured using the fair-value model pursuant to IAS 40 through a presumption that the carrying value of these assets will be recovered only through disposal. Plans of the Management Board will be immaterial, unless the investment property is subject to depreciation and is held as part of a business model, the aim of which is to consume almost all of the economic benefits associated with a given asset during its useful life. This is the only instance in which the presumption can be rebutted.	January 1st 2012
Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	The amendment adds an exemption to IFRS 1 that an entity can apply at the date of transition to IFRSs after being subject to severe hyperinflation. This exemption allows an entity to measure assets and liabilities held before the functional currency normalization date at fair value and use that fair value as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position.	July 1st 2011
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
Disclosures - Offsetting Financial Assets and Financial Liabilities (amendment to IFRS 7 of December 16th 2011)	Under this amendment to IFRS 7, entities are required to disclose information on all the recognised financial instruments which are presented on a net basis in accordance with paragraph 42 of IAS 23.	January 1st 2013

Standard	Nature of impending change in accounting policy	Effective for periods beginning on or after:
Government loans (amendment to IFRS 1 of March 13th 2012)	This project seeks to amend the requirements for first-time adoption to mirror the requirements for existing IFRS preparers in relation to the application of amendments made to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance in relation to accounting for government loans. The amendments to IAS 20 were made in 2008, requiring an entity to measure government loans with a below-market rate of interest in the same manner as government grants, i.e. at fair value on initial recognition. The proposed amendment would require that first-time adopters apply this requirement in IAS 20 prospectively to loans entered into on or after the date of transition to IFRSs. However, if an entity obtained the information necessary to apply the requirements to a government loan as a result of a past transaction, then it may choose to apply IAS 20 retrospectively to that loan.	January 1st 2013
Improvements to IFRS (2009-2011 cycle) (May 17th 2012)	Amendments were introduced to the following standards: IFRS 1 First-time Adoption of International Financial Reporting Standards - Repeated application of IFRS 1, - Exemption for borrowing costs - with respect to assets subject to improvement which were placed in service before the adoption of IFRS. MSR 1 Presentation of financial statements - Clarification of requirements concerning comparative information IAS 16 Property, Plant and Equipment - Classification of servicing equipment IAS 32 Financial Instruments: Presentation - Clarification that the tax effect of distribution to holders of equity instruments should be accounted for under IAS 12 Income Taxes. IAS 34 Interim Financial Reporting - Clarification of interim reporting on total assets for reportable segments with a view to improving consistency with IFRS 8 Operating Segments	January 1st 2013
Transition Guidance (amendments to IFRS 10, IFRS 11 and IFRS 12) of June 28th 2012	The purpose of this guidance is to clarify the requirements applicable in the period of transition to IFRS 10, IFRS 11 and IFRS 12. In the case of entities that provide comparatives for only one period, the amendments: · simplify the process of adopting IFRS 10 by introducing a requirement to check whether consolidation of an entity is required only at the beginning of the year in which IFRS 10 is applied for the first time; · remove the disclosure requirement in respect of the impact of a change in accounting policy for the year in which the standards are adopted; the disclosure of such impact is still required for the immediately preceding year; · require disclosures in respect of unconsolidated structured entities to be made only prospectively. In the case of entities that voluntarily provide additional comparative information, the restatement of comparatives is limited only to the period immediately preceding the year of first-time adoption of the standards.	January 1st 2013
Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27) of October 31st 2012	An investment entity is an entity whose business purpose is to make investments for capital appreciation, investment income (in the form of dividend or interest), or both. The amendment clarifies that an investment entity should evaluate the performance of the investments it controls on a fair value basis through profit or loss, without consolidating them.	January 1st 2014

Standard	Nature of impending change in accounting policy	Effective for periods beginning on or after:
KIMSF 20: Stripping Costs in the Production Phase of a Surface Mine	The interpretation requires the costs of stripping activity to be accounted for in accordance with the principles of IAS 2 Inventories to the extent that the benefit from the stripping activity is realised in the form of inventory produced. The costs of stripping activity which provides a benefit in the form of improved access to ore is recognised as a non-current stripping activity asset where the following criteria are met: - it is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the entity, - the entity can identify the component of the ore body for which access has been improved, - the costs relating to the stripping activity associated with that component can be measured reliably. When the costs of the stripping activity asset and the inventory produced are not separately identifiable, production stripping costs are allocated between the inventory produced and the non-current stripping activity asset by using an allocation basis that is based on a relevant production measure. A stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part. A stripping activity asset is initially measured at cost and subsequently carried at cost or its revalued amount less depreciation or amortisation and impairment losses. A stripping activity asset is depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method is used unless another method is more appropriate.	January 1st 2013

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 Parent's Management Board is in the process of analysing the consequences and effects of applying these new standards and interpretations on its financial statements.

THE SECO/WARWICK GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31ST 2012

Note 1. REVENUE

As provided for under IAS 18, revenue from sales of products, merchandise, materials and services, net of any 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 Group:

Item	2012	2011
Sales of products	484,683	368,612
Sales of merchandise and materials	12,509	2,352
TOTAL revenue from sales	**497,192**	**370,964**
Other income	2,982	1,866
Finance income	8,267	466
TOTAL revenue and income	**508,441**	**373,296**

Note 2. OPERATING SEGMENTS

IFRS 8 "Operating Segments", which has superseded previously binding IAS 14 "Segment Reporting", has been effective since January 1st 2009. The new standard introduces the “management approach” to segment disclosures and requires that segment information be presented based on those components of the entity that the management monitors in making decisions about operating matters. An operating segment is a component of an entity for which discrete financial information is available and whose results are reviewed regularly by the entity’s chief decision maker to make decisions about resources to be allocated to the segment and assess its performance. This change in accounting standards has had no impact on the Group’s segment reporting.

The SECO/WARWICK Group’s business comprises the following segments:

Vacuum furnaces (Vacuum)

Vacuum furnaces have multiple applications in a number of industries, including machine tool, aviation, power, electrical engineering, medical equipment, automotive and specialised industries. Vacuum furnaces may be used in a wide variety of processes, such as heat treatment of steel and alloys, brazing, sintering, and degassing. Use of vacuum furnaces brings economic benefits. They are also environmentally friendly.

Aluminium heat exchanger brazing systems (CAB)

The CAB systems are used primarily in the automotive industry for brazing heat exchangers mounted in passenger cars and trucks (charge air coolers, air conditioning evaporators and condensers, oil coolers, etc.). Outside the automotive industry, CAB processes are used in the manufacture of IC radiators, steam condensers for CHP plants, exhaust gas heat exchangers for power generators, etc.

Atmosphere furnaces (Thermal)

Atmosphere furnaces are widely used in the process of thermal and thermochemical treatment of steel and metals in protective atmospheres for improved hardness. Atmosphere furnaces designed for thermochemical treatment are employed in the gas carburising, gas nitriding and other processes. Such furnaces are used chiefly by the automotive and metal industries, including for the manufacturing of anti-friction bearings, as well as for use in commercial hardening plants and specialty industries.

Aluminium heat treatment systems (Aluminium Process)

The SECO/WARWICK Group specialises in a selected range of aluminium heat treatment processes, which generally offer a plethora of applications. The Aluminium Process solutions offered by the Group are used in the production of aluminium sheet for the automotive and aviation industries, as well as for the manufacturing of packaging foil for multiple applications. In addition, the Aluminium Process systems are used to heat treat aluminium castings.

Melting furnaces

The metallurgy applications of the vacuum melting furnaces include alloying, melting and purifying specialty metals, including reactive metals (e.g. titanium, zirconium) and heat-resistant metals (e.g. tantalum). Due to their physical properties, specialty metals may only be treated with the use of technologically advanced solutions under high vacuum conditions.

The different types of melting furnaces include melting and holding furnaces used for the manufacture of precision castings (such as components of jet engines, power turbines, and medical implants).

Melting furnaces may also be used as an element of the globally-unique processes involving disposal of hazardous waste (such as nuclear by-products).

Other

Reportable geographical segments, delineated based on the geographical location of the respective sales markets, are as follows:

- domestic market (Poland),
- the EU market (excluding Poland),
- the Russian market and the markets of other former members of the Soviet Union (Russia, Belarus, Ukraine)
- the US market,
- the Asian market,
- other countries.

Financial data for the segments includes only segment revenue, expenses and segment's profit or loss. It is impracticable for the Group to allocate assets to the particular segments as its plant and equipment (including buildings and structures) is shared by all the segments.

OPERATING SEGMENTS – 2012

Item	Continuing operations						Discontinued operations	Unallocated items	Total
	Vacuum Furnaces	*CAB*	*Atmosphere Furnaces*	*Aluminium Process*	*Melting Furnaces*	*Total*			
Total segment revenue	**123,508**	**38,913**	**62,914**	**36,189**	**204,899**	**466,422**		**30,770**	**497,192**
External sales, including:	123,508	38,913	62,914	36,189	204,899	466,422		30,770	**497,192**
Total segment expenses	**-91,922**	**-27,738**	**-49,209**	**-26,297**	**-157,637**	**-352,804**		**-25,338**	**-378,142**
Administrative expenses								-54,866	**-54,866**
Distribution costs								-25,203	**-25,203**
Operating income								2,982	**2,982**
Operating expenses								-3,275	**-3,275**
Segment profit/(loss) on operating activities									**38,689**
Finance income								8,267	**8,267**
Net finance costs								-8,541	**-8,541**
Pre-tax profit									**38,415**
Actual tax expense								-11,674	**-11,674**
Profit/(loss) from continuing operations									**26,740**
Loss of control									
Share in profit of associate								1,122	**1,122**
Profit (loss) attributable to non-controlling interests								307	**307**
Net profit/(loss) for period									**28,170**

OPERATING SEGMENTS – 2011

Item	Continuing operations						Discontinued operations	Unallocated items	Total
	Vacuum Furnaces	*CAB*	*Atmosphere Furnaces*	*Aluminium Process*	*Melting Furnaces*	*Total*			
Total segment revenue	**86,661**	**28,171**	**79,426**	**28,494**	**117,260**	**340,013**		**30,951**	**370,964**
External sales, including:	86,661	28,171	79,426	28,494	117,260	340,013		30,951	370,964
Total segment expenses	**-63,684**	**-18,866**	**-56,956**	**-21,686**	**-95,558**	**-256,750**		**-22,005**	**-278,755**
Administrative expenses								-42,509	**-42,509**
Distribution costs								-20,107	**-20,107**
Operating income								1,866	**1,866**
Operating expenses								-2,434	**-2,434**
Segment profit/(loss) on operating activities	**22,977**	**9,305**	**22,470**	**6,808**	**21,703**	**83,263**			**29,025**
Finance income								466	**466**
Net finance costs								-9,791	**-9,791**
Pre-tax profit									**19,700**
Actual tax expense								-4,936	**-4,936**
Profit/(loss) on continuing operations									**14,765**
Loss of control								-1,161	**-1,161**
Share in profit of associate								1,196	**1,196**
Profit (loss) attributable to non-controlling interests								294	**294**
Net profit/(loss) for period									**15,093**

GEOGRAPHICAL SEGMENTS – 2012

Item	*Poland*	*EU*	*Russia Belarus Ukraine*	*US*	*Asia*	Other	**Total**
Total segment revenue	**22,916**	**112,761**	**82,056**	**170,046**	**96,264**	**13,149**	**497,192**
External sales – continuing operations, including:	22,916	112,761	82,056	170,046	96,264	13,149	497,192
Segment's non-current assets	131,755	2,819	194	23,336	1,028	0	159,131
Capital expenditure	8,299		176	1,559	178		10,212

GEOGRAPHICAL SEGMENTS – 2011

Item	*Poland*	*EU*	*Russia Belarus Ukraine*	*US*	*Asia*	Other	**Total**
Total segment revenue	**145,058**	**26,458**	**1,1037**	**90,149**	**6,1081**	**37,181**	**370,964**
External sales – continuing operations, including:	145,058	26,458	1,1037	90,149	6,1081	3,7181	370,964
Segment's non-current assets	134,978	10	45	24,573	1,247	0	160,853
Capital expenditure	4,498	10	3	2,776	210		7,497

Note 3. OPERATING EXPENSES

COSTS BY NATURE OF EXPENSE	Jan 1–Dec 31 2012	Jan 1–Dec 31 2011
Depreciation and amortisation	7,291	6,272
Raw materials and consumables used	222,865	147,950
Services	45,411	48,458
Taxes and charges	1,140	1,159
Salaries and wages	92,213	71,539
Social security and other benefits	20,578	15,942
Defined benefit plan	640	451
Other costs	58,443	46,683
Total costs by nature of expense, including:	**448,581**	**338,454**
Distribution costs	-25,203	-20,107
Administrative expenses	-54,866	-42,509
Change in products	1,780	1,899
Work performed by entity and capitalised	-1,987	-672
Cost of products sold and services rendered	**368,306**	**277,064**

DEPRECIATION/AMORTISATION AND IMPAIRMENT LOSSES RECOGNISED IN PROFIT OR LOSS	Jan 1–Dec 31 2012	Jan 1–Dec 31 2011
Items recognised in cost of sales:	**4,435**	**3,928**
Depreciation of property, plant and equipment	3,920	3,506
Amortisation of intangible assets	515	422
Impairment of property, plant and equipment		
Items recognised in distribution costs	**439**	**388**
Depreciation of property, plant and equipment	356	182
Amortisation of intangible assets	83	206
Cost of operating leases		
Items recognised in administrative expenses:	**2,403**	**1,943**
Depreciation of property, plant and equipment	1,374	1,580
Amortisation of intangible assets	1,029	364
Cost of operating leases		
Items recognised in other expenses:	**13**	**13**
Depreciation of investment property	13	13

EMPLOYEE BENEFIT EXPENSE

PERSONNEL COSTS	Jan 1–Dec 31 2012	Jan 1–Dec 31 2011
Salaries and wages	92,213	71,539
Social security and other benefits	19,379	14,919
Defined benefit plan	640	451
Retirement benefits		
Other post-employment benefits		
Share-based payment scheme		
Other employee benefits	1,199	1,023
Total employee benefit expense, including:	**113,431**	**87,932**
Items recognised in cost of sales	66,657	53,579
Items recognised in distribution costs	15,875	12,593
Items recognised in administrative expenses:	30,899	21,761

Note 4. OTHER INCOME AND EXPENSES

OTHER INCOME	Jan 1–Dec 31 2012	Jan 1–Dec 31 2011
Reversal of impairment losses on receivables		262
Reversal of provisions	283	
Gain on disposal of property, plant and equipment		39
Impairment losses on property, plant and equipment	39	40
Awarded reimbursement of court fees	3	106
Penalties and compensation/damages received	90	60
Settlement of stocktaking surpluses		27
Income from re-invoicing	38	
The license fees	569	
Income from lease of tangible assets and investment property	1,285	1,080
Revenues for the mishap	32	
Other	644	252
Total other income	**2,982**	**1,866**
OTHER EXPENSES	**Jan 1–Dec 31 2012**	**Jan 1–Dec 31 2011**
Impairment losses on receivables	215	1 595
Revaluation of inventories	722	
Loss on disposal of property, plant and equipment	86	3
Court expenses, compensation/damages, penalties	697	25
Revaluation of tangible asset	224	
Cost of lease of tangible assets	534	500
Cost of discontinued production	98	
Services purchase cost for re-invoicing		14
Donations	83	53
Provision for penalties	100	
Costs associated with acts of God	31	42
Stocktaking shortage		21
Other	486	181
Total other expenses	**3,275**	**2 434**

Note 5. FINANCE INCOME AND COSTS

FINANCE INCOME	Jan 1–Dec 31 2012	Jan 1–Dec 31 2011
Interest income	271	459
Gain on disposal of investments	7,972	
Other	24	7
Total finance income	**8,267**	**466**
FINANCE COSTS	**Jan 1–Dec 31 2012**	**Jan 1–Dec 31 2011**
Interest paid	1,395	1,764
Loss on derivative instruments at maturity	258	1,047
Balance sheet valuation of derivative instruments	731	6,297
Net foreign exchange losses	6,025	401
Other	132	282
Total finance costs	**8,541**	**9,791**

Note 6. INCOME TAX AND DEFERRED INCOME TAX

The main items of the tax expense for the annual periods ended December 31st 2012 and December 31st 2011 were as follows:

INCOME TAX DISCLOSED IN THE INCOME STATEMENT	Jan 1–Dec 31 2012	Jan 1–Dec 31 2011
Current income tax	**9,694**	**4,158**
Current income tax expense	9,694	4,158
Adjustments to current income tax for previous years		
Deferred income tax	**1,980**	**777**
Related to temporary differences and their reversal	1,980	777
Related to reduction of income tax rates		
Income tax benefit arising from transactions involving items of equity		
Tax expense disclosed in the income statement	**11,674**	**4,936**

Deferred income tax disclosed in the income statement is equal to the difference between the balances of deferred tax liabilities and deferred tax assets as at the end and as at the beginning of the reporting periods.

DISCLOSURES RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME	Jan 1–Dec 31 2012	Jan 1–Dec 31 2011
Exchange differences on translating foreign operations	-12,121	11,135
Valuation of cash flow hedging derivatives	3,114	-1,142
Actuarial gains/(losses) on a defined benefit retirement plan	305	-1,487
Income tax relating to other comprehensive income	-592	781
Other comprehensive income	**-9,294**	**9,287**

Item	Dec 31 2012		Dec 31 2011	
	carrying amount	amount recognised in profit or	carrying amount	amount recognised in profit or
Deferred tax liabilities				
Accelerated tax depreciation/amortisation	10,008	2,127	7,881	1,455
Finance leases	256	50	206	27
Fair value measurement of available-for-sale financial assets				(1,156)
Other	163	8	157	(41)
Foreign exchange gains	56	-515	571	440
Adjustments to long-term contracts	7,515	2,006	5,509	1,360
Valuation of financial assets	248	-1,081	1,329	1,092
Forward transactions	394	392	2	
Deferred tax liabilities	**18,640**	**2,986**	**15,654**	**3,177**
Deferred tax assets				
Provision for disability severance payments and retirement bonuses	2,517	705	1,812	741
Provision for length-of-service awards and bonuses	369	-9	378	82
Provision for accrued holiday entitlements	580	-9	589	196
Provision for losses on contracts	0	-36	36	36
Provision for warranty repairs	282	-85	367	-458
Provision for other employee benefits	608	608		
Other provisions	963	610	353	58
Losses deductible from future taxable income	102	-1,444	1,546	1
Assets arising under long-term contracts	1,779	522	1,257	281
Foreign exchange losses	152	-238	390	240
Grant settlement	631	631		
Other	939	744	195	381
Valuation of financial instruments	1	-1,128	1,129	1,129
Salaries, wages and social security contributions payable in subsequent periods	157	-39	196	14
Lease liabilities	111	45	66	-30
Impairment losses on inventories	592	119	473	56
Impairment losses on receivables	277	-220	497	132
Impairment of investments	505	232	273	
Deferred tax assets	**10,565**	**1,007**	**9,558**	**2,860**

Item	Dec 31 2012		Dec 31 2011	
	carrying amount	*amount recognised in equity*	*carrying amount*	*amount recognised in equity*
Valuation of financial instruments – equity component	-	-	222	222
Deferred tax assets	**-**	**-**	**222**	**222**

Item	Dec 31 2012		Dec 31 2011	
	carrying amount	*amount recognised in equity*	*carrying amount*	*amount recognised in equity*
Valuation of financial instruments – equity component	371	371	-	-
Deferred tax liabilities	**371**	**371**	**-**	**-**

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 Parent 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 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 722 thousand.

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

Item	Dec 31 2012	Dec 31 2011
Opening balance	**4,164**	**889**
Plant and equipment	2,986	3,377
Impairment loss	224	
Financial assets	722	1281
Impairment loss	32	495
Assets held for sale	**3,708**	**4,164**

As at December 31st 2012, the value of machinery and equipment carried by the Group as property, plant and equipment held for sale was PLN 2,986 thousand. As the Management Board expects the assets to be sold in the financial year 2013, they were recognised as assets held for sale to ensure compliance with IFRS 5.

Note 8. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for a given period attributable to holders of ordinary shares by the weighted average number of outstanding ordinary shares in that period.

Diluted earnings per share are calculated by dividing the net profit for a given period attributable to holders of ordinary shares (net of interest on redeemable preference shares convertible into ordinary shares) by the weighted average number of outstanding ordinary shares in that period (adjusted for the effect of dilutive options and dilutive redeemable preference shares convertible into ordinary shares).

Item	Dec 31 2012	Dec 31 2011
Net profit on continuing operations attributable to shareholders	28,170	15,093
Loss on discontinued operations attributable to shareholders		0
Net profit attributable to owners of the parent	28,170	15,093
Interest on redeemable preference shares convertible into ordinary shares		
Net profit attributable to holders of ordinary shares used to calculate diluted earnings per share	**28,170**	**15,093**
Weighted average number of outstanding ordinary shares used to calculate basic earnings per share	10,476,210	10,476,210
Earnings per share	**2,69**	**1.44**
Dilutive effect:		
Number of potential subscription warrants for 2010-2011	500,000	10,250
Number of potential shares issued at market price	3,289	9,037
Adjusted weighted average number of ordinary shares used to calculate diluted earnings per share	10,972,921	10,477,423
Diluted earnings per share	**2.57**	**1.44**

Material events subsequent to the balance-sheet date have been reported in current reports, which can be found at www.secowarwick.com

Note 9. DIVIDENDS PROPOSED OR APPROVED BY THE DATE OF APPROVAL OF THESE FINANCIAL STATEMENTS

On May 28th 2012, the Annual General Meeting of SECO/WARWICK S.A. adopted Resolution No. 20 concerning distribution of profit for the period from January 1st to December 31st 2011. The entire net profit earned by SECO/WARWICK S.A. of Świebodzin in the financial year 2011, that is PLN 4,169,370.80 (four million, one hundred and sixty-nine thousand, three hundred and seventy złoty, 80/100), was transferred to statutory reserve funds.

Note 10. PROPERTY, PLANT AND EQUIPMENT

Item	Dec 31 2012	Dec 31 2011
tangible assets	48,533	51,427
tangible assets under construction	1,235	1,552
prepayments for tangible assets under construction		
Property, plant and equipment	**49,769**	**52,979**

OWNERSHIP STRUCTURE – net value	Dec 31 2012	Dec 31 2011
Owned	**49,161**	**51,918**
Used under lease, tenancy or similar contract	608	1,061
Total	**49,769**	**52,979**

Changes in property, plant and equipment (by type) in the period January 1st–December 31st 2011

Item	Land	Buildings and structures	Machinery and equipment	Vehicles	Other	Total
Gross carrying amount as at Jan 1 2011	**2,361**	**27,298**	**33,272**	**5,678**	**2,939**	**71,548**
Increase, including:		**267**	**6,168**	**1,184**	**161**	**7,780**
assets acquired		63	3,805	1,035	161	5,064
assets generated internally		204	2,363			2,567
lease agreements concluded				149		149
other						
Decrease, including:			**4,394**	**240**	**77**	**4,711**
disposal			80	240	37	357
liquidation			937		40	977
loss of control						
reclassification – assets for sale			3,377			3,377
Gross carrying amount as at Dec 31 2011	**2,361**	**27,565**	**35,046**	**6,622**	**3,023**	**74,617**
Cumulative amortisation as at Jan 1 2011		**4,733**	**12,085**	**2,740**	**1,428**	**20,987**
Increase, including:		**1,000**	**3,321**	**881**	**257**	**5,459**
amortisation		1,000	3,321	881	257	5,459
revaluation						
tangible assets of acquired companies						
other						
Decrease, including:			**505**	**195**	**50**	**750**
sale			57	195	20	272
liquidation			448		30	478
loss of control						
revaluation						
Cumulative amortisation as at Dec 31 2011		**5,733**	**14,901**	**3,426**	**1,635**	**25,696**
Impairment losses as at Jan 1 2011			487			487
Impairment losses as at Dec 31 2011						
Net exchange differences on translating financial statements into presentation currency	94	988	1,283	139	1	2,506
Net carrying amount as at Dec 31 2011	**2,455**	**22,819**	**21,428**	**3,335**	**1,389**	**51,427**

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	**2,361**	**27,565**	**35,046**	**6,622**	**3,023**	**74,617**
Increase, including:		**1,494**	**2,018**	**1,962**	**537**	**6,011**
assets acquired		884	1,782	846	408	3,920
assets generated internally		610				610
lease agreements concluded				666		666
other			236	451	128	815
Decrease, including:		**668**	**1,428**	**1,151**	**115**	**3,361**
disposal		6	606	1,132	54	1,798
liquidation		662	822	19	61	1,564
loss of control						
reclassification – assets for sale						
Gross carrying amount as at Dec 31 2012	**2,361**	**28,390**	**35,636**	**7,434**	**3,445**	**77,266**
Cumulative depreciation as at Jan 1 2012		**5,733**	**14,901**	**3,426**	**1,635**	**25,696**
Increase, including:		**1,154**	**3,337**	**893**	**257**	**5,641**
depreciation		1,154	3,337	893	257	5,641
revaluation						
tangible assets of acquired companies						
other						
Decrease, including:		**483**	**985**	**643**	**82**	**2,193**
sale			374	624	42	1,040
liquidation		483	611	19	40	1,153
loss of control						
revaluation						
Cumulative depreciation as at Dec 31 2012		**6,405**	**17,253**	**3,676**	**1,810**	**29,144**
Impairment losses as at Jan 1 2012						
Impairment losses as at Dec 31 2012						
Net exchange differences on translating financial statements into presentation currency	35	181	161	76	-42	411
Net carrying amount as at Dec 31 2012	**2,396**	**22,166**	**18,544**	**3,834**	**1,594**	**48,533**

No impairment losses on tangible assets were recognised in 2011 and 2012.

Tangible assets under construction:

Tangible assets under construction as at Jan 1 2011		*Expenditure incurred in the financial year*	*Accounting for the expenditure*					*Dec 31 2011*
			Buildings, premises and civil engineering structures	*Machinery and equipment*	*Vehicles*	*Other*	*Intangible assets*	
	3,178	**8,644**	243	3,096	915	147	5,869	**1,552**
Tangible 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*	
,	**1,552**	**4,863**	1,246	2,376	1,205	85	267	**1,235**

Tangible assets under construction	Dec 31 2012	Dec 31 2011
Testing station for hydrogen atmosphere	336	336
VDRFC furnace	239	-
Reconstruction of office	335	-
VPT furnace	-	640
Modernisation work at production facility	28	76
Other	287	500
TOTAL	**1 235**	**1,552**

Value and area of land held in perpetual usufruct as at Dec 31 2011 (excluding foreign companies)

Address	Number of Land and Mortgage Register Entry	Lot No.	Surface area [sqm] as at Dec 31 2011	Value as at Dec 31 2011
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	97
ul. Sobieskiego 8, Świebodzin, Poland	KW 9507	94/23	119	6 originally lot No. 94/17 KW 9444
	KW 9444	94/22	1,415	
ul. Sobieskiego 8, Świebodzin, Poland	KW 9507	94/21	2,645	150
ul. Sobieskiego 8, Świebodzin, Poland	KW 19319	94/19	214	12
ul. Sobieskiego 8, Świebodzin, Poland	KW 9507	94/8	110	6
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
ul. Świerczewskiego 76, Świebodzin, Poland	KW No. 10363	195/97	28,366	594
ul. Świerczewskiego 76, Świebodzin, Poland	KW No. 10363	195/96	7,940	166
		Total	**62,885**	**1,567**

On December 21st 2010, SECO/WARWICK S.A. signed a USD 2,500 thousand investment loan 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 total area of 0.3995ha, situated at ul. Sobieskiego 8, Świebodzin
- Nos. 94/16, 94/22, with total area of 0.1700ha, situated at ul. Sobieskiego 8, Świebodzin
- No. 94/19, with area of 0.0214ha, situated at ul. Sobieskiego 8, Świebodzin
- No. 94/4, with area of 0.2467ha, situated at ul. Sobieskiego 8, Świebodzin
- No. 94/7, with area of 0.5098ha, situated at ul. Sobieskiego 8, Świebodzin
- No. 94/25, with area of 0.1279ha, situated at ul. Sobieskiego 8, Świebodzin
- No. 195/80, with area of 1.1605ha, situated at ul. Świerczewskiego 76, Świebodzin
- No. 195/94, with 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 0.2874 ha was divided into two lots: No. 951/1 with an area of 0.0712 ha and No. 951/2 with an area of 0.2162 ha.

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

Address	Number of Land and Mortgage Register Entry	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
ul. Świerczewskiego 76, Świebodzin, Poland	KW No. 10363	195/97	28,366	594
ul. Świerczewskiego 76,	KW No. 10363	195/96	7,940	166

Świebodzin, Poland				
		Total	**62,885**	**1,567**

Tangible assets under lease agreements

Tangible assets	Dec 31 2012			Dec 31 2011		
	Gross value	Depreciation	Net value	Gross value	Depreciation	Net value
Real property						
Plant and equipment				693	242	451
Vehicles	1,163	216	947	913	370	543
Other tangible assets						0
Total	**1,163**	**216**	**947**	**1,606**	**612**	**994**

The carrying amount of vehicles which were used as at December 31st 2012 under finance leases and lease agreements with a purchase option is PLN 543 thousand (December 31st 2011: PLN 543 thousand).

Note 11. INTANGIBLE ASSETS

OWNERSHIP STRUCTURE – net value	Dec 31 2012	Dec 31 2011
Owned	14,575	14,091
Used under lease, tenancy or similar contract		
Total	**14,575**	**14,091**

Changes in intangible assets (by type) in the period January 1st–December 31st 2011

Item	*Patents and licences, software*	*Development expense*	*Other intangible assets*	*Total*
Gross carrying amount as at Jan 1 2011	**5,331**	**8,691**	**3,453**	**17,475**
Increase, including:	**697**	**595**		**1,292**
business combinations				
acquisitions	697	595		1,292
other				
Decrease, including:	**6**			**6**
disposal of subsidiary	6			6
disposal				
liquidation				
revaluation				
other				
Gross carrying amount as at Dec 31 2011	**6,022**	**9,286**	**3,453**	**18,761**
Cumulative amortisation as at Jan 1 2011	**2,844**	**268**	**682**	**3,794**
Increase, including:	**765**	**87**	**175**	**1,027**

amortisation	765	87	175	**1,027**
revaluation				
other				
Decrease, including:	**6**			**6**
liquidation	6			6
sale				
other				
Cumulative amortisation as at Dec 31 2011	**3,603**	**355**	**857**	**4,815**
Impairment losses as at Jan 1 2011				
Increase, including:				
Decrease, including:				
Impairment losses as at Dec 31 2011				
Net exchange differences on translating financial statements into presentation currency	145			145
Net carrying amount as at Dec 31 2011	**2,563**	**8,931**	**2,596**	**14,091**

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

Item	*Patents and licences, software*	*Development expense*	*Other intangible assets*	*Total*
Gross carrying amount as at Jan 1 2012	**6,022,**	**9,286,**	**3,453,**	**18,761,**
Increase, including:	**576**	**2,847**	**656**	**4,079**
business combinations				
acquisitions	576	6	266	848
values in the construction		2,265		2,265
other		576		576
intangible assets of acquired companies			390	390
Decrease, including:	**96**			**96**
disposal of subsidiary				
disposal				
liquidation	96			96
revaluation				
other				
Gross carrying amount as at Dec 31 2012	**6,502**	**12,133**	**4,109**	**20,857**
Cumulative amortisation	**3,603,**	**355,**	**857,**	**4,815,**

as at Jan 1 2012				
Increase, including:	**865**	**573**	**166**	**1,605**
amortisation	865	573	166	**1,605**
revaluation				
other				
Decrease, including:	**79**			**79**
liquidation	79			79
sale				
other				
Cumulative amortisation as at Dec 31 2012	**4,390**	**928**	**1,023**	**6,342**
Impairment losses as at Jan 1 2012				
Increase, including:				
Decrease, including:				
Impairment losses as at Dec 31 2012				
Net exchange differences on translating financial statements into presentation currency	60			60
Net carrying amount as at Dec 31 2012	**2,171**	**11,205**	**3,086**	**16,462**

Intangible assets are not pledged as security for liabilities.

As at December 31st 2012 and December 31st 2011, the Group carried no intangible assets held for sale.

In 2011 and 2012, no impairment losses were recognised.

Note 12. INVESTMENT PROPERTY

SECO/WARWICK S.A. owns an investment property located at ul. Sobieskiego 8 in Świebodzin, Poland, which comprises a production hall currently leased out to VACMAX. In 2012 and 2011, the property generated lease income of PLN 54 thousand.

Item	Dec 31 2012	Dec 31 2011
Opening balance	**422**	**435**
Increase (subsequent expenditure), including:	**-**	**-**
modernisation	-	-
Decrease, including:	**13**	**13**
Depreciation	13	13
Sale	-	-
Closing balance	**409**	**422**

Item	Dec 31 2012	Dec 31 2011
Gross carrying amount – opening balance	**527**	**527**
Increase, including:	**-**	**-**
Acquisitions	-	-
Decrease, including:	**-**	**-**
Disposals	-	-
Carrying amount – closing balance	**527**	**527**

Cumulative depreciation – opening balance	**105**	**92**
Increase, including:	**13**	**13**
Depreciation	13	13
Decrease, including:	**-**	**-**
Sale	-	-
Cumulative depreciation – closing balance	**118**	**105**
Impairment losses – opening balance	**-**	**-**
Increase	-	-
Decrease	-	-
Impairment losses – closing balance	**-**	**-**
Net carrying amount – closing balance	**409**	**422**

Item	Dec 31 2012	Dec 31 2011
Lease income	**54**	**54**

Cost of generating lease income	**23**	**23**
Real property tax	10	10
Depreciation	13	13

Note 13. GOODWILL

The table below presents increases/decreases in goodwill on full consolidation of subsidiaries SECO/WARWICK Corporation, Retech Systems LLC and SECO/WARWICK Service GmbH.

Item	*Dec 31 2012*	*Dec 31 2011*
Consolidation goodwill at beginning of period	65,116	58,000
Increase in consolidation goodwill – acquisition of SECO/WARWICK Service GmbH	1,667	
Exchange differences on translation of goodwill	-,6,063	7,116
Total goodwill at end of period	**60,720**	**65,116**

Accounting for acquisition

On December 4th 2012, SECO/WARWICK Service GmbH of Germany became a company of the SECO/WARWICK Group. SECO/WARWICK Service GmbH is an indirect subsidiary owned through SECO/WARWICK GmbH, which holds a 100% equity interest in SECO/WARWICK Service GmbH.

The fair value of identifiable assets and liabilities of SECO/WARWICK Service GmbH of Germany as at the date of acquiring control was as follows:

Item	*Carrying amount prior to acquisition*	*Fair value at the time of acquisition*
Property, plant and equipment	719	719
Intangible assets	394	394
Accruals and deferred income		0
Deferred tax assets		0
Cash and cash equivalents		0
Trade receivables	1,403	1,403
Inventories	1,431	1,431
Other assets	83	83
Trade payables	563	563
Other liabilities	191	191
Borrowings and other financial liabilities	2,236	2,236
Deferred tax liabilities	244	244
Net asset value	**797**	**797**

Goodwill related to accounting for the acquisition was determined in the following manner:

Item	*Nov 30 2012*
Acquisition price	2,464
Share of net assets as at acquisition date	797
Goodwill as at acquisition date	**1,667**

Goodwill includes unidentifiable intangible assets such as know-how, technologies and credentials. In the opinion of the Management Board, the assets are so unique that their potential valuation would be to a large extent discretionary and, consequently, would involve a risk of error (absence of an active market for the assets). For this reason, it was decided that the intangible assets would not be measured and would be included in goodwill.

Note 14. INVESTMENTS IN RELATED ENTITIES

Investments in subsidiary, jointly-controlled and equity-accounted associated entities

Company	Carrying amount of shares as at Dec 31 2012	Ownership interest (%)	% of the total vote	Method of consolidation	Assets	Liabilities	Revenue	Net profit/ loss
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 Moscow	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

Company	Carrying amount of shares as at Dec 31 2011	Ownership interest (%)	% of the total vote	Method of consolidation	Assets	Liabilities	Revenue	Net profit/ loss
SECO/WARWICK ThermAL	7,657	100%	100%	full method	72,487	42,933	84,261	7,305
SECO/WARWICK Corporation	21,806	100%	100%	full	43,412	35,665	54,517	330
SECO/WARWICK Moscow	172	100%	100%	full	2,966	2,391	2,286	-341
RETECH Systems LLC	50,863	100%	100%	full	65,100	32,272	122,849	4,272
SECO/WARWICK ALLIED	10,995	50%	50%	equity method	64,607	46,951	59,418	2,238
SECO/WARWICK Retech	2,573	100%	100%	full	8,875	3,995	6,350	-1 15
SECO/WARWICK GmbH	849	51%	51%	full	1,414	1,041	0	-600

Note 15. INVESTMENTS IN EQUITY-ACCOUNTED ASSOCIATES

SECO/WARWICK Allied Pvt., Ltd.

The Group holds 50% of ordinary shares in SECO/WARWICK Allied Pvt. Ltd., representing 50% of the total vote at the General Meeting of SECO/WARWICK Allied Pvt. Ltd., an Indian law company. The remaining 50% of votes are held by Messrs U. Rao, N. Rajgopal, and V.N. Nasta.

The shares in SECO/WARWICK Allied Pvt. Ltd. were acquired by the SECO/WARWICK Group under the share purchase agreement of April 1st 2008.

Item	*Dec 31 2012*	*Dec 31 2011*
Current assets	35,758	45,653
Non-current assets	17,776	18,953
Current liabilities	28,394	32,765
Non-current liabilities	3,903	14,186
Share of net assets	11,305	9,672
Revenue	61,331	60,331
Net profit/(loss)	2,245	2,391
Share of profit of associate:	50%	50%

The Parent does not control SECO/WARWICK Allied Pvt. Ltd. within the meaning of IFRS 3 because it is not able to govern the company's financial and operational policies. Messrs. Jeffrey Boswell, Wojciech Modrzyk (Member of the Parent's Management Board) and Piotr Walasek (Chief Financial Officer of the SECO/WARWICK Group) serve on the six-member Board of Directors of SECO/WARWICK Allied Pvt. Ltd. and do not perform any current operational duties towards SECO/WARWICK Allied Pvt. Ltd. Given the above, and considering the fact that SECO/WARWICK holds more than 20% and less than 51% of ordinary shares and a corresponding interest in the net assets of the acquired company, the Management Board of the Parent believes that SECO/WARWICK has “significant influence” over the acquiree. In view of the above, the investment in SECO/WARWICK Allied Pvt. Ltd. has been accounted for using the equity method in accordance with IAS 28:

Item	*Apr 1 2008*
Purchase price	10,995
Share of net assets as at acquisition date	4,111
Goodwill as at acquisition date	**6,884**

Item	*Dec 31 2012*	*Dec 31 2011*
Goodwill	7,692	7,692
Share of net assets as at the balance-sheet date	11,305	9,672
Exchange differences on translation of goodwill	81	1,098
Investment in associate	**19,077**	**18,462**
Purchase price	10,995	10,995
Share of profit of associate - 2008	411	411
Share of profit of associate - 2009	225	225
Share of profit of associate - 2010	1,319	1,319
Share of profit of associate - 2011	1,140	1,140

Share of profit of associate - 2012	1,122	
Payment for preference shares	4,419	2,493
Exchange differences on translation of foreign operation	-554	1,880
Investment in associate	**19,077**	**18,462**

As prescribed by IAS 12.44, the Group recognises deferred tax assets related to deductible temporary differences arising from investments in associates only to the extent it is probable that the temporary differences will reverse in the foreseeable future.

The Management Board of the Parent intends to hold the investment in SECO/WARWICK Allied Pvt. Ltd. as a long-term investment (currently there are no plans to sell the shares). In view of that and in accordance with IAS 12.44, no deferred tax assets were recognised in respect of the deductible temporary differences arising from investments in associates.

Note 16. INVENTORIES

Item	Dec 31 2012	Dec 31 2011
Materials (at cost)	20,511	18,185
Semi-finished products and work in progress	6,089	6,490
Finished products	1,061	1,179
Merchandise	688	180
Total inventories (carrying amount)	**28,349**	**26,034**
Impairment losses on inventories	2,096	1,737
Inventories, gross	**30,445**	**27,771**

CHANGES IN IMPAIRMENT LOSSES ON INVENTORIES

IMPAIRMENT LOSSES	Materials	Semi-finished products and work in progress	Finished products	Merchandise	Total
Jan 1 2011	**1,427**	**161**	**50**	**5**	**1,643**
Increase, including:	**134**				**134**
- impairment losses recognised in correspondence with other operating expenses					
Net exchange differences on translating financial statements into presentation currency	134				134
Decrease, including:	**4**		**37**		**41**
- impairment losses reversed in correspondence with other operating income	4		37		41
Net exchange differences on translating financial statements into presentation currency					
Dec 31 2011	**1,558**	**161**	**13**	**5**	**1,737**
Increase, including:		**901**			**901**
- impairment losses recognised in correspondence with other operating expenses		901			901
Net exchange differences on translating financial statements into presentation currency					
Decrease, including:	**191**	**351**			**542**

- impairment losses reversed in correspondence with other operating income	104	346			450
Net exchange differences on translating financial statements into presentation currency	87	5			92
Dec 31 2012	**1,367**	**711**	**13**	**5**	**2,096**

Note 17. LONG-TERM CONTRACTS

Item	Dec 31 2012	Dec 31 2011
Costs incurred under construction contracts, including recognised gains (net of recognised losses)	591,343	481,248
Prepayments received	-561,252	(463,123)
Excess of received prepayments over revenue recognised using the percentage of completion method	53,271	38,691
Contract settlement, total	**83,362**	**56,816**

Note 18. TRADE AND OTHER RECEIVABLES

Item	*Dec 31 2012*	*Dec 31 2011*
Trade receivables (net)	**73,356**	**107,077**
Long-term	**1,121**	**0**
- from related entities	0	0
- from other entities	1,121	0
Short-term	**72,235**	**107,077**
- from related entities	562	1,094
- from other entities	71,673	105,983
Impairment losses (positive value)	2,101	2,561
Trade receivables (gross)	**75,457**	**109,638**
Other receivables:		
Long-term	**992**	**0**
Short-term	**16,763**	**11,642**
- taxes, customs duties, social security	4,595	3,139
other	12,168	8,503
Other receivables (gross)	**17,755**	**11,642**

The Group 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 2012, trade receivables of PLN 2,101 thousand (2011: PLN 2,561 thousand) were classified as unrecoverable and, accordingly, a relevant impairment loss was recognised.

The changes in impairment losses on receivables were as follows:

Item	Dec 31 2012	Dec 31 2011
As at beginning of the period	**2,561**	**1,900**
Increase	215	1,210
Use (-)	-205	(129)
Unused amounts written off (-)	-360	(551)
Net exchange differences on translating financial statements into presentation currency	-110	131
As at end of the period	**2,101**	**2,561**

Maturity structure of trade receivables (gross) as from the balance-sheet date:

Item	Dec 31 2012	Dec 31 2011
up to 1 month	30,096	14,087
more than 1 month, up to 6 months	33,018	87,018
more than 6 months, up to 1 year	5,212	1,534
more than 1 year	2,360	575
past due	2,670	3,863
Total trade receivables (gross)	**73,356**	**107,077**
long-term receivables	1,121	0
short-term receivables	72,235	107,077
Impairment losses on trade receivables	2,101	2,561
Total trade receivables (net)	**75,457**	**109,638**

Trade and other receivables by currency:

Item	Dec 31 2012		Dec 31 2011	
	in foreign currency	restated in PLN	in foreign currency	restated in PLN
PLN		17,221	-	14,050
EUR	5,253	21,475	12,476	53,630
USD	15,542	49,559	16,119	51,019
GBP	1	6	63	332
CHF				
other		5,586		3,560
Total		**93,846**		**122,591**

Current receivables from related entities:

Item	*Dec 31 2012*	*Dec 31 2011*
Trade receivables	**562**	**1,094**
From subsidiaries		
From jointly controlled entities		
From associates	562	1,094

From other related entities not covered by these consolidated financial statements		
Other current receivables	**437**	**-**
From subsidiaries		
From jointly controlled entities		
From associates	437	
From other related entities not covered by these consolidated financial statements		
Total	**999**	**1,094**

Note 19. OTHER FINANCIAL ASSETS AND LIABILITIES

Loans advanced (including loans advanced to members of the Management Board) – as at December 31st 2012

	Dec 31 2012	Dec 31 2011
Increase in loans advanced, including:	21	0
- non-current	13	
- current	8	0

No loans were advanced to members of the Management Board or the Supervisory Board in 2011.

Financial assets

	Dec 31 2012	Dec 31 2011
Derivative financial instruments	4,028	10
Financial assets at fair value through profit or loss	4,028	10
- non-current		
- current	4,028	10

Financial liabilities

Item	Dec 31 2012	Dec 31 2011
Bank borrowings	20,720	28,123
Other financial liabilities:	1,134	
- valuation of financial instruments	5	7,106
- lease liabilities	,,581	349
- other financial liabilities	548	
Total financial liabilities	**21,854**	**35,578**
- non-current	3,367	6,948
- current	18,487	28,630

	Dec 31 2012		Dec 31 2011	
	Assets	Liabilities	Assets	Liabilities
Derivative financial instruments	4,028	5	10	7,106
Total financial assets and liabilities at fair value through profit or loss	**4,028**	**5**	**10**	**7,106**
- non-current				
- current	4,028	5		7,106

Total financial assets and liabilities at fair value through equity	**1,580**			**-942**
- non-current				
- current	**1,580**			-942

Disclosures concerning derivative financial instruments which meet the hedge accounting criteria

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 transaction.

SECO/WARWICK EUROPE S.A. uses 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 65% of its USD- and GBP-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 transaction.

The table below presents total values of hedging transactions 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	28,252	16,966	14,866	1,720	1,174	546	From Jan 31 2013 to Aug 29 2014
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	19,409	11,188	8,263	2,147	785	1,362	From Feb 26 2013 to Mar 14 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	From Mar 29 2013 to 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 20. PREPAYMENTS AND ACCRUED INCOME

Item	Dec 31 2012	Dec 31 2011
insurance policies	909	816
subscriptions	1	5
VAT to be settled in the following period	577	790
rent software	116	
other	1,237	560
Total current prepayments and accrued income	**2,840**	**2,171**

Note 21. CASH AND CASH EQUIVALENTS

Item	Dec 31 2012	Dec 31 2011
Cash at banks and cash in hand	55,556	20,249
Short-term deposits		
Other cash equivalents		36
Total cash and cash equivalents	**55,556**	**20,285**

CASH AND CASH EQUIVALENTS (BY CURRENCY):

Item	Dec 31 2012		Dec 31 2011	
	in foreign currency	restated in PLN	in foreign currency	restated in PLN
PLN		18,033		183
EUR	1,247	5,096	464	2,050
USD	9,531	29,543	4,970	16,983
GBP	189	947	24	127
other		1,938		942
Total		**55,556**		**20,285**

Note 22. SHARE CAPITAL AND STATUTORY RESERVE FUNDS/CAPITAL RESERVES

Share capital

Item	*Dec 31 2012*	*Dec 31 2011*
Number of shares	10,476,210	10,476,210
Par value of shares	0.2	0.2
Share capital	2,095	2,095
Share capital restated using hyperinflation index (IAS 19)	1,557	1,557
Share capital at end of the period	**3,652**	**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	-	4,119,508
Spruce Holding Limited Liability Company (USA)	None	-	1,726,174
Bleauhard Holdings LLC	None	-	904,207
ING NN OFE	None	-	600,000
OFE Polsat S.A.	None	-	485,974
AMPLICO	None	-	577,470
Other	None	-	2,062,877
TOTAL			10,476,210

Changes in share capital:

Item	*Jan 1–Dec 31 2012*	*Jan 1–Dec 31 2011*
Share capital at beginning of the period	3,652	3,652
Share capital increases during the period		
Share capital increase		
Share capital restated using hyperinflation index (IAS 19)		
Share capital reductions during the period		
Share capital at end of the period	**3,652**	**3,652**

Other components of equity

Item	Statutory reserve funds	Other components of equity
Balance as at Dec 31 2010	**172,843**	**35**
Increase	**4,819**	
Profit distributions	4,819	
Capital reserve from revaluation of hedging derivatives		
Share capital increase – share premium		
Valuation of management stock options		
Decrease		**35**
Loss allocation		
Management stock options		35
Balance as at Dec 31 2011	**177 662**	**0**
Increase	**11,475**	
Profit distributions	11,475	
Capital reserve from revaluation of hedging derivatives		
Share capital increase – share premium		
Valuation of management stock options		
Decrease		
Loss allocation		
Management stock options		
Balance as at Dec 31 2012	**189,136**	**0**

Note 23. RETAINED EARNINGS (DEFICIT)

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

Item	Dec 31 2012	Dec 31 2011
Non distributable amounts included in retained earnings	**56,701**	**50,226**
Current net profit (loss)	28,170	15,093
Exchange differences	168	11,814
Capital associated with the valuation of hedging contracts	1,580	-942
Capital associated with the valuation of the plan	-2,644	-2,949
Capital retained (undistributed result, consolidation adjustments, etc.)	29,428	27,210

Note 24. FINANCIAL LIABILITIES

Item	Dec 31 2012	Dec 31 2011
Bank borrowings	20,720	28,123
Other financial liabilities:	1,134	
- finance lease liabilities	5	349
- valuation of financial instruments	581	7,106
- other financial liabilities	548	
Total financial liabilities	**21,854**	**35,578**
- non-current	3,367	5,681
- current	18,487	29,897

Bank borrowings and other debt instruments:

Item	Amount of liability	Nominal interest rate	Company
BANK BORROWINGS			
Dec 31 2011			
Bank Handlowy	1,195	USD 1M LIBOR + 1.6%	SECO/WARWICK S.A.
BZ WBK	3,903	PLN 1M WIBOR +1.1 %	SECO/WARWICK S.A.
BRE BANK	1,462	PLN WIBOR O/N + 1.5 %	SECO/WARWICK S.A.
BRE BANK S.A. Zielona Góra Branch, investment loan	6,835	1M LIBOR + 1.55 %	SECO/WARWICK S.A.
BZ WBK	4,762	1M WIBOR +1.1%	SECO/WARWICK ThermAL S.A.
BRE BANK	4,967	WIBOR O/N + 1.5%	SECO/WARWICK ThermAL S.A.
James Golz	3,532	3.25%	Retech Systems LLC
Citibank	1,025	3.25%	SECO/WARWICK Corporation
Minority shareholder	442	5%	SECO/WARWICK GmbH
Total bank borrowings	**28,123**	**x**	**x**
Dec 31 2012			
Bank Handlowy	1,544	6.08%	SECO/WARWICK EUROPE S.A.

BRE BANK	3,007	6.16%	SECO/WARWICK EUROPE S.A.
James Golz	1,621	3.25%	Retech Systems LLC
HSBC	7,594	3.25%	Retech Systems LLC
Citi Bank	464	7.31%	SECO/WARWICK Retech
Sparkasse Kleve	205	10.37%	SECO/WARWICK Service GmbH
Volksbank Kleverland	409	9.03%	SECO/WARWICK Service GmbH
Volksbank Kleverland	409	5.45%	SECO/WARWICK Service GmbH
Sparkasse Emmerich-Rees	409	8.75%	SECO/WARWICK Service GmbH
Sparkasse Kleve	205	4.35%	SECO/WARWICK Service GmbH
Martin van Rossum	102	10%	SECO/WARWICK Service GmbH
Heiner Kelputt	102	10%	SECO/WARWICK Service GmbH
BRE BANK S.A.	4,649	LIBOR 1M + 1.55%	SECO/WARWICK S.A.
Total bank borrowings	**20,720**	**x**	**x**

Borrowings by maturity:

Item	*Dec 31 2012*	*Dec 31 2011*
Current bank borrowings and other debt instruments	17,620	22,555
Non-current bank borrowings and other debt instruments	3,100	5,568
- repayable in more than 1 year, up to 3 years	3,100	3,859
- repayable in more than 3 years, up to 5 years		1,709
Total bank borrowings and other debt instruments	**20,720**	**28,123**

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

Name and registered office of lender	Outstanding amount		Repayment date	Security
	PLN	Currency		
Current				
Bank Handlowy	1,544		Aug 29 2013	Declaration on submission to enforcement for up to PLN 3,600,000.00 valid through August 31st 2015
BRE BANK	3,007		Mar 28 2014	Declaration on submission to enforcement for up to PLN 7,200,000.00 valid through August 31st 2017
James Golz	1,621	USD 500	Jan 31 2013	Shareholder's guarantee
HSBC	7,594	USD 2,450	-	Guarantee
Citi Bank	464	RMB 933	Nov 13 2013	Guarantee
Sparkasse Kleve	205	EUR 50	-	-
Volksbank Kleverland	409	EUR 100	-	-
Volksbank Kleverland	409	EUR 100	Oct 30 2017	-
Sparkasse Emmerich-Rees	409	EUR 100	Mar 30 2013	-
Sparkasse Kleve	205	EUR 50	Aug 20 2013	-

Martin van Rossum	102	EUR 25	-	-
Heiner Kelputt	102	EUR 25	-	-
Non-current				
BRE BANK S.A. Zielona Góra Branch	4,649	USD 1,500	Dec 31 2015	Ordinary mortgage for USD 2,500,000 Security mortgage for USD 250,000 Submission to enforcement for up to USD 2,750,000

* Carrying amount of the borrowing is PLN 3,417 thousand, with the balance representing interest accrued.

Non-current and current bank and other borrowings as at December 31st 2011

Name and registered office of lender	Outstanding amount		Repayment date	Security
	PLN	Currency		
Current				
Bank Handlowy	1,195	350	May 4 2012	Submission to enforcement for up to USD 360 thousand
BZ WBK	3,903		Oct 31 2012	Submission to enforcement for up to PLN 16,000 thousand
BRE BANK	1,462		Mar 28 2014	Blank promissory note
BZ WBK	4,762		Aug 31 2012	power of attorney, promissory note, mortgage
BRE BANK	4,967		Mar 28 2014	mortgage, promissory note
James Golz	3,532*	1,000	Jan 31 2013	Shareholder's guarantee
Citibank	1,025	300	-	guarantee
Non-current				
BRE BANK S.A. Zielona Góra Branch, investment loan	6,835	2,000	Dec 31 2015	Ordinary mortgage for USD 2,500,000 Ceiling mortgage for USD 250,000 Submission to for up to USD 2,750,000
Minority shareholder (S/W GmbH)	442	100	-	Shareholder's guarantee

* Carrying amount of the borrowing is PLN 3,417 thousand, with the balance representing interest accrued.

Bank borrowings and other debt instruments by currency:

Item	**Dec 31 2012**		**Dec 31 2011**	
	Value in foreign currency	**Value in PLN**	**Value in foreign currency**	**Value in PLN**
PLN		4,552		15,094
EUR	50	205	100	442
USD	4,450	13,864	3,650	12,587
RMB	933	464		
Total bank borrowings and other debt instruments		**20,720**	x	**28,123**

Note 25. LEASES

Operating lease

Liabilities under operating leases – the Group as a lessee:

Item	Dec 31 2012	Dec 31 2011
Lease payments made	***255***	***64***
Outstanding balance:		
Up to 1 year	167	45
From 1 year to 5 years	340	48
Over 5 years		
Total	**507**	**93**

In 2012 and 2011, operating lease agreements include lease of office equipment used by SECO/WARWICK Corporation.

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, the lease liability amounted to PLN 181 thousand.

Finance leases

As at December 31st 2012 and December 31st 2011, liabilities under finance leases and lease agreements with a purchase option were as follows:

Item	Dec 31 2012		Dec 31 2011	
	Minimum lease payments	Present value of the lease payments	Minimum lease payments	Present value of the lease payments
Up to 1 year	280	211	258	236
From 1 year to 5 years	440	366	119	113
Over 5 years				
Total minimum lease payments	**720**	**577**	**377**	**349**
Finance costs	143	**x**	28	**x**
Present value of minimum lease payments, including:	**577**	**577**	**349**	**349**
current	211	211	236	236
non-current	366	366	113	113

Finance lease agreements as at December 31st 2012

Lessor	Agreement No.	Initial value	Currency	Agreement expiry date	Liabilities outstanding as at the end of reporting period
BRE Leasing	ELTERMA/PO/105666/2010	69	PLN	Dec 16 2012	1

BRE Leasing	ELTERMA/PO107533/2010	104	PLN	FEB 21 2013	7
BRE Leasing	ELTERMA/PO/112021/2010	54	PLN	Jul 30 2013	9
BRE Leasing	ELTERMA/PO112022/2010	63	PLN	Sep 20 2013	13
BRE Leasing	ELTERMA/PO/112023/2010	58	PLN	Jul 30 2013	10
BRE Leasing	ELTERMA/PO/120581/2011	60	PLN	Apr 27 2014	25
Millenium Leasing	K150078	88	PLN	Nov 05 2014	48
BRE Leasing	ELTERMA/PO/ 138167/2012	108	PLN	Jun 30 2015	99
BRE Leasing	ELTERMA/PO/ 142435/2012	69	PLN	Oct 30 2015	67
BRE Leasing	ELTERMA/PO/ 142436/2012	69	PLN	Oct 30 2015	67
BRE Leasing	ELTERMA/PO/ 145013/2012	57	PLN	Oct 30 2015	55
Volkswagen Leasing Sp. z o.o.	6044242-1212-07457	363	PLN	Jul 30 2014	181
Total	**x**	**1,162**	**x**	**x**	**582**

Finance lease agreements as at December 31st 2011

Lessor	Agreement No.	Initial value	Currency	Agreement expiry date	Liabilities outstanding as at the end of reporting period
BZ WBK Leasing	ZD2/00002/2009	47	PLN	Jan 20 2012	2
BZ WBK Leasing	ZD2/00001/2009	42	PLN	Jan 20 2012	2
Volkswagen Leasing	4810073-1209-02185	64	PLN	Apr 11 2012	8
BRE Leasing	ELTERMA/PO/105666/2010	69	PLN	Dec 16 2012	24
BRE Leasing	ELTERMA/PO107533/2010	104	PLN	Feb 21 2013	40
BRE Leasing	ELTERMA/PO/112021/2010	54	PLN	Jul 30 2013	27
BRE Leasing	ELTERMA/PO112022/2010	63	PLN	Aug 20 2013	32
BRE Leasing	ELTERMA/PO/112023/2010	58	PLN	Jul 30 2013	28
IKB Leasing Polska	1003402	343	PLN	Aug 11 2011	68
BRE Leasing	ELTERMA/PO/ 120581/2011	60	PLN	Apr 27 2014	43
Millenium Leasing	K150078	88	PLN	Nov 5 2014	70
BRE Leasing	PO/77517/2009	140	PLN	Jan 13 2012	5
Total	**x**	**1,132**	**x**	**x**	**349**

Note 26. TRADE PAYABLES AND OTHER LIABILITIES

Item	*Dec 31 2012*	*Dec 31 2011*
current liabilities	44,674	34,166
non-current liabilities	26	
Total	**44,700**	**34,166**

TRADE AND OTHER CURRENT PAYABLES

Item	*Dec 31 2012*	*Dec 31 2011*
Trade payables		
To related entities	-	98
To other entities	32,459	26,255
Total	**32,459**	**26,353**
Taxes, customs duties, social security and other charges payable	1,550	1,806
Salaries and wages payable	1,757	3,317
Income Tax liabilities	5,431	
Other liabilities	3,477	2,690
Total other liabilities	**12,215**	**7,813**
Total trade payables and other liabilities	**44,674**	**34,166**

Current liabilities by currency:

Item	*Dec 31 2012*		*Dec 31 2011*	
	in foreign currency	restated in PLN	in foreign currency	restated in PLN
PLN	,	16,203		14,722
EUR	1,155	4,722	1,452	6,487
USD	5,919	18,349	3,495	11,944
GBP	51	257	1	4
SEK			2	1
other		5,142		1,007
Total		**44,674**		**34,166**

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 2011	**26,353**	26,353					
Dec 31 2012	**32,459**	32,459					

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 2011	**7,813**	7,813					
Dec 31 2012	**12,215**	12,215					

Non-current liabilities

Item	***Dec 31 2012***	***Dec 31 2011***
To related entities	26	442
To other entities		
TOTAL	**26**	**442**

Loan advanced to SECO/WARWICK GmbH by minority shareholder.

Contingent liabilities

Contingent liabilities under guarantees and sureties:

Dec 31 2012	**Bank**	**Surety in respect of**	**Currency**	***IN FOREIGN CURRENCY***	***AMOUNT (PLN '000)****	**Company**
Guarantee 1	BRE	PBG	EUR	184	753	SECO/WARWICK S.A.
Guarantee 2	BH	SBLC	USD	500	1,550	
Guarantee 3	BH	SBLC	USD	506	1,568	
Guarantee 4	BRE	PBG	EUR	80	327	
Guarantee 5	BRE	PBG	PLN	45	45	
Guarantee 6	BRE	PBG	EUR	58	236	
Guarantee 7	BRE	PBG	USD	70	215	
Guarantee 8	BRE	PBG	EUR	12	49	
Guarantee 9	BRE	PBG	RUB	37,500	3,814	
Guarantee 10	BRE	PBG	RUB	1,050	107	
Guarantee 11	HSBC	APG	EUR	150	612	
Guarantee 12	HSBC	SBLC	USD	1,100	3,410	
Guarantee 13	BRE	bid bond	USD	34	106	

Guarantee 14	BRE	APG	EUR	105	429	
Guarantee 15	BH	APG	PLN	948	948	
Guarantee 16	BRE	PBG	RUB	6,960	708	
Guarantee 17	BH	APG	GBP	208	1,042	
Guarantee 18	BH	APG	GBP	69	344	
Guarantee 19	BRE	PBG	RUB	1,100	112	
Guarantee 20	BH	PBG	EUR	54	223	
Guarantee 21	BRE	APG	EUR	525	2,146	
Guarantee 22	BRE	PBG	RUB	2,500	254	
Guarantee 23	HSBC	APG	EUR	600	2,453	
Guarantee 24	HSBC	APG	EUR	450	1,839	
Guarantee 25	BRE	PBG	EUR	50	204	SECO/WARWICK EUROPE
Guarantee 26	BRE	PBG	PLN	180	180	
Guarantee 27	BRE	APG	EUR	396	1,619	
Guarantee 28	BRE	APG	EUR	759	3,103	
Guarantee 29	BRE	PBG	EUR	178	728	
Guarantee 30	BRE	PBG	PLN	25	25	
Guarantee 31	BRE	APG	USD	446	1,384	
Guarantee 32	BH	APG	PLN	873	873	
Guarantee 33	EAST WEST BANK	PBG	USD	114	352	Retech
Guarantee 34	EAST WEST BANK	APG	USD	2,153	6,674	
Guarantee 35	EAST WEST BANK	PBG	USD	1,421	4,403	
Guarantee 36	EAST WEST BANK	PBG	USD	34	105	
Guarantee 37	EAST WEST BANK	PBG	USD	34	105	
Guarantee 38	EAST WEST BANK	PBG	USD	1,586	4,917	
Guarantee 39	HSBC BANK	PBG	CNY	600	299	SWR
Guarantee 40	HSBC BANK	PBG	CNY	196	97	
Guarantee 41	HSBC BANK	PBG	CNY	1,483	738	
Guarantee 42	HSBC BANK	PBG	CNY	365	182	
TOTAL					**49,278**	

* The guarantees were translated at the mid-exchange rates quoted by the National Bank of Poland for December 31st 2012.

Dec 31 2011	Bank	Surety in respect of	Currency	IN FOREIGN CURRENCY	*AMOUNT (PLN)***	Company
Guarantee 1	BRE	PBG	PLN	37	37	SECO/WARWICK S.A.
Guarantee 2	BRE	PBG	EUR	184	813	
Guarantee 3	BRE	PBG	EUR	174	766	
Guarantee 4	BRE	PGB	EUR	137	605	
Guarantee 5	BH	SBLC	USD	1,000	3,417	
Guarantee 6	BRE	PGB	EUR	80	353	
Guarantee 7	BH	SBLC	USD	500	1,709	
Guarantee 8	BRE	PBG	EUR	58	254	
Guarantee 9	BH	APG	EUR	513	2,266	
Guarantee 10	BRE	PBG	EUR	12	53	
Guarantee 11	BRE	APG	PLN	665	665	
Guarantee 12	BRE	APG	EUR	207	914	
Guarantee 13	BRE	PBG	USD	70	238	
Guarantee 14	BH	SBLC	USD	506	1,729	
Guarantee 15	BRE	PGB	EUR	12	53	
Guarantee 16	BRE	APG	PLN	1,808	1,808	
Guarantee 17	BRE	Payment guarantee	EUR	47	208	
Guarantee 18	BRE	APG	EUR	90	398	SECO/WARWICK ThermAL
Guarantee 19	BZ WBK	APG	PLN	429	429	
Guarantee 20	BZ WBK	APG	EUR	112	495	
Guarantee 21	BZ WBK	APG	EUR	500	2,208	
Guarantee 22	BRE	APG	USD	281	960	
Guarantee 23	BZ WBK	APG	EUR	112	495	
Guarantee 24	EAST WEST BANK	PBG	USD	2,156	7,369	Retech Systems
Guarantee 25	EAST WEST BANK	PBG	USD	3,234	11,053	
Guarantee 26	EAST WEST BANK	PBG	USD	4,312	14,737	
Guarantee 27	EAST WEST BANK	PBG	USD	5,390	18,421	
Guarantee 28	EAST WEST BANK	PBG	USD	34	116	
Guarantee 29	EAST WEST BANK	PBG	USD	34	116	
TOTAL					**72,686**	

** The guarantees were translated at the mid-exchange rates quoted by the National Bank of Poland for December 31st 2011.

APG → advance payment guarantee
BB → bid bond guarantee
CRG → facility repayment guarantee
PBG → performance bond
SBLC→ stand-by letter of credit
WAD→ bid bond
CRB → facility repayment bond

SURETIES ADVANCED BY SECO/WARWICK S.A.

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**

* As at December 31st 2012, Retech Systems used USD 2,450 thousand of available credit lines.

On April 6th 2011, the Management Board of the Company adopted a resolution to increase the value of surety granted for SECO/WARWICK Allied Pvt. Ltd. (India) from INR 147,500 thousand to INR 225,000 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, is PLN 14,233 thousand.

On December 31st 2010, James A. Goltz advanced to Retech Systems LLC a loan of USD 1,000 thousand. Repayment of the loan is guaranteed by SECO/WARWICK S.A. At present, the principal outstanding under the loan is USD 500 thousand.

On July 6th 2012, the SECO/WARWICK Management Board provided a surety for the liabilities of RETECH SYSTEMS LLC of the U.S. (a wholly-owned subsidiary of SECO/WARWICK S.A.). The surety is to secure repayment of credit facilities which are to be granted to RETECH SYSTEMS LLC by HSBC BANK USA, N.A. The surety was provided for up to USD 3,500,000 (three million, five hundred thousand US dollar) and up to USD 25,000,000 (twenty five million US dollar) and secures repayment of the principal amount with interest, commission fees, charges and costs under the credit facility agreement in the period from the agreement date to June 30th 2015.

On June 19th 2012 the Company’s Management Board adopted a resolution to issue a surety for liabilities of SECO/WARWICK Corp. (USA). The surety is to secure credit facilities granted to SECO/WARWICK Corp. by HSBC BANK USA, N.A. The surety was provided for up to USD 1,800,000 (one million, eight hundred thousand US dollars) and covers the repayment of principal with interest, commission fees, charges and costs under the credit facility agreement in the period from the agreement date to June 30th 2015.

On December 31st 2012, the Company executed a Surety Agreement with Bank Handlowy w Warszawie S.A. The surety provided by the Company for SECO/WARWICK EUROPE S.A., in the amount of PLN 6,000 thousand, serves as security for repayment of the bank's claims under an overdraft facility of PLN 5,000 thousand extended by the Bank under an Overdraft Facility Agreement. The surety expires on June 30th 2014.

Social assets and liabilities of the Company Social Benefits Fund (Polish companies)

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 Group 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 2012	Dec 31 2011
Total tangible assets contributed to the Fund		
Loans advanced to employees	153	134
Cash	72	415
Liabilities to the Fund	48	91
Net balance	132	410
Contributions to the Fund during financial period	574	576

Investment commitments

As at December 31st 2012, the Group has an outstanding commitment to invest PLN 334 thousand in property, plant and equipment (2011: PLN 131 thousand). These amounts will be used to purchase new machinery and equipment.

Note 27. PROVISIONS

EMPLOYEE BENEFITS

Retirement benefits and other post-employment benefits

Retiring employees of the Polish companies of the Group received retirement bonuses in amounts established pursuant to the Polish Labour Code. Therefore, based on a valuation prepared by a qualified actuary, the Group recognises a provision for the present value of the retirement bonus obligations. The amount of the provision and reconciliation of changes in the provision during the year are presented in the table below.

Provision for retirement bonuses and similar benefits

NON-CURRENT PROVISION FOR RETIREMENT BONUSES AND BENEFITS	Jan 1– Dec 31 2012	Jan 1– Dec 31 2011
as at beginning of the period	**317**	**238**
increase	2,713	189
- provisions of acquired entities		
- provision recognised	2,713	189
use		
release	-165	-110
as at end of the period	**2,865**	**317**

Main assumptions adopted by the actuary as at the balance-sheet date to calculate the amount of the obligations were as follows:

Item	*Dec 31 2012*	*Dec 31 2011*
Discount rate (%)	4.2	5.8
Expected inflation rate (%)	2.5	2.5
Expected rate of growth of salaries and wages (%)	5.0	5.0

CHANGE IN CURRENT PROVISION FOR RETIREMENT AND SIMILAR BENEFITS (BY CATEGORY)	Jan 1–Dec 31 2012	Jan 1–Dec 31 2011
1. Provision for accrued holiday entitlements		
a) as at beginning of the period	1,710	784
b) increase	1,507	1,717
- provisions of acquired entities		
- provision recognised	1,507	1,717
c) use		289
d) release	1,710	502
e) translation differences		
f) as at end of the period	**1,507**	**1,710**
2. Provision for bonuses		
a) as at beginning of the period	3,419	1,919
b) increase	5,620	4,146
- provisions of acquired entities		
- provision recognised	5,620	4,146
c) use	2,583	1,618
d) release	1,967	1,173
e) translation differences		
f) as at end of the period	**4,489**	**3,274**
3. Provision for retirement bonuses		
a) as at beginning of the period	104	869
b) increase	445	104
- provisions of acquired entities		
- provision recognised	445	104
c) use	3	8
d) release	96	862
e) translation differences		
f) as at end of the period	**450**	**104**

RETIREMENT BENEFIT PLANS (SECO/WARWICK CORP.)

Item	2012	2011
Change in plan liability		
Obligation at beginning of period	104	12,033
Service cost	159	0
Interest expense		612
Actuarial gain/(loss)	159	1,572
Contributions paid	3	-707
Obligation at end of period	96	13,509
Change in plan assets	**164**	
Fair value of plan assets at beginning of period	104	8,865
Actual return on plan assets	159	-51
Contributions paid in		820
Contributions paid out	159	-707
Fair value of plan assets at end of period	3	8,926
	96	
Net value of plan liability in balance sheet		
Liability at end of period	**164**	13,509
Fair value of plan assets at end of period	104	8,926
Liability at end of period	159	-4,579
Unrecognised actuarial gains/(losses)		6,657
Unrecognised past service cost	159	75
	3	
Costs recognised in profit or loss	96	
Service cost		0
Interest expense	**164**	531
Expected return on plan assets	104	-588
Actuarial gain/(loss) on plan assets	159	481
Recognised past service costs		27
Costs recognised in profit or loss	159	451
wartość rezerwy w pozycji „rezerwy długoterminowe”	**3,544**	**4,579**

OTHER PROVISIONS

Item	*Provision for warranty repairs and returns*	*Provision for penalty*	*Other provisions*	*Other provisions - contingent liability*	*Total*
As at Dec 31 2010	**3,183**	**250**	**968**		**4,401**
Acquisition of subsidiary					
Provisions recognised during financial	456		3,498		3,954
Provisions used	-71		-170		-241
Provisions released	-1,462		-2,161		-3,623
Exchange differences					
Discount rate adjustment					
As at Dec 31 2011	**2,106**	**250**	**2,135**		**4,491**
Acquisition of subsidiary					
Provisions recognised during financial	305		7,352		7,657
Provisions used			-312		-312
Provisions released	-363	-250	-5,654		-6,267
Exchange differences					
Discount rate adjustment					
As at Dec 31 2012	**2,048**	**0**	**3,521**		**5,569**

Note 28. DEFERRED INCOME

Item	*Dec 31 2012*	*Dec 31 2011*
- grant for partial financing of tangible assets		
- grant from the Polish Ministry of Science and Higher Education	4,515	4,552
- long-term contracts	67,443	54,608
- other	26	
Total deferred income, including:	**71,985**	**59,160**
non-current	4,515	4,552
current	67,469	54,608

Note 29. EXPLANATORY INFORMATION TO THE STATEMENT OF CASH FLOWS

Item	*Dec 31 2012*	*Dec 31 2011*
Cash in the balance-sheet	**55,557**	**20,285**
exchange differences on balance-sheet valuation	29	-46
monetary assets classified as cash equivalents for the purposes of the statement of cash flows		

Total cash and cash equivalents disclosed in the statement of cash flows	**55,586**	**20,239**
Item	***Dec 31 2012***	***Dec 31 2011***
Depreciation and amortisation	**7,290**	**6,273**
amortisation of intangible assets	1,626	4,593
depreciation of property, plant and equipment	5,651	1,667
depreciation of investment property	13	13
exchange differences		
Change in provisions (excluding elimination of income tax liabilities) results from the following items:	**5,012**	**2,551**
balance-sheet change in provisions	6,542	3,507
value as at the date of acquisition of RETECH SYSTEMS	-2,419	
exchange differences	889	-956
Change in inventories results from the following items:	**-1,067**	**-3,819**
balance-sheet change in inventories	-892	-4,866
exchange differences	-815	1,046
Change in receivables (excluding elimination of income tax receivable) results from the following items:	**24,307**	**-39,568**
balance-sheet change in current receivables	30,648	-46,195
discontinued operations	-676	
exchange differences	-5,665	6,627
Change in current liabilities (excluding financial liabilities and elimination of income tax liabilities) results from the following items:	**6,953**	**739**
balance-sheet change in current liabilities	-882	3,262
adjustment for change in liabilities related to acquisition of property, plant and equipment		147
elimination of change in lease liabilities	-187	50
change in investment liabilities	-461	
exchange differences	-10,366	-5,550
bank borrowings	14,708	9,380
valuation of derivative instruments	4,141	-7,040
liability towards SECO/WARWICK Allied		490
Change in prepayments and accrued income (excluding elimination of income tax assets) results from the following items:	**-12,830**	**35,653**
balance-sheet change in accruals and deferrals	-15,277	38,768
exclude changes in deferred tax assets Income	887	
exchange differences	1,559	-3,116

Note 30. RELATED PARTIES

Related party	*Year*	*Sales to related parties*	*Purchases from related parties*	*Receivables from related parties*	*Liabilities towards related parties*
SECO/WARWICK EUROPE					
	2012	7,559	6,624	916	3,216
	2011	7,177	2,507	5,859	1,045
SECO/WARWICK Corporation					
	2012	438	2,276	117	3,331
	2011	2,207	1,283	2,377	-
SECO/WARWICK GmbH					
	2012	107	2,516	46	524
	2011	-	-	442	-
SECO/WARWICK Moscow					
	2012	965	19,838	85	40
	2011	1,824	-	173	-
RETECH					
	2012	1,445	7,783	3,780	1,611
	2011	409	23	1,292	157
SECO/WARWICK RETECH					
	2012	421	1,234	400	4,607
	2011	353	-	922	-
SECO/WARWICK Allied					
	2012	-	30	-	562
	2011	1,053	-	1,080	-
SECO/WARWICK Service GmbH					
	2012	-	-	-	-
	2011	-	-	-	-
OOO SCT					
	2012	-	-	-	-
	2011	-	-	-	-

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. Piotr Zawistowski is a close family member, as defined in IAS 24, of Andrzej Zawistowski, member of the Management Board of SECO/WARWICK S.A.

Employment contract between SECO/WARWICK S.A. and Ewa Zawistowska
Under the contract of January 2nd 2006, Ewa Zawistowska was obliged to provide work to the Company as a human resources management specialist. The contract was concluded for an indefinite term. On April 1st 2009, Ewa Zawistowska assumed the position of Management Board Office Administrator. The contract contains standard provisions, which comply with the Polish

Labour Code. Ewa Zawistowska is a close family member, as defined in IAS 24, of Andrzej Zawistowski, member of the Management Board of SECO/WARWICK S.A.

Employment contract between SECO/WARWICK S.A. and Katarzyna Zawistowska
Under the contract of November 3rd 2008, Katarzyna Zawistowska was obliged to provide work to the Company as a full-time Planning Clerk. The contract was first concluded for a probationary period of three months. The next contract was concluded for a definite term. The contract contains standard provisions, which comply with the Polish Labour Code. Since February 2nd 2009, Katarzyna Zawistowska has been employed as Clerk in the Spare Parts Department. Katarzyna Zawistowska is a close family member, as defined in IAS 24, of Andrzej Zawistowski, member of the Management Board of SECO/WARWICK S.A.

Employment contract between SECO/WARWICK S.A. and Anna Klinowska
Under the contract of January 3rd 2005, Anna Klinowska was obliged to provide work to the Company as a full-time Management Board Assistant. The contract was first concluded for a probationary period. The next contract was concluded for a definite term. The contract contains standard provisions, which comply with the Polish Labour Code. Since June 1st 2007, Anna Klinowska has been employed as a Human Resources and Payroll Specialist. Anna Klinowska is a close family member, as defined in IAS 24, of Witold Klinowski, member of the Management Board of SECO/WARWICK S.A.

Other related parties	***2012***	***2011***
Short-term employee benefits (salaries, wages and overheads)	359	317

Note 31. KEY PERSONNEL REMUNERATION

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

The table below presents total remuneration paid or payable to members of the Management and Supervisory Boards:

Item	***Dec 31 2012***	***Dec 31 2011***
Management Board of the Parent	**3,581**	**2,166**
Short-term employee benefits (salaries, wages and overheads)	3,581	2,166
Supervisory Board of the Parent	**352**	**138**
Short-term employee benefits (salaries, wages and overheads)	222	138
Fee under agreement for advisory services	130	
Management Boards of subsidiaries	**4,859**	**3,714**
Short-term employee benefits (salaries, wages and overheads)	4,859	3,714
Supervisory Board of subsidiaries	**46**	**42**
Short-term employee benefits (salaries, wages and overheads)	46	42
Total	**8,838**	**6,060**

MANAGEMENT BOARD remuneration:

Name	**Total remuneration**	
	Dec 31 2012	**Dec 31 2011**
Management Board of SECO/WARWICK S.A.		
Paweł Wyrzykowski	1,578	
Leszek Przybysz		828
Andrzej Zawistowski	80	300
Witold Klinowski	755	536
Józef Olejnik	483	413

Wojciech Modrzyk	685	519
Total	**3,581**	**2,166**
Management Board of SECO/WARWICK ThermAL S.A.		
Jarosław Talerzak	623	360
Bartosz Klinowski	415	240
Joanna Zyguła	312	75
Ryszard Rej		60
Total	**1,350**	**735**
Management Board of SECO/WARWICK Retech **		
Sławomir Woźniak	75	62
Qiu Mao	290	102
Richard Li	99	39
Total	**464**	**655**
Management Board of RETECH		
James Golz	1,099	699
Total	**1,099**	**699**
Management Board of SECO/WARWICK Corporation		
Jeffrey W. Boswell	385	404
Arthur V. Russo	514	387
Louis Stack	288	281
Keith Boeckenhauer	759	553
Total	**1,946**	**1,625**

SUPERVISORY BOARD remuneration:

Name	**Total remuneration**	
	Dec 31 2012	**Dec 31 2011**
Supervisory Board of SECO/WARWICK S.A.		
Andrzej Zawistowski	206	-
- for his work as Chairman of the Supervisory Board	76	-
- under agreement for advisory services	130*	-
Jeffrey Boswell	-	-
James A.Goltz	-	-
Zbigniew Rogóż	4	-
Dr Gutmann Habig	-	-
Piotr Kowalewski	33	30
Piotr Kula	21	24
Henryk Pilarski	47	36
Artur Rusiecki	10	24
Mariusz Czaplicki	31	24
Total	**352**	**138**
Supervisory Board of SECO/WARWICK ThermAL S.A.		
Henryk Pilarski	46	42
Total	**46**	**42**

* Under a service agreement between SECO/WARWICK S.A. and Mr 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.

Members of the Supervisory Board of SECO/WARWICK Corporation, Retech Systems and SECO/WARWICK Retech and the other members of the Supervisory Board of SECO/WARWICK EUROPE S.A. do not receive remuneration.

Note 32. FINANCIAL ASSETS

Item	Category (IAS 39)	Carrying amount		Fair value		Maximum credit risk exposure in 2012
		Dec 31 2012	Dec 31 2011	Dec 31 2012	Dec 31 2011	
Financial assets						
Investments in related entities	Financial assets classified as held for sale	19,077	18,462	19,077	18,462	19,077
Financial assets available for sale (non-current)	Financial assets classified as held for sale	3	3	3	3	3
Loans advanced (current)	Loans and receivables	8		8		8
Loans advanced (non-current)	Loans and receivables	13		13		13
Trade and other receivables	Loans and receivables	90,753	119,778	90,753	119,778	90,753
Derivative financial instruments	Financial liabilities at fair value through profit or loss	4,028	10	4,028	10	4,028
- Currency forwards	Financial liabilities at fair value through profit or loss	4,028	10	4,028	10	4,028
Cash and cash equivalents	Loans and receivables	55,556	20,285	55,556	20,285	55,556
Guarantees		115,771	84,771	115,771	84,771	115,771
Financial liabilities						
current						
Interest-bearing bank borrowings and other debt instruments, including:	Other financial liabilities at amortised cost					
- overdraft facility	Other financial	16,070	17,314	16,070	17,314	

	liabilities at amortised cost					
- *current loans*	Other financial liabilities at amortised cost	1,550	5,241	1,550	5,241	
- *Finance lease liabilities (current)*	Other financial liabilities at amortised cost	314	236	314	236	
Trade payables and other liabilities	Other financial liabilities at amortised cost	44,674	37,698	44,674	37,698	
- *currency forwards*	Financial liabilities at fair value through profit or loss	5	7,106	5	7,106	
non-current						
- *non-current loans bearing interest at variable rates*	Other financial liabilities at amortised cost	3,100	5,568	3,100	5,568	
Other liabilities (non-current), including:	Other financial liabilities at amortised cost	267	113	267	113	
- *finance lease liabilities (non-current)*	Other financial liabilities at amortised cost	267	113	267	113	

The table presents the fair value hierarchy reflecting the significance of the inputs used in making fair value measurements.

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	

Financial assets and liabilities at fair value	Dec 31 2011		
	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 Group 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 3 measurement.

Note 33. WORKFORCE STRUCTURE

Item*	*Dec 31 2012*	*Dec 31 2011*
Blue-collar employees	360	309
White-collar employees	434	428
Employees on parental leaves	2	2
Total	**796**	**739**

*employees of subsidiaries

Note 34. CAPITAL MANAGEMENT

The primary objective behind the Group's capital management is to maintain good credit rating and safe capital ratios, in order to support the Group's operations and enhance its shareholder value.

The Group manages its capital structure and modifies it in response to changes in the economic environment. To maintain or adjust its capital structure, the Company may make changes regarding dividend distributions, return capital to the shareholders or issue new shares. During the year ended

December 31st 2012, there were no changes regarding the capital structure management objectives, policies and processes.

In monitoring its capital, the Group uses the leverage ratio calculated as net debt divided by total equity plus net debt. The Group's net debt includes interest-bearing loans and borrowings, trade payables and other liabilities, less cash and cash equivalents. Equity includes convertible preference shares and equity attributable to equity holders of the parent, less capital reserve from unrealised net gains.

Note 35. TEST FOR IMPAIRMENT OF GOODWILL

Tests for impairment of shares

The Company carried out tests for impairment of shares held in subsidiary entities of SECO/WARWICK Corporation and Retech Systems LLC. 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:

No.	Item	2012
1.	Projection period	5 years
2.	Discount rate:	
	SECO/WARWICK Corp.	18.8%
	Retech Systems LLC	8.3%
3.	Growth rate after the budget period:	
	SECO/WARWICK Corp.	2%
	Retech Systems LLC	1%

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.

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 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY

In the course of its operating and financing activities, the SECO/WARWICK Group 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 Group’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 within the Group are determined by the Parent's Management Board. As part of the risk management process, an expert management accounting system has been developed and implemented. The key risk parameters at the level of operating and financing activities are monitored through monthly reports for the Group companies.

36.1 Currency risk

The Group is exposed to currency risk, arising in connection with sales, trade receivables, financial liabilities and bank loans denominated in EUR and USD. In the consolidated financial statements, the risk of margin on translation of the Group foreign operations also appears. Entities exposed to that risk are primarily SECO/WARWICK Corporation and Retech Systems LLC.

Analysis of the Group’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 2012 (all other things being equal), both the Group’s net profit for the financial year 2012 and the Group's equity would have been lower by PLN -4,250 thousand (for 2011, the respective figure would have been PLN -1,000 thousand). Conversely, assuming a 10% appreciation of the US dollar against the złoty as at December 31st 2012 (all other things being equal), both the Group’s net profit for the financial year 2012 and the Group's equity would have been higher by PLN +4,250 thousand (for 2011, the respective figure would have been PLN +2,.560 thousand).

Assuming a 10% depreciation of the euro against the złoty as at December 31st 2012 (all other things being equal), both the Group’s net profit for the financial year 2012 and the Group's equity would have been lower by PLN -7,709 thousand (for 2011, the respective figure would have been PLN -1,.390 thousand). Conversely, assuming a 10% appreciation of the euro against the złoty as at December 31st 2012 (all other things being equal), both the Group’s net profit for the financial year

2012 and the Group's equity would have been higher by PLN +7,709 thousand (for 2011, the respective figure would have been PLN +2,950 thousand).

Assuming a 10% depreciation of the RUB against the złoty as at December 31st 2012 (all other things being equal), both the Group's net profit for the financial year 2012 and the Group's equity would have been lower by PLN -711. Conversely, assuming a 10% appreciation of the euro against the złoty as at December 31st 2012 (all other things being equal), both the Group's net profit for the financial year 2012 and the Group's equity would have been higher by PLN +711.

Assumptions adopted for 2012:

- average USD/PLN exchange rate used to translate items of the income statement: 3.2312
- average EUR/PLN exchange rate used to translate items of the income statement: 4.1736
- USD/PLN exchange rate as at the end of the period used to translate items of the statement of financial position: 3.0996
- EUR/PLN exchange rate as at the end of the period used to translate items of the statement of financial position: 4.0882
- average RUB/PLN exchange rate used to translate items of the income statement: 0.1043
- RUB/PLN exchange rate as at the end of the period used to translate items of the statement of financial position: 0.1017

Assumptions adopted for 2011:

- average USD/PLN exchange rate used to translate items of the income statement: 2.9679
- average EUR/PLN exchange rate used to translate items of the income statement: 4.1401
- USD/PLN exchange rate as at the end of the period used to translate items of the statement of financial position: 3.4174
- EUR/PLN exchange rate as at the end of the period used to translate items of the statement of financial position: 4.4168

The Group recognises that its sales may potentially lead to a concentration of currency risk. In the financial year under analysis, 25% of revenue was generated in EUR, 64% – in USD, 10% – in PLN and 2% in RUB.

36.2 Interest rate risk

The Group's exposure to interest rate risk is not material. In the financial year 2012, the total amount of interest on the Group's liabilities under bank borrowings was PLN 1,395 thousand.

36.3 Risk related to product prices

The bulk of the Group's revenue is generated under long-term contracts for the supply of equipment. At the proposal preparation stage, each piece of equipment is priced using the current prices of materials and labour. Fixed costs and the assumed margin are also taken into account. As a result, in the opinion of the Parent's Management Board, the price risk is minimised.

Nevertheless, the achievement of the SECO/WARWICK Group's strategic objectives concerning product prices may be hindered by competition. If competitive pressures intensify, especially in Asian markets, they may adversely affect the Group's ability to meet its planned financial results. The Parent's Management Board believes that the SECO/WARWICK Group is now engaged in numerous activities to strengthen its market position and increase its competitive edge by offering high quality services and comprehensive solutions, ensuring that its product mix is flexible, enhancing its existing and building new competences, using state-of-the-art technologies and developing new technological solutions.

36.4 Capital management

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

The Group'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 Group periodically defines its financing structure framework. The current objectives of the capital management policy are as follows:

- current ratio – in the range from 1.5 to 2.5,
- quick ratio – over 1.

The capital management policy adopted by the Group requires it to maintain financial discipline, while giving it enough flexibility to support profitable development.
Capital management is also centred around the goal of maintaining a predetermined level of financial liquidity which allows the Group both to repay its external debt as its falls due and to finance the expenditures connected with the Group's business risk. That goal is pursued for instance by maintaining available credit facilities that may be drawn when the need arises.

3.6.5 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 balance-sheet items and ensuring constant access to various sources of financing at the level of individual Group companies.

The Group also manages its liquidity risk by maintaining available unused credit facilities which serve as a liquidity reserve securing solvency and financial flexibility. The Group 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 24). As at December 31st 2012, current bank borrowings represented 25% of total current liabilities (December 31st 2011: 30%).

The maturity structure of liabilities is presented in Note 27.

3.6.6 Credit risk

The Group 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 Group discloses no past due receivables which would not have been deemed uncollectible.

The Group 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 2012, the share of receivables from one of the customers was in the range 10%–15% of total net trade receivables.
The maturity structure of receivables is presented in Note 19.

Note 37. 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"**) shall 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, shall be determined along with the indication of the person. The list of Eligible Persons shall 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 shall include up to 500,000 (five hundred thousand) of Company Series E shares (**"Series E Shares"**). The President of the Management Board shall be entitled to acquire up to 250,000 (two hundred and fifty thousand) Series E Shares, and the other Eligible Persons shall have the right to acquire up to the remaining 250,000 (two hundred and fifty thousand) Series E Shares.

3. Under the 2012–2016 Incentive Scheme, the Eligible Persons shall be entitled to acquire Series B subscription warrants (**"Series B Warrants"**) free of charge. Series B Warrants shall 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 shall confer the right to acquire one Series E Share.

5. The 2012–2016 Incentive Scheme shall 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 the Eligible Persons shall 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-thee per cent) of the total vote 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-thee per cent) of the total vote 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 shall 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 shall 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 shall 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 its intention to acquire Series B Warrants. The Company shall 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 shall be calculated based on the following formula:

$$Q = 6.666\,P - 183.310$$

provided that:

$$dla\ P < 35PLN \implies Q = 0$$

$$dla\ P \geq 65\ PLN \implies Q = 250.000$$

where:

Q shall mean number of Series B Warrants;

P shall mean, 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 the acquirer.

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

Each time the President of the Management Board exercises its right to acquire Series B Warrants, the number of Series B Warrants to which it is entitled shall 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 shall be calculated based on the following formula:

$$Q = a_i \times (6.666\,P - 183.310)$$

provided that:

$$dla\ P < 35PLN \implies Q = 0$$

$$dla\ P \geq 65\ PLN \Rightarrow Q = a_i \times 250.000$$

where:

Q shall mean the number of Series B Warrants;

P shall mean, 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 the acquirer.

a_i shall mean a ratio determined individually for each Eligible Person, provided that

$$a_i \in (0{,}1)\ oraz\ \sum_{i=1}^{n} a_i \leq 1$$

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

Each time an Eligible Person exercises its right to acquire Series B Warrants, the number of Series B Warrants to which it is entitled shall 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 the particular Eligible Persons shall 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) $a_i \times$ 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 shall be entitled to acquire Series E Shares at any time, however, no later than by December 31st 2016.

Note 38. CAPITALISED BORROWING COSTS

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

Note 39. REVENUE GENERATED SEASONALLY, CYCLICALLY OR OCCASIONALLY

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

Note 40. 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 Group.

Note 41. 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 2012, 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 EUROPE S.A. and SECO/WARWICK S.A., the Parent, formed a tax group. As of January 1st 2012, the two companies have again been consolidated for tax purposes.

Note 42. WASTE ELECTRICAL AND ELECTRONIC EQUIPMENT

In the reporting periods presented, the Group recorded no events that would have to be disclosed in Note 43.

Note 43. EVENTS SUBSEQUENT TO THE BALANCE-SHEET DATE

On January 3rd 2013, in Current Report No. 01/2013 the SECO/WARWICK Management Board reported of the acquisition of shares in a subsidiary. On December 18th 2012, the Extraordinary General Meeting of SECO/WARWICK EUROPE S.A. of Świebodzin, a wholly-owned subsidiary of SECO/WARWICK S.A., adopted Resolution No. 1/2012 on share capital increase at SECO/WARWICK EUROPE S.A. through the issue of new Series B ordinary registered shares, which were offered to SECO/WARWICK S.A. in a private placement in exchange for a non-cash contribution (the "Contribution"). Pursuant to the Resolution, the share capital of SECO/WARWICK EUROPE S.A. was increased. On January 2nd 2013, SECO/WARWICK EUROPE S.A. submitted to SECO/WARWICK S.A. an invitation to acquire the New Shares. The Company accepted the invitation and executed with SECO/WARWICK EUROPE S.A. a share purchase agreement concerning the New Shares. Under the Share Purchase Agreement, SECO/WARWICK S.A. acquired the New Shares for a total issue price of PLN 82,218,000 in exchange for the Contribution.

On January 3rd 2013, in Current Report No. 02/2013 the Management Board of SECO/WARWICK S.A. reported of the disposal of an organised part of the Company's business to a subsidiary as a contribution to cover the subsidiary's new issue shares.

In Current Report No. 04/2013, dated March 22nd 2013, the Management Board of SECO/WARWICK S.A. reported that on March 22nd 2013 the Company and shareholders (hereinafter jointly referred to as the "Selling Shareholders") of Seco/Warwick Allied Private Limited of Maharashtra, India ("SWAPL"), in which the Company holds a 50% interest, representing 50% of SWAPL's equity and carrying the right to 50% of the total vote at the General Meeting of SWAPL, entered into a conditional agreement on purchase by the Company of [27,339] SWAPL shares, representing 25% of SWAPL's equity and carrying the right to 25% of the total vote at its General Meeting (the "Sale Shares") (the "Agreement"). Pursuant to the Agreement, the acquisition of Sale Shares by the Company depends on fulfilment – to the Company's satisfaction – of certain conditions precedent, specified in the Current Report. Under the Agreement, the total selling price for the Sale Shares is 161,000,000 Indian rupees (PLN 9,590,609, translated at the mid-exchange rate quoted by the National Bank of Poland for March 22nd 2013) (the "Selling Price"), and the total Selling Price is to be paid by the Company in three instalments, upon fulfilment of conditions precedent to each payment.

In Current Report No. 05/2013, dated March 25th 2013, the Management Board of SECO/WARWICK S.A. with registered office in Świebodzin, at ul. Sobieskiego 8, (the "Issuer") reported that the conditions precedent were fulfilled for purchase of 9,090 Sale Shares and payment of the first instalment of the Selling Price of 53,529,280 Indian rupees (PLN [3,156,996], translated at the mid-exchange rate quoted by the National Bank of Poland for March 25th 2013), as defined in the agreement for purchase of shares in Seco/Warwick Allied Private Limited of Maharashtra, India ("SWAPL"), made between the Company and SWAPL shareholders. Following the acquisition of 9,090 Sale Shares, the Company will hold 63,765 shares, representing 58.3% of the SWAPL share capital and carrying the right to 58.3% of the total vote at the General Meeting of SWAPL.

For details on events subsequent to the balance-sheet date, see current reports available on the corporate website at www.secowarwick.com

Note 44. FINANCIAL STATEMENTS ADJUSTED FOR INFLATION

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

Date: April 26th 2013

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