THE SECO/WARWICK GROUP

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31ST 2015

CONTENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (PLN '000)

	Note	Dec 31 2015	Dec 31 2014	Jan 1 2014
ASSETS				
Non-current assets				
Property, plant and equipment	*10*	106,302	93,667	79,453
Investment property	*12*	379	389	399
Goodwill	*13*	40,195	68,558	78,861
Intangible assets	*11*	22,078	22,609	19,589
Investments in associates	*15*	1,484	1,888	3,404
Non-current receivables	*18*	1,336	1,240	1,691
Loans and receivables	*19*	-	361	0
Other financial assets	*19*	8,056	6,906	2,674
Deferred tax assets	*6*	2,506	3,799	2,620
		182,335	**199,417**	**188,691**
Current assets				
Inventories	*16*	34,730	36,413	32,648
Trade receivables	*18*	85,460	72,384	84,671
Income tax assets	*18*	7,459	2,732	2,566
Other current receivables	*18*	23,645	15,005	12,532
Prepayments and accrued income	*20*	3,969	2,742	3,593
Other financial assets	*19*	928	1,425	4,370
Contract settlement	*17*	97,969	98,484	93,609
Cash and cash equivalents	*21*	58,054	46,825	41,733
		312,213	**275,010**	**275,722**
ASSETS HELD FOR SALE	7	**-**	**-**	721
TOTAL ASSETS		**494,548**	**475,032**	**465,134**

	Note	Dec 31 2015	Dec 31 2014	Jan 1 2014
EQUITY AND LIABILITIES				
Equity				
Share capital	22	3,704	3,704	3,693
Statutory reserve funds	22	190,271	174,617	199,708
Other components of equity	22	21,540	49,866	6,948
Hedging reserve	22	-1,891	-255	1,324
Retained earnings/(deficit)	23	-40,735	11,546	34,328
Non-controlling interests	22	**450**	**2,376**	**5,442**
		176,030	**241,854**	**251,443**
Non-current liabilities				
Borrowings and other debt instruments	24	36,102	15,659	16,069
Financial liabilities	24	3,107	984	4,479
Other non-current liabilities	24	177	464	473
Deferred tax liabilities	6	9,823	9,901	13,874
Provision for retirement and similar benefits	27	6,277	5,352	3,331
Other provisions	27	699	2,014	2,529
Deferred income	28	10,627	8,262	4,796
		66,810	**42,636**	**45,551**
Current liabilities				
Borrowings and other debt instruments	24	33,218	30,164	18,127
Financial liabilities	24	4,038	7,094	4,165
Trade payables	26	53,899	54,628	52,917
Income tax payable	26	417	98	376
Taxes, customs duties and social security payable	26	7,631	4,943	5,340
Other current liabilities	26	6,900	7,769	7,165
Provision for retirement and similar benefits	27	11,890	9,153	8,291
Other provisions	27	9,363	8,338	14,804
Deferred income	28	581	3,205	1,615
Contract settlement	28	123,773	65,149	55,340
		251,708	**190,541**	**168,140**
TOTAL EQUITY AND LIABILITIES		**494,548**	**475,032**	**465,134**

Date: April 28th 2016

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(PLN '000)

	Note	Jan 1–Dec 31 2015	Jan 1–Dec 31 2014
Revenue from sale of finished goods		462,895	417,612
Revenue from sale of merchandise and materials		18,644	21,419
Revenue	**1,2**	**481,539**	**439,031**
Finished goods sold		-366,800	-321,419
Merchandise and materials sold		-15,108	-12,394
Cost of sales	**2,3**	**-381,908**	**-333,813**
Gross profit/(loss)		**99,631**	**105,217**
Other income	*4*	5,684	6,002
Distribution costs	*2,3*	-34,743	-30,673
Administrative expenses	*2,3*	-59,392	-57,058
Other expenses	*4*	-51,489	-38,582
Operating profit/(loss)		**-40,308**	**-15,094**
Impairment loss on goodwill	13	-	0
Finance income	*5*	3,321	6,456
Finance costs	*5*	-9,269	-6,839
Share of net profit/(loss) of associates		-200	-483
Profit/(loss) before tax		**-46,457**	**-15,960**
Actual tax expense	*6*	-5,263	-2,183
Net profit/(loss) from continuing operations		-51,720	-18,142
Loss from discontinued operations		-	-
Net profit/(loss)		-51,720	-18,142
Net profit/(loss) attributable to			
Owners of the Parent		**-49,675**	**-15,697**
Non-controlling interests		-2,045	-2,446
EARNINGS PER SHARE:			
Basic		-4,63	-1,46
Diluted		-4,63	-1,46

OTHER COMPREHENSIVE INCOME:		
Items that will not be reclassified to profit or loss:		
Actuarial gains/(losses) on a defined benefit retirement plan	1,205	-3,574
Income tax on other comprehensive income	-422	1,251
Items that may be reclassified to profit or loss:		
Valuation of cash flow hedging derivatives	-2,019	-1,949
Exchange differences on translating foreign operations	12,382	21,116
Reclassification adjustments (increase in control of a subsidiary)	-	371
Income tax on other comprehensive income	384	370
Total other comprehensive income, net	**11,530**	**17,585**
Total comprehensive income	**-40,190**	**-558**

Total comprehensive income attributable to		
Owners of the Parent	-38,292	1,421
Non-controlling interests	-1,898	-1,979

Date: April 28th 2016

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

CONSOLIDATED STATEMENT OF CASH FLOWS
(PLN '000)

	Note	Jan 1–Dec 31 2015	Jan 1–Dec 31 2014
OPERATING ACTIVITIES			
Profit/(loss) before tax	*30*	**-46,457**	**-15,961**
Total adjustments:		**99,996**	**57,916**
Share of net profit of associates	*3*	244	483
Depreciation and amortisation		9,519	7,969
Foreign exchange gains/(losses)		1,371	3,480
Interest and profit distributions (dividends)		3,941	2,484
Gain/(loss) on investing activities		-760	-1,913
Balance-sheet valuation of derivative instruments		1,246	3,068
Change in provisions		1,534	-5,870
Change in inventories		2,971	-2,100
Change in receivables		-17,185	19,570
Change in current liabilities (other than financial liabilities)		-480	-932
Change in accruals, deferrals and contracts		61,056	11,071
Other adjustments		36,537	20,605
Cash from operating activities		**53,539**	**41,955**
Income tax (paid)/recovered		-9,466	-6,987
Net cash flows from operating activities		**44,073**	**34,968**
INVESTING ACTIVITIES			
Cash provided by investing activities		**657**	**4,209**
Proceeds from disposal of intangible assets and property, plant and equipment		458	652
Proceeds from disposals of financial assets		-	2,957
Other inflows from financial assets		199	600
Cash used in investing activities		**24,722**	**30,318**
Investments in intangible assets, property, plant and equipment, and investment property		19,474	18,634
Acquisition of related entities		-	8,100
Acquisition of financial assets		5,248	-
Other financial assets		-	3,584
Cash paid in connection with derivative instruments		-	-
Net cash flows from investing activities		**-24,065**	**-26,109**
FINANCING ACTIVITIES			
Cash provided by investing activities		**29,350**	**13,725**
Net proceeds from issue of equity interests (shares) or other equity instruments and additional contributions to equity		800	74
Borrowings and other debt instruments		28,550	13,651
Other cash provided by financing activities		-	-
Cash used in investing activities		**38,173**	**17,546**

Acquisition of own shares	26,845	
Dividends and other distributions to owners	-	8,053
Repayment of borrowings and other debt instruments	6,934	6,800
Payment of finance lease liabilities	515	384
Interest paid	3,879	2,309
Net cash flows from financing activities	**-8,823**	**-3,821**
Total net cash flows	**11,185**	**5,038**
Net change in cash, including:	**11,321**	**2,433**
- effect of exchange rate fluctuations on cash held	45	128
Cash at beginning of the period	**46,866**	**41,763**
Cash at end of period, including:	**58,050**	**46,801**
- restricted cash	-	-

Date: April 28th 2016

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (PLN '000)

	Share capital	Statutory reserve funds	Hedging reserve	Other components of equity	Exchange differences	Retained earnings/(deficit)	**Equity attributable to owners of the Parent**	Equity attributable to non-controlling interests	Total equity
Equity as at Jan 1 2014	**3,693**	**199,708**	**1,324**	**3,147**	**-11,867**	**58,721**	**254,725**	**5,441**	**260,167**
Correction of previous years' errors	-	-	-	3,801	-	-10,816	**-7,016**	-30	-7,046
Change in accounting policies at SWE	0	0	0	0	0	-1,707	**-1,707**	-	-1,707
Equity as at Jan 1 2014	**3,693**	**199,708**	**1,324**	**6,948**	**-11,867**	**46,198**	**246,003**	**5,422**	**251,414**
Profit/(loss) for the period	-	-	-	-	-	-15,697	**-15,697**	-2,474	-18,171
Other comprehensive income	-	-	-1,579	-	21,020	-2,323	**17,118**	467	17,585
Total comprehensive income for the year	-	-	**-1,579**	-	**21,020**	**-18,020**	**1,421**	**-1,979**	**-587**
Issue of shares	12	-	-	-	-	-	**12**	-	12
Management stock options	-	-	-	1,168	-	-	**1,168**	-	1,168
Dividend paid	-	-	-	-	-	-8,053	**-8,053**	-	**-8,053**
Transfer of 2013 earnings	-	16,659	-	-	-	-16,659	-	-	-
Share buyback	-	-41,750	-	41,750	-	-	-	-	-
Other adjustments	-	-	-	-	-	134	**134**	101	**235**
Accounting for increase in control of a subsidiary	-	-	-	-	-	-1,176	**-1,176**	-1,188	-2,364
Equity as at Dec 31 2014	**3,705**	**174,617**	**-255**	**49,866**	**9,153**	**2,424**	**239,509**	**2,346**	**241,855**
Equity as at Jan 1 2015	**3,705**	**174,617**	**-255**	**49,866**	**9,153**	**2,424**	**239,509**	**2,346**	**241,855**
Correction of previous years' errors	-	-	-						**0**
Equity as at Jan 1 2015	**3,705**	**174,617**	**-255**	**49,866**	**9,153**	**2,424**	**239,509**	**2,346**	**241,855**
Profit/(loss) for the period	-	-	-	-	-	-49,675	**-49,675**	-2,045	**-51,720**
Other comprehensive income	-	-	-1,635	-	12,235	783	**11,383**	147	11,530
Total comprehensive income for the year	-	-	**-1,635**	-	**12,235**	**-48,892**	**-38,292**	**-1,898**	**-40,190**
Management stock options	-	-	-	409	-	-	**409**	-	**409**
Transfer of retained earnings/deficit to statutory reserve funds	-	15,654	-	-	-	-15,654	-	-	-
Share buyback	-	-	-	-26,045	-	-	**-26,045**	-	**-26,045**
Equity as at Dec 31 2015	**3,705**	**190,271**	**-1,890**	**24,230**	**21,388**	**-62,123**	**175,582**	**447**	**176,029**

Date: April 28th 2016

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

THE SECO/WARWICK GROUP

SUPPLEMENTARY INFORMATION TO

THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31ST 2015

I. GENERAL INFORMATION

1. Parent

The Parent of the SECO/WARWICK Group is SECO/WARWICK Spółka Akcyjna of Świebodzin. The Company was incorporated on January 2nd 2007 by virtue of the decision issued by 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 offices:		ul. Sobieskiego 8, 66-200 Świebodzin, Poland
Principal business activity 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,
	28,99,Z	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,
	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

2. 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 a period of 27 years and SECO/WARWICK France established for a period of 15 years.

The financial statements of all subordinates have been prepared for the same period as the Parent's financial statements, using uniform accounting principles.

The financial year of the Parent and the Group companies is the calendar year.

The SECO/WARWICK Group is one of the world's leading producers of heat processing equipment, and a technological leader in its field. Thanks to its innovative R&D centre equipped with industrial furnaces and its cooperation with technical universities in Europe, the Group provides pioneering solutions unmatched by any other technology available in the world.

The SECO/WARWICK Group comprises eleven companies based on three continents. The individual companies operate and implement technological processes for manufacturers involved with steel, titanium and aluminium production, aluminium recycling, forging, automotive, aerospace, commercial heat treating, HVAC/R, electronics, wind energy, medical equipment, nuclear and other industries.

3. Presented periods

These consolidated financial statements contain data for the period January 1st–December 31st 2015. The comparative data is presented as at December 31st 2014 in the case of the statement of financial position, and for the period from January 1st to December 31st 2014 in the case of the statement of comprehensive income, statement of cash flows, and statement of changes in equity.

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

As at December 31st 2015, the composition of the SECO/WARWICK Management Board was as follows:

- Paweł Wyrzykowski – President of the Management Board
- Jarosław Talerzak – Vice-President of the Management Board
- Wojciech Peret – Member of the Management Board

As at December 31st 2014, the composition of the SECO/WARWICK Management Board was as follows:

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

As at December 31st 2015, the composition of the SECO/WARWICK Supervisory Board was as follows:

- Andrzej Zawistowski – Chairman of the Supervisory Board
- Henryk Pilarski – Deputy Chairman of the Supervisory Board
- Jeffrey Boswell – Member of the Supervisory Board
- James A. Goltz – Member of the Supervisory Board
- Marcin Murawski – Member of the Supervisory Board
- Gutmann Habig – Member of the Supervisory Board
- Witold Klinowski – Member of the Supervisory Board.

As at December 31st 2014, the composition of the SECO/WARWICK Supervisory Board was as follows:

- Andrzej Zawistowski – Chairman of the Supervisory Board
- Henryk Pilarski – Deputy Chairman of the Supervisory Board
- Jeffrey Boswell – Member of the Supervisory Board
- James A. Goltz – Member of the Supervisory Board
- Zbigniew Rogóż – Member of the Supervisory Board
- Gutmann Habig – Member of the Supervisory Board
- Witold Klinowski – Member of the Supervisory Board.

Changes in the composition of the Management Board

On December 3rd 2015, the Management Board of SECO/WARWICK S.A. announced Mr Wojciech Modrzyk's resignation from his position of Vice-President and Member of the Company's Management Board, effective as of December 3rd 2015 (see Current Report No. 37/2015).

On December 3rd 2015, the Management Board of SECO/WARWICK S.A. announced Mr Wojciech Peret's appointment as Member of the Company's Management Board, effective as of December 3rd 2015 (see Current Report No. 38/2015).

Changes in the composition of the Supervisory Board:

On May 26th 2015, the Annual General Meeting of SECO/WARWICK S.A. removed Mr Zbigniew Rogóż from his position of Member of the Supervisory Board by Resolution No. 26, effective as of May 26th 2015, and appointed Mr Marcin Murawski as Member of the Supervisory Board by Resolution No. 33, effective as of May 26th 2015. For details, see Current Report No. 27/2015.

5. Auditors

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp.k.
Al. Jana Pawła II 19
00-854 Warsaw, Poland

6. 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 2015:

Shareholder	Number of shares	Ownership interest (%)	Number of votes	% of total vote at General Meeting
SW Holding	3,387,139	31.54%	3,387,139	31.54%
Spruce Holding Limited Liability Company (USA)	1,123,337	10.46%	1,123,337	10.46%
SECO/WARWICK S.A. (1)	1,041,783	9.70%	1,041,783	9.70%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	904,794	8.43%	904,794	8.43%
Bleauhard Holdings LLC	637,028	5.93%	637,028	5.93%
Nationale-Nederlanden Otwarty Fundusz Emerytalny	600,000	5.59%	600,000	5.59%
Metlife OFE	577,470	5.38%	577,470	5.38%

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

(1) treasury shares; the Company does not exercise voting rights in respect of its treasury shares

7. Subsidiaries

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

- SECO/WARWICK EUROPE Sp. z o.o.,
- SECO/WARWICK Corporation,
- SECO/WARWICK Rus,
- Retech Systems LLC,
- SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co. Ltd.,
- SECO/WARWICK GmbH,
- SECO/WARWICK Germany GmbH,
- SECO/WARWICK Allied Pvt. Ltd. (Mumbai) India,
- SECO/WARWICK do Brasil Ind. de Fornos Ltda.,
- SECO/WARWICK France,
- SECO/WARWICK Services Sp. z o.o.

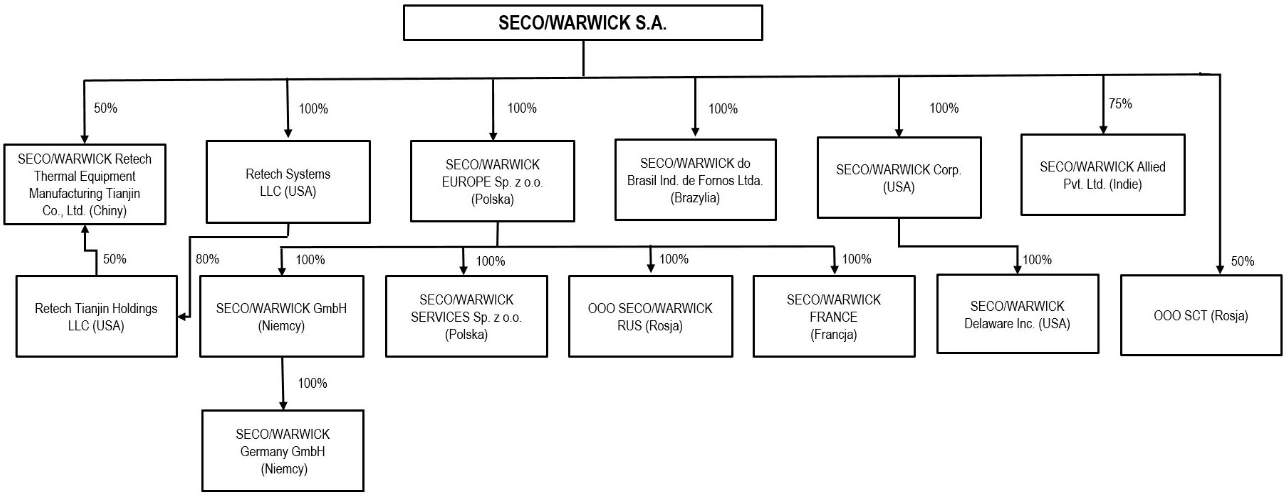
Other Group companies are:

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

8. Associates

- OOO SCT (Solnechnogorsk) Russia, in which the Parent holds a 50% interest, conferring the right to 50% of the total vote at the General Meeting of the company.

9. Organisation of the Group:



II. Key financial data translated into the euro

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

Financial year	Year ended Dec 31 2015	Year ended Dec 31 2014
Average exchange rate for the period*	4.1848	4.1893
Exchange rate effective for the last day of the period	4.2615	4.2623

**) 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 comparative data, translated into the euro:

Key consolidated financial data	2015	2014	2015	2014
	(PLN '000)		(EUR '000)	
Revenue	481,539	439,031	115,069	104,798
Cost of sales	-381,908	-333,813	-91,261	-79,682
Operating profit/(loss)	-40,308	-15,094	-9,632	-3,603
Profit/(loss) before tax	-46,457	-15,960	-11,101	-3,810
Net profit/(loss)	-49,675	-15,697	-11,870	-3,747
Net cash flows from operating activities	44,073	34,968	10,532	8,347
Net cash flows from investing activities	-24,065	-26,109	-5,751	-6,232
Net cash flows from financing activities	-8,823	-3,821	-2,108	-912
	Dec 31 2015	**Dec 31 2014**	**Dec 31 2015**	**Dec 31 2014**
Total assets	494,548	475,427	116,050	111,542
Total liabilities	318,518	233,572	74,743	54,799
including current liabilities	251,708	190,936	59,066	44,796
Equity	176,030	241,854	41,307	56,743
Share capital	3,704	3,704	869	869

III. Statement of compliance

In compliance with the requirements laid down in the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities, 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 2015 and a comparative period from January 1st to December 31st 2014.

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 (Resolution No. 1/2014 of December 4th 2014 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 28th 2016

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

IV. Compliance with International Financial Reporting Standards

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") endorsed by the European Union. As at the date of authorisation of these financial statements for issue, 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.

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

V. 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 end of the most recent reporting period, i.e. December 31st 2015. 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 end of the reporting period, 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 2015, no events occurred which have not but should have been disclosed in the accounting books for the reporting period. In these financial statements no material events related to prior years are disclosed.

VI. Basis of consolidation

These consolidated financial statements include the Company's financial statements and the financial statements of the entities controlled by the Company and its subsidiaries.

a) Subsidiaries

An entity is the Group's subsidiary if the Group has:

- power over the entity,

- exposure, or rights, to its variable returns,

- the ability to use its power over the entity to affect the amount of its own returns.

The acquirer recognises goodwill as of the acquisition date measured as the excess of (a) over (b) below:

a) the aggregate of:

(i) the consideration transferred measured in accordance with IFRS 3, which generally requires acquisition-date fair value,

(ii) the amount of any non-controlling interest in the acquiree measured in accordance with IFRS 3, and

(iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.

b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with IFRS 3.

Following initial recognition, goodwill is recognised at cost less any cumulative impairment losses. Goodwill is not amortised.

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.

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 components of equity after the acquisition date is recognised under other components of equity. 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 2015 and December 31st 2014:

Item	% of total vote	
	Dec 31 2015	Dec 31 2014
SECO/WARWICK S.A.	Parent	
SECO/WARWICK EUROPE Sp. z o.o.	100%	100%
SECO/WARWICK Corp.	100%	100%
SECO/WARWICK of Delaware, Inc	100%	100%
SECO/WARWICK Rus	100%	100%
SECO/WARWICK GmbH	100%	100%
SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co., Ltd.	90%	90%
SECO/WARWICK do Brasil Ind. de Fornos Ltda.,	100%	100%
Retech Systems LLC	100%	100%
SECO/WARWICK Allied Pvt., Ltd.	75%	75%
OOO SCT	50%	50%
SECO/WARWICK Germany GmbH	100%	100%
SECO/WARWICK France	100%	-
SECO/WARWICK Services Sp. z o.o.	100%	-

VII. Applied accounting policies, including methods of measurement of assets, equity and liabilities, income 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.

Historical cost is determined on the basis of fair value of payment made for goods or services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the principal (or most advantageous) market at the measurement date under current market conditions, irrespective of whether the price is directly observable or measured using another valuation technique. When measuring fair value, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement

date. The methods described above are used for the purpose of fair value measurement and/or disclosure of information in the Group's consolidated financial statements, except for share-based payments, which fall within the scope of IFRS 2, lease transactions, which fall within the scope of IAS 17, and except for measurements which show certain similarities with fair value, but are not fair value, such as net realisable value under IAS 2 or value in use under IAS 36.

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

Presentation of financial statements

Presentation of the statement of financial position

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

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

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 measured at cost, which comprises the purchase price of an asset, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and any directly attributable cost of preparing the asset for its intended use.

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

Item	Capitalised development costs	Patents and licences	Software
Useful life	5–20 years	5–10 years	5–15 years
Amortisation method	Amortised using straight-line method after completion of work	Amortised over agreement term using straight-line method	Amortised using straight-line method
Origin	Generated	Acquired	Acquired
Impairment testing/measuring recoverable amount	Annual usability testing	Annual impairment testing	Annual impairment testing

Property, plant and equipment

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

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

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

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

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

Any gains and losses arising on sale or liquidation of an asset are determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset, 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 which is not yet fit for use but it is highly probable that it will be completed. Tangible assets under construction are presented in the statement of financial position at cost less any 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 borrowings and other debt instruments, other types of financing, overdraft facilities, financial liabilities at fair value through profit or loss, hedging derivatives, trade payables, liabilities to suppliers of property, plant and equipment, and lease liabilities.

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

Recognition and measurement of financial assets

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

Receivables

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

If the effect of the time value of money is material, the value of a receivable is determined by discounting the projected future cash flows to their present value using a discount rate that reflects the current market estimates of the time value of money. Where discounting is used, the amount of receivables increases to reflect the passage of time. The increase 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 borrowings

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

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

Hedge accounting

There are three types of hedging relationships:

a) a fair value hedge: a hedge of the exposure to changes in the fair value of a recognised asset or liability or an identified portion of such an asset, liability or highly probable future liability that is attributable to a particular risk and could affect the statement of comprehensive income;

b) a cash flow hedge: a hedge of the exposure to variability in cash flows that (i) is attributable to a particular risk associated with a recognised asset or liability and (ii) could affect the statement of comprehensive income;

c) a hedge of a net investment in a foreign operation as defined in IAS 21.

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

a) At the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. That documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

b) The hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship.

c) For cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss.

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

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

Inventories

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

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

Deferred income tax

Deferred income tax is recognised for all temporary differences between the carrying amounts of assets and liabilities disclosed in the consolidated financial statements and their tax values, as well as for any unused tax loss carry-forwards and unused tax credits. Deferred tax liabilities are substantially recognised in relation to all taxable temporary differences. Deferred tax assets are recognised in relation to all deductible temporary differences to the extent it is probable that in the foreseeable future taxable income will be generated which will enable the deductible temporary differences to be offset. Deferred tax assets and liabilities are not recognised if the temporary differences arise in relation to goodwill or on the initial recognition of other assets and liabilities in a transaction which is not a business combination and affects neither tax nor accounting profit. In addition, no deferred tax is recognised if the temporary differences arise on initial recognition of goodwill. A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except to the extent that the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets attributable to deductible temporary differences associated with such investments and interests are recognised only to the extent it is probable that taxable income will be generated which will enable the tax assets to be utilised and to the extent it is probable that the temporary differences will reverse in the foreseeable future.
The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or asset realised. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 expenditures required to settle a provision are expected to be reimbursed, for instance under an insurance policy, the reimbursement is recognised as a separate asset, but only if it is virtually certain that the reimbursement will be received.

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

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

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

The Group recognises the following provisions:

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

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

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

Functional currency and presentation currency

a) Functional currency and presentation currency

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

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of these transactions, as well as from changes in the carrying amounts of monetary assets and liabilities expressed in foreign currencies are recognised in the statement of profit or loss.

Material judgements and estimates

In view of the fact that many items presented in the consolidated financial statements cannot be measured accurately, certain estimates need to be made in the preparation of the consolidated 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 2014 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 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 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 percentage of completion is determined by reference to costs incurred to date in comparison with total contract costs determined in accordance with the Group's best estimate.

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 settle commercial contracts related to the Group's principal operating activities whose performance terms exceed three months and whose total value is material from the point of view of reliability of the financial statements (revenue, expenses, and the financial result). The Company accrues only documented revenue, i.e. revenue which is guaranteed under the original contract, adjusted to account for any subsequent amendments to the original contract (annexes). Any changes of the contract revenue are taken into account if it is certain (i.e. a contract or annexes to a contract have been signed) or at least highly probable (i.e. annexes to a contract or preliminary contracts have been initialled) that the client will accept the amendments and the revenue amounts provided for in the amendments, and such revenue can be reliably measured.

The stage of completion of a contract is determined by reference to the contract costs actually incurred in the reporting period and documented by appropriate accounting evidence, and the costs of trading partners not yet invoiced.

The revenue as at the end of the reporting period is determined based on the percentage of completion of the contract, net of any revenue which affected the financial result in previous reporting periods. Estimated contract revenue attributable to the given reporting period is recognised as revenue from sale of finished goods 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 instruments are initially recognised at fair value as at the relevant contract date, and subsequently they are remeasured at fair value as at the end of each reporting period. Any resultant gains or losses are recognised directly in profit or loss, unless a given instrument is used as a hedge, in which case the time of recognition in profit or loss depends on the nature of the hedging relationship.

Subjective judgement

Where a given transaction does not fall within the scope of any standard or interpretation, the Management Board relies on its subjective judgement to determine and apply accounting policies which will ensure that the financial statements contain only relevant and reliable information. Within the period covered by these financial statements, no transactions were identified whose recognition would require the application of the Management Board's subjective judgement as defined above.

IX. Changes in accounting policies

Statement of compliance

These consolidated financial statements have been prepared on the basis of the International Financial Reporting Standards and related interpretations issued in the form of the European Commission's regulations.

Status of EU endorsement of the Standards

Currently, the EU-approved IFRS do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the following interpretations, which have not yet been adopted as at the date of issue of these financial statements:

- IFRS 9 Financial Instruments – effective for annual periods beginning on or after January 1st 2018

In its original version of 2009, IFRS 9 introduced new requirements concerning classification and measurement of financial assets. In October 2010, the standard was modified to include requirements concerning classification and measurement of financial liabilities and rules of derecognition. In November 2014, IFRS 9 was further extended to include new requirements concerning hedge accounting. Another revision of IFRS 9 was issued in July 2014. It introduced a new impairment model and limited changes to the classification and measurement requirements for financial assets (new classification of certain basic debt instruments: fair value through other comprehensive income (FVTOCI)).

Key requirements under IFRS 9:

• All financial assets to which IAS 39 Financial Instruments: Recognition and Measurement currently applies must be measured at amortised cost or at fair value. In particular, investments in debt instruments held based on a business model (the objective of which is to collect the contractual cash flows) which generate contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at amortised cost at the end of each accounting period. Debt instruments held based on a business model which envisages collection of contractual cash flows with the possibility to sell the instrument which generate contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, must be measured at FVTOCI. All other debt and equity instruments are measured at fair value at the end of each accounting period. Moreover, in accordance with IFRS 9, an entity can make an irrevocable election to present subsequent changes to the fair value of an equity investment (not held for trading) in other comprehensive income, with only dividend income recognised in profit or loss.

• With respect to financial liabilities at fair value through profit or loss, IFRS 9 requires that any changes in the fair value of a financial liability attributable to changes in credit risk of the liability be presented in other comprehensive income, unless the presentation of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in the fair value attributable to changes in credit risk of the liability which are presented in other comprehensive income may not be subsequently transferred to profit or loss. In accordance with IAS 39, the entire amount of the change of fair value of a financial liability designated for measurement at fair value through profit or loss must be recognised in profit or loss.

• With respect to impairment of financial assets, IFRS 9 requires the application of the expected loss impairment model instead of the incurred loss impairment model previously required under IAS 39. The expected loss impairment model requires an entity to account for expected credit losses and their changes as at each reporting date to reflect changes in credit risk following its initial recognition. In other words, a credit event does not need to occur before credit losses can be recognised.

• The new requirements concerning hedge accounting retain the three types of hedge accounting defined in IAS 39. IFRS 9 is more flexible with respect to the types of transactions eligible for hedge accounting; in particular, it broadens the range of instruments eligible as hedges and allows designation of risk components in the case of non-financial items. Effectiveness tests were replaced by the requirement of existence of an economic relationship between the hedged item and the hedging instrument. Retrospective evaluation of the hedge effectiveness is no longer required. Also, additional requirements were introduced concerning disclosure of information on risk management by entities.

Preliminary analysis of the impact of IFRS 9 on the applied accounting principles revealed that for the Group a significant change will be related to replacing the existing models of classification and measurement under IAS 39 with a one model including only two classification categories: amortized cost and fair value. Classification under IFRS 9 is based on the business model used for managing financial assets. In addition, the standard introduces a new model of hedge accounting that requires extensive disclosures regarding risk management. Due to the large scope of change, evaluation of the impact of IFRS 9 on the separate financial statements is subject to further analysis

➢ IFRS 15 Revenue from Contracts with Customers – effective for annual periods beginning on or after January 1st 2018

IFRS 15, which provides a single model to account for revenues under contracts with customers, was issued in May 2014. IFRS 15 is mandatory to all reporting entities. When it comes into effect, IFRS 15 will replace the revenue recognition guidance contained in IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations.

The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework:

• Step 1: Identify the contract(s) with a customer.
• Step 2: Identify the performance obligations in the contract.
• Step 3: Determine the transaction price.
• Step 4: Allocate the transaction price to the performance obligations in the contract.
• Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

In accordance with IFRS 15, an entity recognises revenue when it has satisfied its performance obligation, i.e. when control over the goods or services which are the subject of this obligation has been transferred. IFRS 15 also contains far more restrictive guidance concerning specific aspects of revenue recognition, and requires disclosure of a broad range of information.

In the opinion of the Company's Management Board, application of these amendments will have no significant effect on the Group's consolidated financial statements.

Preliminary analysis of the impact of IFRS 15 on the applied accounting principles revealed that it changes the way the settlement of contracts with customers, especially when under one contract the services are provided and goods are supplied, as in the case of the Group may be important in the Sales segment. It is expected that the new guidelines of IFRS 15 may result in the need to change systems, whereas before the entry into force of the standard Group plans to analyse contracts with customers in five steps - from the identification of the contract (or groups of contracts), by indicating the individual commitments and set prices, allocate them individual commitments and recognition of revenue. The new standard requires disclosure of a much larger amount of information about sales and revenues in the financial statements. Due to the large scope of change evaluation of the impact of IFRS 15 on the separate financial statements is subject to further analysis.

- IFRS 16 "Lease" - effective for annual periods beginning on or after January 1, 2019 or later

According to IFRS 16, the lessee recognizes the right to use the asset and the lease obligation. The right to use the asset is treated like any other non-financial assets and depreciated accordingly. Lease liabilities are initially measured at the present value of the lease payments payable during the lease discounted at the interest contained in the lease, if the determination is not difficult. If it is not easily to determine this rate, the lessee uses the marginal rate. With regard to the classification of leases with lessors, it is performed as well as in accordance with IAS 17 - ie. as operating leases or finance. At the lessor's lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the assets concerned. Otherwise, the lease is classified as an operating lease. In the financial leasing lessor recognizes finance income over the lease term, based on a constant periodic rate of return on the net investment. Lessor operating lease payments in income linearly or other systematic way, if it better reflects the pattern receive the benefits from the use of assets.

Preliminary analysis of the impact of IFRS 16 on the applied accounting principles revealed that for the Group a significant change will be related to the need of recognition in the financial assets and lease obligations for leases currently classified as operating leases and the presentation of assets subject to finance leases, which now they recognized as part of property, plant and equipment or intangible assets. The Group plans to analyse all lease agreements to identify those that will require recognition of assets and liabilities in the financial statements or changes in the presentation. Due to the distant date of entry into force of IFRS 16, which has not yet been approved by the EU, on the date of approval for publication of the financial statements the Group has not yet analysed the impact of planned changes on the separate financial statements. Such an analysis will be carried out at a later date.

- Amendments to IAS 1 Presentation of Financial Statements – Disclosure Initiative – effective for annual periods beginning on or after January 1st 2016

The purpose of the amendments to IAS 1 is to encourage entities to use professional judgement in determining what information is required to be disclosed in an entity's financial statements. For instance, the amendments clarify that materiality considerations apply to all parts of the financial statements and that inclusion of immaterial information may obscure financial statements. Furthermore, the amendments clarify that entities should use professional judgement to determine where and in what order the disclosures should be presented in the financial statements.

- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – effective for annual periods beginning on or after January 1st 2016

The purpose of the amendments is to remove the inconsistencies between the requirements contained in IAS 28 and those imposed under IFRS 10, and to clarify that the recognition of any gain or loss arising from a transaction between an investor and its associate or joint venture depends on whether the assets sold or contributed constitute a business.

In the opinion of the Company's Management Board, application of the above amendments will have no significant effect on the Group's consolidated financial statements.

- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities, and IAS 28 Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception

These minor amendments to IFRS 10, IFRS 12 and IAS 28 provide clarification with respect to accounting for investment entities. The amendments also introduce some exceptions in this respect, applicable in specific circumstances.

In the opinion of the Company's Management Board, application of these amendments will have no significant effect on the Group's consolidated financial statements, because neither the parent nor its higher-tier parent or any of their subsidiaries, jointly-controlled entities or associates are investment entities.

- IFRS Annual Improvements cycle 2012-2014 – effective for annual periods beginning on or after January 1st 2016

The IFRS Annual Improvements cycle 2012-2014 comprises a number of minor amendments to IFRS, which are briefly discussed below.

The amendments to IFRS 5 provide specific guidelines for reclassification of an asset (or a disposal group) from assets held for sale to assets held for distribution to owners (or vice versa), or where assets cease to be classified as held for distribution. The amendments stipulate that:

• such reclassification will not be deemed a change to the plan of sale or distribution to owners, and therefore the requirements concerning classification, presentation and valuation applicable to the new disposal method should be complied with;
• assets which no longer meet the criteria to be classified as assets held for distribution to owners (and which do not meet the criteria for assets held for sale) should be treated in the same manner as assets which have ceased to be classified as assets held for sale.

The amendments apply prospectively.

Amendments to IFRS 7 add additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required with respect to transferred assets. Paragraph 42C (c) of IFRS 7 provides that the transfer of contractual obligations does not in itself imply a continuing involvement for the purpose of the transfer disclosure requirements.

The amendments to IFRS 7 have been introduced to eliminate doubts regarding inclusion of required disclosures on offsetting financial assets and liabilities (introduced in December 2011 and effective for periods beginning on or after January 1st 2014) in condensed interim financial statements and – if such inclusion is required – regarding whether the requirement applies to all such financial statements prepared after January 1st 2014 on only to those prepared in the first year after that date.

Amendments to IAS 19 clarify that in determining the discount rate for post-employment benefits an entity should use high quality corporate bonds issued in the currency in which the benefits are to be paid. The amendments will help assess the depth of the market for such bonds at a the currency level.

Amendments to IAS 34 clarify the requirements concerning disclosures which are required under IAS 34 and are presented elsewhere
in the interim financial report, but not in the interim financial statements. According to the improvements, such information will be included in the interim financial statements by reference to another part of the interim report available to users on the same terms and at the same time as the interim financial statements.

In the opinion of the Company's Management Board, application of the above improvements will have no significant effect on the Group's consolidated financial statements.

At the same time, the regulations endorsed by the EU still do not include hedge accounting of portfolios of financial assets and liabilities; relevant rules have not been adopted for use in the EU.

According to the entity's estimates, the application of hedge accounting of portfolios of financial assets and liabilities in accordance with IAS 39 Financial Instruments: Recognition and Measurement would have no material effect on the financial statements, if the relevant rules had been adopted for use in the EU as at the reporting date.

First-time adoption of standards

The following standards, amendments to existing standards and interpretations published by the International Accounting Standards Board (IASB) and endorsed for use in the EU apply to the Group for the first time in the consolidated financial statements for 2015:

- IFRS Annual Improvements cycle 2011-2013

The IFRS Annual Improvements cycle 2011-2013 comprises a number of minor amendments to IFRS, which are briefly discussed below.

The Basis for Conclusions of IFRS 1 was modified to clarify that an entity, in its first IFRS financial statements, may (though it is under no obligation to) apply early a new IFRS that is not yet mandatorily effective, provided that the new IFRS permits early application. If an entity opts for such early application, it has to apply the new IFRS retrospectively to all presented periods, unless an exemption is available under IFRS 1 or an exception from that rule applies.

In IFRS 3 the chapter devoted to scope was modified and clarification was provided that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

Amendments to IFRS 13 included modification of the scope of the portfolio exception (an exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis); the modifications clarified that the portfolio exception includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities provided in IAS 32.

IAS 40 was amended to clarify that IAS 40 and IFRS 3 Business Combinations are not mutually exclusive and that the separate application of both standards may be required. Therefore, an entity purchasing investment property must determine whether the property meets the definition of both an investment property as defined in IAS 40 and that of a business combination as defined in IFRS 3.

- IFRIC 21 Levies

IFRIC 21 is the interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. One of the criteria for the recognition of a liability under IAS 37 is the requirement for a present obligation to have arisen as a result of a past event (obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a public levy is an activity that triggers the payment of the levy in accordance with applicable legislation.

The Group’s Management Board believes that the above changes and the new interpretation have no significant effect on the amounts disclosed in the Group’s consolidated financial statements.

Early application of standards and interpretations

When preparing these consolidated financial statements, the Group’s Management Board decided that none of the standards will be applied early.

Standards published and endorsed by the EU but not yet effective

When authorising these financial statements, the Group had not applied the following standards, amendments to standards and interpretations which were issued and endorsed for use in the EU but not yet effective:

- Amendments to various standards introduced as part of the IFRS Annual Improvements cycle 2010-2012, endorsed by the EU on December 17th 2014 – effective for annual periods beginning on or after February 1st 2015

The IFRS Annual Improvements cycle 2010-2012 comprises a number of minor amendments to IFRS, which are briefly discussed below.

The amendments to IFRS 2 (i) amend the definition of ‘vesting condition’ and ‘market condition’ and (ii) add definitions for ‘performance condition’ and ‘service condition’ (which were previously part of the definition of ‘vesting condition’).

Amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability must be measured at fair value at each reporting date, irrespective of whether such consideration has the form of a financial instrument that falls within the scope of IFRS 9 or IAS 39, or the form of a non-financial asset/liability. All fair value changes (other than fair value adjustments made as part of periodic valuation) must be taken to profit or loss.

Amendments to IFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including to provide a description of the aggregated operating segments and of the economic indicators taken into account when making the decision whether the given segments have similar economic characteristics, and (ii) clarify that an entity shall only provide reconciliations of the total of the reportable segments’ assets to the entity’s assets if the segment assets are regularly reported to the chief operating decision maker.

Amendments to the Basis of Conclusions of IFRS 13 clarify that issuing IFRS 13 and amending (accordingly) IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial. As no effective date was specified for the above amendments, it is assumed that they apply immediately after publication.

Amendments to IAS 16 and IAS 38 eliminate the inconsistencies in accounting for accumulated depreciation or amortisation when an item of property, plant and equipment or an intangible asset is revalued. The modified standards clarify that when an asset is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset, and the accumulated amortisation or depreciation is equal to the difference between the gross carrying amount and the carrying amount net of accumulated impairment.
Amendments to IAS 24 clarify that a management entity providing key management personnel services to the reporting entity is a related party of the reporting entity. Therefore, the reporting entity must disclose the amounts paid or payable to the management entity for providing key management personnel services as related party transactions. The components of such amounts are not required to be disclosed, though.

In the opinion of the Company's Management Board, application of the above improvements will have no significant effect on the Group's consolidated financial statements.

- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture: Bearer Plants (effective for annual periods beginning on or after January 1st 2016)

The amendments to IAS 16 and IAS 41 introduce the definition of bearer plants and bring biological assets that meet this definition into the scope of IAS 16 so that they are accounted for in the same way as property, plant and equipment. Produce growing on bearer plants continues to be accounted for under IAS 41.

Given that the Group is not engaged in agricultural activities, the Management Board does not anticipate that application of the revised IAS 16 and IAS 41 will have a significant effect on its consolidated financial statements.

- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – explanations concerning acceptable methods of accounting for depreciation and amortisation (effective for annual periods beginning on or after January 1st 2016)

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:
a) when the intangible asset is expressed as a measure of revenue, or
b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after January 1st 2016. Currently, the Group uses the straight-line method to depreciate/amortise its property, plant and equipment/intangible assets. The Management Board believes that the straight-line method is the most appropriate one to reflect the consumption of economic benefits inherent in the respective assets. Accordingly, the Management Board does not anticipate that application of the revised IAS 16 and IAS 38 will have a significant effect on the Group's consolidated financial statements.

- Amendments to IAS 19 'Employee Benefits – Defined Benefit Plans: Employee Contributions', endorsed by the EU on December 17th 2014 – effective for annual periods beginning on or after February 1st 2015

The amendments to IAS 19 Employee Benefits clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.

Contributions not linked to the number of years in service may either be recognised as a reduction of service cost in a given period of service or attributed to periods of service using the projected unit credit method. Contributions linked to the number of years in service must be attributed to periods of service.

In the opinion of the Company's Management Board, application of the revised IAS 19 will have no significant effect on the Group's consolidated financial statements.

- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations – effective for annual periods beginning on or after January 1st 2016

The amendments to IFRS 11 contain guidance on accounting for the acquisition of interests in joint operations in circumstances in which the activity of the joint operation constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 Impairment of Assets regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) must be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

An entity is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

Amendments to IFRS 11 apply prospectively for annual periods beginning on or after January 1st 2016. In the opinion of the Company's Management Board, application of the above amendments will have no significant effect on the Group's consolidated financial statements.

The Group did not opt for early application of the above standards, amendments, and interpretations. The Group estimates that the above standards, interpretations and amendments to standards would not have had a material effect on the financial statements if they had been applied by the Group as at the reporting date.

<u>Voluntary changes in accounting policies</u>

When preparing these consolidated financial statements, the Group did not make any voluntary changes to the accounting policies applied in previous periods.

THE SECO/WARWICK GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31ST 2015

Note 1. REVENUE

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

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

Item	2015	2014
Sale of finished goods	462,895	417,612
Sales of merchandise and materials	18,644	21,419
TOTAL sales revenue	**481,539**	**439,031**
Other income	5,684	6,002
Finance income	3,321	6,456
TOTAL revenue and income	**490,544**	**451,489**

Note 2. OPERATING SEGMENTS

The Group's core business consists in manufacture of five key groups of products: vacuum furnaces, aluminium heat exchanger brazing systems, aluminium heat treatment systems and metallurgy equipment used for melting and vacuum casting of metals and specialty alloys. Also, in accordance with the Company's management accounts, a separate aftersales segment has been established. The SECO/WARWICK Group's operations are divided into five core business segments corresponding to the product groups:

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.

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).

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.

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 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.

Aftersales

The Aftersales Segment covers the conversion, modernisation and modification of customer-owned equipment, including the equipment manufactured by third parties. This segment also includes sale of spare parts and all aftersales services.

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.

Other

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

- the EU market,
- Russian, Belarusian and Ukrainian markets,
- 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 – 2015

Item	Continuing operations							Discontinued operations	Unallocated items	Total
	Vacuum Furnaces	Melting Furnaces	Thermal	CAB	Aluminium Process	Aftersales	Total			
Total segment revenue	**104,390**	**133,373**	**65,076**	**42,156**	**40,737**	**87,859**	**473,591**	**-**	**7,948**	**481,539**
Sales to customers accounting for 10% or more of revenue	-	-	-	-	-	-	-	-	-	-
Total segment expenses	**-84,588**	**-116,846**	**-54,350**	**-30,957**	**-33,385**	**-56,645**	**-376,770**		**-5,138**	**-381,908**
Distribution costs	-	-	-	-	-		-	-	-34,743	**-34,743**
Administrative expenses	-	-	-	-	-		-	-	-59,392	**-59,392**
Operating income	-	-	-	-	-		-	-	5,684	**5,684**
Operating expenses	-	-	-	-	-		-	-	-51,489	**-51,489**
Segment profit/(loss) on operating activities	-	-	-	-	-		-	-	-40,308	**-40,308**
Finance income	-	-	-	-	-		-	-	3,321	**3,321**
Net finance costs	-	-	-	-	-		-	-	-9,269	**-9,269**
Share in profit of associate	-	-	-	-	-		-	-	-200	**-200**
Profit before tax	-	-	-	-	-		-	-	-46,457	**-46,457**
Actual tax expense	-	-	-	-	-		-	-	-5,263	**-5,263**
Profit/(loss) from continuing operations	-	-	-	-	-		-	-	-51,720	**-51,720**
Loss of control	-	-	-	-	-		-	-	-	**-**
Profit/(loss) attributable to non-controlling interests	-	-	-	-	-		-	-	-2,045	**-2,045**
Net profit/(loss) for period	-	-	-	-	-		-	-	-49,675	**-49,675**

OPERATING SEGMENTS – 2014

Item	Continuing operations							Discontinued operations	Unallocated items	Total
	Vacuum Furnaces	Melting Furnaces	Thermal	CAB	Aluminium Process	Aftersales	Total			
Total segment revenue	**103,394**	**93,637**	**99,063**	**40,217**	**29,524**	**69,356**	**435,295**	**-**	**3,736**	**439,031**
Sales to customers accounting for 10% or more of revenue	-	-	-	-	-	-	-	-	-	-
Total segment expenses	**-68,813**	**-79,122**	**-78,509**	**-27,248**	**-26,847**	**-49,295**	**-329,834**	**-**	**-3,979**	**-333,814**
Distribution costs	-	-	-	-	-		-	-	-30,673	**-30,673**
Administrative expenses	-	-	-	-	-		-	-	-57,058	**-57,058**
Operating income	-	-	-	-	-		-	-	6,002	**6,002**
Operating expenses	-	-	-	-	-		-	-	-38,582	**-38,582**
Segment profit/(loss) on operating activities	-	-	-	-	-		-	-	-15,094	**-15,094**
Finance income	-	-	-	-	-		-	-	6,456	**6,456**
Net finance costs	-	-	-	-	-		-	-	-6,839	**-6,839**
Share in profit of associate	-	-	-	-	-		-	-	-483	**-483**
Profit before tax	-	-	-	-	-		-	-	-15,960	**-15,960**
Actual tax expense	-	-	-	-	-		-	-	-2,183	**-2,183**
Profit/(loss) from continuing operations	-	-	-	-	-		-	-	-18,142	**-18,142**
Loss of control	-	-	-	-	-		-	-	-	**-**
Profit/(loss) attributable to non-controlling interests	-	-	-	-	-		-	-	-2,474	**-2,474**
Net profit/(loss) for period	-	-	-	-	-		-	-	-15,697	**-15,697**

Note 3. OPERATING EXPENSES

OPERATING EXPENSES, BY NATURE OF EXPENSE	Jan 1 - Dec 31 2015	Jan 1 - Dec 31 2014
Depreciation and amortisation	9,519	7,969
Raw materials and consumables used	202,044	204,000
Services	55,437	50,841
Taxes and charges	11,795	11,009
Salaries and wages	110,468	98,488
Social security and other benefits	25,114	22,392
Defined benefit plan	765	450
Management stock options	409	1,847
Other costs	60,954	40,925
Total operating expenses, including:	**476,505**	**437,921**
Distribution costs	-34,743	-30,673
Administrative expenses	-59,392	-57,726
Change in products	9,858	-9,092
Work performed by entity and capitalised	-10,696	-6,617
Merchandise and materials sold	-14,732	-12,394
Cost of products sold and services rendered	**366,800**	**321,419**

DEPRECIATION/AMORTISATION AND IMPAIRMENT LOSSES RECOGNISED IN PROFIT OR LOSS	Jan 1 - Dec 31 2015	Jan 1 - Dec 31 2014
Items recognised in cost of sales	**5,929**	**4,290**
Depreciation of property, plant and equipment	5,683	4,068
Amortisation of intangible assets	246	222
Impairment of property, plant and equipment	-	-
Items recognised in distribution costs	**959**	**330**
Depreciation of property, plant and equipment	508	259
Amortisation of intangible assets	451	71
Operating lease expense	-	-
Items recognised in administrative expenses:	**2,621**	**3,349**
Depreciation of property, plant and equipment	1,559	2,060
Amortisation of intangible assets	1,061	1,289
Operating lease expense	-	-
Items recognised in other expenses:	**10**	**-**
Depreciation of investment property	10	-

EMPLOYEE BENEFITS EXPENSE

PERSONNEL COSTS	Jan 1 - Dec 31 2015	Jan 1 - Dec 31 2014
Salaries and wages	110,473	98,345
Social security and other benefits	24,581	21,935

Defined benefit plan	765	450
Retirement benefits	313	277
Other post-employment benefits	-	-
Share-based payment scheme	-	-
Other employee benefits	216	324
Total employee benefits expense, including:	**136,347**	**121,330**
Items recognised in cost of sales	88,209	78,893
Items recognised in distribution costs	19,232	10,832
Items recognised in administrative expenses:	28,907	31,605

Note 4. OTHER INCOME AND EXPENSES

OTHER INCOME	**Jan 1 - Dec 31 2015**	**Jan 1 - Dec 31 2014**
Reversal of impairment losses on receivables	1,110	553
Reversal of provisions	570	-
Past due liabilities	-	420
Gain on disposal of property, plant and equipment	45	727
Penalties and compensation/damages received	449	696
Income from lease of tangible assets and investment property	1,886	1,472
Grant for development work	279	391
Other	1,345	1,743
Total other income	**5,684**	**6,002**

OTHER EXPENSES	**Jan 1 - Dec 31 2015**	**Jan 1 - Dec 31 2014**
Impairment losses on receivables	10,694	6,447
Revaluation of inventories	175	146
Loss on disposal of property, plant and equipment	76	15
Court expenses, compensation/damages, penalties	32	370
Revaluation of tangible asset	865	73
Cost of lease of tangible assets	1,078	680
Costs of legal representation	1,396	426
Services purchase cost for re-invoicing	294	372
Donations	303	170
Provision for compensation claims	0,02	2,195
Costs associated with acts of God	-	103
Impairment loss on goodwill	35,868	25,596
Other	707	1,989
Total other expenses	**51,489**	**38,582**

Note 5. FINANCE INCOME AND COSTS

FINANCE INCOME	**Jan 1 - Dec 31 2015**	**Jan 1 - Dec 31 2014**
Interest income	1,844	797

Gain on disposal of investments	4	635
Gain on derivative instruments at maturity	-	2,642
Net foreign exchange gains	390	1,247
Other	1,083	1,136
Total finance income	**3,321**	**6,456**

FINANCE COSTS	**Jan 1 - Dec 31 2015**	**Jan 1 - Dec 31 2014**
Interest paid	5,138	3,447
Loss on derivative instruments at maturity	2,372	-
Valuation of derivative instruments	1,246	3,039
Net foreign exchange losses	-	-
Other	513	353
Total finance costs	**9,269**	**6,839**

Note 6. INCOME TAX AND DEFERRED INCOME TAX

The main items of the tax expense for the annual periods ended December 31st 2015 and December 31st 2014 were as follows:

INCOME TAX DISCLOSED IN PROFIT OR LOSS	**Jan 1 - Dec 31 2015**	**Jan 1 - Dec 31 2014**
Current income tax	**5,870**	**6,704**
Current income tax expense	6,480	6,704
Adjustments to current income tax for previous years	**0**	**-**
Deferred income tax	**-607**	**-4,521**
Related to temporary differences and their reversal	-607	-4,521
Related to reduction of income tax rates	-	-
Income tax benefit arising from transactions involving items of equity	-	-
Tax expense recognised in profit or loss	**5,263**	**2,183**

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, excluding items charged or credited to equity.

DISCLOSURES RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME	**Jan 1 - Dec 31 2015**	**Jan 1 - Dec 31 2014**
Exchange differences on translating foreign operations	12,382	21,116
Valuation of cash flow hedging derivatives	-2,019	-1,949
Reclassification adjustments (increase in control of a subsidiary)	0	371
Actuarial gains/(losses) on a defined benefit retirement plan	1,205	-3,574
Income tax on other comprehensive income	-38	1,621
Other comprehensive income	**11,530**	**17,585**

Item	Dec 31 2015 carrying amount	Dec 31 2015 amount recognised in profit or loss	Dec 31 2014 carrying amount	Dec 31 2014 amount recognised in profit or loss
Deferred tax liabilities				
Accelerated tax depreciation/amortisation	12,890	1,904	10,985	1,758
Finance leases	282	52	231	56
Other	9,462	7,485	2,010	-1,379
Foreign exchange gains	354	6	304	-503
Adjustments to long-term contracts	5,372	-2,142	7,424	437
Valuation of financial assets	450	-131	332	92
Forward transactions	43	-72	348	325
Deferred tax liabilities	**28,853**	**7,102**	**21,636**	**786**
Deferred tax assets				
Provision for disability severance payments and retirement bonuses	3,952	386	3,680	2,453
Provision for length-of-service awards and bonuses	705	18	688	-64
Provision for accrued holiday entitlements	911	-323	1,120	510
Provision for losses on contracts	2,705	912	1,218	1,050
Provision for warranty repairs	23	-70	93	-583
Provision for other employee benefits	433	392	41	41
Other provisions	1,161	-982	2,647	-441
Losses deductible from future taxable income	3,406	-136	3,542	2,089
Assets under long-term contracts	7,151	882	6,420	3,185
Foreign exchange losses	414	-137	551	254
Settlement of grant	574	-21	594	-40
Other	-2,432	-3,517	1,085	649
Valuation of financial instruments	-285	302	-587	-588
Salaries, wages and social security contributions payable in subsequent periods	253	29	224	-406
Lease liabilities	370	109	261	31
Write-downs of inventories	931	77	773	-567
Impairment losses on receivables	1,795	1,197	597	28
Impairment losses on investment	123	6,510	-132	-637
Deferred tax assets	**22,191**	**5,629**	**22,817**	**6,966**

Item	Dec 31 2015 carrying amount	Dec 31 2015 amount recognised in equity	Dec 31 2014 carrying amount	Dec 31 2014 amount recognised in equity
Valuation of hedging instruments	-285	302	-587	-588
Deferred tax assets	**-285**	**302**	**-587**	**-588**

Item	Dec 31 2015 carrying amount	Dec 31 2015 amount recognised in	Dec 31 2014 carrying amount	Dec 31 2014 amount recognised in

		equity		equity
Valuation of hedging instruments	43	-72	348	325
Deferred tax liabilities	**43**	**-72**	**348**	**325**

Note 7. ASSETS HELD FOR SALE

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

Item	Dec 31 2015	Dec 31 2014
Financial assets	-	-
Assets held for sale	**-**	**-**

As at December 31st 2015 and December 31st 2014, the Group had no assets held for sale.

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 2015	Dec 31 2014
Net profit/(loss) from continuing operations attributable to shareholders	-49,675	-15,697
Loss from discontinued operations attributable to shareholders	-	-
Net profit/(loss) attributable to owners of the parent	-49,675	-15,697
Interest on redeemable preference shares convertible into ordinary shares	-	-
Net profit attributable to holders of ordinary shares, used to calculate diluted earnings per share	**-49,675**	**-15,697**
Weighted average number of outstanding ordinary shares, used to calculate basic earnings per share	10,734,679	10,734,679
Earnings per share	**-4.63**	**-1.46**
Dilutive effect:		
Number of potential subscription warrants	-	-
Number of potential shares issued at market price	-	-
Adjusted weighted average number of ordinary shares, used to calculate diluted earnings per share	10,734,679	10,734,679
Diluted earnings per share	**-4.63**	**-1.46**

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

In 2015 and as at the date of authorisation of these financial statements, no dividends were proposed or declared.

Note 10. PROPERTY, PLANT AND EQUIPMENT

Item	Dec 31 2015	Dec 31 2014
Tangible assets	96,104	82,625
Tangible assets under construction	10,197	11,042
Prepayments for tangible assets under construction	-	-
Property, plant and equipment	**106,301**	**93,667**

OWNERSHIP STRUCTURE – net value	Dec 31 2015	Dec 31 2014
Owned	**104,447**	**92,333**
Used under lease, tenancy or similar contract	1,855	1,334
Total	**106,301**	**93,667**

Changes in property, plant and equipment (by type) in the period Jan 1–Dec 31 2015

Item	Land	Buildings and structures	Machinery and equipment	Vehicles	Other tangible assets	Total
Gross carrying amount as at Jan 1 2015	**8,136**	**54,255**	**41,894**	**9,882**	**7,881**	**122,048**
Increase, including:	**-**	**1,941**	**16,314**	**1,682**	**615**	**20,553**
assets acquired	-	1,779	16,314	523	615	19,231
assets generated internally	-	162	-	-	-	162
concluded lease agreements	-	-	-	1,160	-	1,160
Decrease, including:	**-**	**-**	**663**	**1,034**	**33**	**1,730**
disposal	-	-	512	687	19	1,218
liquidation	-	-	151	268	14	433
other	-	-	-	79	-	79
Gross carrying amount as at Dec 31 2015	**8,136**	**56,196**	**56,656**	**10,530**	**8,462**	**140,870**
Cumulative depreciation as at Jan 1 2015	**-**	**10,712**	**24,006**	**5,711**	**4,265**	**44,694**
Increase, including:	**-**	**1,517**	**3,868**	**1,309**	**938**	**7,632**
depreciation	-	1,517	3,868	1,309	938	7,632
Decrease, including:	**-**	**-**	**454**	**605**	**24**	**1,083**
sale	-	-	307	507	19	833
liquidation	-	-	147	98	4	249
Cumulative depreciation as at Dec 31 2015	**-**	**12,230**	**27,419**	**6,415**	**5,179**	**51,243**
Impairment losses as at Jan 1 2015	-	-	-364	13	345	-6
Impairment losses as at Dec 31 2015	-	-	-364	13	345	-6
Net exchange differences on translating financial statements into presentation currency	1,560	2,999	2,104	244	454	7,361

Net carrying amount as at Dec 31 2015	**9,696**	**46,965**	**31,704**	**4,346**	**3,392**	**96,104**

Changes in property, plant and equipment (by type) in the period Jan 1–Dec 31 2014

Item	Land	Buildings and structures	Machinery and equipment	Vehicles	Other tangible assets	Total
Gross carrying amount as at Jan 1 2014	**8,136**	**49,562**	**40,787**	**9,168**	**7,223**	**115,638**
Increase, including:	-	**4,693**	**2,328**	**1,126**	**828**	**8,975**
assets acquired	-	4,628	2,267	510	693	8,098
concluded lease agreements	-	-	-	616	-	616
reclassification	-	65	61	-	135	261
Decrease, including:	-	-	**1,221**	**410**	**169**	**1,800**
disposal	-	-	1,079	410	169	1,658
liquidation	-	-	142	1		143
Gross carrying amount as at Dec 31 2014	**8,136**	**54,255**	**41,894**	**9,882**	**7,881**	**122,048**
Cumulative depreciation as at Jan 1 2014	-	**9,086**	**21,282**	**4,851**	**3,636**	**38,856**
Increase, including:	-	**1,626**	**3,016**	**1,087**	**733**	**6,463**
depreciation	-	1,626	3,016	1,087	733	6,463
Decrease, including:	-	-	**293**	**227**	**105**	**624**
sale	-	-	219	226	15	460
revaluation	-	-	73	1	90	165
Cumulative depreciation as at Dec 31 2014	-	**10,712**	**24,006**	**5,711**	**4,265**	**44,694**
Impairment losses as at Jan 1 2014			-364	13	345	-6
Impairment losses as at Dec 31 2014	-	-	-	-	-	-
Net exchange differences on translating financial statements into presentation currency	1,012	2,618	1,128	196	311	5,265
Net carrying amount as at Dec 31 2014	**9,148**	**46,161**	**19,381**	**4,353**	**3,582**	**82,625**

Tangible assets under construction:

		Accounting for the expenditure					
Tangible assets under construction as at Jan 1 2015	*Expenditure incurred in the financial year*	*Buildings, premises and civil engineering structures*	*Machinery and equipment*	*Vehicles*	*Other*	*Intangible assets*	*Dec 31 2015*
11,042	**18,577**	1,776	14,183	983	454	2,025	**10,198**

Tangible assets under construction as at Jan 1 2014	Expenditure incurred in the financial year	*Accounting for the expenditure*					Dec 31 2014
		Buildings, premises and civil engineering structures	Machinery and equipment	Vehicles	Other	Intangible assets	
3,476	**17,860**	4,608	2,241	909	706	1,830	**11,042**

Tangible assets under construction	Dec 31 2015	Dec 31 2014
Demonstrator	-	3,544
E-Beam furnace	128	3,574
PAM furnace	-	435
Modernisation of production facility	451	757
Thermal equipment - overhead crane	117	-
Modernisation of office building	63	-
Modernisation of internal roads	119	-
Modernisation of flooring in ZPS hall	23	-
Construction of new hall	2,267	-
UCM 10.0VP - 408/8N furnace with instruments	2,938	-
Construction of two trolleys	62	-
Three-chamber furnace	3,428	2,378
Atomizer	482	-
Test chamber	24	-
Other	97	354
TOTAL	**10,198**	**11,042**

Value and area of land held in perpetual usufruct as at Dec 31st 2015 (excluding foreign companies)

Address	Number of entry in the Land and Mortgage Register	Lot No.	Surface area [sq m] as at Dec 31 2015	Value as at Dec 31 2015
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. Sobieskiego 8, Świebodzin, Poland			1,030	32
ul. Sobieskiego 8, Świebodzin, Poland	KW 9507	94/6	1,121	10
		Total	**27,389**	**839**

On May 22nd 2013, SECO/WARWICK S.A. executed a USD 3,000 thousand investment credit agreement with Bank Handlowy of Warsaw. The facility is to finance the acquisition of shares in Engefor Engenharia Industria e Comercio Ltda.

It is secured by a mortgage of up to USD 3,750 thousand created on the perpetual usufruct right to a property situated at ul. Świerczewskiego in Świebodzin and the related ownership title to a building, held by SECO/WARWICK EUROPE Sp. z o.o., with its registered office at ul. Świerczewskiego 76, Świebodzin, Poland, and entered into the Land and Mortgage Register under No. ZG1S/00010363/4.

On February 3rd 2015, SECO/WARWICK S.A. executed a PLN 41,250,000 investment credit agreement with mBank S.A. of Warsaw. The facility was contracted to finance the repurchase of up to 1,500,000 Company's own shares under the share buyback programme established pursuant to resolution No. 5 of the Company's Extraordinary General Meeting of October 30th 2014. As at December 31st 2015, the total amount drawn under the facility was PLN 26,844,575.

The borrowing was secured with a contractual mortgage created over a property owned by the State Treasury and comprising the following lots:

- Nos. 94/6, 951/1, 951/2, situated at ul. Sobieskiego 8, Świebodzin
- No. 95/7, situated at ul. Sobieskiego 8, Świebodzin
- No. 195/94, situated at ul. Świerczewskiego 76, Świebodzin
- Nos. 94/16, 94/22, situated at ul. Sobieskiego 8, Świebodzin
- No. 94/4, situated at ul. Sobieskiego 8, Świebodzin
- No. 94/19, situated at ul. Sobieskiego 8, Świebodzin
- No. 94/25, situated at ul. Sobieskiego 8, Świebodzin
- No. 195/80, situated at ul. Świerczewskiego 76, Świebodzin
- No. 94/14, situated at ul. Sobieskiego 8, Świebodzin

Value and area of land held in perpetual usufruct as at Dec 31 2014

Address	Number of entry in the Land and Mortgage Register	Lot No.	Surface area [sq m] as at Dec 31 2014	Value as at Dec 31 2014
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. Sobieskiego 8, Świebodzin, Poland			1,030	32
ul. Sobieskiego 8, Świebodzin, Poland	KW 9507	94/6	1,121	10
		Total	**27,389**	**839**

Tangible assets under lease agreements

Tangible assets	Dec 31 2015			Dec 31 2014		
	Gross amount	Depreciation	Net amount	Gross amount	Depreciation	Net amount
Real property	-	-	-	-	-	-
Machinery and equipment	-	-	-	-	-	-
Vehicles	2,596	742	1,855	1,767	433	1,334
Other tangible assets	-	-	-	-	-	-

Total	**2,596**	**742**	**1,855**	**1,767**	**433**	**1,334**

As at December 31st 2015 and December 31st 2014, the Group had no finance leases or lease agreements with a purchase option for machinery and equipment. The carrying amount of vehicles which were used as at December 31st 2015 under finance leases or lease agreements with a purchase option was PLN 1,855 thousand (December 31st 2014: PLN 1,334 thousand).

Note 11. INTANGIBLE ASSETS

OWNERSHIP STRUCTURE – net value	Dec 31 2015	Dec 31 2014
Owned	22,078	22,609
Used under lease, tenancy or similar contract	-	-
Total	**22,078**	**22,609**

Changes in intangible assets (by type) in the period January 1st–December 31st 2015

Item	*Patents and licences, software*	*Development expense*	*Other intangible assets*	*Total*
Gross carrying amount as at Jan 1 2015	**7,248**	**19,154**	**5,040**	**31,442**
Increase, including:	**1,597**	**2,672**	**44**	**4,313**
acquisitions	1,597	855	31	2,483
other	-	1,817	13	1,830
Decrease, including:	**-**	**3,042**	**-**	**3,042**
other	-	3,042	-	3,042
Gross carrying amount as at Dec 31 2015	**8,845**	**18,784**	**5,084**	**32,713**
Cumulative amortisation as at Jan 1 2015	**5,397**	**2,222**	**1,372**	**8,991**
Increase, including:	**440**	**826**	**613**	**1,879**
amortisation	243	826	613	1,681
other	197	-	-	197
Decrease, including:	**-**	**-**	**-**	**-**
-	**-**	**-**	**-**	**-**
Cumulative amortisation as at Dec 31 2015	**5,838**	**3,048**	**1,985**	**10,870**
Impairment losses as at Jan 1 2015	-	-	-	-
increase:	-	-	-	-
decrease:	-	-	-	-
Impairment losses as at Dec 31 2015	-	-	-	-
Net exchange differences on translating financial statements into presentation currency	227	7	-	233,96
Net carrying amount as at Dec 31 2015	**3,235**	**15,744**	**3,099**	**22,078**

Changes in intangible assets (by type) in the period January 1st–December 31st 2014

Item	*Patents and licences, software*	*Development expense*	*Other intangible assets*	*Total*
Gross carrying amount as at Jan 1 2014	**7,515**	**15,537**	**4,778**	**27,830**
Increase, including:	**436**	**8,591**	**2,077**	**11,104**
acquisitions	436	3,152	2,064	5,652
under development	-	5,439	-	5,439
Other	-	-	13	13
Decrease, including:	**703**	**4,974**	**1,815**	**7,492**
disposal	703	230	1,815	2,748
liquidation				
reclassification	-	4,744	-	4,744
other	-	-	-	-
Gross carrying amount as at Dec 31 2014	**7,248**	**19,154**	**5,040**	**31,442**
Cumulative amortisation as at Jan 1 2014	**5,274**	**1,597**	**1,298**	**8,169**
Increase, including:	**468**	**768**	**437**	**1,673**
amortisation	203	768	437	**1,507**
revaluation	-	-	-	-
other	166	-	-	166
Decrease, including:	**345**	**143**	**363**	**851**
liquidation	345	143	363	851
Cumulative amortisation as at Dec 31 2014	**5,397**	**2,222**	**1,372**	**8,991**
Impairment losses as at Jan 1 2014	-	-	-	-
increase:	-	-	-	-
decrease:	-	-	-	-
Impairment losses as at Dec 31 2014	-	-	-	-
Net exchange differences on translating financial statements into presentation currency	159	-	-	159
Net carrying amount as at Dec 31 2014	**2,010**	**16,932**	**3,668**	**22,610**

Intangible assets are not pledged as security for liabilities.

As at December 31st 2015 and December 31st 2014, the Group carried no intangible assets held for sale.

In 2015 and 2014, no impairment losses were recognised.

The Group's companies which incur significant research and development costs are SECO/WARWICK Europe (R&D costs of PLN 1,817 thousand) and Retech (R&D costs of PLN 2,100 thousand).

Note 12. INVESTMENT PROPERTY

SECO/WARWICK EUROPE Sp. z o.o. owns an investment property located at ul. Sobieskiego 8 in Świebodzin, Poland, which comprised a production hall leased out to VACMAX.

Item	Dec 31 2015	Dec 31 2014
Opening balance	388	398
Increase (subsequent expenditure), including:	-	-
-	-	-
Decrease, including:	10	10
Depreciation	10	10
Closing balance	378	388

Item	Dec 31 2015	Dec 31 2014
Gross carrying amount – opening balance	408	408
Increase, including:	-	-
-	-	-
Decrease, including:	-	-
-	-	-
Carrying amount – closing balance	408	408
Cumulative depreciation – opening balance	20	10
Increase, including:	10	10
Depreciation	10	10
Decrease, including:	-	-
-	-	-
Cumulative depreciation – closing balance	30	20
Impairment losses – opening balance	-	-
Increase	-	-
Decrease	-	-
Impairment losses – closing balance	-	-
Net carrying amount – closing balance	378	388

Item	Dec 31 2015	Dec 31 2014
Lease income	54	54
Cost of generating lease income, including	46	52
Real property tax	10	9
Depreciation	12	10
Other	24	33

Note 13. GOODWILL

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

Item	Dec 31 2015	Dec 31 2014
Consolidation goodwill at beginning of period	68,557	78,860
Increase in consolidation goodwill – acquisition of SECO/WARWICK Brasil	-	1,053
Decrease in goodwill – impairment loss on SECO/WARWICK Brasil	-	-16,488
Decrease in goodwill – impairment loss on SECO/WARWICK Allied	-	-9,078
Decrease in goodwill – impairment loss on SECO/WARWICK Corporation	-5,864	-
Decrease in goodwill – impairment loss on Retech Systems	-30,004	-
Exchange differences on translation of goodwill	7,505	14,209
Total goodwill at end of period	**40,194**	**68,557**

Note 14. INVESTMENTS IN SUBORDINATED ENTITIES

Dec 31 2015	Carrying amount of equity interests	Ownership interest (%)	% of the total vote	Method of consolidation	Assets	Liabilities	Revenue	Net profit/(loss)
OF SECO/WARWICK EUROPE	70,407	100%	100%	full	260,936	158,752	254,063	21,384
SECO/WARWICK Corporation	-	100%	100%	full	32,079	40,743	67,417	-12,987
SECO/WARWICK Rus	1.7	100%	100%	full	8,486	9,073	6,945	-789
RETECH Systems LLC	38,464	100%	100%	full	106,774	43,292	124,703	-6,493
SECO/WARWICK ALLIED	-	75%	75%	full	63,780	59,745	33,868	-7,170
SECO/WARWICK Retech	-	90%	90%	full	12,495	16,553	14,939	-2,523
OOO SCT Russia	4,228	50%	50%	equity method	3,694	725	954	-401
SECO/WARWICK GmbH	-	100%	100%	full	2,748	2,703	-	-84
SECO/WARWICK Germany GmbH	-	100%	100%	full	7,941	10,560	22,159	-1,924
SECO/WARWICK do Brasil	658	100%	100%	full	5,968	6,250	10,575	-711
SECO/WARWICK France	-	100%	100%	full	48	136	-	-95
SECO/WARWICK Service Sp. z o.o.	-	100%	100%	full	10	-	-	-
Dec 31 2014								
OF SECO/WARWICK EUROPE	70,407	100%	100%	full	206,725	99,206	229,247	25,084
SECO/WARWICK Corporation	21,806	100%	100%	full	48,173	44,677	79,743	-1,899
SECO/WARWICK Rus	172	100%	100%	full	5,004	4,903	6,976	590
RETECH Systems LLC	50,863	100%	100%	full	83,211	18,849	93,060	-27
SECO/WARWICK ALLIED	13,791	75%	75%	full	66,324	55,787	35,922	-7,311
SECO/WARWICK Retech	-	90%	90%	full	13,206	16,096	8,233	-4,554
OOO SCT Russia	4,228	50%	50%	equity method	4,726	950	267	-67
SECO/WARWICK GmbH	-	100%	100%	full	2,845	2,669	46	-145
SECO/WARWICK Service GmbH	-	100%	100%	full	6,574	7,234	17,092	6
SECO/WARWICK do Brasil	-	100%	100%	full	7,626	8,034	6,998	-2,385

Note 15. INVESTMENTS IN EQUITY-ACCOUNTED ASSOCIATES

OOO SCT

The Group holds 50% of ordinary shares in OOO SCT (a company operating under Russian law), representing 50% of the total vote at the company's general meeting. The Russian shareholder holds the other 50% of the total vote.

OOO SCT was established by the SECO/WARWICK Group and the Russian shareholder on August 17th 2012. The company provides metal heat treatment services in Russia.

Item	Dec 31 2015	Dec 31 2014
Current assets, including:	92	191
Cash	*50*	*111*
Non-current assets	3,601	4,534
Current liabilities	263	227
Non-current liabilities	462	723
Total	954	267
Net profit/(loss)	-401	-967
Share of profit of associate:	50%	50%

The Parent does not control OOO SCT within the meaning of IFRS 3, as it has no power to govern its financial and operating policies. Paweł Wyrzykowski (President of the Parent's Management Board) and Jarosław Talerzak (Vice-President of the Parent's Management Board) sit on the four-member Board of Directors of OOO SCT but do not perform any day-to-day operational duties for OOO SCT. The current operational responsibilities have been transferred to the Management Board of the company OOO SCT. Given the above, and considering the fact that SECO/WARWICK holds more than 20% and less than 50% 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. Accordingly, the investment in OOO SCT is measured with the equity method in accordance with IAS 28.

Item	*Aug 17 2012*
Acquisition price	642
Share of net assets as at acquisition date	642
Goodwill as at acquisition date	**-**

Item	Dec 31 2015	Dec 31 2014
Share of net assets as at the end of the reporting period	1,484	1,888
Investment in associate	**1,484**	**1,888**
Acquisition price	642	642
Share of profit of associate − 2012	-30	-30
Share of profit of associate − 2013	-540	-540
Share of profit of associate − 2014	-483	-483
Share of profit of associate − 2015	-200	
In-kind contribution	3,586	3,586
Exchange differences on translation of foreign operation	-1,491	-1,288
Investment in associate	**1,484**	**1,888**

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

The Parent's Management Board considers the investment in OOO SCT to be 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 was recognised in respect of the temporary differences arising from investments in associates.

Note 16. INVENTORIES

Item	Dec 31 2015	Dec 31 2014
Materials (at cost)	25,821	22,209
Semi-finished products and work in progress	7,838	12,939
Finished goods	1,063	1,109
Merchandise	9	61
Total inventories (carrying amount)	**34,730**	**36,319**
Write-downs of inventories	3,348	3,435
Gross inventories	**38,078**	**39,754**

CHANGE IN INVENTORY WRITE-DOWNS

WRITE-DOWNS	Materials	Semi-finished products and work in progress	Finished goods	Merchandise	Total
Jan 1 2014	**1,432**	**1,222**	**13**	**5**	**2,672**
Increase, including:	**148**	**-**	**423**	**-**	**572**
- write-downs recognised in correspondence with other expenses	148	-	423	-	572
Net exchange differences on translating financial statements into presentation currency	-	-	-	-	-
Decrease, including:	**69**	**122**	**-**	**-**	**191**
- write-downs reversed in correspondence with other income	-	-	-	-	-
Net exchange differences on translating financial statements into presentation currency	69	122	-	-	191
Dec 31 2014	**1,650**	**1,344**	**437**	**5**	**3,435**
Increase, including:	**593**	**-**	**-**	**-**	**593**
- write-downs recognised in correspondence with other expenses	593	-	-	-	593

Net exchange differences on translating financial statements into presentation currency	-	-	-	-	-
Decrease, including:	**495**	**-38**	**223**	**-**	**680**
- write-downs reversed in correspondence with other income	609	-	223	-	832
Net exchange differences on translating financial statements into presentation currency	-114	-38	-	-	-152
Dec 31 2015	**1,748**	**1,382**	**214**	**5**	**3,347**

Note 17. LONG-TERM CONTRACTS

This Note presents costs as from the contract commencement date to the reporting date.

Contracts in progress at the end of the reporting period:	Dec 31 2015	Dec 31 2014
Costs incurred plus recognised profits less recognised losses as at the reporting date	1,383,856	1,197,741
Less progress billings	-1,409,660	-1,231,076
	-25,804	-33,335
Included in the consolidated financial statements as amounts due:		
From customers under construction contracts	97,969	98,484
To customers under construction contracts	-123,773	-65,149
	-25,804	33,335

Costs incurred to the reporting date are costs incurred from the commencement of a long-term contract to the reporting date. The data in the table covers all contracts recognised by Group entities in their records as at the reporting date.

Revenue from a contract in progress recognised as revenue in 2015 amounted to PLN 452,717 (2014: PLN 414,885).

As at December 31st 2015, advances received from customers for contract work totalled PLN 115,401 (2014: PLN 89,437).

Note 18. TRADE AND OTHER RECEIVABLES

Item	Dec 31 2015	Dec 31 2014
Trade receivables (net)	**85,460**	**72,384**
non-current	**23**	**4,247**
- from related entities	-	-
- from other entities	23	4,247
current	**85,437**	**68,137**
- from related entities	0	
- from other entities	85,437	68,137
Impairment losses (positive value)	**19,478**	**8,938**

Trade receivables (gross)	**104,938**	**81,322**
Other receivables:		
non-current	**1,336**	**1,240**
current	**31,104**	**17,737**
taxes, customs duties and social security receivable	11,625	9,663
other receivables:	19,479	8,074
Other receivables (gross)	**32,440**	**18,977**

Other receivables relate to advances paid to suppliers, which are billed in accordance with the implementation of contracts.

As at December 31st 2015, trade receivables of PLN 19,478 thousand (2014: PLN 8,938 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 2015	Dec 31 2014
As at beginning of the period	**8,938**	**3,656**
Increase	10,459	5,284
Use (-)	-250	-330
Unused amounts written off (-)	-	-
Net exchange differences on translating financial statements into presentation currency	331	328
As at end of the period	**19,478**	**8,938**

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

Item	Dec 31 2015	Dec 31 2014
Up to 1 month	25,872	34,010
More than 1 month, up to 6 months	30,713	16,838
more than 6 months, up to 1 year	5,225	10,925
more than 1 year	3,140	6,604
past due	20,511	4,007
Total trade receivables (net)	**85,460**	**72,384**
Non-current receivables	23	4,247
Current receivables	85,437	68,137
Impairment losses on trade receivables	19,478	8,938
Total trade receivables (gross)	**104,938**	**80,162**

Trade and other receivables by currency:

Item	Dec 31 2015		Dec 31 2014	
	in foreign currency	restated in PLN	in foreign currency	restated in PLN
PLN	-	21,215	-	15,725
EUR	7,387	31,478	4,691	19,995
USD	5,914	23,073	8,610	30,198
GBP	53	304	4	22

CHF	-	-	-	-
other	-	59,972	-	33,119
Total	**-**	**136,042**	**-**	**99,059**

Note 19. OTHER FINANCIAL ASSETS AND LIABILITIES

Loans advanced (including loans advanced to members of the Management Board)

No loans were advanced to members of the Management Board or the Supervisory Board in 2015 or 2014.

	Dec 31 2015	Dec 31 2014
Increase in loans advanced, including:	**520**	**361**
- non-current	-	361
- current	520	-

Financial assets

Item	Dec 31 2015	Dec 31 2014
Financial assets available for sale	3	3
Non-current deposits	8,037	6,794
Other	536	109
Derivative financial instruments	407	1,425
Total financial assets, including:	**8,984**	**8,331**
- non-current	8,576	6,906
- current	407	1,425

Financial liabilities

Item	Dec 31 2015	Dec 31 2014
Borrowings	69,319	45,824
Other financial liabilities:	7,145	8,077
- derivative financial instruments	4,896	2,660
- lease liabilities	1,928	1,375
- liability related to payment for shares in SW Brasil		4,020
- other financial liabilities	321	22
Total financial liabilities, including:	**76,464**	**53,901**
- non-current	39,208	16,522
- current	37,255	37,256

	Dec 31 2015		Dec 31 2014	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Derivative financial instruments	407	4,896	1,425	2,660
Total financial assets and liabilities at fair value through profit or loss				
- non-current	-	-	-	-
- current	-	-	-	-
Total hedging instruments				
- non-current	-	1,699	-	-
- current	407	3,197	1,425	2,660

Disclosures of derivative financial instruments which qualify for hedge accounting

In 2015, SECO/WARWICK EUROPE Sp. z o.o. used currency forwards to hedge an average of 55% of its export cash flows denominated in EUR, 52% of its cash flows denominated in USD, and up to 90% of its cash flows denominated in GBP. The purpose is to hedge the budgeted exchange rates for contracts. Any changes in the value of EUR-, USD-, GBP-, or RUB-denominated cash flows are offset by changes in the fair value of the hedging instrument. Hedge accounting is applied if the criteria provided for in IAS 39:88 are met.

The balance-sheet valuation of derivative instruments is recognised in equity. If a transaction which has been hedged with a currency forward affects profit or loss, the valuation previously recognised in equity is reclassified to profit or loss.

Given that transactions in derivative instruments are entered into for the purposes of concluded long-term contracts (accounted for based on the stage of completion measured by reference to contract costs incurred), the Group assumed that the transactions affect profit or loss in proportion to the percentage of completion of a given contract.

The Group further assumed that the valuations of derivative instruments as at the reporting date provided by partner banks reliably reflect the fair value of its currency forwards, and so this value was disclosed in its accounting records.

The effectiveness of transactions is assessed by comparing the maturity dates and nominal values of the hedged item and the hedging instrument.

The table below presents total values of hedging relationships open as at December 31st 2015.

31/12/2015	Notional amount of contract (EUR '000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Dec 31 2014	Fair value of 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	50,066	24,642	21,990	-451	-250	-201	January 29th 2016 to October 31st 2017

31/12/2015	Notional amount of contract (USD '000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Dec 31 2014	Fair value of 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	52,100	31,886	21,666	-4,020	-1,795	-2,225	February 29th 2016 to July 31st 2017

31/12/2015	Notional amount of contract (GBP '000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Dec 31 2014	Fair value of 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	1,591	1,373	1,168	-3	-58	55	January 29th 2016 to February 28th 2017

31/12/2015	Notional amount of contract (RUB '000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Dec 31 2014	Fair value of 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	85,647	53,581	15,832	2	2	-	29.01.2016

The table below presents total values of hedging relationships open as at December 31st 2014.

31/12/2014	Notional amount of contract (EUR '000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Dec 31 2014	Fair value of 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	43,286	26,251	21,249	-794	-281	-513	Jan 22 2015–May 13 2016

31/12/2014	Notional amount of contract (USD '000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Dec 31 2014	Fair value of 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	27,073	20,234	11,140	-1,568	-1,150	-418	Jan 31 2015–Dec 22 2016

31/12/2014	Notional amount of contract (CZK '000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Dec 31 2014	Fair value of 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	23,025	23,000	16,100	-45	-20	-25	Mar 31 2015–May 30 2015

31/12/2014	Notional amount of contract (GBP '000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Dec 31 2014	Fair value of 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	351	315	30	-12	-9	-3	Jan 31 2015

31/12/2014	Notional amount of contract (RUB '000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Dec 31 2014	Fair value of 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	85,648	58,581	53,581	1,068	605	463	Jan 30 2015–Nov 30 2015

Note 20. PREPAYMENTS AND ACCRUED INCOME

Item	Dec 31 2015	Dec 31 2014
Insurance policies	2,021	859
Subscriptions	3	2
VAT to be settled in the following period	898	464
Lease of software	807	603
Other	238	818
Total current prepayments and accrued income	**3,969**	**2,746**

Note 21. CASH AND CASH EQUIVALENTS

Item	Dec 31 2015	Dec 31 2014
Cash at banks and cash in hand	38,848	40,257
Short-term deposits	19,205	6,568
Other cash equivalents	-	-
Total cash and cash equivalents	**58,054**	**46,825**

CASH AND CASH EQUIVALENTS (BY CURRENCY):

Item	Dec 31 2015		Dec 31 2014	
	in foreign currency	restated in PLN	in foreign currency	restated in PLN
PLN		25,868	-	17,367
EUR	3,240	13,806	3,728	15,889
USD	3,460	13,497	2,268	7,954
GBP	169	981	3	15
other	-	3,902	-	5,600
Total		**58,053**		**46,825**

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

Share capital

Item	Dec 31 2015	Dec 31 2014
Number of shares	10,737,837	10,737,837
Par value of shares	0.2	0.2
Share capital	2,148	2,148
Share capital restated using hyperinflation index	1,557	1,557
Share capital at end of the period	**3,704**	**3,704**

Share capital structure:

Shareholders as at Dec 31 2015	Preference attached to shares	Type of limitation on rights to shares	Number of shares
SW Holding	None	-	3,387,139
Spruce Holding Limited Liability Company (USA)	None	-	1,123,337
SECO/WARWICK S.A.	None	-	1,041,783
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	None	-	904,794
Bleauhard Holdings LLC	None	-	637,028
Nationale-Nederlanden Otwarty Fundusz Emerytalny	None	-	600,000
Metlife OFE	None	-	577,470
Other	None	-	2,466,286
TOTAL			**10,737,837**

Changes in share capital:

Item	Jan 1 - Dec 31 2015	Jan 1 - Dec 31 2014
Share capital at beginning of the period	3,704	3,693
Share capital increases during the period		
Share capital increase	-	12
Share capital restated using hyperinflation index (IAS 19)	-	-
Share capital reductions during the period	**-**	**-**
Share capital at end of the period	3,704	3,704

Other components of equity

Item	Statutory reserve funds	Other components of equity
Balance as at Jan 1 2014	**199,708**	**6,948**
Increase		
Profit distributions	16,659	-
Share buyback	-41,750	41,750
Management stock options	-	1,168
Decrease		
Management stock options	-	-
Balance as at Dec 31 2014	**174,617**	**49,866**
Increase		
Transfer of retained earnings/deficit to statutory reserve funds	15,654	-
Share buyback	-	-26,045
Management stock options	-	409
Decrease		
Management stock options	-	-
Balance as at Dec 31 2015	**190,271**	**24,230**

Other reserves were created in connection with the redemption of own shares and to implement management options program.

Non-controlling interests:

	Dec 31 2015	Dec 31 2014
Non-controlling interests at beginning of period	**2,376**	**5,442**
Recognition of share of SWA's profit or loss for period	-252	-427
Recognition of share of exchange differences on translation of SWR's operations	-20	-16
Additional contribution to equity of subsidiary SWR	-	61
Accounting for loss of control over SCT	-	-
Accounting for acquisition of SWA	-	-
Accounting for increase in equity interest held in SWA	-	-1,188
Other changes in equity of subsidiary SWA attributable to non-controlling interests	-	40
Recognition of share of SWA's profit or loss for period	-1,792	-2,019
Recognition of share of exchange differences on translation of SWA's operations	138	482
Non-controlling interests at end of period	**450**	**2,376**

Note 23. RETAINED EARNINGS/(DEFICIT)

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

Item	Dec 31 2015	Dec 31 2014
Retained earnings/(deficit)	**-40,735**	**11,546**
Current net profit/(loss)	-49,675	-15,697
Exchange differences	21,388	9,153
Retained reserves (retained earnings/(deficit), consolidation adjustments etc.)	-12,447	18,090

Note 24. FINANCIAL LIABILITIES

Item	Dec 31 2015	Dec 31 2014
Borrowings	69,319	45,824
Other financial liabilities:	7,145	8,077
- valuation of financial instruments	4,896	2,660
- lease liabilities	1,928	1,375
- liability related to the purchase of the remaining 50% equity interest in SW Brasil	0	4,020
- other financial liabilities	321	22
Total financial liabilities	**76,464**	**53,901**
- non-current	39,208	16,522
- current	37,255	37,256

Current and non-current bank and other borrowings as at December 31st 2015

Lender	Borrowing amount PLN ('000)	Borrowing amount Foreign currency ('000)	Repayment date	Security	Interest rate	Type
HSBC Bank	1,951	USD 500	-	SBLC	constant	Overdraft facility
HSBC Bank	136	CNY 226	03.2016	Guarantee	constant	Overdraft facility
CITI BANK	4,338	CNY 7,220	03.2016	SBLC	constant	Overdraft facility
CITI BANK	472	USD 121	10.2016	SBLC	constant	Overdraft facility
Toyota Kreditbank	107	EUR 25	01.11.2018	-	constant	Overdraft facility
BNP Paribas	37	EUR 9	15.11.2017	-	constant	Overdraft facility
Mercedes Benz	17	EUR 4	30.05.2017	-	constant	Overdraft facility
Commerzbank	1,278	EUR 300	31.10.2017	-	constant	Overdraft facility
Commerzbank	361	EUR 85	31/10/2017	-	constant	Overdraft facility
Toyota	36	EUR 8	31.07.2020	-	constant	Overdraft facility
Toyota	60	EUR 14	15.02.2021	-	constant	Overdraft facility
Toyota	97	EUR 23	15.05.2021	-	constant	Overdraft facility
Toyota	104	EUR 25	15.05.2021	-	constant	Overdraft facility
Toyota	106	EUR 25	15.06.2021	-	constant	Overdraft facility
CITI BANK	493	BRL 500	31/05/2016	SBLC	constant	Overdraft facility
CITI BANK	591	BRL 600	31/05/2016	SBLC	constant	Overdraft facility
CITI BANK	1,445	BRL 1,467	31/05/2016	SBLC	constant	Overdraft facility
Aparicio Freitas	181	BRL 183	-	-	constant	Overdraft facility
Yassuhiro	181	BRL 183	-	-	constant	Overdraft facility
Union Bank of India	1,812	INR 30,733	13.09.2021	-	constant	Overdraft facility
Union Bank of India	4,902	INR 83,131	-	-	constant	Overdraft facility
Union Bank of India	3,904	INR 66,221	-	-	constant	Overdraft facility
HSBC Bank	4,411	INR 74,813	-	SBLC	constant	Overdraft facility

Corporation Bank	59	INR 1,000	-	-	constant	Overdraft facility
HSBC Bank	586	INR 9,938	-	SBLC	constant	Overdraft facility
Citi Bank N.A.	4,349	INR 73,765	-	SBLC	constant	Overdraft facility
Kotak Mahindra Bank	853	INR 14,465	10.10.2018	-	constant	Overdraft facility
Union Bank of India	73	INR 1,237	29.08.2017	-	constant	Overdraft facility
Union Bank of India	36	INR 604	30.08.2020	-	constant	Overdraft facility
Union Bank of India	31	INR 525	30.08.2020	-	constant	Overdraft facility
SW Allied shareholders	3,157	INR 53,503	-	-	-	Preference shares[1]
BRE	49	-	-	-	-	Credit card limit
BRE	2	USD 1	-	-	-	Credit card limit
BRE	105	EUR 25	-	-	-	Credit card limit
mBANK S.A.	26,845	-	31.01.2020	mortgage, SECO/WARWICK EUROPE Sp. z o.o.'s surety under civil law, hold on securities	variable	Investment overdraft facility
Bank Handlowy	6,156	USD 1,578	27.04.2018	mortgage of up to USD 3,750 thousand, SECO/WARWICK EUROPE Sp. z o.o.'s surety under civil law	variable	Investment overdraft facility
Total:	**69,319**					

(1) Preference shares classified by SECO/WARWICK Allied as borrowings, since they bear interest and will be returned to the shareholders

Current and non-current bank and other borrowings as at December 31st 2014

Lender	Borrowing amount		Repayment date	Security	Interest rate	Type
	PLN ('000)	Foreign currency ('000)				
HSBC	2,455	USD 700		Guarantee	constant	Overdraft facility
HSBC	1,677	RMB 2,961	05.2015	Guarantee	constant	Overdraft facility
HSBC	641	RMB 1,132		SBLC	constant	Overdraft facility
CITI BANK	3,419	RMB 6,038	09.2015	SBLC	constant	Overdraft facility

CITI BANK	470	USD 134	09.2015	SBLC	constant	Overdraft facility
Toyota Kreditbank	188	EUR 44	01.11.2018	-	constant	Overdraft facility
BNP Paribas	55	EUR 13	15.11.2017	-	constant	Overdraft facility
Mercedes Benz	30	EUR 7	30.05.2017	-	constant	Overdraft facility
Commerzbank	1,387	EUR 325	31.15.2015	SBLC	constant	Overdraft facility
Commerzbank	98	EUR 23	31.15.2015	SBLC	constant	Overdraft facility
Toyota	43	EUR 10	31.07.2020	-	constant	Overdraft facility
Banco Itaú	36	BRL 27	22.06.2015	-	constant	Overdraft facility
Banco Itaú	50	BRL 38	10.06.2015	-	constant	Overdraft facility
CITI BANK	660	BRL 500	30.06.2015	SBLC	constant	Overdraft facility
CITI BANK	914	BRL 692	30.06.2015	SBLC	constant	Overdraft facility
CITI BANK	1,415	BRL 1,072	29.05.2015	SBLC	constant	Overdraft facility
Aparicio Freitas	264	BRL 200	-	-	constant	Overdraft facility
Yassuhiro	264	BRL 200		-	constant	Overdraft facility
HSBC Bank	4,115	INR 74,182		SBLC	constant	Overdraft facility
HSBC Bank	551	INR 9,937		SBLC	constant	Overdraft facility
Union Bank of India	2,007	INR 36,187	13.09.2021	-	constant	Overdraft facility
Union Bank of India	3,974	71,640	-	-	constant	Overdraft facility
Union Bank of India	4,349	INR 78,395	-	-	constant	Overdraft facility
Union Bank of India	55	INR 1,000	-	-	constant	Overdraft facility
Union Bank of India	103	INR 1,856	29.07.2017	-	constant	Overdraft facility
Union Bank of India	39	INR 698	30.08.2020	-	constant	Overdraft facility
Union Bank of India	34	INR 607	30.08.2020	-	constant	Overdraft facility

Kotak Mahindra bank	1,054	INR 19,001	10.10.2018	-	constant	Overdraft facility
Citi bank	2,882	INR 51,948	31.05.2014	SBLC	constant	Overdraft facility
SW Allied shareholders	2,968	INR 53,502	-	-	-	Preference shares [1]
BRE	123	-	-	-	-	Credit card limit
mBANK S.A. Zielona Góra Branch	1,754	USD 500	31.12.2015	Ordinary mortgage for USD 2,500,000 Ceiling mortgage for USD 250,000 Submission to enforcement for up to USD 2,750,000	variable	Investment overdraft facility
Bank Handlowy	7,751	USD 2,210	27.04.2018	mortgage of up to USD 3,750 thousand, SECO/WARWICK EUROPE Sp. z o.o.'s surety under civil law	variable	Investment overdraft facility
Total:	**45,823**					

[2] Preference shares classified by SECO/WARWICK Allied as borrowings, since they bear interest and will be returned to the shareholders

Borrowings by maturity:

Item	Dec 31 2015	Dec 31 2014
Current bank and other borrowings	33,218	30,164
Non-current bank and other borrowings	36,102	15,659
- repayable in more than 1 year, up to 3 years	28,217	15,659
- repayable in more than 3 years, up to 5 years	7,885	-
Total bank and other borrowings	**69,319**	**45,823**

Bank and other borrowings by currency:

Item	Dec 31 2015		Dec 31 2014	
	amount in foreign currency	amount in PLN	amount in foreign currency	amount in PLN
PLN	-	26,894	123	123
EUR	542	2,310	422	1,800
USD	2,200	8,581	3,544	12,430
CNY	7,446	4,474	10,131	5,736
INR	409,935	24,171	398,956	22,131
BRL	2,933	2,889	2,729	3,602
Total bank and other borrowings		**69,319**		**45,822**

Note 25. LEASES

Operating lease

Liabilities under operating leases – the Group as a lessee:

Item	Dec 31 2015	Dec 31 2014
Lease payments made	**335**	**264**
Outstanding balance:		-
Up to 1 year	336	257
From 1 year to 5 years	41	213
Over 5 years	-	-
Total	**377**	**470**

In 2015 and 2014, operating lease agreements included lease of office equipment and vehicles used by SECO/WARWICK Corporation.

Finance leases

As at December 31st 2015 and December 31st 2014, liabilities under finance leases and lease agreements with a purchase option were as follows:

Item	Dec 31 2015		Dec 31 2014	
	Minimum lease payments	Present value of the lease payments	Minimum lease payments	Present value of the lease payments
Up to 1 year	951	737	707	513
From 1 year to 5 years	1,392	1,191	978	863
Over 5 years	-	-	-	-
Total minimum lease payments	**2,343**	**1,928**	**1,685**	**1,375**
Finance costs	415	-	310	
Present value of minimum lease payments, including:	**1,928**	**1,928**	**1,375**	**1,375**
current	737	737	593	593
non-current	1,191	1,191	782	782

Finance lease agreements as at December 31st 2015

Lessor	Agreement No.	Initial value	Currency	Agreement expiry date	Liabilities outstanding as at the end of reporting period
mLeasing	SECOWAR/SZ/204552/2015	121	PLN	28-09-2019	115
mLeasing	SECOWAR/PO/148706/2012	79	PLN	25-01-2017	38
mLeasing	SECOWAR/PO/148704/2012	79	PLN	25-01-2015	38
mLeasing	SECOWAR/PO/148876/2012	92	PLN	25-01-2017	52
mLeasing	SECOWAR/SZ/158113/2013	89	PLN	25-12-2016	53
mLeasing	SECOWAR/SZ/186307/2014	75	PLN	30-01-2018	71
mLeasing	ALSTOM/DK/144168/2012	113	PLN	25-01-2017	106

mLeasing	ELTERMAPO142436/2012	69	PLN	25/11/2015	25
mLeasing	ELTERMAPO145013/2012	57	PLN	09/12/2015	26
mLeasing	ELTERMAPO147710/2012	99	PLN	15/01/2016	49
mLeasing	ELTERMAPO153730/2012	59	PLN	30/06/2016	31
mLeasing	ELTERMAPO153731/2013	59	PLN	30/06/2016	31
mLeasing	ELTERMAPO153732/2013	70	PLN	30/08/2016	40
mLeasing	ELTERMAPO154824/2013	147	PLN	30/08/2016	91
mLeasing	ELTERMAPO167098/2014	68	PLN	30/03/2017	47
mLeasing	ELTERMAPO168453/2014	76	PLN	20/03/2017	52
mLeasing	ELTERMAPO167061/2014	76	PLN	30/05/2017	15
mLeasing	SECOWARWICKPO167061/2014	76	PLN	30/05/2017	40
mLeasing	ELTERMA/SZ/175747/2014	69	PLN	30/07/2017	36
mLeasing	SECOWARWICKPO148824	58	PLN	25/01/2016	42
mLeasing	SECOWARWICKEU/SZ/182845/2014	67	PLN	30/11/2017	40
mLeasing	SECOWARWICKSZ/181162/2014	109	PLN	30.01.2018	67
mLeasing	SECOWARWICKSZ/185860/2014	106	PLN	30/01/2018	69
mLeasing	SECOWARWICKEU/SZ/189291/2015	48	PLN	30/03/2018	42
mLeasing	SECOWARWICKEU/SZ/191445/2015	75	PLN	30/03/2018	64
mLeasing	SECOWARWICKEU/SZ/188896/2015	75	PLN	30/04/2019	68
mLeasing	SECOWARWICKEU/SZ/188181/2015	76	PLN	30.04.2018	67
mLeasing	SECOWARWICKPO194448/2015	83	PLN	30/05/2020	77
mLeasing	SECOWARWICKEU/SZ/194085/2015	47	PLN	30/05/2020	44
mLeasing	SECOWARWICKPO148705/2012	43	PLN	06/01/2017	34
mLeasing	SECOWARWICKEU/SZ/197312/2015	75	PLN	30/05/2019	69
mLeasing	SECOWARWICKEU/SZ/194476/2015	48	PLN	30/06/2020	45
mLeasing	SECOWARWICKEU/SZ/194487/2015	48	PLN	30/06/2020	45
mLeasing	SECOWARWICKEU/SZ/193799/2015	103	PLN	30/04/2018	97
mLeasing	SECOWARWICKPO191209/2015	131	PLN	30/09/2018	102
Total	x	**2,763**	x	x	**1,928**

Finance lease agreements as at December 31st 2014

Lessor	Agreement No.	Initial value	Currency	Agreement expiry date	Liabilities outstanding as at the end of reporting period
mLeasing	ELTERMA/PO/138167/2012	108	PLN	2015-06-30	60
mLeasing	ELTERMA/PO/142435/2012	69	PLN	2015-10-30	40
mLeasing	ELTERMA/PO/142436/2012	69	PLN	2012-10-30	41
mLeasing	ELTERMA/PO/145013/2012	57	PLN	2015-10-30	36
mLeasing	ELTERMA/PO/147710/2012	99	PLN	2016-01-15	67
mLeasing	ELTERMA/PO/153730/2013	59	PLN	2016-06-30	43
mLeasing	ELTERMA/PO/153731/2013	59	PLN	2016-06-30	43
mLeasing	ELTERMA/PO/153732/2013	70	PLN	2016-07-30	54
mLeasing	ELTERMA/PO/154824/2013	147	PLN	2016-07-30	116

mLeasing	ELTERMA/SZ/167098/2014	68	PLN	2017-03-20	59
mLeasing	ELTERMA/SZ/168453/2014	76	PLN	2017-03-20	65
mLeasing	ELTERMA/SZ/167061/2014	76	PLN	2017-05-30	68
mLeasing	ELTERMA/SZ/175474/2014	69	PLN	2017-07-30	45
mLeasing	SECOWAR/PO/148824/2012	58	PLN	2016-01-25	55
mLeasing	SECOWAREU/SZ/182845/2014	67	PLN	2017-11-30	48
mLeasing	SECOWAREU/SZ/186307/2014	96	PLN	2017-12-02	75
mLeasing	SECOWAREU/SZ/1811622014	109	PLN	2017-12-14	79
mLeasing	SECOWAREU/SZ/185860/2014	106	PLN	2017-11-25	82
mLeasing	SECOWAR/PO/148705/2012	79	PLN	25-01-2015	54
mLeasing	SECOWAR/PO/148706/2012	79	PLN	25-01-2015	54
mLeasing	SECOWAR/PO/148704/2012	79	PLN	25-01-2015	54
mLeasing	SECOWAR/PO/148876/2012	92	PLN	25-01-2015	66
mLeasing	SECOWAR/SZ/158113/2013	89	PLN	25-10-2015	72
Total	**x**	**1,880**	**x**	**x**	**1,375**

Note 26. TRADE PAYABLES AND OTHER LIABILITIES

Item	Dec 31 2015	Dec 31 2014
current liabilities	68,846	67,438
non-current liabilities	177	464
Total	**69,023**	**67,902**

TRADE PAYABLES AND OTHER CURRENT LIABILITIES

Item	Dec 31 2015	Dec 31 2014
Trade payables		
To related entities	-	-
To other entities	53,899	54,628
Total	**53,899**	**54,628**
Taxes, customs duties, social security and other charges payable	7,631	4,943
Salaries and wages payable	5,466	5,823
Income tax payable	417	98
Other liabilities	1,434	1,945
Total other liabilities	**14,948**	**12,809**
Total trade payables and other liabilities	**68,846**	**67,437**

Current liabilities by currency:

Item	Dec 31 2015		Dec 31 2014	
	in foreign currency	restated in PLN	in foreign currency	restated in PLN
PLN	-	20,780	-	22,115
EUR	2,457	10,470	1,928	8,219
USD	1,687	6,583	9,460	33,180
GBP	8	49	-	-
other	-	30,965	-	3,923
Total	**x**	**68,846**	**x**	**67,437**

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 2014	**54,628**	54,628	-	-	-	-	-
Dec 31 2015	**53,899**	53,899	-	-	-	-	-

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 2014	**12,809**	12,809	-	-	-	-	-
Dec 31 2015	**14,948**	14,948	-	-	-	-	-

Contingent liabilities

Contingent liabilities under guarantees and sureties issued amounted to PLN 75,507 thousand as at the end of 2015, and to PLN 67,050 thousand as at the end of 2014. The guarantees were issued in respect of:

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

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 2015	Dec 31 2014
Total tangible assets contributed to the Fund		
Loans advanced to employees	44	56
Cash	46	143
Liabilities to the Fund	91	151
Net balance	-1	48
Contributions to the Fund during financial period	518	539

Investment commitments

As at December 31st 2015 and December 31st 2014, the Group had no commitments to incur capital expenditure on property, plant 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 2015	Jan 1–Dec 31 2014
as at beginning of the period	**5,352**	**3,331**
increase	1,024	2,214
- provisions of acquired entities	-	-
- provision recognised	1,024	2,214
use	-	-
reversal	5	193
as at end of the period	**6,277**	**5,352**

Main assumptions adopted by the actuary as at the end of the reporting period to calculate the amount of the obligations were as follows:

Item	Dec 31 2015	Dec 31 2014
Discount rate (%)	3.1	4.2
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 2015	Jan 1–Dec 31 2014
1. Provision for accrued holiday entitlements		

a) as at beginning of the period	2,856	1,493
b) increase	1,479	2,082
- provisions of acquired entities	-	-
- provision recognised	1,479	2,082
c) use	-	-
d) reversal	1,391	719
e) translation differences	-	-
f) as at end of the period	**2,944**	**2,856**
2. Provision for bonuses		
a) as at beginning of the period	4,319	5,993
b) increase	6,996	7,026
- provisions of acquired entities	-	-
- provision recognised	6,996	7,026
c) use	2,302	3,715
d) reversal	3,937	4,985
e) translation differences	-	-
f) as at end of the period	**5,076**	**4,319**
3. Provision for retirement bonuses		
a) as at beginning of the period	1,976	804
b) increase	3,841	2,015
- provisions of acquired entities	-	-
- provision recognised	3,841	2,015
c) use	-	-
d) reversal	1,948	843
e) translation differences	-	-
f) as at end of the period	**3,869**	**1,976**

The table below presents the key assumptions adopted by the actuary to calculate the amount of pension benefits obligation at SECO/WARWICK Corp. as at the reporting date:

Item	**Dec 31 2015**	**Dec 31 2014**
Discount rate (%)	3.88	3.6
Expected rate of return on assets (%)	7.0	7.5

RETIREMENT BENEFIT PLANS (SECO/WARWICK CORP.)

Item	**2015**	**2014**
Change in plan liability		
Liability at beginning of the period	18,516	13,495
Administration costs	-	-
Interest expense	648	567
Actuarial gain/(loss)	-335	3,444
Contributions paid	-964	-859
Liability at end of the period	17,864	16,646

Change in plan assets		
Fair value of plan assets at beginning of the period	13,814	11,889
Actual return on plan assets	-133	547
Contributions paid in	702	842
Contributions paid out	-964	-859
Fair value of plan assets at end of the period	13,420	12,419

OTHER PROVISIONS

Item	*Provision for warranty repairs and returns*	*Provision for penalty*	*Other provisions*	*Other provisions – contingent liability*	*Total*
As at Dec 31 2013	**4,747**	**-**	**11,545**	**-**	**16,292**
Provisions recognised during the financial year	1,560	-	20,252	-	21,812
Provisions used	-	-	-	-	-
Provisions reversed	-4,194	-	-25,178	-	-29,372
As at Dec 31 2014	**2,113**	**-**	**6,619**	**-**	**8,732**
Provisions recognised during the financial year	362	-	21,798	-	22,160
Provisions used	-	-	-1,117	-	-1,117
Provisions reversed	-2,261	-	-17,758	-	-20,019
As at Dec 31 2015	**214**	**-**	**9,148**	**-**	**9,362**

Note 28. DEFERRED INCOME

Item	Dec 31 2015	Dec 31 2014
- grant*	11,207	7,172
- long-term contracts	123,773	65,149
- other		4,295
Total deferred income, including:	**134,981**	**76,616**
non-current	10,627	8,262
current	124,354	68,354

* financing from the Polish Agency for Enterprise Development (PARP) and the National Research and Development Centre (NCBiR) for research and development projects

Note 29. EXPLANATORY INFORMATION TO THE STATEMENT OF CASH FLOWS

Item	Dec 31 2015	Dec 31 2014
Cash in the statement of financial position	**58,054**	**46,825**
Exchange differences on balance-sheet valuation	-3	-22
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	**58,050**	**46,801**

Item	Dec 31 2015	Dec 31 2014
Depreciation and amortisation	**9,519**	**7,969**
Amortisation of intangible assets	1,897	1,540
Depreciation of property, plant and equipment	7,612	6,428
Depreciation of investment property	10	-
Change in provisions (excluding elimination of income tax liabilities) results from the following items:	**1,534**	**-5,476**
Net change in provisions	-286	-6,354
Elimination of change in deferred tax liabilities	1,820	878
Exchange differences	-	-
Change in inventories results from the following items:	**2,971**	**-2,100**
Net change in inventories	2,971	-2,100
Exchange differences	-	-
Change in receivables (excluding elimination of income tax receivable) results from the following items:	**-17,184**	**19,570**
Balance-sheet change in current receivables	-22,018	19,476
Elimination of income tax receivable	4,834	94
Exchange differences	-	-
Change in current liabilities (excluding financial liabilities and elimination of income tax liabilities) results from the following items:	**-481**	**-932**
Balance-sheet change in current liabilities	4,248	11,487
Adjustment for change in liabilities related to acquisition of property, plant and equipment	-262	-
Elimination of change in lease liabilities	-303	-165
Exchange differences	-	-
Borrowings	-5,519	-8,234
elimination of income tax payable	-428	-
Valuation of derivative instruments	-2,237	
- Liability related to the purchase of a 50% equity interest in SW Brasil	4,020	-4,020
Change in prepayments and accrued income (excluding elimination of income tax assets) results from the following items:	**61,056**	**11,677**
Net change in accruals and deferrals	61,056	4,474
Elimination of change in deferred tax assets	-	6,203
Exchange differences	-	-
Change in other adjustments results from the following items:	**668**	**-5,051**
Management stock options	409	1,320
Impairment loss on goodwill	35,868	25,565
Capital valuation of pension plan at SWC	2,085	-3,402
Adjustment to profit or loss brought forward at SWE	-	-2,920
Other	-1,606	42

Note 30. RELATED PARTIES

Related-party transactions were concluded in the companies' ordinary course of business, on an arm's length basis.

Note 31. KEY PERSONNEL REMUNERATION

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

MANAGEMENT BOARD remuneration:

Name and surname	Remuneration for the period	Other benefits	Total remuneration for the period
Dec 31 2015			
Paweł Wyrzykowski	1,016	40	1,056
Wojciech Modrzyk (1)	370	23	393
Jarosław Talerzak	426	25	451
Wojciech Peret (2)	28	2	30
Total	**1,840**	**90**	**1,930**
Dec 31 2014			
Paweł Wyrzykowski	1,344	40	1,384
Wojciech Modrzyk	529	25	553
Jarosław Talerzak	415	21	436
Total	**2,288**	**85**	**2,374**

(1) Remuneration to Mr Wojciech Modrzyk for the period January 1st−December 3rd 2015 for serving on the Company's Management Board.

(2) Remuneration to Mr Wojciech Peret for the period December 3rd−December 31st 2015 for serving on the Company's Management Board.

For information on the value of awarded management stock options, see Note 38 "Management stock options"

SUPERVISORY BOARD remuneration:

Name and surname	Total remuneration	
	Dec 31 2015	Dec 31 2014
Andrzej Zawistowski, including:	197	132
- for his service as Chairman of the Supervisory Board	120	120
- under agreement for advisory services(1)	77	12
Jeffrey Boswell, including:	127	122
- for his service as Member of the Supervisory Board	0	-
- under employment contract(2)	127	122
James A. Goltz, including:	716	2,089
- for his service as Member of the Supervisory Board	0	-
- under employment contract(3)	716	2,089
Dr Gutmann Habig	28	30
Henryk Pilarski	54	54

Witold Klinowski, including:	198	219
- for his service as Member of the Supervisory Board	42	42
- under agreement for advisory services(4)	156	177
Zbigniew Rogóż (5)	17	42
Marcin Murawski (6)	26	-
Total	**1,363**	**2,688**

(1) 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.

(2) Under an employment contract between SECO/WARWICK Corp. and Mr Jeffrey Boswell.

(3) Under an employment contract between Retech Systems LLC and Mr James A. Goltz.

(4) Under an agreement for the provision of technical and product development advisory services of October 3rd 2013, executed between SECO/WARWICK EUROPE Sp. z o.o. and Mr Witold Klinowski.

(5) Mr Zbigniew Rogóż was removed from his position of Member of the Supervisory Board by Resolution No. 26 of the General Meeting of May 26th 2015.

(6) Mr Marcin Murawski was appointed as Member of the Supervisory Board by Resolution No. 33 of the General Meeting of May 26th 2015.

Note 32. FINANCIAL ASSETS

Item	Category (IAS 39)	Carrying amount		Fair value		Maximum credit risk exposure in 2015
		Dec 31 2015	Dec 31 2014	Dec 31 2015	Dec 31 2014	
Financial assets						
Financial assets available for sale (non-current)	AFS	3	3	3	3	3
Loans advanced (current)	L&R	520	-	-	-	-
Loans advanced (non-current)	L&R	-	361	-	361	-
Trade and other receivables	L&R	97,062	76,641	97,062	76,641	97,062
Derivative financial instruments	L&R	407	1,425	407	1,425	407
- hedging instruments	L&R	407	1,425	407	1,425	407
Cash and cash equivalents	L&R	58,054	46,825	58,054	46,825	58,054
Sureties advanced			-		-	
Financial liabilities						
current						
Interest-bearing bank and other borrowings, including:	OFL at AC					
- Overdraft facility	OFL at AC	24,475	26,071	24,475	26,071	-
- current borrowings	OFL at AC	8,785	3,970	8,785	3,970	-
- Finance lease liabilities (current)	OFL at AC	737	593	737	593	-
Trade payables and other liabilities	OFL at AC	56,709	66,192	56,709	66,192	-
hedging instruments	OFL at AC	3,197	2,660	3,197	2,660	-
non-current						-
Non-current borrowings bearing interest at variable rates	OFL at AC	36,102	15,659	36,102	15,659	-
Other liabilities (non-current), including:	OFL at AC	10,804	5,807	10,804	5,801	-
- Finance lease liabilities	OFL at AC	1,191	782	1,191	782	-

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

	Dec 31 2015		
	Level 1	Level 2	Level 3
Financial assets			
Financial assets available for sale (non-current)	-	-	-
Loans advanced (current)	-	-	-
Loans advanced (non-current)	-	-	-
Trade and other receivables	-	-	-
Derivative financial instruments	-	407	-
- Currency forwards	-	407	-
Cash and cash equivalents	-	-	-
TOTAL	**-**	**407**	**-**
Financial liabilities			
current			
Interest-bearing bank and other borrowings, including:	-	-	-
- Overdraft facility	-	-	-
- current borrowings	-	-	-
- Finance lease liabilities (current)	-	-	-
Trade payables and other liabilities	-	-	-
Currency forwards	-	3,197	-
non-current	-	-	-
Non-current borrowings bearing interest at variable rates	-	-	-
Other liabilities (non-current), including:	-	-	-
- Finance lease liabilities	-	-	-
TOTAL	-	**3,197**	**-**

	Dec 31 2014		
	Level 1	Level 2	Level 3
Financial assets			
Financial assets available for sale (non-current)	-	-	-
Loans advanced (current)	-	-	-
Loans advanced (non-current)	-	-	-
Trade and other receivables	-	-	-
Derivative financial instruments	-	1,425	-
- Currency forwards	-	1,425	-
Cash and cash equivalents	-	-	-
TOTAL	**-**	**1,425**	**-**
Financial liabilities			
current			
Interest-bearing bank and other borrowings, including:	-	-	-
- Overdraft facility	-	-	-
- current borrowings	-	-	-
- Finance lease liabilities (current)	-	-	-

Trade payables and other liabilities	-	-	-
Currency forwards	-	2,660	-
non-current	-	-	-
Non-current borrowings bearing interest at variable rates	-	-	-
Other liabilities (non-current), including:	-	-	-
- Finance lease liabilities	-	-	-
TOTAL	-	**2,660**	**-**

Note 33. WORKFORCE STRUCTURE

Item	Dec 31 2015	Dec 31 2014
Blue-collar employees	475	516
White-collar employees	479	464
Employees on parental leaves	4	5
Total	**958**	**985**

Note 34. PRESENTATION ADJUSTMENTS

1) In 2015, changed the presentation of the following items which resulted in adjusting comparable data. The reason for this position was correct:
- Erroneous presentation of deferred income tax and deferred income tax chic obtuse.
- Misinterpretation of the provisions of the contract for granted dotacje- no division into short-long term.
- Erroneous assignment of the cost of the incentive program for the subsequent reporting periods.
- Incorrect presentation of the piece on inventories.
- Erroneous presentation of liabilities from credit cards.
- Lack of recognition goodwill'a tax.
- Erroneous diagnosis of contracts SECO / WARWICK Brasil.
- Erroneous presentation of the impairment of goodwill.

	Note	BEFORE ADJUSTMENT	ADJUSTMENT	AFTER ADJUSTMENT	
		Dec 31 2014		Dec 31 2014	Jan 1 2014
ASSETS					
Non-current assets					
Property, plant and equipment	*10*	92,051	1,616	93,667	79,453
Deferred tax assets	*6*	22,817	-19,018	3,799	2,620
		216,819	**-17,402**	**199,417**	**188,691**
Current assets					
Inventories	*16*	36,319	94	36,413	32,648
Trade receivables	*18*	71,224	1,160	72,384	84,671
Contract settlement	*17*	104,553	-6,069	98,484	93,609
Cash and cash equivalents	*21*	46,702	123	46,825	41,733
		280,702	**-4,692**	**276,010**	**275,722**

TOTAL ASSETS	**497,521**	**-22,095**	**475,426**	**465,134**

	Note	BEFORE ADJUSTMENT Dec 31 2014	ADJUSTMENT	AFTER ADJUSTMENT Dec 31 2014	Jan 1 2014
EQUITY AND LIABILITIES					
Equity					
Other components of equity	*22*	46,733	3,133	49,866	6,948
Retained earnings/(deficit)	*23*	21,875	-10,584	11,291	34,328
		249,305	**-7,451**	**241,854**	**251,443**
Non-current liabilities					
Financial liabilities	*24*	863	121	984	4,479
Deferred tax liabilities	*6*	21,636	-11,735	9,901	13,874
Deferred income	*28*	2,746	5,516	8,262	4,796
		48,734	**-6,098**	**42,636**	**45,551**
Current liabilities					
Borrowings and other debt instruments	*24*	30,041	123	30,164	18,127
Financial liabilities	*24*	7,215	-121	7,094	4,165
Trade payables	*26*	57,233	-2,605	54,628	52,917
Other provisions	*27*	11,589	-2,857	8,732	14,804
Deferred income	*28*	8,569	-5,364	3,205	1,615
Contract settlement	*28*	62,871	2,278	65,149	55,340
		199,481	**-8,545**	**190,936**	**168,140**
TOTAL EQUITY AND LIABILITIES		**497,520**	**-22,094**	**475,426**	**465,134**

	Note	BEFORE ADJUSTMENT Jan 1–Dec 31 2014	ADJUSTMENT	AFTER ADJUSTMENT Jan 1–Dec 31 2014
Revenue from sale of finished goods		415,093	2,519	417,612
Revenue from sale of merchandise and materials		21,419	0	21,419
Revenue	**1,2**	**436,512**	**2,519**	**439,031**
Finished goods sold		-320,033	-1,386	-321,419
Merchandise and materials sold		-12,394	0	-12,394
Cost of sales	**2,3**	**-332,427**	**-1,386**	**-333,813**
Gross profit/(loss)		**104,085**	**1,132**	**105,217**
Other income	*4*	6,002	0	6,002
Distribution costs	*2,3*	-30,673	0	-30,673
Administrative expenses	*2,3*	-57,726	668	-57,058
Other expenses	*4*	-12,536	-26,046	-38,582
Operating profit/(loss)		**9,152**	**-24,246**	**-15,094**

Impairment loss on goodwill	13	-25,565	25,565	0
Finance income	*5*	6,456	0	6,456
Finance costs	*5*	-6,839	0	-6,839
Share of net profit/(loss) of associates		-483	0	-483
Profit/(loss) before tax		**-17,279**	**1,319**	**-15,960**
Actual tax expense	*6*	-994	-1,189	-2,183
Net profit/(loss) from continuing operations		-18,273	131	-18,142
Loss from discontinued operations		-		-
Net profit/(loss)		-18,273	131	-18,142
Net profit/(loss) attributable to				
Owners of the Parent		**-15,828**	**131**	**-15,697**
Non-controlling interests		-2,446	-28	-2,474
EARNINGS PER SHARE:				
Basic		-1,47	0,01	-1,46
Diluted		-1,47	0,01	-1,46
OTHER COMPREHENSIVE INCOME:				
Items that will not be reclassified to profit or loss:				
Actuarial gains/(losses) on a defined benefit retirement plan		-3,574	-3,574	0
Income tax on other comprehensive income		1,251	0	1,251
Items that may be reclassified to profit or loss:				
Valuation of cash flow hedging derivatives		-1,950	-1,950	1
Exchange differences on translating foreign operations		22,598	-1,482	21,116
Reclassification adjustments (increase in control of a subsidiary)		371	371	0
Income tax on other comprehensive income		370	0	370
Total other comprehensive income, net		**18,324**	**-739**	**17,585**
Total comprehensive income		**50**	**-608**	**-558**
Total comprehensive income attributable to				
Owners of the Parent		2,030	-609	1,421
Non-controlling interests		-1,979	-28	-2,007

2) To ensure comparability of the data, the note on revenue of the operating segments for the period January 1st–December 31st 2014 was also adjusted to reflect a change in the presentation of the segments in the Company's management accounts, whereby the Aftersales segment was separated from the other operating segments in all Group companies.

Before adjustment

OPERATING SEGMENTS for the period Jan 1−Dec 31 2014

Item	Continuing operations							Unallocated items	Total
	Vacuum Furnaces	*Atmosphere Furnaces*	*Aluminium Process*	*CAB*	*Melting Furnaces*	*Aftersales*	*Total*		
Total segment revenue	103,394	110,696	29,524	40,217	93,637	55,204	432,972	3,840	436,512
Total segment expenses	-71,922	-88,563	-26,847	-27,248	-79,122	-34,672	-328,374	-4,054	-332,427

After adjustment

OPERATING SEGMENTS for the period Jan 1−Dec 31 2014

Item	Continuing operations							Unallocated items	Total
	Vacuum Furnaces	*Atmosphere Furnaces*	*Aluminium Process*	*CAB*	*Melting Furnaces*	*Aftersales*	*Total*		
Total segment revenue	103,498	96,544	29,524	40,217	93,637	69,356	432,776	3,736	436,512
Total segment expenses	-68,813	-77,123	-26,847	-27,248	-79,122	-49,295	-328,448	-3,979	-332,427

Note 35. 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 2015, no changes were made to capital 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 borrowings and other debt instruments, 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.

The gearing ratio at end of the year was as follows:

	Dec 31 2015	**Dec 31 2014**
	PLN'000	**PLN'000**
Debt	71,776	47,075
Cash and cash equivalents	-58,054	-46,702
Net debt	13,722	373
Equity	176,030	249,305
Net debt to equity	**7.80%**	**0.15%**

The low net debt to equity ratio is a result of the Management Board's conservative approach to debt. Accumulated cash is used to fund the Group's operating activities.

Note 36. TEST FOR IMPAIRMENT OF GOODWILL

The Parent carried out impairment tests on goodwill in subsidiaries Seco/Warwick Allied Pvt. Ltd., Seco/Warwick Corp., Retech Systems LLC and SECO/WARWICK Services. In the course of the tests, impairment of goodwill was identified in two subsidiaries. The recoverable amounts attributable to individual cash-generating units were determined based on their calculated value in use.

Cash-generating unit

In each case, value in use was calculated based on the 2016 budget and projections for the following four years. The projections reflect the management's business experience and an analysis of third-party information. The table below presents the key assumptions concerning the discount rate and the estimated growth rate after the period of detailed projections:

Item	*Seco/Warwick Allied Pvt. Ltd.*	*Seco/Warwick Corp. (USA)*	*Retech Systems LLC (USA)*	*SECO/WARWICK Services*
Average discount rate	18.86%	12.91%	10.66%	11.99%
Average revenue growth rate	10.4%	7.3%	9.4%	-0.7%
Growth rate after the forecast period	3.5%	1.0%	1.0%	1.0%
Recoverable value	-2,563	-55	38,464	6,127
Impairment loss on goodwill (PLN '000)	NO	- 5,864	- 30,004	NO

SECO/WARWICK Allied – the low number of new orders resulted in adopting a more conservative approach to the Company's forecasts. Political changes that followed the 2014 elections inhibited the capital investment decision-making process. The Company's Management Board expects a market recovery in 2016 and beyond.

SECO/WARWICK Brasil – forecasts are reduced due to political and macroeconomic factors. New orders fell to a low level again as a result of potential customers (including from the automotive industry) freezing a large number of capital projects. The Management Board sees no signs of a significant improvement in this market in the near term.

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

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

• free cash flows;

• discount rates;

• market share in the projection period.

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

The discount rate applied in the impairment tests, the weighted average cost of capital, adjusted in each case (ie. For each test of the shares and the "goodwill") of premiums and discounts on account of the risks specific to a particular test asset (as well as the risk country and for differences in expected inflation in the countries in which they operate individual companies of the Group Seco / Warwick).

Growth rates 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

In testing goodwill for impairment, a simulation of the recoverable amount was used, with the discount rates in 2016−2020 changed for each company:

Item	*Seco/Warwick Allied Pvt. Ltd.*	*Seco/Warwick Corp. (USA)*	*Retech Systems LLC (USA)*	*SECO/WARWICK Services*
	Recoverable amount:			
Discount rates assumed in the test	-2,563	-55	38,464	6,127
Discount rates increased by 1%	-2,738	102	35,442	5,501
Discount rates increased by 3%	-3,026	331	30,694	4,512

Note 37. 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. 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.

37.1 Currency risk

Its active international presence and a broad geographical reach require the Group to enter into transactions like sales and purchase denominated in foreign currencies. Some of the Group's borrowings and other financial liabilities are also denominated in foreign currencies. This exposes the Group to the risk of exchange rate fluctuations.

Foreign-currency financial assets and liabilities translated into PLN using the closing exchange rate prevailing at the reporting date:

	As at Dec 31 2015 in foreign currency	As at Dec 31 2015 in PLN	As at Dec 31 2014 in foreign currency	As at Dec 31 2014 in PLN
Liabilities				
EUR	1,874	7,987	1,003	4,273
USD	4,202	16,391	6,846	24,011
Assets				
EUR	17,311	73,769	15,961	68,031
USD	9,087	35,451	9,446	33,130
Notional amount of hedging instrument				
EUR	21,990	93,710	21,249	90,570
USD	21,666	84,521	11,140	39,070
Goodwill				
EUR	406	1,730	406	1,730
USD	9,860	38,464	19,054	66,827

The Group is mainly exposed to foreign currency risk related to EUR and USD.

Presented below is a sensitivity analysis for financial assets and liabilities, showing the effect of movements in the EUR/PLN, USD/PLN exchange rates on the Company's profit or loss and other comprehensive income.

Assumptions:

exchange rate at reporting date Dec 31 2015

+ 10% increase in exchange rate

- 10% decrease in exchange rate

Effect on equity		Effect of USD	Effect of USD	Effect of EUR	Effect of EUR
		Period ended	Period ended	Period ended	Period ended
		Dec 31 2015	Dec 31 2014	Dec 31 2015	Dec 31 2014
ASSETS					
Increase in exchange rate	10%	7 392	21 740	7 550	6,976
Decrease in exchange rate	-10%	-7 392	-21 740	-7 550	-6,976
LIABILITIES AND BORROWINGS					
Increase in exchange rate	10%	-10 091	-11 726	-10 170	-9,484
Decrease in exchange rate	-10%	10 091	11 726	10 170	9,484
TOTAL					
Increase in exchange rate	10%	-2 700	10 014	-2 620	-2,508
Decrease in exchange rate	-10%	2 700	-10 014	2 620	2,508

Effect on profit/loss		Effect of USD	Effect of USD	Effect of EUR	Effect of EUR
		Period ended	Period ended	Period ended	Period ended
		Dec 31 2015	Dec 31 2014	Dec 31 2015	Dec 31 2014
ASSETS					
Increase in exchange rate	10%	3 545	3 158	7 377	6,803
Decrease in exchange rate	-10%	-3 545	-3 158	-7 377	-6,803
LIABILITIES AND BORROWINGS					
Increase in exchange rate	10%	-10 091	-5 373	-10 170	-9,484
Decrease in exchange rate	-10%	10 091	5 373	10 170	9,484
TOTAL					
Increase in exchange rate	10%	-6 546	-2 215	-2 793	-2,681
Decrease in exchange rate	-10%	6 546	2 215	2 793	2,681

The currency risk exposure changes over the year, depending on the volume of transactions executed in foreign currencies. Nevertheless, the above sensitivity analysis is considered to be representative of the Group's exposure to foreign currency risk.

Exchange rate at Dec 31 2015	Exchange rate	+ 10% increase in exchange rate	- 10% decrease in exchange rate
USD	3.9011	0.3901	-0.3901
EUR	4.2615	0.4262	-0.4262

Exchange rate at Dec 31 2014	Exchange rate	+ 10% increase in exchange rate	- 10% decrease in exchange rate
USD	3.5072	0.351	-0.351
EUR	4.2620	0.426	-0.426

37.2 Interest rate risk

The Group companies use interest-bearing liabilities. Therefore, the Group is exposed to interest rate risk, with the risk assessment presented based on a 1% increase/decrease in interest rates.

	Effect on profit/loss before tax	**Effect on profit/loss before tax**
	+ 1%/- 1%	+ 1%/- 1%
	Year ended Dec 31 2015	**Year ended Dec 31 2014**
Lease liabilities	+/- 20	+/- 14
Other financial liabilities at amortised cost	+/- 693	+/- 471

For the purposes of the assessment the average interest rate was assumed at 7.4% for 2015 and 7.0% for 2014. Total borrowings in 2015 amounted to PLN 69,319 (2014: PLN 47,075). The effect of interest rate movements on profit or loss and equity was calculated by adding/deducting 1pp to/from the average interest rate.

The objective of interest rate risk management is to reduce to an acceptable level by the Group to adverse changes in market interest rates on cash flows.

37.3 Liquidity risk

Liquidity risk is the risk that the Company may face problems with meeting its financial liabilities. Liquidity risk is managed by projecting future cash flows, analysing the relation of liquid assets to cash flows, monitoring liquidity ratios based on items of the statement of financial position and ensuring constant access to various sources of financing at the level of 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 2015, bank borrowings represented 13% of total current liabilities (December 31st 2014: 16%).

The table below presents the Group's financial liabilities by maturity as at December 31st 2015 and December 31st 2014, based on contractual undiscounted payments.

Dec 31 2015	Payable on demand	up to 1 year	1–5 years	Over 5 years	Total as at Dec 31 2015
Trade payables	-	49,228	-	-	**49,228**
Leasing	-	737	1,191	-	**1,928**
Derivatives	-	3,197	1,699	-	**4,896**
Interest-bearing bank and other borrowings	-	38,355	46,377	-	**84,733**
Other liabilities	-	4,038	3,107	-	**7,144**
TOTAL	**-**	**95,555**	**52,374**	**-**	**147,929**

Dec 31 2014	Payable on demand	up to 1 year	1–5 years	Over 5 years	Total as at Dec 31 2014
Trade payables	-	46,541	-	-	**46,541**
Leasing	-	593	782	-	**1,375**
Derivatives	-	2,660	-	-	**2,660**
Interest-bearing bank and other borrowings	-	35,301	20,797	-	**56,098**
Other liabilities	-	7,094	984	-	**8,078**
TOTAL	**-**	**92,189**	**22,563**	**-**	**114,752**

The maturity structure of liabilities is presented in Note 27.

37.4 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 2015, 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.

The Group manages credit risk to counterparties mainly through the use of the following mechanisms and techniques:
- Assessment of the financial standing of contractors, along with giving credit limits;
- Standardization of contractual provisions in the field of credit risk;
- A system of ongoing monitoring of payment;
- Ongoing monitoring of the financial condition of the counterparty.

Note 38. MANAGEMENT STOCK OPTIONS

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

Key terms of the 2012–2016 Incentive Scheme:

1. The person serving as President of the Management Board as at the date of the Resolution (**"President of the Management Board"**) and the key company employees indicated by the President of the Management Board in consultation with the Supervisory Board (jointly with the President of the Management Board - the **"Eligible**

Persons") will be eligible for participation in the 2012–2016 Incentive Scheme. With respect to each Eligible Person other than the President of the Management Board, an a_i ratio, referred to in Par. 2.11 below, will be determined along with the indication of the person. A list of Eligible Persons will be prepared by the Supervisory Board in consultation with the President of the Management Board within three months from the date of the Resolution.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

provided that:

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

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

where:

Q *stands for the number of Series B Warrants;*

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

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

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

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

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

provided that:

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

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

where:

Q stands for the number of Series B Warrants;

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

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

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

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

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

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

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

The incentive scheme was valued by an actuary. In the valuation, it was assumed that the share price process is a stochastic process following a geometric Brownian motion, and as such it is the solution of a stochastic differential equation. In order to measure the fair value of the awarded rights, the cost of implementation of an investment strategy whose final value would equal the value of the rights was determined (for every possible scenario). Only strategies allowing for investments in company shares and bonds were considered. The calculations were made on the assumption that no arbitrage is available on the WSE and that the costs of dynamic portfolio reorganisation are negligible. The valuation technique was used to determine a risk-neutral measure equivalent to the measure adopted (resulting from the assumptions on price dynamics) and the expected payment amount under the new measure. In calculating the value of the rights, Monte Carlo simulation techniques were used. The adopted method is commonly used for the valuation of derivative instruments and it is compliant with IFRS 2. It is an approximation to the Black-Scholes-Merton model.

The fair value of the scheme covering 500,000 options is PLN 8,519 thousand, assuming that all non-market conditions will be met.

As at December 31st 2015, 261,627 Series E Shares had been acquired under the 2012–2016 Incentive Scheme for management personnel of the SECO/WARWICK Group, approved by virtue of Resolution No. 21 of the Annual General Meeting of May 28th 2012, of which:
- 132,325 Series E Shares, with a fair value of PLN 2,997 thousand, were acquired by Paweł Wyrzykowski, President of the Management Board;
- 25,558 Series E Shares, with a fair value of PLN 575 thousand, were acquired by Wojciech Modrzyk, Vice-President of the Management Board;
- 25,558 Series E Shares, with a fair value of PLN 575 thousand were acquired by Jarosław Talerzak, Vice-President of the Management Board.

The remaining shares were acquired by the other members of the management team.

Presented below are the options granted under the Incentive Scheme during the reporting period:

Series	Number of exercised options	Exercise date
(1) Granted on May 17th 2013	149,239	17/07/2013
(1) Granted on July 15th 2013	13,527	19/09/2013
(1) Granted on August 13th 2013	13,703	19/09/2013
(2) Granted on October 21st 2013	27,518	03/12/2013
(2) Granted on October 25th 2013	5,248	20/01/2014
(3) Granted on December 20th 2013	52,392	20/01/2014
	261,627	

Note 39. CAPITALISED BORROWING COSTS

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

Note 40. 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 41. COURT PROCEEDINGS

Seco/Warwick Corporation (SWC), a subsidiary of the Issuer, with its registered office in Pennsylvania, USA, along with a third party not associated with the Issuer (“Third Party”), are parties to a court dispute with Liberty Mutual Insurance (LMI), in which they claim from LMI additional insurance limits for continued product liability insurance coverage under insurance policies issued to the Third Party in 1980-1986. SWC and the Third Party are seeking coverage for the claims being raised against SWC and the Third Party in connection with product liability personal injury lawsuits filed by individuals alleging injury from asbestos as a result of their exposure to the Third Party’s products manufactured by legal predecessors of SWC and the Third Party in 1958-1984 (the Asbestos Claims). SWC was not established until 1984, and was not a part of the Issuer’s Group until 2006.

SWC and the Third Party have alleged in court that the insurance policy contract entered into by LMI extends additional coverage to the Asbestos Claims, including the costs of settlements entered into with injured parties and the legal costs in connection with verifying the legitimacy of such claims and negotiating such settlements. LMI claims that the policy limits have been exhausted, citing certain special provisions of the insurance policy. SWC and the Third Party disagree with LMI’s contract interpretation.

To the best of the Issuer's knowledge, by the date of this Report, 409 Asbestos Claims have been filed against SWC, out of which 124 such Claims were rejected, 31 Claims ended in settlements entered into by LMI for the total amount of USD 3m, and 252 Claims are being verified or negotiations of the terms of settlements, if any, with injured parties are being conducted in respect thereof.

Should no agreement be reached with LMI on continued insurance coverage for SWC or should the lawsuit against LMI be dismissed in this respect, there arises the risk that SWC will be forced to bear the costs relating to the Asbestos Claims while SWC and the Third Party pursue the excess carriers to take over the asbestos product liability claims.

To the best of the Issuer's knowledge, the risk of SWC being forced to bear further costs relating to the Asbestos Claims is not significant, as the Third Party holds other excess insurance policies contracted with other insurance companies, which policies can, according to the information received from SWC, cover the Asbestos Claims.

As at the date of this Report, the Issuer is not able to reliably estimate the total amount of its contingent liability related to the claims discussed above. The Issuer will publish any important information regarding the matter.

Note 42. 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 2015, there was no need to recognise provisions for any recognised and measurable tax risks. The Company pays its tax liabilities when due.

Note 43. 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 44. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

In Current Report No. 2/2016, the Management Board of SECO/WARWICK S.A. announced that between October 6th 2015 and January 20th 2016, the Company's subsidiary SECO/WARWICK EUROPE Sp. z o.o. entered into nineteen forward contracts to sell a total of EUR 2,709,000 (PLN 11,641,301), two forward contracts to sell a total of GBP 800,000 (PLN 4,746,160), and one forward contract to sell a total of USD 58,000 (PLN 219,762) with mBank S.A. The value of all the forward contracts totals PLN 16,607,223.

In Current Report No. 3/2016, the Management Board of SECO/WARWICK S.A. announced that on January 27th 2016 the Company's subsidiary SECO/WARWICK Europe Sp. z o.o. signed an annex to a bank guarantee facility agreement with mBank Spółka Akcyjna of Warsaw. Under the annex, mBank granted SECO/WARWICK Europe Sp. z o.o. a revolving bank guarantee facility of PLN 25,000,000 valid until December 31st 2018. The Company already has a PLN 4,000,000 guarantee facility with mBank, which expires on December 29th 2017. The aggregate value of guarantee facilities held with mBank is PLN 29,000,000.

Further to Current Report No. 4/2013 of March 22nd 2013 and Current Report No. 24/2014 of June 4th 2014, the Management Board of SECO/WARWICK S.A. announced in Current Report No. 2/2016 that on March 30th 2016 the Company acquired 1,550,000 shares in SECO/WARWICK Allied Private Limited of Maharashtra, India ("SWAPL"), for INR 155,000,000 (PLN 8,767,265 translated at the mid-exchange rate quoted by the National Bank of Poland for March 30th 2016) in connection with a share capital increase and new share issue carried out by SWAPL. Following the acquisition of the 1,550,000 shares, the Company will hold a total of 1,632,014 shares, representing 98.4% of the SWAPL's share capital and carrying 98.4% of total voting rights at its General Meeting.

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

Note 45. 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.

Note 46. FINANCIAL DATA OF RETECH SYSTEM LLC AND SECO/WARWICK Copr.

Retech Systems LLC [TUSD]	US GAAP	IFRS adjustments	IFRS
ASSETS			
Non-current assets			
Property, plant and equipment	2 427	468	2 895
Investment property			
Goodwill			
Intangible assets	130		130
Investments in associates		880	880
Non-current receivables	2 328	-2 296	32
Loans and receivables			
Deferred tax assets- goodwill	3 159	-3 159	
Deferred tax assets	696	3 159	3 855
	8 739	**-948**	**7 791**
Current assets			
Inventories	869		869
Trade receivables	4 488	2 296	6 783
Income tax assets	1 800		1 800
Other current receivables			
Accruals and deferred income	154		154
Other financial assets			
Contract settlement	9 794		9 794
Cash and cash equivalents	178		178
	17 283	**2 296**	**19 579**
ASSETS HELD FOR SALE	**-**	**-**	**-**
TOTAL ASSETS	**26 022**	**1 348**	**27 370**

Retech Systems LLC [TUSD]	US GAAP	IFRS adjustments	IFRS
EQUITY AND LIABILITIES			
Equity			
Share capital	16 717	-11 089	5 627
Statutory reserve funds			
Other components of equity		1 615	1 615
Retained earnings/(deficit)	-1 531	10 561	9 031
Non-controlling interests			
	15 186	**1 087**	**16 273**
Non-current liabilities			

Borrowings and other debt instruments			
Financial liabilities			
Other non-current liabilities			
Deferred tax liabilities	592	250	842
Provision for retirement and similar benefits			
Other provisions			
Accruals and deferred income			
	592	**250**	**842**
Current liabilities			
Borrowings and other debt instruments			
Financial liabilities			
Trade payables	2 310	133	2 443
Income tax payable		11	11
Taxes, customs duties and social security payable	16	152	168
Other current liabilities	1 025	-1 001	24
Provision for retirement and similar benefits		849	849
Other provisions	1 115		1 115
Accruals and deferred income	133	-133	0
Contract settlement	5 644		5 644
	10 243	**11**	**10 254**
TOTAL EQUITY AND LIABILITIES	**26 022**	**1 348**	**27 369**

Retech Systems LLC [TUSD]	US GAAP	IFRS adjustments	IFRS
Revenue from sale of finished goods	32 879		32 879
Revenue from sale of merchandise and materials			
Revenue	**32 879**	**0**	**32 879**
Finished goods sold	-29 240	-271	-29 510
Merchandise and materials sold			
Cost of sales	**-29 240**	**-271**	**-29 510**
Gross profit/(loss)	**3 639**	**-271**	**3 368**
Other income	209		209
Distribution costs	-2 069		-2 069
Administrative expenses	-3 091		-3 091
Other expenses	-353		-353
Operating profit/(loss)	**-1 666**	**-271**	**-1 937**
Finance income	0		0
Finance costs	-362		-362
Share of net profit/(loss) of associates			
Profit/(loss) before tax	**-2 028**	**-271**	**-2 299**
Actual tax expense	497	89	587
Net profit/(loss) from continuing operations	-1 531	-181	-1 712
Profit/(loss) from discontinued operations			
Net profit/(loss) for financial year	**-1 531**	**-181**	**-1 712**

Retech Systems LLC [TUSD]	US GAAP	IFRS adjustments	IFRS
OPERATING ACTIVITIES			
Profit/(loss) before tax	**-2 028**	**-271**	**-2 299**
Total adjustments:	**2 904**	**1 143**	**4 047**
Share in net profit of subordinates accounted for using the equity method			
Depreciation and amortisation	386	270	656
Foreign exchange gains/(losses)			
Interest paid		26	26
Gain/(loss) on investing activities			
Balance-sheet valuation of derivative instruments			
Change in provisions	-5 913	6 921	1 008
Change in inventories	275		275
Change in receivables	-1 594	-1 027	-2 621
Change in current liabilities (other than financial liabilities)	6 582	-5 907	675
Change in accruals and deferrals		4 390	4 390
Other adjustments	3 168	-3 529	-361
Cash from operating activities	**876**	**873**	**1 749**
Income tax (paid)/recovered	497	-919	-422
Net cash flows from operating activities	**1 373**	**-47**	**1 327**
INVESTING ACTIVITIES			
Cash provided by financing activities	**0**	**0**	**0**
Proceeds from disposal of intangible assets and property, plant and equipment			
Proceeds from disposals of financial assets			
Other inflows from financial assets			
Cash used in financing activities	**517**	**0**	**517**
Investments in intangible assets, property, plant and equipment, and investment property	517		517
Acquisition of related entities			
Other cash used in investing activities			
Net cash flows from investing activities	**-517**	**0**	**-517**
FINANCING ACTIVITIES			
Cash provided by financing activities	**11 465**	**-11 465**	**0**
Net proceeds from issue of equity interests (shares) or other equity instruments and additional contributions to equity			
Borrowings and other debt instruments	11 465	-11 465	0
Other cash provided by financing activities			
Cash used in financing activities	**12 165**	**-11 439**	**726**
Dividends and other distributions to owners			
Acquisition of own shares			
Repayment of borrowings and other debt instruments	12 165	-11 465	700
Payment of finance lease liabilities			
Interest paid		26	26
Net cash flows from financing activities	**-700**	**-26**	**-726**
Total net cash flows	**156**	**-72**	**84**

Net change in cash, including:			
- effect of exchange rate fluctuations on cash held			
Cash at beginning of the period	**22**	**72**	**94**
Cash at end of the period	**178**	**-1**	**178**

SECO/WARWICK Corp. [TUSD]	**US GAAP**	**IFRS adjustments**	**IFRS**
ASSETS			
Non-current assets			
Property, plant and equipment	672	1 632	2 303
Investment property			
Goodwill			
Intangible assets	10	114	124
Investments in associates			
Non-current receivables			
Loans and receivables			
Deferred tax assets- goodwill			
Deferred tax assets	646	-646	0
	1 327	**1 100**	**2 428**
Current assets			
Inventories	992	0	992
Trade receivables	2 493	490	2 982
Income tax assets			
Other current receivables			
Accruals and deferred income	321	-44	278
Other financial assets			
Contract settlement	928	50	978
Cash and cash equivalents	566	0	566
	5 300	**496**	**5 796**
ASSETS HELD FOR SALE	**-**	**-**	**-**
TOTAL ASSETS	**6 627**	**1 596**	**8 223**

SECO/WARWICK Corp. [TUSD]	**US GAAP**	**IFRS adjustments**	**IFRS**
EQUITY AND LIABILITIES			
Equity			
Share capital	480	0	480
Statutory reserve funds			
Other components of equity	-8 191	2 201	-5 990
Retained earnings/(deficit)	3 695	-405	3 289
Non-controlling interests			
	-4 016	**1 795**	**-2 221**

Non-current liabilities			
Borrowings and other debt instruments			
Financial liabilities			
Other non-current liabilities			
Deferred tax liabilities	646	-646	0
Provision for retirement and similar benefits	1 138	208	1 346
Other provisions	138	-138	0
Accruals and deferred income			
	1 922	**-576**	**1 346**
Current liabilities			
Borrowings and other debt instruments	420	0	420
Financial liabilities	4	0	4
Trade payables	2 249	-458	1 791
Income tax payable		0	
Taxes, customs duties and social security payable	5	0	5
Other current liabilities	1 329	0	1 329
Provision for retirement and similar benefits		801	801
Other provisions	118	33	151
Accruals and deferred income	1 688	0	1 688
Contract settlement	2 910	0	2 910
	8 722	**376**	**9 098**
TOTAL EQUITY AND LIABILITIES	**6 627**	**1 596**	**8 223**

SECO/WARWICK Corp. [TUSD]	US GAAP	IFRS adjustments	IFRS
Revenue from sale of finished goods	17 725	50	17 775
Revenue from sale of merchandise and materials			
Revenue	**17 725**	**50**	**17 775**
Finished goods sold	-15 544	-307	-15 851
Merchandise and materials sold			
Cost of sales	**-15 544**	**-307**	**-15 851**
Gross profit/(loss)	**2 181**	**-257**	**1 924**
Other income	333		333
Distribution costs	-2 732	-2	-2 734
Administrative expenses	-1 737	-13	-1 750
Other expenses	-1 551	435	-1 116
Operating profit/(loss)	**-3 506**	**162**	**-3 344**
Finance income	2		2
Finance costs	-4		-4
Share of net profit/(loss) of associates			
Profit/(loss) before tax	**-3 508**	**162**	**-3 346**
Actual tax expense	-1 027	949	-78
Net profit/(loss) from continuing operations	-4 535	1 111	-3 424
Profit/(loss) from discontinued operations			
Net profit/(loss) for financial year	**-4 535**	**1 111**	**-3 424**

SECO/WARWICK Corp. [TUSD]	US GAAP	IFRS adjustments	IFRS
OPERATING ACTIVITIES			
Profit/(loss) before tax	**-3 508**	**162**	**-3 346**
Total adjustments:	**2 113**	**-36**	**2 077**
Share in net profit of subordinates accounted for using the equity method			
Depreciation and amortisation	120	69	189
Foreign exchange gains/(losses)	2	-2	
Interest paid		0	
Gain/(loss) on investing activities	11	-7	4
Balance-sheet valuation of derivative instruments			
Change in provisions	-108	-401	-509
Change in inventories	301	129	430
Change in receivables	762	-133	630
Change in current liabilities (other than financial liabilities)	-87	-837	-924
Change in accruals and deferrals	-1 417	3 124	1 707
Other adjustments	2 528	-1 978	550
Cash from operating activities	**-1 395**	**126**	**-1 269**
Income tax (paid)/recovered	125	-125	
Net cash flows from operating activities	**-1 270**	**2**	**-1 269**
INVESTING ACTIVITIES			
Cash provided by financing activities	**0**	**0**	**0**
Proceeds from disposal of intangible assets and property, plant and equipment			
Proceeds from disposals of financial assets			
Other inflows from financial assets			
Cash used in financing activities	**191**	**-3**	**188**
Investments in intangible assets, property, plant and equipment, and investment property	191	-3	188
Acquisition of related entities			
Other cash used in investing activities			
Net cash flows from investing activities	**-191**	**3**	**-188**
FINANCING ACTIVITIES			
Cash provided by financing activities	**420**	**0**	**420**
Net proceeds from issue of equity interests (shares) or other equity instruments and additional contributions to equity			
Borrowings and other debt instruments	420	0	420
Other cash provided by financing activities			
Cash used in financing activities	**0**	**4**	**4**
Dividends and other distributions to owners			
Acquisition of own shares			
Repayment of borrowings and other debt instruments			
Payment of finance lease liabilities			
Interest paid		4	4

Net cash flows from financing activities	**420**	**-4**	**416**
Total net cash flows	**-1 042**	**0**	**-1 042**
Net change in cash, including:			
- effect of exchange rate fluctuations on cash held			
Cash at beginning of the period	**1 608**	**0**	**1 608**
Cash at end of the period	**566**	**0**	**566**

Date: April 28th 2016

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