THE SECO/WARWICK GROUP

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31ST 2014

CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31ST 2014 1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (PLN '000) 4

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 6

CONSOLIDATED STATEMENT OF CASH FLOWS 8

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (PLN '000) 10

SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31ST 2014 11

I. GENERAL INFORMATION 12

II. Key financial data translated into the euro 16

III. Statement of compliance 17

IV. Compliance with International Financial Reporting Standards 18

V. Going concern assumption and comparability of accounts 18

VI. Basis of consolidation 18

VII. Description of applied accounting policies, including methods of measurement of assets, equity and liabilities, income and expenses 19

Property, plant and equipment 20

IX. Changes in accounting policies 26

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31ST 2014 31

Note 1. REVENUE 32

Note 2. OPERATING SEGMENTS 32

Note 3. OPERATING EXPENSES 36

Note 4. OTHER INCOME AND EXPENSES 37

Note 5. FINANCE INCOME AND COSTS 38

Note 6. INCOME TAX AND DEFERRED INCOME TAX 38

Note 7. ASSETS HELD FOR SALE 40

Note 8. EARNINGS PER SHARE 40

Note 9. DIVIDENDS PROPOSED OR APPROVED BY THE DATE OF APPROVAL OF THESE FINANCIAL STATEMENTS 41

Note 10. PROPERTY, PLANT AND EQUIPMENT 41

Note 11. INTANGIBLE ASSETS 46

Note 12. INVESTMENT PROPERTY 48

Note 13. GOODWILL 48

Note 14. INVESTMENTS IN SUBORDINATED ENTITIES 52

Note 15. INVESTMENTS IN EQUITY-ACCOUNTED ASSOCIATES 53

Note 16. INVENTORIES 54

Note 17. LONG-TERM CONTRACTS 54

Note 18. TRADE AND OTHER RECEIVABLES 55

Note 19. OTHER FINANCIAL ASSETS AND LIABILITIES 56

Note 20. PREPAYMENTS AND ACCRUED INCOME 60
Note 21. CASH AND CASH EQUIVALENTS 60
Note 22. SHARE CAPITAL AND STATUTORY RESERVE FUNDS/CAPITAL RESERVES 60
Note 23. RETAINED EARNINGS/(DEFICIT) 62
Note 24. FINANCIAL LIABILITIES 62
Note 25. LEASES 67
Note 26. TRADE PAYABLES AND OTHER LIABILITIES 69
Note 27. PROVISIONS 71
Note 28. DEFERRED INCOME 73
Note 29. EXPLANATORY INFORMATION TO THE STATEMENT OF CASH FLOWS 73
Note 30. RELATED PARTIES 74
Note 31. KEY PERSONNEL REMUNERATION 75
Note 32. FINANCIAL ASSETS 77
Note 33. WORKFORCE STRUCTURE 79
Note 34. PRESENTATION ADJUSTMENTS 79
Note 35. CAPITAL MANAGEMENT 80
Note 36. TEST FOR IMPAIRMENT OF GOODWILL 81
Note 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY 82
Note 38. MANAGEMENT STOCK OPTIONS 86
Note 39. CAPITALISED BORROWING COSTS 89
Note 40. REVENUE GENERATED SEASONALLY, CYCLICALLY OR OCCASIONALLY 89
Note 41. COURT PROCEEDINGS 89
Note 42. TAX SETTLEMENTS 89
Note 43. WASTE ELECTRICAL AND ELECTRONIC EQUIPMENT 90
Note 44. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD 90
Note 45. FINANCIAL STATEMENTS ADJUSTED FOR INFLATION 91

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (PLN '000)

PLN '000	Note	Dec 31 2014	Dec 31 2013
ASSETS			
Non-current assets			
Property, plant and equipment	*10*	92,051	80,215
Investment property	*12*	389	399
Goodwill	*13*	68,558	78,861
Intangible assets	*11*	22,609	19,589
Investments in associates	*15*	1,888	3,404
Non-current receivables	*18*	1,240	1,691
Loans and receivables	*19*	361	0
Other financial assets	*19*	6,906	2,674
Deferred tax assets	*6*	22,817	15,851
		216,819	**202,683**
Current assets			
Inventories	*16*	36,319	32,648
Trade receivables	*18*	71,224	84,671
Income tax assets	*18*	2,732	2,566
Other current receivables	*18*	15,005	12,532
Accruals and deferred income	*20*	2,742	3,593
Other financial assets	*19*	1,425	4,370
Contract settlement	*17*	104,553	95,097
Cash and cash equivalents	*21*	46,702	41,656
		280,701	**277,134**
ASSETS HELD FOR SALE	7	**-**	**721**
TOTAL ASSETS		**497,519**	**480,538**

PLN '000	Note	Dec 31 2014	Dec 31 2013
EQUITY AND LIABILITIES			
Equity			
Share capital	22	3,704	3,693
Statutory reserve funds	22	174,617	199,708
Other components of equity	22	46,733	3,147
Retained earnings/(deficit)	23	21,875	48,178
Non-controlling interests	22	**2,376**	**5,442**
		249,305	**260,167**
Non-current liabilities			
Borrowings and other debt instruments	24	15,659	16,069
Financial liabilities	24	863	4,479
Other non-current liabilities	24	464	473
Deferred tax liabilities	6	21,636	20,850
Provision for retirement and similar benefits	27	5,352	3,331
Other provisions	27	2,014	822
Deferred income	28	2,746	4,143
		48,734	**50,166**
Current liabilities			
Borrowings and other debt instruments	24	30,041	18,050
Financial liabilities	24	7,215	4,165
Trade payables	26	57,233	52,917
Income tax payable	26	98	376
Taxes, customs duties and social security payable	26	4,943	5,340
Other current liabilities	26	7,769	7,165
Provision for retirement and similar benefits	27	9,153	8,291
Other provisions	27	11,589	16,292
Deferred income	28	8,569	2,268
Contract settlement	28	62,871	55,340
		199,481	**170,205**
TOTAL EQUITY AND LIABILITIES		**497,519**	**480,538**

Date: April 29th 2015

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(PLN '000)

PLN '000	Note	Year ended Dec 31 2014	Year ended Dec 31 2013
Revenue from sale of finished goods		415,093	469,360
Revenue from sale of merchandise and materials		21,419	18,614
Revenue	**1,2**	**436,512**	**487,974**
Finished goods sold		-320,033	-361,626
Merchandise and materials sold		-12,394	-12,448
Cost of sales	**2,3**	**-332,427**	**-374,074**
Gross profit/(loss)		**104,085**	**113,900**
Other income	*4*	6,002	4,302
Distribution costs	*2,3*	-30,673	-30,071
Administrative expenses	*2,3*	-57,726	-65,057
Other expenses	*4*	-12,536	-6,254
Operating profit/(loss)		**9,151**	**16,819**
Impairment loss on goodwill	13	-25,565	-
Finance income	*5*	6,456	5,080
Finance costs	*5*	-6,839	-2,688
Share of net profit/(loss) of associates		-483	-567
Profit/(loss) before tax		**-17,280**	**18,645**
Actual tax expense	*6*	-994	-5,273
Net profit/(loss) from continuing operations		-18,274	13,372
Loss from discontinued operations		-	-
Net profit/(loss)		-18,274	13,372
Net profit/(loss) attributable to			
Owners of the Parent		**-,15,828**	**15,221**
Non-controlling interests		-,2,446	-,1,849
EARNINGS PER SHARE:			
Basic		-1.47	1.45
Diluted		-1.47	1.41

OTHER COMPREHENSIVE INCOME:		
Items that will not be reclassified to profit or loss:		
Actuarial gains/(losses) on a defined benefit retirement plan	-3,574	1,812
Income tax on other comprehensive income	1,251	-634
Items that may be reclassified to profit or loss:		
Valuation of cash flow hedging derivatives	-1,950	-316
Exchange differences on translating foreign operations	22,598	-12,991
Reclassification adjustments (increase in control of a subsidiary)	371	-544
Income tax on other comprehensive income	370	60
Total other comprehensive income, net	**18,324**	**-12,613**
Total comprehensive income	**50**	**759**
Total comprehensive income attributable to		
Owners of the Parent	2,030	4,107
Non-controlling interests	-1,979	-3,349

Date: April 29th 2015

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(PLN '000)

	Note	For the period Jan 1–Dec 31 2014	For the period Jan 1–Dec 31 2013
OPERATING ACTIVITIES			
Profit/(loss) before tax	*30*	**-17,280**	**18,645**
Adjustments for:		**57,619**	**10,190**
Share of net profit of associates	*3*	483	567
Depreciation and amortisation		7,969	7,926
Foreign exchange gains/(losses)		3,480	-5,757
Interest and profit distributions (dividends)		2,484	1,782
Gain/(loss) on investing activities		-1,913	-3,481
Balance-sheet valuation of derivative instruments		3,068	-195
Change in provisions		-2,619	8,063
Change in inventories		-2,006	1,208
Change in receivables		20,730	9,141
Change in current liabilities (other than financial liabilities)		1,673	11,201
Change in accruals, deferrals and contracts		2,330	-23,177
Other adjustments		21,940	2,911
Cash from operating activities		**40,339**	**28,835**
Income tax (paid)/recovered		**-6,987**	-19,129
Net cash flows from operating activities		**33,352**	**9,707**
INVESTING ACTIVITIES			
Cash provided by financing activities		**4,209**	**1,283**
Proceeds from disposal of intangible assets and property, plant and equipment		652	1,207
Proceeds from disposals of financial assets		2,957	-
Other inflows from financial assets		600	71
Cash used in financing activities		**28,701**	**25,632**
Investments in intangible assets, property, plant and equipment, and investment property		17,018	12,861
Acquisition of related entities		8,100	9,967
Acquisition of financial assets		-	-

Other financial assets	3,584	2,804
Cash paid in connection with derivative instruments	-	-
Net cash flows from investing activities	**-24,492**	**-24,350**
FINANCING ACTIVITIES		
Cash provided by financing activities	**13,603**	**19,370**
Net proceeds from issue of shares or other equity instruments and additional contributions to equity	74	41
Borrowings and other debt instruments	13,528	19,329
Other cash provided by financing activities	-	-
Cash used in financing activities	**17,546**	**18,550**
Dividends and other distributions to owners	8,053	-
Repayment of borrowings and other debt instruments	6,800	15,721
Payment of finance lease liabilities	384	448
Interest paid	2,309	2,381
Net cash flows from financing activities	**-3,943**	**820**
Total net cash flows	**4,917**	**-,13,823**
Net change in cash, including:	**2,433**	**-11,169**
- effect of exchange rate fluctuations on cash held	128	-77
Cash at beginning of the period	**41,763**	**55,586**
Cash at end of period, including:	**46,679**	**41,763**
- restricted cash	-	10,239

Date: April 29th 2015

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (PLN '000)

	Share capital	Statutory reserve funds	Hedging reserve	Other components of equity	Foreign 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 2013	**3,652**	**189,136**	**1,580**	**-**	**168**	**54,953**	**249,489**	**1,153**	**250,642**
Correction of previous years' errors	**-**	-	-	-	-	-676	**-676**	-	**-676**
Equity as at Jan 1 2013	**3,652**	**189,136**	**1,580**	**-**	**168**	**54,277**	**248,813**	**1,153**	**249,965**
Profit/(loss) for the period	**-**	-	-	-	-	15,221	**15,221**	-1,849	**13,372**
Other comprehensive income	**-**	**-**	-256	-	-12,035	1,178	**-11,113**	-1,499	**-12,613**
Total comprehensive income for the year	**-**	**-**	-256	-	-12,035	16,399	**4,108**	**-3,348**	**759**
Issue of shares	41	**-**	-	-	-	-	**41**	**-**	**41**
Management stock options	-	**-**	-	3,147	-	-	**3,147**	**-**	**3,147**
Change of method of accounting for employee benefit plan	**-**	-	-	-	-	-457	**-457**	-	**-457**
Transfer of 2012 earnings	**-**	10,571	-	-	-	-10,571	**0**	-	**-**
Accounting for acquisition of control and increase in control of a subsidiary	-	-	-	-	-	-926	**-926**	7,638	**6,713**
Equity as at Dec 31 2013	**3,693**	**199,708**	**1,324**	**3,147**	**-11,867**	**58,721**	**254,725**	**5,441**	**260,167**
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	**-**	-	-	-	-	-870	**-870**	-	**-870**
Change in accounting policies at SWE						-1,707	**-1,707**	-	**-1,707**
Equity as at Jan 1 2014	**3,693**	**199,708**	**1,324**	**3,147**	**-11,867**	**56,143**	**252,148**	**5,441**	**257,589**
Profit/(loss) for the period	**-**	-	-	-	-	-15,828	**-15,828**	-2,446	**-18,274**
Other comprehensive income	**-**	**-**	-,1,579	-	21,760	-2,323	**17,858**	467	**18,325**
Total comprehensive income for the year	**-**	**-**	-,1,579	-	21,760	-18,151	**2,030**	**-1,979**	**51**
Issue of shares	12	**-**	-	-	-	-	**12**	**-**	**12**
Management stock options	-	**-**	-	1,836	-	-	**1,836**	**-**	**1,836**
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	**3,704**	**174,617**	**-255**	**46,733**	**9,893**	**12,238**	**246,929**	**2,376**	**249,305**

Date: April 29th 2015

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

THE SECO/WARWICK GROUP

SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31ST 2014

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,
	46,69,Z	Wholesale of other machinery and equipment,
	71,12,Z	Engineering activities and related technical consultancy,
	72,11,Z	Research and experimental development on biotechnology.
National Court Register (KRS) No.:		KRS 0000271014
Industry Identification Number (REGON)		970011679

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 the period of 27 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 seven 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 2014. The comparative data is presented as at December 31st 2013 in the case of the statement of financial position, and for the period from January 1st to December 31st 2013 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 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 2013, the composition of the SECO/WARWICK Management Board was as follows:
- Paweł Wyrzykowski – President of the Management Board
- Wojciech Modrzyk – Vice-President of the Management Board
- Jarosław Talerzak – Vice-President of the Management Board

As at December 31st 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

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

Changes in the composition of the Management Board

In 2014, there were no changes in the composition of the SECO/WARWICK Management Board.

Changes in the composition of the Supervisory Board:

In 2014, there were no changes in the composition of the SECO/WARWICK Supervisory Board.

5. Auditors

PKF Consult Sp. z o.o.
ul. Orzycka 6, lok. 1B
02-695 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 2014:

Shareholder	Number of shares	Ownership interest (%)	Number of votes at GM	% of total voting rights
SW Poland Holding B.V. (Netherlands)	3,387,139	31.54%	3,387,139	31.54%
Spruce Holding Limited Liability Company (USA)	1,419,294	13.22%	1,419,294	13.22%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	904,794	8.43%	904,794	8.43%
Funds represented by PKO BP BANKOWY PTE S.A.	849,698	7.91%	849,698	7.91%
Bleauhard Holdings LLC	743,456	6.92%	743,456	6.92%
ING NN OFE	600,000	5.59%	600,000	5.59%
AMPLICO	577,470	5.38%	577,470	5.38%

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

7. Subsidiaries

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

- SECO/WARWICK EUROPE 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 Service GmbH,
- SECO/WARWICK Allied Pvt. Ltd. (Mumbai) India.
- SECO/WARWICK do Brasil Ind. de Fornos Ltda.

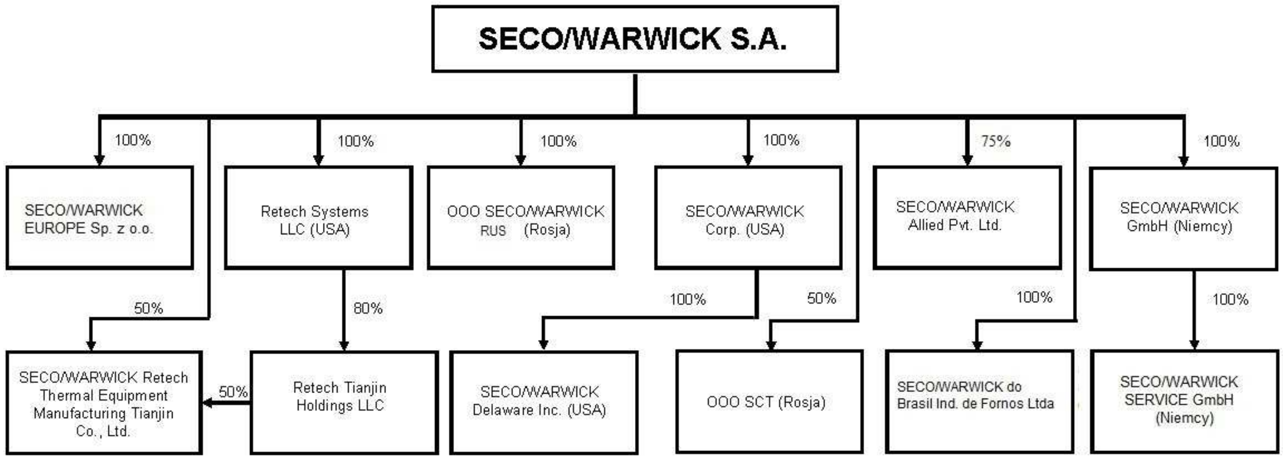
Other Group companies are:

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

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 2014**	**Year ended Dec 31 2013**
Average exchange rate for the period*	4.1893	4.2110
Exchange rate effective for the last day of the period	4.2623	4.1472

**) 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	**2014**	**2013**	**2014**	**2013**
	(PLN '000)		(EUR '000)	
Revenue	436,512	487,974	104,198	115,881
Cost of sales	-332,427	-374,074	-79,352	-88,833
Operating profit/(loss)	9,151	16,819	2,184	3,994
Profit/(loss) before tax	-17,280	18,645	-4,125	4,428
Net profit/(loss)	-15,828	15,221	-3,778	3,615
Net cash flows from operating activities	33,352	9,707	7,961	2,305
Net cash flows from investing activities	-24,492	-24,350	-5,846	-5,782
Net cash flows from financing activities	-3,943	820	-941	195
	Dec 31 2014	**Dec 31 2013**	**Dec 31 2014**	**Dec 31 2013**
Total assets	497,519	480,538	116,726	115,871
Total liabilities	248,215	220,371	58,235	53,137
including current liabilities	199,481	170,205	46,801	41,041
Equity	249,305	260,167	58,491	62,733
Share capital	3,704	3,693	869	890

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 2014 and a comparative period from January 1st to December 31st 2013.

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. 9/2014 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 29th 2015

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

IV. Compliance with International Financial Reporting Standards

These 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 approval of these financial statements for publication, given the ongoing process of implementation of the IFRS in the European Union and the scope of the Group's business, as far as the accounting policies applied by the Group are concerned there are no differences between the IFRS which have come into force and the IFRS endorsed by the European Union.

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 2014. 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 2014, 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 2014 and December 31st 2013:

Item	% of total vote	
	Dec 31 2014	Dec 31 2013
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%	67%
OOO SCT	50%	50%
SECO/WARWICK Service GmbH	100%	100%

VII. Description of 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 or amortised.

Investment property

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

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

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

Financial assets and liabilities

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

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

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

Recognition and measurement of financial assets

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

Receivables

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

If the effect of the time value of money is material, the value of a receivable is determined by discounting the projected future cash flows to their present value using a discount rate that reflects the current market estimates of the time value of money. 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

In the period covered by the consolidated financial statements, the Group adopted all the new and amended standards and interpretations issued by the International Accounting Standards Board and the Interpretations Committee and endorsed by the European Union (EU), which apply to the Group's business and are effective for annual reporting periods beginning on or after January 1st 2014.

- IFRS 10 Consolidated Financial Statements, endorsed by the European Commission (EC) on December 11th 2012,
- IFRS 11 Joint Arrangements, endorsed by the EC on December 11th 2012,
- IFRS 12 Disclosure of Interests in Other Entities, endorsed by the EC on December 11th 2012,
- IAS 27 (as amended in 2011) Separate Financial Statements, endorsed by the EC on December 11th 2012,
- IAS 28 (as amended in 2011) Investments in Associates and Joint Ventures, endorsed by the EC on December 11th 2012,
- Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities, endorsed by the EC on December 13th 2012,
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements − Investment Entities, endorsed by the EC on November 20th 2013,
- Amendments to IAS 36 Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets, endorsed by the EC on December 19th 2013,
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting, endorsed by the EC on December 19th 2013,
- IFRIC 21 Levies, endorsed by the EC on June 13th 2014.

Main consequences of applying new regulations:

➢ IFRS 10 Consolidated Financial Statements

The new standard was issued on May 12th 2011 to supersede SIC-12 Consolidation – Special Purpose Entities and, partially, IAS 27 Consolidated and Separate Financial Statements. The standard defines the principle of control and establishes control as the basis for consolidation, as well as sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee.

The application of the new standard has no material effect on the Company's financial statements.

➢ IFRS 11 Joint Arrangements

The new standard was issued on May 12th 2011 to supersede SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers and IAS 31 Interests in Joint Ventures. The standard focuses on the rights and obligations under joint arrangements irrespective of their legal form and eliminates a lack of consistency in reporting, as it defines a method of accounting for interests in jointly controlled entities.

The application of the new standard has no material effect on the Company's financial statements.

➢ IFRS 12 Disclosure of Interests in Other Entities

The new standard was issued on May 12th 2011 and stipulates disclosure requirements concerning an entity's interests in other entities or investments.

The application of the new standard has no material effect on the Company's financial statements.

- IAS 27 Separate Financial Statements

The new standard was issued on May 12th 2011 following the transfer of certain provisions of former IAS 27 to new IFRS 10 and IFRS 11. The standard stipulates requirements concerning the presentation and disclosure, in separate financial statements, of investments in associates, subsidiaries and jointly controlled entities. The standard will supersede former IAS 27 Consolidated and Separate Financial Statements.

The application of the new standard has no material effect on the Company's financial statements.

- IAS 28 Investments in Associates and Joint Ventures

The new standard was issued on May 12th 2011 and defines how to account for investments in associates. It also outlines how to apply the equity method to investments in associates and jointly controlled entities. The standard will supersede former IAS 28 Investments in Associates.

The application of the new standard has no effect on the Company's financial statements.

- Amendment to IAS 32 Offsetting Financial Assets and Financial Liabilities

Amendment to IAS 32 was issued on December 16th 2011 and applies to annual periods beginning on or after January 1st 2014. The amendment was introduced to remove inconsistencies in the application of offsetting criteria provided for in IAS 32.

The application of the new standard has no material effect on the Company's financial statements.

- Guidelines on transitory provisions (Amendments to IFRS 10, IFRS 11 and IFRS 12)

The guidelines were issued on June 28th 2012 and provide additional information on the application of IFRS 10, IFRS 11 and IFRS 12, including the presentation of comparative data in the event of the first application of those standards.

The application of these amendments has no material effect on the Company's financial statements.

- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

The guidelines were issued on October 31st 2012 and stipulate different rules governing the application of IFRS 10 and IFRS 12 by entities which are by nature investment funds.

The application of these amendments has no effect on the Company's financial statements.

- Amendment to IAS 36 Recoverable Amounts Disclosures for Non-Financial Assets

Amendment to IAS 36 was issued on May 29th 2013 and applies to annual periods beginning on or after January 1st 2014. The amendment modifies the scope of disclosures of impairment of non-financial assets by, for instance, requiring the disclosure of a recoverable amount of an asset (cash-generating unit) exclusively in periods in which an impairment loss was recognised or reversed with respect to such asset (or cash-generating unit). The amended standard also requires wider and more accurate disclosures if recoverable amount is carried at fair value less cost of disposal, and where recoverable amount is determined as fair value less cost of disposal using a discounted cash flow approach, the applied discount rate must be specified (in the case of impairment loss recognition or reversal). The amendment further provides uniform scope of disclosures concerning recoverable amount irrespective of whether it is determined as value in use or fair value less cost of disposal.

The application of these amendments has no material effect on the Company's financial statements.

- Amendment to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

Amendment to IAS 39 was issued on June 27th 2013 and applies to annual periods beginning on or after January 1st 2014. The amendment stipulates that there is no need to discontinue hedge accounting if a hedging derivative is novated as a consequence of laws or regulations or the introduction of laws or regulations which trigger a change of the settlement institution, provided certain criteria are met. Amendment to IAS 39 was introduced in response to legislative changes in numerous countries, giving rise to mandatory settlement of existing OTC derivatives and their novation under an agreement with a central counterparty.

The application of these amendments has no effect on the Company's financial statements.

- IFRIC 21 Levies, endorsed by the EC on June 13th 2014.

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

The Management Board expects that the amendment will not have a material effect on the amounts disclosed in the Group's financial statements.

The application of the above regulations has not caused any material changes in the accounting policies of the Group or in the presentation of data in their financial statements.

X. New standards to be applied by the Group

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

Standard	Nature of impending change in accounting policy	Effective for periods beginning on or after:
IFRS 9 Financial Instruments	IFRS 9 Financial Instruments, published by the International Accounting Standards Board (IASB) on July 24th 2014, is effective for annual periods beginning on or after January 1st 2018. IFRS 9 introduces an approach to the classification and measurement of financial assets which is based on the business model used for managing the assets and on cash flow characteristics. IFRS 9 also introduces a new impairment model that will require more timely recognition of expected credit losses, and will result in a single impairment approach being applied to all financial instruments. IFRS 9 also introduces an improved hedge accounting model, to align the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements.	January 1st 2018
IFRS 14 Regulatory Deferral Accounts	IFRS 14 Regulatory Deferral Accounts, published by the IASB on January 30th 2014, is effective for annual periods beginning on or after January 1st 2016. IFRS 14 is an interim standard for first-time adopters of IFRS. The standard is a temporary measure pending the completion by the IASB of its comprehensive rate-regulated activities (RRA) project.	January 1st 2016
IFRS 15 Revenue from Contracts with Customers	IFRS 15 Revenue from Contracts with Customers, published by the IASB on May 28th 2014, is effective for annual periods beginning on or after January 1st 2017. IFRS 15 specifies how and when IFRS reporters should recognise revenue and requires them to provide more informative disclosures. IFRS 15 replaces IAS 18 Revenue, IAS 11 Construction Contracts, and many interpretations on revenue recognition.	January 1st 2017
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures	Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, published by the IASB on September 11th 2014, are effective for annual periods beginning on or after January 1st 2016.	January 1st 2016

Standard	Nature of impending change in accounting policy	Effective for periods beginning on or after:
Amendments to IFRS 11 Joint Arrangements	Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations, published by the IASB on May 6th 2014, are effective for annual periods beginning on or after January 1st 2016. The amendments provide new guidance on accounting for acquisitions of interests in joint operations in which the activity constitutes a business.	January 1st 2016
Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets	Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation, published by the IASB on May 12th 2014, are effective for annual periods beginning on or after January 1st 2016.	January 1st 2016
Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture	Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture: Bearer Plants, published by the IASB on June 30th 2014, are effective for annual periods beginning on or after January 1st 2016.	January 1st 2016
Amendments to IAS 27 Separate Financial Statements	Amendments to IAS 27 Separate Financial Statements: Equity Method in Separate Financial Statements, published by the IASB on August 12th 2014, are effective for annual periods beginning on or after January 1st 2016.	January 1st 2016
Amendments to IAS 1 under the Disclosure Initiative	Amendments to IAS 1 under the Disclosure Initiative are effective for reporting periods beginning on or after January 1st 2016. The exposure draft includes a requirement that an entity should not aggregate or disaggregate information in a manner that obscures useful information, for example by aggregating items that have different characteristics or disclosing a large amount of immaterial detail. When management determines an item is material, the draft amendments require assessment of which specific disclosures set out in the relevant standard should be presented, and whether additional information is necessary to meet the needs of financial statement users and the disclosure objectives of a given standard. The proposals apply to disclosures made on the face of financial statements and in the notes.	January 1st 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception	The proposed amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures clarify three issues about the application of the requirement for investment entities to measure subsidiaries at fair value instead of consolidating them.	January 1st 2016

Standards and interpretations issued and endorsed for use in the EU but not yet effective

As at the date of these financial statements, the Company 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:

- Annual Improvements to IFRSs (2011–2013 Cycle), effective for reporting periods beginning on or after July 1st 2014.
- Annual Improvements to IFRSs (2010–2012 Cycle), effective for reporting periods beginning on or after July 1st 2014.
- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions, effective for reporting periods beginning on or after July 1st 2014.

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

THE SECO/WARWICK GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31ST 2014

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	2014	2013
Sales of products	415,093	469,360
Sales of merchandise and materials	21,419	18,614
TOTAL sales revenue	**436,512**	**487,974**
Other income	6,002	4,302
Finance income	6,456	5,080
TOTAL revenue and income	**448,970**	**497,356**

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 – 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**	**110,696**	**40,217**	**29,524**	**55,204**	**432,972**	**-**	**3,840**	**436,512**
Sales to customers accounting for 10% or more of revenue	-	-	-	-	-	-	-	-	-	-
Total segment expenses	**-71,922**	**-79,122**	**-88,563**	**-27,248**	**-26,847**	**-34,672**	**-328,374**	**-**	**-4,054**	**-332,427**
Distribution costs	-	-	-	-	-		-	-	-30,673	**-30,673**
Administrative expenses	-	-	-	-	-		-	-	-57,726	**-57,726**
Operating income	-	-	-	-	-		-	-	6,002	**6,002**
Operating expenses	-	-	-	-	-		-	-	-12,536	**-12,536**
Segment profit/(loss) on operating activities	-	-	-	-	-		-	-	9,151	**9,151**
Impairment loss on goodwill									-25,565	**-25,565**
Finance income	-	-	-	-	-		-	-	6,456	**6,456**
Net finance costs	-	-	-	-	-		-	-	-6,839	**-6,839**
Share in profit of associate	-	-	-	-	-		-	-	-483	**-483**
Profit before tax	-	-	-	-	-		-	-	-17,280	**-17,280**
Actual tax expense	-	-	-	-	-		-	-	-994	**-994**
Profit/(loss) from continuing operations	-	-	-	-	-		-	-	-18,274	**-18,274**
Loss of control	-	-	-	-	-		-	-	-	**-**
Profit/(loss) attributable to non-controlling interests	-	-	-	-	-		-	-	-2,446	**-2,446**
Net profit/(loss) for period	-	-	-	-	-		-	-	-15,828	**-15,828**

OPERATING SEGMENTS – 2013

Item	Continuing operations: *Vacuum Furnaces*	*Melting Furnaces*	*Thermal*	*CAB*	*Aluminium Process*	*Aftersales*	*Total*	Discontinued operations	Unallocated items	Total
Total segment revenue	**102,093**	**174,325**	**83,714**	**48,640**	**29,389**	**43,845**	**482,006**	**-**	**5,968**	**487,974**
Sales to customers accounting for 10% or more of segments' revenue	-	-	-	-	-	-	-	-	-	-
Total segment expenses	**-70,770**	**-133,360**	**-71,027**	**-36,508**	**-27,643**	**27,908**	**-367,214**	**-**	**-6,860**	**-374,074**
Administrative expenses	-	-	-	-	-	-	-	-	-65,057	**-65,057**
Distribution costs	-	-	-	-	-	-	-	-	-30,071	**-30,071**
Operating income	-	-	-	-	-	-	-	-	4,302	**4,302**
Operating expenses	-	-	-	-	-	-	-	-	-6,254	**-6,254**
Segment profit/(loss) on operating activities	-	-	-	-	-	-	-	-	**16,819**	**16,819**
Finance income	-	-	-	-	-	-	-	-	5,080	**5,080**
Net finance costs	-	-	-	-	-	-	-	-	-2,688	**-2,688**
Share in profit of associate									-567	**-567**
Profit before tax	-	-	-	-	-	-	-	-	**18,645**	**18,645**
Actual tax expense	-	-	-	-	-	-	-	-	-5,273	**-5,273**
Profit/(loss) from continuing operations	-	-	-	-	-	-	-	-	13,372	**13,372**
Profit/(loss) attributable to non-controlling interests	-	-	-	-	-	-	-	-	-1,849	**-1,849**
Net profit/(loss) for period	-	-	-	-	-	-	-	-	15,221	**15,221**

GEOGRAPHICAL SEGMENTS – 2014

Item	EU	Russia Belarus Ukraine	US	Asia	Other	Total
Total segment revenue	**128,254**	**43,832**	**121,962**	**97,115**	**45,349**	**436,512**
Sales to external customers – continuing operations	128,254	43,832	121,962	97,115	45,349	436,512
Segment's non-current assets	179,099	-2,511	26,650	12,878	702	216,819
Capital expenditure	14,062	-	2,587	369	-	17,018

GEOGRAPHICAL SEGMENTS – 2013

Item	EU	Russia Belarus Ukraine	US	Asia	Other	Total
Total segment revenue	**113,592**	**46,347**	**149,233**	**126,889**	**51,914**	**487,974**
Sales to external customers – continuing operations	113,592	46,347	149,233	126,889	51,914	487,974
Segment's non-current assets	183,000	4	12,762	4,305	-	200,071
Capital expenditure	7,095	-	3,341	830	-	11,266

Note 3. OPERATING EXPENSES

OPERATING EXPENSES, BY NATURE OF EXPENSE	Jan 1–Dec 31 2014	Jan 1–Dec 31 2013
Depreciation and amortisation	7,969	7,926
Raw materials and consumables used	202,615	227,039
Services	50,841	50,872
Taxes and charges	11,009	15,193
Salaries and wages	98,488	102,033
Social security and other benefits	22,392	21,762
Defined benefit plan	450	248
Management stock options	1,847	3,147
Other costs	40,925	40,406
Total operating expenses, including:	**436,536**	**468,626**
Distribution costs	-30,673	-30,071
Administrative expenses	-57,726	-65,057
Change in products	-9,092	576
Work performed by entity and capitalised	-6,617	-
Merchandise and materials sold	-12,394	-12,448
Cost of products sold and services rendered	**320,033**	**361,626**

DEPRECIATION/AMORTISATION AND IMPAIRMENT LOSSES RECOGNISED IN PROFIT OR LOSS	Jan 1–Dec 31 2014	Jan 1–Dec 31 2013
Items recognised in cost of sales:	**4,290**	**4,419**

Depreciation of property, plant and equipment	4,068	4,069
Amortisation of intangible assets	222	350
Impairment of property, plant and equipment	-	-
Items recognised in distribution costs	**330**	**614**
Depreciation of property, plant and equipment	259	585
Amortisation of intangible assets	71	29
Operating lease expense	-	-
Items recognised in administrative expenses:	**3,349**	**2,893**
Depreciation of property, plant and equipment	2,060	1,817
Amortisation of intangible assets	1,289	1,076
Operating lease expense	-	-
Items recognised in other expenses:	-	-
Depreciation of investment property	-	-

EMPLOYEE BENEFITS EXPENSE

PERSONNEL COSTS	Jan 1–Dec 31 2014	Jan 1–Dec 31 2013
Salaries and wages	98,345	102,033
Social security and other benefits	21,935	19,279
Defined benefit plan	450	896
Retirement benefits	277	294
Other post-employment benefits	-	-
Share-based payment scheme	-	-
Other employee benefits	324	1,293
Total employee benefits expense, including:	**121,330**	**123,795**
Items recognised in cost of sales	78,893	83,138
Items recognised in distribution costs	10,832	8,329
Items recognised in administrative expenses:	31,605	32,328

Note 4. OTHER INCOME AND EXPENSES

OTHER INCOME	Jan 1–Dec 31 2014	Jan 1–Dec 31 2013
Reversal of impairment losses on receivables	553	489
Past due liabilities	420	-
Gain on disposal of property, plant and equipment	727	15
Impairment losses on property, plant and equipment	-	224
Awarded reimbursement of court fees	-	-
Penalties and compensation/damages received	696	492
Income from lease of tangible assets and investment property	1,472	1,456
Gains associated with acts of God	-	-
Grant for development work	391	248
Other	1,743	1,378
Total other income	**6,002**	**4,302**

OTHER EXPENSES	Jan 1–Dec 31 2014	Jan 1–Dec 31 2013
Impairment losses on receivables	6,447	320
Revaluation of inventories	146	-
Loss on disposal of property, plant and equipment	15	-

Court expenses, compensation/damages, penalties	370	1,619
Revaluation of tangible asset	73	772
Cost of lease of tangible assets	680	489
Costs of legal representation	426	559
Services purchase cost for re-invoicing	372	487
Donations	170	47
Provision for compensation claims	2,195	1,488
Costs associated with acts of God	103	-
Stocktaking shortage	31	2
Other	1,508	472
Total other expenses	**12,536**	**6,254**

Note 5. FINANCE INCOME AND COSTS

FINANCE INCOME	Jan 1–Dec 31 2014	Jan 1–Dec 31 2013
Interest income	797	975
Gain on disposal of investments	635	-
Valuation of derivative instruments	-	3,542
Gain on derivative instruments at maturity	2,642	-
Net foreign exchange gains	1,247	206
Other	1,136	358
Total finance income	**6,456**	**5,080**

FINANCE COSTS	Jan 1–Dec 31 2014	Jan 1–Dec 31 2013
Interest paid	3,447	2,211
Loss on derivative instruments at maturity	-	-
Valuation of derivative instruments	3,039	-
Net foreign exchange losses	-	-
Other	353	477
Total finance costs	**6,839**	**2,688**

Note 6. INCOME TAX AND DEFERRED INCOME TAX

The main items of the tax expense for the annual periods ended December 31st 2014 and December 31st 2013 were as follows:

INCOME TAX DISCLOSED IN PROFIT OR LOSS	Jan 1–Dec 31 2014	Jan 1–Dec 31 2013
Current income tax	**6,704**	**14,801**
Current income tax expense	6,704	14,801
Adjustments to current income tax for previous years	**-**	**-**
Deferred income tax	**-5,710**	**-9,528**
Related to temporary differences and their reversal	-5,710	-9,528
Related to reduction of income tax rates	-	-
Income tax benefit arising from transactions involving items of equity	-	-
Tax expense recognised in profit or loss	**994**	**5,273**

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 2014	Jan 1–Dec 31 2013
Exchange differences on translating foreign operations	21,760	-316
Valuation of cash flow hedging derivatives	-,1,751	-12,035
Actuarial gains/(losses) on a defined benefit retirement plan	-3,574	1,812
Income tax on other comprehensive income	1,584	-574
Other comprehensive income	**18,018**	**-11,114**

Item	Dec 31 2014		Dec 31 2013	
	carrying amount	*amount recognised in profit or loss*	*carrying amount*	*amount recognis ed in profit or*
Deferred tax liabilities				
Accelerated tax depreciation/amortisation	10,985	1,758	9,227	-781
Finance leases	231	56	175	-81
Other	2,010	-1,351	3,389	3,226
Foreign exchange gains	304	-503	807	751
Adjustments to long-term contracts	7,424	437	6,987	-528
Valuation of financial assets	332	92	241	-7
Forward transactions	348	325	23	-371
Deferred tax liabilities	**21,636**	**786**	**20,850**	**2,210**
Deferred tax assets				
Provision for disability severance payments and retirement bonuses	3,680	2,453	1,226	-,1,291
Provision for length-of-service awards and bonuses	688	-64	751	382
Provision for accrued holiday entitlements	1,120	510	610	30
Provision for losses on contracts	1,218	1,050	168	168
Provision for warranty repairs	93	-583	676	394
Provision for other employee benefits	41	41	-	-608
Other provisions	2,647	-441	3,088	2,125
Losses deductible from future taxable income	3,542	2,089	1,453	1,351
Assets under long-term contracts	6,420	3,185	3,235	1,456
Foreign exchange losses	551	254	297	145
Settlement of grant	594	-40	634	3
Other	1,085	649	436	-503
Valuation of financial instruments	-587	-588	1	-
Salaries, wages and social security contributions payable in subsequent periods	224	-406	630	473
Lease liabilities	261	31	230	119
Write-downs of inventories	773	-567	1,340	748
Impairment losses on receivables	597	28	569	292
Impairment losses on investment	-132	-637	505	-
Deferred tax assets	**22,817**	**6,966**	**15,851**	**5,286**

Item	Dec 31 2014		Dec 31 2013	
	carrying amount	amount recognised in equity	carrying amount	amount recognised in equity
Valuation of hedging instruments	-587	-588	1	1
Deferred tax assets	**-587**	**-588**	**1**	**1**

Item	Dec 31 2014		Dec 31 2013	
	carrying amount	amount recognised in equity	carrying amount	amount recognised in equity
Valuation of hedging instruments	348	325	23	-371
Deferred tax liabilities	**348**	**325**	**23**	**-371**

Note 7. ASSETS HELD FOR SALE

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

Item	Dec 31 2014	Dec 31 2013
Financial assets	-722	722
Assets held for sale	**-**	**722**

As at 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 2014	Dec 31 2013
Net profit/(loss) from continuing operations attributable to shareholders	-15,828	15,221
Loss from discontinued operations attributable to shareholders	-	-
Net profit/(loss) attributable to owners of the parent	-15,828	15,221
Interest on redeemable preference shares convertible into ordinary shares	-	-
Net profit attributable to holders of ordinary shares, used to calculate diluted earnings per share	**-15,828**	**15,221**
Weighted average number of outstanding ordinary shares, used to calculate basic earnings per share	10,734,679	10,529,398
Earnings per share	**-1,47**	**1,45**
Dilutive effect:		
Number of potential subscription warrants	-	296,013
Number of potential shares issued at market price	-	2,205

Adjusted weighted average number of ordinary shares, used to calculate diluted earnings per share	10,734,679	10,823,206
Diluted earnings per share	**-1.47**	**1.41**

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

On May 30th 2014, the Annual General Meeting of SECO/WARWICK S.A. passed Resolution No. 19 on allocation of profit for the period from January 1st to December 31st 2013. Under the resolution, PLN 8,053,377.75 was allocated for payment of dividend to shareholders. The dividend per share was PLN 0.75. The dividend record date and dividend payment date were set for June 16th 2014 and July 1st 2014, respectively.

Note 10. PROPERTY, PLANT AND EQUIPMENT

Item	Dec 31 2014	Dec 31 2013
Tangible assets	83,387	76,739
Tangible assets under construction	8,664	3,476
Prepayments for tangible assets under construction	-	-
Property, plant and equipment	**92,051**	**80,215**

OWNERSHIP STRUCTURE – net value	Dec 31 2014	Dec 31 2013
Owned	**90,792**	**79,275**
Used under lease, tenancy or similar contract	1,259	940
Total	**92,051**	**80,215**

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	Total
Gross carrying amount as at Jan 1 2014	**8,899**	**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
assets generated internally	-	-	-	-	-	-
concluded lease agreements	-	-	-	616	-	616
reclassification	-	65	61	-	135	261
Decrease, including:	-	-	**1,221**	**410**	**169**	**1,802**
disposal	-	-	1,079	410	169	1,658
liquidation	-	-	142	1		143
loss of control	-	-	-	-		
reclassification – assets for sale	-	-	-	-		
Gross carrying amount as at Dec 31 2014	**8,899**	**54,255**	**41,894**	**9,882**	**7,881**	**122,811**

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
revaluation	-	-	-	-	-	-
tangible assets of acquired companies	-	-	-	-	-	-
other	-	-	-	-	-	-
Decrease, including:	-	**-**	**293**	**227**	**105**	**624**
sale	-	-	219	226	15	460
liquidation	-	-	-	-	-	-
loss of control	-	-	-	-	-	-
revaluation	-	-	73	1	90	165
Cumulative amortisation 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	**9,911**	**46,160**	**19,381**	**4,353**	**3,582**	**83,388**

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

Item	Land	Buildings and structures	Machinery and equipment	Vehicles	Other	Total
Gross carrying amount as at Jan 1 2013	**2,361**	**28,390**	**35,636**	**7,434**	**3,445**	**77,266**
Increase, including:	**6,538**	**21,171**	**5,272**	**1,988**	**3,943**	**38,913**
assets acquired	-	2,680	2,500	480	602	6,262
assets generated internally	-	57	-	-	-	57
reclassification	-	-	966	-	-	966
concluded lease agreements	-	-	-	940	-	940
tangible assets of acquired companies	6,538	18,434	1,806	568	3,341	30,687
Decrease, including:	**-**	**-**	**122**	**254**	**166**	**541**
disposal	-	-	8	254	163	425
liquidation	-	-	113	-	3	116
Gross carrying amount as at Dec 31 2013	**8,899**	**49,562**	**40,787**	**9,168**	**7,223**	**115,638**
Cumulative depreciation as at Jan 1 2013	**-**	**6,405**	**17,253**	**3,676**	**1,810**	**29,144**
Increase, including:	**-**	**2,681**	**4,135**	**1,382**	**1,829**	**10,028**

depreciation	-	894	2,895	1,034	439	5,261
tangible assets of acquired companies	-	1,788	1,240	349	1,391	4,767
Other	-	-	-	-	-	-
Decrease, including:	**-**	**-**	**107**	**207**	**3**	**316**
sale	-	-	22	207	0	228
revaluation	-	-	85	-	3	88
Cumulative depreciation as at Dec 31 2013	**-**	**9,086**	**21,282**	**4,851**	**3,636**	**38,856**
Impairment losses as at Jan 1 2013	-	-	-	-	-	-
Impairment losses as at Dec 31 2013	-	-	-364	13	345	-6
Net exchange differences on translating financial statements into presentation currency	19	32	-327	67	159	-49
Net carrying amount as at Dec 31 2013	**8,918**	**40,508**	**19,542**	**4,370**	**3,401**	**76,739**

Tangible assets under construction:

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	**15,482**	4,608	2,241	909	706	1,830	**8,664**

Tangible assets under construction as at Jan 1 2013	*Expenditure incurred in the financial year*	*Accounting for the expenditure*					*Dec 31 2013*
		Buildings, premises and civil engineering structures	*Machinery and equipment*	*Vehicles*	*Other*	*Intangible assets*	
1,235	**9,524**	2,688	1,693	1,131	82	1,690	**3,476**

Tangible assets under construction	**Dec 31 2014**	**Dec 31 2013**
Demonstrator	3,544	-
Testing station for hydrogen atmosphere	-	340
VDRFC furnace	-	255
Renovation of office space	-	174
VPT furnace	-	14
E-Beam furnace	3,574	1,843
PAM furnace	435	240
Modernisation of production facility	757	199
Other	354	411
TOTAL	**8,664**	**3,476**

Value and area of land held in perpetual usufruct as at Dec 31st 2014 (excluding foreign companies)

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. Świerczewskiego 76, Świebodzin, Poland	KW 41410	195/94	221	1
ul. Sobieskiego 8, Świebodzin, Poland			1,030	32
ul. Sobieskiego 8, Świebodzin, Poland	KW 9507	94/6	1,121	10
ul. Świerczewskiego 76, Świebodzin, Poland	KW No. 10363	195/97	28,366	594
ul. Świerczewskiego 76, Świebodzin, Poland	KW No. 10363	195/96	7,940	166
		Total	**63,916**	**1,600**

On December 21st 2010, SECO/WARWICK S.A. signed a USD 2,500 thousand investment credit agreement with BRE Bank Spółka Akcyjna. The facility was taken to finance 10% of the purchase cost of five shares in Retech Systems LLC.

The borrowing is secured with a blanket ordinary mortgage of USD 2,500 thousand and a blanket ceiling mortgage of up to USD 250 thousand created over a property owned by the State Treasury and comprising the following lots:

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

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.

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

Address	Number of entry in the Land and Mortgage Register	Lot No.	Surface area [sq m] as at Dec 31 2013	Value as at Dec 31 2013
ul. Sobieskiego 8, Świebodzin, Poland	KW 9507	951/1	712	40
ul. Sobieskiego 8, Świebodzin, Poland	KW 9507	951/2	2,162	123
ul. Sobieskiego 8, Świebodzin, Poland	KW 1306	95/7	5,098	289
ul. Sobieskiego 8, Świebodzin, Poland	KW 9562	94/4	2,467	140
ul. Sobieskiego 8, Świebodzin, Poland	KW 9444	94/16	285	16
ul. Sobieskiego 8, Świebodzin, Poland	KW 9444	94/22	1,415	80
ul. Sobieskiego 8, Świebodzin, Poland	KW 19319	94/19	214	12
ul. Sobieskiego 8, Świebodzin, Poland	KW 39300	94/25	1,279	73
ul. Świerczewskiego 76, Świebodzin, Poland	KW 40641	195/80	11,605	23
ul. Świerczewskiego 76, Świebodzin, Poland	KW 41410	195/94	221	1
ul. Sobieskiego 8, Świebodzin, Poland	KW 9507	94/6	1,121	10
ul. Świerczewskiego 76, Świebodzin, Poland	KW No. 10363	195/97	28,366	594
ul. Świerczewskiego 76, Świebodzin, Poland	KW No. 10363	195/96	7,940	166
		Total	**62,885**	**1,567**

Tangible assets under lease agreements

Tangible assets	Dec 31 2014			Dec 31 2013		
	Gross amount	Depreciation	Net amount	Gross amount	Depreciation	Net amount
Real property	-	-	-	-	-	-
Machinery and equipment	-	-	-	-	-	-
Vehicles	1,767	433	1,334	1,798	402	1,396
Other tangible assets	-	-	-	-	-	-
Total	**1,767**	**433**	**1,334**	**1,798**	**402**	**1,396**

As at December 31st 2014 and December 31st 2013, 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 2014 under finance leases or lease agreements with a purchase option was PLN 1,334 thousand (December 31st 2013: PLN 1,396 thousand).

Note 11. INTANGIBLE ASSETS

OWNERSHIP STRUCTURE – net value	**Dec 31 2014**	**Dec 31 2013**
Owned	22,609	19,589
Used under lease, tenancy or similar contract	-	-
Total	**22,609**	**19,589**

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
sale	-	-	-	-
other	-	-	-	-
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**

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

Item	*Patents and licences, software*	*Development expense*	*Other intangible assets*	*Total*
Gross carrying amount as at Jan 1 2013	**6,502**	**12,133**	**4,109**	**22,744**
Increase, including:	**1,014**	**3,404**	**1,501**	**5,086**
business combinations	-	624	-	624
acquisitions	832	564	669	2,065
under development	-	2,216	-	2,216
Other	181	-	-	181
intangible assets of acquired entities	-	-	-	-
Decrease, including:	**-**	**-**	**-**	**-**
disposal of subsidiary	-	-	-	**-**
disposal	-	-	-	-
liquidation	-	-	-	-
revaluation	-	-	-	-
Other				
Gross carrying amount as at Dec 31 2013	**7,515**	**15,537**	**4,778**	**27,830**
Cumulative amortisation as at Jan 1 2013	**4,390**	**928**	**1,023**	**-**
Increase, including:	**884**	**669**	**274**	**1,827**
amortisation	325	611	274	**1,210**
revaluation	-	58	-	58
Other	559	-	-	559
Decrease, including:	**-**	**-**	**-**	**-**
liquidation	-	-	-	-
Sale	-	-	-	-
other	-	-	-	-
Cumulative amortisation as at Dec 31 2013	**5,274**	**1,597**	**1,298**	**8,169**
Impairment losses as at Jan 1 2013	-	-	-	-
Increase:	-	-	-	-
Decrease:	-	-	-	-
Impairment losses as at Dec 31 2013	-	-	-	-
Net exchange differences on translating financial statements into presentation currency	-72	-	-	-72
Net carrying amount as at Dec 31 2013	**2,169**	**13,940**	**3,480**	**19,589**

Intangible assets are not pledged as security for liabilities.

As at December 31st 2014 and December 31st 2013, the Group carried no intangible assets held for sale.

In 2014 and 2013, 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 1,896 thousand) and Retech (R&D costs of PLN 2,336 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 2014	Dec 31 2013
Opening balance	399	409
Increase (subsequent expenditure), including:	-	-
modernisation	-	-
Decrease, including:	10	10
Depreciation	10	10
Sale	-	-
Closing balance	389	399

Item	Dec 31 2014	Dec 31 2013
Gross carrying amount – opening balance	527	527
Increase, including:	-	-
Acquisitions	-	-
Decrease, including:	-	-
Disposals	-	-
Carrying amount – closing balance	527	527
Cumulative depreciation – opening balance	128	118
Increase, including:	10	10
Depreciation	10	10
Decrease, including:	-	-
Sale	-	-
Cumulative depreciation – closing balance	138	128
Impairment losses – opening balance	-	-
Increase	-	-
Decrease	-	-
Impairment losses – closing balance	-	-
Net carrying amount – closing balance	388	399

Item	Dec 31 2014	Dec 31 2013
Lease income	54	54
Cost of generating lease income	52	51
Real property tax	9	8
Depreciation	10	10
Other	33	32

Note 13. GOODWILL

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

Item	Dec 31 2014	Dec 31 2013
Consolidation goodwill at beginning of period	78,860	60,720
Increase in consolidation goodwill – acquisition of SECO/WARWICK Allied	-	9,078
Increase in consolidation goodwill – acquisition of SECO/WARWICK Brasil	1,053	15,434
Decrease in goodwill – impairment loss on SECO/WARWICK Brasil	-16,488	-
Decrease in goodwill – impairment loss on SECO/WARWICK Allied	-9,078	-
Exchange differences on translation of goodwill	14,209	-6,371
Total goodwill at end of period	**68,557**	**78,860**

Accounting for acquisition of a subsidiary

SECO/WARWICK Allied

On March 26th 2013, SECO/WARWICK S.A. acquired control over SECO/WARWICK Allied of India by purchasing an additional 8.3% interest in the company, which together with the 50% interest already owned gave it a total interest of 58.3%.

The fair value of identifiable assets and liabilities of SECO/WARWICK Allied of India as at the acquisition date was as follows:

Item	*Fair value at acquisition*
Property, plant and equipment	27,104
Intangible assets	0
Accruals and deferred income	10,458
Deferred tax assets	398
Cash and cash equivalents	10,151
Trade receivables	18,295
Inventories	3,612
Other assets	3,979
Trade payables	15,190
Other liabilities	13,717
Borrowings and other financial liabilities	14,935
Deferred tax liabilities	5,228
Net assets	**24,928**

Goodwill identified on accounting for the acquisition was measured as follows:

Item	
Fair value of the previously held 50% interest	20,402
Acquisition price of the controlling interest (8.3%)	3,211
Share of net assets as at acquisition date (58.3%)	14,537
Goodwill as at acquisition date	**9,076**
Acquisition costs charged to services on a one-off basis	**0**

Goodwill was recognised as no unique measurable intangible assets were identified in the transaction. The acquisition-date value of the non-controlling interest, measured at fair value of the acquired net assets (PLN 24,928 thousand x 41.7%), was PLN 10,392 thousand.

Item	Amount
Company's revenue from acquisition date to Dec 31 2013	19,208
Company's profit from acquisition date to Dec 31 2013	-4,267
Company's revenue from Jan 1 to Dec 31 2013	31,806
Company's profit from Jan 1 to Dec 31 2013	-4,314

SECO/WARWICK Brasil

On May 24th 2013, SECO/WARWICK Brasil joined the SECO/WARWICK Group. The fair value of identifiable assets and liabilities of SECO/WARWICK Brasil as at the acquisition date was as follows:

Item	*Carrying amount prior to acquisition*	*Fair value at acquisition*
Property, plant and equipment	4,426	5,571
Intangible assets	7	7
Accruals and deferred income	-	-
Deferred tax assets	-	-
Cash and cash equivalents	221	221
Trade receivables	937	937
Inventories	1,109	1,109
Other assets	730	730
Trade payables	1,471	1,471
Other liabilities	2,627	2,627
Borrowings and other financial liabilities	1,194	1,194
Deferred tax liabilities	-	-
Net assets	**2,139**	**3,284**

Goodwill identified on accounting for the acquisition was measured as follows:

Item	
Acquisition price	18,718
Acquisition price adjustment in 2014	1,053
Share of net assets as at acquisition date	3,284
Goodwill as at acquisition date	**16,488**
Acquisition costs charged to services on a one-off basis	**0**

Goodwill was recognised as no unique measurable intangible assets were identified in the transaction.

Item	Amount
Company's revenue from acquisition date to Dec 31 2013	5,015
Company's profit from acquisition date to Dec 31 2013	- 955
Company's revenue from Jan 1 to Dec 31 2013	8,349
Company's profit from Jan 1 to Dec 31 2013	-1,420

The acquisition of SECO/WARWICK Allied and SECO/WARWICK do Brasil was a continuation of the Group's growth strategy announced in 2012. The Management Board planned that the Group's growth would be pursued through acquisitions. Having companies on many continents makes it easier for the Group to build customer relations, offer products at attractive, more competitive prices and provide on-site technical support. Market expansion was also essential in terms of the Company's mission, which states that SECO/WARWICK is a global provider of industrial equipment and advanced metal heat treatment technologies.

Note 14. INVESTMENTS IN SUBORDINATED ENTITIES

Company	Carrying amount of shares as at Dec 31 2014	Ownership interest (%)	% of the total vote	Method of consolidation	Assets	Liabilities	Revenue	Net profit/(loss)
OF SECO/WARWICK EUROPE	70,407	100%	100%	full	210,616	102,335	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	70,821	18,849	93,060	1,161
SECO/WARWICK ALLIED	13,791	75%	75%	full	66,324	55,787	35,922	-7,311
SECO/WARWICK Retech	0	90%	90%	full	12,056	14,634	8,233	-4,270
OOO SCT Russia	4,228	50%	50%	equity method	4,726	950	267	-967
SECO/WARWICK GmbH	0	100%	100%	full	2,845	2,669	46	-145
SECO/WARWICK Service GmbH	0	100%	100%	full	6,574	7,234	17,092	6
SECO/WARWICK do Brasil	0	100%	100%	full	8,311	9,822	4,480	-3,517

Company	Carrying amount of shares as at Dec 31 2013	Ownership interest (%)	% of the total vote	Method of consolidation	Assets	Liabilities	Revenue	Net profit/(loss)
OF SECO/WARWICK EUROPE	70,414	100%	100%	full	214,787	96,634	224,213	22,199
SECO/WARWICK Corporation	21,806	100%	100%	full	54,189	47,185	94,213	-3,552
SECO/WARWICK Rus	172	100%	100%	full	4,354	4,858	12,223	-686
RETECH Systems LLC	50,863	100%	100%	full	73,896	20,488	160,299	12,510
SECO/WARWICK ALLIED	19,337	67%	67%	full	51,558	31,622	19,208	-4,267
SECO/WARWICK Retech	3,370	90%	90%	full	9,238	7,988	11,611	-4,340
OOO SCT Russia	4,228	50%	50%	equity method	7,555	747	0	-1,080
SECO/WARWICK GmbH	0	100%	100%	full	3,950	3,634	981	798
SECO/WARWICK Service GmbH	0	100%	100%	full	6,561	7,208	8,824	-1,497

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 2014	Dec 31 2013
Current assets, including:	191	974
Cash	*111*	*137*
Non-current assets	4,534	6,581
Current liabilities	227	747
Non-current liabilities	723	-
Revenue	267	-
Net profit/(loss)	-967	-1,080
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. 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*
Purchase price	642
Share of net assets as at acquisition date	642
Goodwill as at acquisition date	**-**

Item	Dec 31 2013
Share of net assets as at the end of the reporting period	1,888
Investment in associate	**1,888**

Purchase price	642
Share of profit of associate − 2012	-30
Share of profit of associate − 2013	-540
Share of profit of associate − 2014	-483
In-kind contribution	3,586
Exchange differences on translation of foreign operation	-1,288
Investment in associate	**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 2014	Dec 31 2013
Materials (at cost)	22,209	21,244
Semi-finished products and work in progress	12,939	8,280
Finished goods	1,109	3,124
Merchandise	61	-
Total inventories (carrying amount)	**36,319**	**32,648**
Write-downs of inventories	3,435	2,672
Gross inventories	**39,754**	**35,320**

CHANGE IN INVENTORY WRITE-DOWNS

WRITE-DOWNS	Materials	Semi-finished products and work in progress	Finished goods	Merchandise	Total
Jan 1 2013	**1,367**	**711**	**13**	**5**	**2,096**
Increase, including:	**75**	**623**	**-**	**-**	**698**
- write-downs recognised in correspondence with other expenses	75	623	-	-	698
Net exchange differences on translating financial statements into presentation currency	-	-	-	-	-
Decrease, including:	**10**	**102**	**-**	**-**	**112**
- write-downs reversed in correspondence with other income	-	99	-	-	99
Net exchange differences on translating financial statements into presentation currency	10	13	-	-	23
Dec 31 2013	**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**

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 2014	Dec 31 2013
Costs incurred plus recognised profits less recognised losses as at the reporting date	1,274,383	959,341
Less progress billings	-1,231,076	-919,745

	43,307	39,596
Included in the consolidated financial statements as amounts due:		
From customers under construction contracts	104,553	95,097
To customers under construction contracts	-61,246	-55,501
	43,307	39,596

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 2014 amounted to PLN 414,885 (compared with PLN 483,658 in 2013).

As at December 31st 2014, advances received from customers for contract work totalled PLN 89,437 (compared with PLN 76,895 in 2013).

Note 18. TRADE AND OTHER RECEIVABLES

Item	Dec 31 2014	Dec 31 2013
Trade receivables (net)	**71,224**	**84,671**
non-current	**4,247**	**8,716**
- from related entities	-	-
- from other entities	4,247	8,716
current	**66,977**	**75,955**
- from related entities	-	-
- from other entities	66,977	75,955
Impairment losses (positive value)	**8,938**	**3,656**
Trade receivables (gross)	**80,162**	**88,363**
Other receivables:		
non-current	**1,240**	**1,691**
current	**17,737**	**15,098**
taxes, customs duties and social security receivable	9,663	7,467
other receivables:	8,074	7,631
Other receivables (gross)	**18,978**	**16,789**

As at December 31st 2014, trade receivables of PLN 8,938 thousand (2013: PLN 3,692 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 2014	Dec 31 2013
As at beginning of the period	**3,656**	**2,101**
Increase	5,284	2,083
Use (-)	-330	-511
Unused amounts written off (-)	-	-
Net exchange differences on translating financial statements into presentation currency	328	-17

As at end of the period	**8,938**	**3,656**

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

Item	Dec 31 2014	Dec 31 2013
up to 1 month	32,850	8,601
more than 1 month, up to 6 months	16,838	36,981
more than 6 months, up to 1 year	10,925	13,653
more than 1 year	6,604	22,510
past due	4,007	2,927
Total trade receivables (net)	**71,224**	**84,671**
Non-current receivables	4,247	8,716
Current receivables	66,977	75,955
Impairment losses on trade receivables	8,938	3,656
Total trade receivables (gross)	**80,162**	**88,363**

Trade and other receivables by currency:

Item	Dec 31 2014		Dec 31 2013	
	in foreign currency	restated in PLN	in foreign currency	restated in PLN
PLN	-	14,565	-	20,270
EUR	4,691	19,995	8,068	33,181
USD	8,610	30,198	7,559	22,905
GBP	4	22	27	133
CHF	-	-	-	-
other	-	33,119	-	22,905
Total	**-**	**97,899**	**-**	**103,461**

Note 19. OTHER FINANCIAL ASSETS AND LIABILITIES

Loans advanced (including loans advanced to members of the Management Board) as at December 31st 2014

	Dec 31 2014	Dec 31 2013
Increase in loans advanced, including:	361	548
- non-current	361	-
- current	-	548

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

Financial assets

	Dec 31 2014	Dec 31 2013
Financial assets available for sale	3	3
Non-current deposits	6,794	2,612
Other	109	59

Derivative financial instruments	1,425	3,822
Financial assets	**8,331**	**6,496**
- non-current	6,906	2,674
- current	1,425	3,822

Financial liabilities

Item	**Dec 31 2014**	**Dec 31 2013**
Borrowings	45,700	34,119
Other financial liabilities:	8,077	8,643
- derivative financial instruments	2,660	5
- lease liabilities	1,375	1,211
- liability related to payment for shares in SW Brasil	4,020	7,383
- other financial liabilities	22	44
Total financial liabilities	**53,778**	**42,763**
- non-current	16,522	20,548
- current	37,256	22,215

	Dec 31 2014		**Dec 31 2013**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Derivative financial instruments	1,425	2,660	3,822	5
Total financial assets and liabilities at fair value through profit or loss				
- non-current	-	-	-	-
- current	-	-	-	-
Total hedging instruments				
- non-current	-	-	-	-
- current	1,425	2,660	3,822	5

Disclosures of derivative financial instruments which qualify for hedge accounting

SECO/WARWICK S.A. did not enter into any derivative transactions in 2014.

SECO/WARWICK EUROPE Sp. z o.o. used currency forwards to hedge an average of 60% of its export cash flows denominated in EUR, 75% of its cash flows denominated in USD, up to 90% of its cash flows denominated in GBP, 60% of its cash flows denominated in RUB and 100% of its cash flows denominated in CZK. The purpose is to hedge the budgeted exchange rates for contracts. Any changes in the value of EUR-, USD-, GBP-, RUB- or CZK-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 2014.

Dec 31 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

Dec 31 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

Dec 31 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

Dec 31 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

Dec 31 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

The table below presents total values of hedging relationships open as at December 31st 2013.

Dec 31 2013	Notional amount of contract (EUR'000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Dec 31 2013	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	45,439	28,969	23,467	2,186	1,091	1,095	Jan 30 2014–Jan 22 2015

Dec 31 2013	Notional amount of contract (USD '000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Dec 31 2013	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	16,921	12,419	7,514	1,623	1,087	536	Jan 21 2014–Dec 31 2014

Dec 31 2013	Notional amount of contract (CZK '000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Dec 31 2013	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	-	-	-	-	-	-	-

Dec 31 2013	Notional amount of contract (GBP '000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Dec 31 2013	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	220	8	4	4	Feb 28 2014–Aug 30 2014

Note 20. PREPAYMENTS AND ACCRUED INCOME

Item	Dec 31 2014	Dec 31 2013
Insurance policies	859	1,297
Subscriptions	2	5
VAT to be settled in the following period	464	955
Lease of software	603	25
Other	818	1,310
Total current prepayments and accrued income	**2,746**	**3,593**

Note 21. CASH AND CASH EQUIVALENTS

Item	Dec 31 2014	Dec 31 2013
Cash at banks and cash in hand	40,134	41,656
Short-term deposits	6,568	-
Other cash equivalents	-	-
Total cash and cash equivalents	**46,702**	**41,656**

CASH AND CASH EQUIVALENTS (BY CURRENCY):

Item	Dec 31 2014		Dec 31 2013	
	in foreign currency	restated in PLN	in foreign currency	restated in PLN
PLN	-	17,244	-	11,522
EUR	3,728	15,889	1,593	6,605
USD	2,268	7,954	6,237	18,786
GBP	3	15	3	16
other	-	5,600	-	4,727
Total		**46,702**		**41,656**

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

Share capital

Item	Dec 31 2014	Dec 31 2013
Number of shares	10,737,837	10,680,197
Par value of shares	0.2	0.2
Share capital	2,148	2,136
Share capital restated using hyperinflation index	1,557	1,557
Share capital at end of the period	**3,704**	**3,693**

Share capital structure:

Shareholders as at Dec 31 2014	**Type of preference attached to shares**	**Type of limitation on rights to shares**	**Number of shares**
SW Poland Holding B.V. (Netherlands)	None	-	3,387,139
Spruce Holding Limited Liability Company (USA)	None	-	1,419,294
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	None	-	904,794
Funds represented by PKO BP BANKOWY PTE S.A.	None	-	849,698
Bleauhard Holdings LLC	None	-	743,456
ING NN OFE	None	-	600,000
AMPLICO	None	-	577,470
Other	None	-	2,255,986
TOTAL			**10,737,837**

Changes in share capital:

Item	**Jan 1–Dec 31 2014**	**Jan 1–Dec 31 2013**
Share capital at beginning of the period	3,693	3,652
Share capital increases during the period		
Share capital increase	12	41
Share capital restated using hyperinflation index (IAS 19)	-	-
Share capital reductions during the period	**-**	**-**
Share capital at end of the period	3,704	**3,693**

Other components of equity

Item	**Statutory reserve funds**	**Other components of equity**
Balance as at Jan 1 2013	**189,136**	**-**
Increase		
Profit distributions	10,571	-
Share capital increase – share premium	-	-
Valuation of management stock options	-	3,147
Decrease		
Management stock options	-	-
Balance as at Dec 31 2013	**199,708**	**3,147**
Increase		
Profit distributions	16,659	-
Share buyback	-41,750	41,750
Management stock options	-	1,836
Decrease	-	-
Management stock options	-	-
Balance as at Dec 31 2014	**174,617**	**46,733**

Non-controlling interests:

	Dec 31 2014	Dec 31 2013
Non-controlling interests at beginning of period	**5,442**	**1,153**
Recognition of share of SWA's profit or loss for period	-427	-434
Recognition of share of exchange differences on translation of SWR's operations	-16	15
Additional contribution to equity of subsidiary SWR	61	-
Accounting for loss of control over SCT	-	-610
Accounting for acquisition of SWA		10,392
Accounting for increase in equity interest held in SWA	-1,188	-2,029
Other changes in equity of subsidiary SWA attributable to non-controlling interests	40	-115
Recognition of share of SWA's profit or loss for period	-2,019	-1,415
Recognition of share of exchange differences on translation of SWA's operations	482	-1,514
Non-controlling interests at end of period	**2,376**	**5,442**

Non-controlling interests as at December 31st 2013 included the effect of accounting for the acquisition of control of SCT and SECO/WARWICK Retech and the share of their profit or loss and changes in equity from the date of acquisition of control over these entities. Furthermore, the control was increased by 8.3% following the acquisition of additional equity interests.

On June 6th 2014, the Seco/Warwick Group increased its control over SWA by a further 8.3%, and as at December 31st 2014 it held a 75% equity interest in SWA.

As at December 31st 2014, the Group also held a 90% equity interest in SWR.

Note 23. RETAINED EARNINGS/(DEFICIT)

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

Item	Dec 31 2014	Dec 31 2013
Retained earnings/(deficit)	**21,875**	**48,177**
Current net profit/(loss)	-15,828	15,221
Exchange differences	9,893	-11,924
Hedging reserve	-255	1,075
Retained reserves (retained earnings/(deficit), consolidation adjustments etc.)	28,065	43,805

Note 24. FINANCIAL LIABILITIES

Item	Dec 31 2014	Dec 31 2013
Borrowings	45,700	34,119
Other financial liabilities:	8,077	8,643
- valuation of financial instruments	2,660	5
- lease liabilities	1,375	1,211
- liability related to the purchase of the remaining 50% equity interest in SW Brasil	4,020	7,383
- other financial liabilities	22	44
Total financial liabilities	**53,778**	**42,763**
- non-current	16,522	20,548
- current	37,256	22,215

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

Lender	Borrowing amount PLN ('000)	Borrowing amount Currency ('000)	Repayment date	Security	Interest rate	Type
HSBC	2,187	USD 726	-	Guarantee	3.00%	Overdraft facility
HSBC	2,108	USD 700	Jan 9 2014	Guarantee	3.25%	Overdraft facility
HSBC	123	RMB 248	Mar 7 2014	Guarantee	7.60%	Overdraft facility
HSBC	131	RMB 262	Mar 17 2014	Guarantee	7.60%	Overdraft facility
HSBC	240	RMB 483	Apr 25 2014	Guarantee	7.60%	Overdraft facility
HSBC	401	RMB 806	Jun 6 2014	Guarantee	7.60%	Overdraft facility
CITI BANK	160	RMB 322	May 7 2014	SBLC	7.00%	Overdraft facility
CITI BANK	195	RMB 392	May 12 2014	SBLC	7.00%	Overdraft facility
CITI BANK	342	RMB 688	May 12 2014	SBLC	7.00%	Overdraft facility
CITI BANK	258	USD 86	May 12 2014	SBLC	5.00%	Overdraft facility
CITI BANK	116	RMB 234	May 21 2014	SBLC	7.00%	Overdraft facility
CITI BANK	87	RMB 174	Jun 11 2014	SBLC	7.00%	Overdraft facility
Bank Deutsche Kraftfahrzeuggewerbe	23	EUR 5	May 1 2017	Guarantee	6.78%	Overdraft facility
Toyota Kreditbank	232	EUR 56	Nov 1 2018	-	5.90%	Overdraft facility
BNP Paribas	68	EUR 16	Nov 15 2017	-	7.00%	Overdraft facility
Mercedes Benz	40	EUR 10	May 30 2017	-	5.83%	Overdraft facility
Commerzbank	1,244	EUR 300	Dec 31 2015	Assignment of rights to receivables, guarantee	2.98%	Overdraft facility
Commerzbank	792	EUR 191	Dec 31 2015	Assignment of rights to receivables, guarantee	6.25%	Overdraft facility
Martin van Rossum	104	EUR 25	-	-	10%	Credit facility
Heiner Kelputt	104	EUR 25	-	-	10%	Credit facility
Banco Itaú	60	BRL 47	Apr 1 2014	-	1.6%	Overdraft facility

Banco Itaú	184	BRL 145	Nov 5 2014	-	1.87%	Overdraft facility
Banco Itaú	183	BRL 144	Jul 25 2014	-	1.5%	Overdraft facility
Banco Itaú	135	BRL 106	Jun 22 2015	-	2.07%	Overdraft facility
Banco Brasil	604	BRL 471	Feb 15 2014	-	1.33%	Overdraft facility
Banco Brasil	143	BRL 113	Jun 10 2015	-	1.52%	Overdraft facility
HSBC Bank	1,454	INR 29,813	Mar 11 2014	SBLC	13.75%	Overdraft facility
Union Bank of India	439	INR 9,001	-	-	10.00%	Overdraft facility
Union Bank of India	2,039	INR 41,810	Sep 13 2021	-	13.00%	Overdraft facility
Union Bank of India	3,031	INR 62,162	-	-	13.00%	Overdraft facility
Union Bank of India	65	INR 1,334	Jan 31 2014	-	14.00%	Overdraft facility
Union Bank of India	39	INR 794	Aug 30 2020	-	10.45%	Overdraft facility
Union Bank of India	34	INR 691	Aug 30 2020	-	10.45%	Overdraft facility
Kotak Mahindra bank	1,092	INR 22,392	Oct 10 2018	-	12.75%	Overdraft facility
Citi bank	1,102	INR 22,603	May 31 2014	SBLC	12.75%	Overdraft facility
HSBC Bank	494	INR 10,113	Mar 26 2014	SBLC	13.75%	Overdraft facility
Indian shareholders	2,495	INR 51,182	-	-	-	Preference shares *
BRE BANK S.A. Zielona Góra Branch	3,012	USD 1,000	Dec 31 2015	Ordinary mortgage for USD 2,500,000 Ceiling mortgage for USD 250,000 Submission to enforcement for up to USD 2,750,000	1M LIBOR + 1.55%	Investment overdraft facility
Bank Handlowy	8,560	USD 2,842	Apr 27 2018	mortgage of up to USD 3,750 thousand, SECO/WARWICK EUROPE Sp. z o.o.'s surety under civil law	3M LIBOR + 1.80%	Investment overdraft facility
Total:	**34,119**					

* Preference shares classified by SECO/WARWICK Allied as borrowings, since they bear interest and will be returned to the Indian 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)	Currency ('000)				
HSBC	2,455	USD 700		Guarantee	3.00%	Overdraft facility
HSBC	1,677	RMB 2,961	May 2015	Guarantee	7.60%	Overdraft facility
HSBC	641	RMB 1,132		SBLC	7.60%	Overdraft facility
CITI BANK	3,419	6,038 RMB	Sep 2015	SBLC	7.00%	Overdraft facility
CITI BANK	470	USD 134	Sep 2015	SBLC	5.00%	Overdraft facility
Toyota Kreditbank	188	EUR 44	Nov 1 2018	-	5.90%	Overdraft facility
BNP Paribas	55	EUR 13	Nov 15 2017	-	7.00%	Overdraft facility
Mercedes Benz	30	EUR 7	May 30 2017	-	5.83%	Overdraft facility
Commerzbank	1,387	EUR 325	Dec 31 2015	SBLC	2.98%	Overdraft facility
Commerzbank	98	EUR 23	Dec 31 2015	SBLC	6.25%	Overdraft facility
Toyota	43	EUR 10	Jul 31 2020	-	6.25%	Overdraft facility
Banco Itaú	36	BRL 27	Jun 22 2015	-	28.00%	Overdraft facility
Banco Itaú	50	BRL 38	Jun 10 2015	-	20.00%	Overdraft facility
CITI BANK	660	BRL 500	Jun 30 2015	SBLC	5.54%	Overdraft facility
CITI BANK	914	BRL 692	Jun 30 2015	SBLC	5.54%	Overdraft facility
CITI BANK	1,415	BRL 1,072	May 29 2015	SBLC	5.79%	Overdraft facility
Aparicio Freitas	264	BRL 200	-	-	6%	Overdraft facility
Yassuhiro	264	BRL 200		-	6.00%	Overdraft facility
HSBC Bank	4,115	INR 74,182		SBLC	13.75%	Overdraft facility
HSBC Bank	551	INR 9,937		SBLC	13.75%	Overdraft facility
Union Bank of India	2,007	INR 36,187	Sep 13 2021	-	13.00%	Overdraft facility

Union Bank of India	3,974	INR 71,640	-	-	13.75%	Overdraft facility
Union Bank of India	4,349	INR 78,395	-	-	13.00%	Overdraft facility
Union Bank of India	55	INR 1,000	-	-	13.75%	Overdraft facility
Union Bank of India	103	INR 1,856	Jul 29 2017	-	10.70%	Overdraft facility
Union Bank of India	39	INR 698	Aug 30 2020	-	10.45%	Overdraft facility
Union Bank of India	34	INR 607	Aug 30 2020	-	10.45%	Overdraft facility
Kotak Mahindra bank	1,054	INR 19,001	Oct 10 2018	-	13.25%	Overdraft facility
Citi bank	2,882	INR 51,948	May 31 2014	SBLC	13.75%	Overdraft facility
Indian shareholders	2,968	INR 53,502	-	-	-	Preference shares *
mBANK S.A. Zielona Góra Branch	1,754	USD 500	Dec 31 2015	Ordinary mortgage for USD 2,500,000 Ceiling mortgage for USD 250,000 Submission to enforcement for up to USD 2,750,000	1M LIBOR + 1.55%	Investment overdraft facility
Bank Handlowy	7,751	USD 2,210	Apr 27 2018	mortgage of up to USD 3,750 thousand, SECO/WARWICK EUROPE Sp. z o.o.'s surety under civil law	3M LIBOR + 1.80%	Investment overdraft facility
Total:	**45,700**					

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

Borrowings by maturity:

Item	Dec 31 2014	Dec 31 2013
Current bank and other borrowings	30,041	18,050
Non-current bank and other borrowings	15,659	16,069
- repayable in more than 1 year, up to 3 years	15,659	16,069
- repayable in more than 3 years, up to 5 years	-	-
Total bank and other borrowings	**45,700**	**34,119**

Bank and other borrowings by currency:

Item	Dec 31 2014 Value in foreign currency	Dec 31 2014 Value in PLN	Dec 31 2013 Value in foreign currency	Dec 31 2013 Value in PLN
PLN	-	-	-	-
EUR	422	1,800	628	2,607
USD	3,544	12,430	5,354	16,125
RMB	10,131	5,736	3,609	1,795
INR	398,956	22,131	322,733	12,284
BRL	2,729	3,602	1,026	1,309
Total bank and other borrowings		**45,700**		**34,119**

Note 25. LEASES

Operating lease

Liabilities under operating leases – the Group as a lessee:

Item	Dec 31 2014	Dec 31 2013
Lease payments made	**264**	**152**
Outstanding balance:	-	-
Up to 1 year	257	152
From 1 year to 5 years	213	269
Over 5 years	-	-
Total	**470**	**421**

In 2014 and 2013, operating lease agreements included lease of office equipment and vehicles used by SECO/WARWICK Corporation.

Finance leases

As at December 31st 2014 and December 31st 2013, liabilities under finance leases and lease agreements with a purchase option were as follows:

Item	Dec 31 2014 Minimum lease payments	Dec 31 2014 Present value of the lease payments	Dec 31 2013 Minimum lease payments	Dec 31 2013 Present value of the lease payments
Up to 1 year	707	513	518	350
From 1 year to 5 years	978	863	1,065	861
Over 5 years				
Total minimum lease payments	**1,685**	**1,375**	**1,583**	**1,211**
Finance costs	310		372	
Present value of minimum lease payments, including:	**1,375**	**1,375**	**1,211**	**1,211**
current	593	593	350	350
non-current	782	782	685	685

Finance lease agreements as at December 31st 2013

Lessor	Agreement No.	Initial value	Currency	Agreement expiry date	Liabilities outstanding as at the end of reporting period
mLeasing	ELTERMA/PO/120581/2011	60	PLN	Apr 27 2014	6
Millenium Leasing	K150078	88	PLN	Nov 05 2014	24
mLeasing	ELTERMA/PO/ 138167/2012	108	PLN	Jun 30 2015	82
mLeasing	ELTERMA/PO/ 142435/2012	69	PLN	Oct 30 2015	55
mLeasing	ELTERMA/PO/ 142436/2012	69	PLN	Oct 30 2015	55
mLeasing	ELTERMA/PO/ 145013/2012	57	PLN	Oct 30 2015	46
mLeasing	ELTERMA/PO/147710/2012	99	PLN	Jan 15 2016	84
mLeasing	ELTERMA/PO/153730/2013	59	PLN	Jun 30 2016	53
mLeasing	ELTERMA/PO/153731/2013	59	PLN	Jun 30 2016	53
mLeasing	ELTERMA/PO/153732/2013	69	PLN	Jul 30 2016	65
mLeasing	ELTERMA/PO/154824/2013	147	PLN	Jul 30 2016	138
mLeasing	SECOWAR/PO/148705/2012	79	PLN	Jan 25 2015	67
mLeasing	SECOWAR/PO/148706/2012	79	PLN	Jan 25 2015	67
mLeasing	SECOWAR/PO/148704/2012	79	PLN	Jan 25 2015	67
mLeasing	SECOWAR/PO/148876/2012	92	PLN	Jan 25 2015	80
mLeasing	SECOWAR/PO/148824/2012	87	PLN	Jan 25 2015	76
mLeasing	SECOWAR/SZ/158113/2013	89	PLN	Oct 25 2015	88
Volkswagen Leasing Sp. z o.o.	6044242-1212-07457	363	PLN	Jun 30 2014	104
Total	x	**1,752**	x	x	**1,210**

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	Jun 30 2015	60
mLeasing	ELTERMA/PO/142435/2012	69	PLN	Oct 30 2015	40
mLeasing	ELTERMA/PO/142436/2012	69	PLN	Oct 30 2012	41
mLeasing	ELTERMA/PO/145013/2012	57	PLN	Oct 30 2015	36
mLeasing	ELTERMA/PO/147710/2012	99	PLN	Jan 15 2016	67
mLeasing	ELTERMA/PO/153730/2013	59	PLN	Jun 30 2016	43
mLeasing	ELTERMA/PO/153731/2013	59	PLN	Jun 30 2016	43
mLeasing	ELTERMA/PO/153732/2013	70	PLN	Jul 30 2016	54
mLeasing	ELTERMA/PO/154824/2013	147	PLN	Jul 30 2016	116
mLeasing	ELTERMA/SZ/167098/2014	68	PLN	Mar 20 2017	59
mLeasing	ELTERMA/SZ/168453/2014	76	PLN	Mar 20 2017	65
mLeasing	ELTERMA/SZ/167061/2014	76	PLN	May 30 2017	68

mLeasing	ELTERMA/SZ/175474/2014	69	PLN	Jul 30 2017	45
mLeasing	SECOWAR/PO/148824/2012	58	PLN	Jan 25 2016	55
mLeasing	SECOWAREU/SZ/182845/2014	67	PLN	Nov 30 2017	48
mLeasing	SECOWAREU/SZ/186307/2014	96	PLN	Dec 2 2017	75
mLeasing	SECOWAREU/SZ/1811622014	109	PLN	Dec 14 2017	79
mLeasing	SECOWAREU/SZ/185860/2014	106	PLN	Nov 25 2017	82
mLeasing	SECOWAR/PO/148705/2012	79	PLN	Jan 25 2015	54
mLeasing	SECOWAR/PO/148706/2012	79	PLN	Jan 25 2015	54
mLeasing	SECOWAR/PO/148704/2012	79	PLN	Jan 25 2015	54
mLeasing	SECOWAR/PO/148876/2012	92	PLN	Jan 25 2015	66
mLeasing	SECOWAR/SZ/158113/2013	89	PLN	Oct 25 2015	72
Total	**x**	**1,880**	**x**	**x**	**1,375**

Note 26. TRADE PAYABLES AND OTHER LIABILITIES

Item	Dec 31 2014	Dec 31 2013
current liabilities	70,043	65,798
non-current liabilities	464	473
Total	**70,507**	**66,271**

TRADE PAYABLES AND OTHER CURRENT LIABILITIES

Item	Dec 31 2014	Dec 31 2013
Trade payables		
To related entities	-	-
To other entities	57,233	52,917
Total	**57,233**	**52,917**
Taxes, customs duties, social security and other charges payable	4,943	5,340
Salaries and wages payable	5,823	6,407
Income tax payable	98	375
Other liabilities	1,945	758
Total other liabilities	**12,809**	**12,880**
Total trade payables and other liabilities	**70,042**	**65,797**

Current liabilities by currency:

Item	Dec 31 2014		Dec 31 2013	
	in foreign currency	restated in PLN	in foreign currency	restated in PLN
PLN	-	19,096	-	7,399
EUR	1,928	8,219	5,623	23,320
USD	9,460	33,180	10,200	30,176

GBP	-	-	386	1,925
SEK	-	-	-	-
other		3,923	-	2,978
Total		**70,043**		**65,798**

Trade payables by delinquency period:

Item	*Total*	*Not past due*	*Past due but recoverable*				
			< 30 days	*30–60 days*	*60–90 days*	*90–180 days*	*>180 days*
Dec 31 2013	**52,917**	52,917	-	-	-	-	-
Dec 31 2014	**57,233**	57,233	-	-	-	-	-

Other current liabilities by delinquency period:

Item	*Total*	*Not past due*	*Past due but recoverable*				
			< 30 days	*30–60 days*	*60–90 days*	*90–180 days*	*>180 days*
Dec 31 2013	**15,148**	15,148	-	-	-	-	-
Dec 31 2014	**19,650**	19,650	-	-	-	-	-

Contingent liabilities

Contingent liabilities under guarantees and sureties issued amounted to PLN 67,050 thousand as at the end of 2014, and to PLN 75,509 thousand as at the end of 2013. 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 2014	Dec 31 2013
Total tangible assets contributed to the Fund		
Loans advanced to employees	56	102
Cash	143	132
Liabilities to the Fund	151	232
Net balance	48	-26
Contributions to the Fund during financial period	539	545

Investment commitments

As at December 31st 2014, the Group had no commitments to incur capital expenditure on property, plant and equipment (2013: PLN 177 thousand).

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 2014	Jan 1– Dec 31 2013
as at beginning of the period	**3,331**	**2,865**
increase	2,214	466
- provisions of acquired entities	-	241
- provision recognised	2,214	225
use	-	-
reversal	193	-
as at end of the period	**5,352**	**3,331**

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 2014	Dec 31 2013
Discount rate (%)	4.2	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 2014	Jan 1–Dec 31 2013
1. Provision for accrued holiday entitlements		
a) as at beginning of the period	1,493	1,493
b) increase	2,082	1,507
- provisions of acquired entities	-	64
- provision recognised	2,082	1,429

c) use	-	367
d) reversal	719	1,140
e) translation differences	-	-
f) as at end of the period	**2,856**	**1,493**
2. Provision for bonuses		
a) as at beginning of the period	5,993	4,489
b) increase	7,026	5,993
- provisions of acquired entities	-	-
- provision recognised	7,026	4,574
c) use	3,715	1,770
d) reversal	4,985	2,719
e) translation differences	-	-
f) as at end of the period	**4,319**	**5,993**
3. Provision for retirement bonuses		
a) as at beginning of the period	804	450
b) increase	2,015	843
- provisions of acquired entities	-	-
- provision recognised	2,015	843
c) use	-	44
d) reversal	843	445
e) translation differences	-	-
f) as at end of the period	**1,976**	**804**

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 2014**	**Dec 31 2013**
Discount rate (%)	3.6	4.34
Expected rate of return on assets (%)	7.5	7.5

RETIREMENT BENEFIT PLANS (SECO/WARWICK CORP.)

Item	**2014**	**2013**
Change in plan liability		
Liability at beginning of the period	13,495	12,295
Administration costs	-	-
Interest expense	567	467
Actuarial gain/(loss)	3,444	-488
Contributions paid	-859	-684
Liability at end of the period	16,646	11,590
Change in plan assets		
Fair value of plan assets at beginning of the period	11,889	8,849
Actual return on plan assets	547	1,319
Contributions paid in	842	723

Contributions paid out	-859	-684
Fair value of plan assets at end of the period	12,419	10,208

OTHER PROVISIONS

Item	*Provision for warranty repairs and returns*	*Provision for penalty*	*Other provisions*	*Other provisions – contingent liability*	*Total*
As at Dec 31 2012	**2,048**	**-**	**3,521**	**-**	**5,569**
Acquisition of subsidiary	289	-	-	-	289
Provisions recognised during the financial year	2,410	-	9,426	-	11,836
Provisions used	-	-	-	-	-
Provisions reversed	-	-	-1,402	-	-1,402
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	-	-22,321	-	-26,515
As at Dec 31 2014	**2,113**	**-**	**9,476**	**-**	**11,589**

Note 28. DEFERRED INCOME

Item	Dec 31 2014	Dec 31 2013
- grant	7,172	4,143
- long-term contracts	62,871	55,340
- other	4,143	2,267
Total deferred income, including:	**74,186**	**61,750**
non-current	2,746	4,143
current	71,441	57,608

Note 29. EXPLANATORY INFORMATION TO THE STATEMENT OF CASH FLOWS

Item	Dec 31 2014	Dec 31 2013
Cash in the statement of financial position	**46,702**	**41,656**
Exchange differences on balance-sheet valuation	-22	106
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	**46,679**	**41,763**

Item	Dec 31 2014	Dec 31 2013
Depreciation and amortisation	**7,969**	**7,927**
Amortisation of intangible assets	1,540	1,403
Depreciation of property, plant and equipment	6,428	6,523
Depreciation of investment property	-	-

Change in provisions (excluding elimination of income tax liabilities) results from the following items:	**-2,619**	**8,063**
Net change in provisions	-3,497	8,658
Elimination of change in deferred tax liabilities	878	-595
Exchange differences	-	-
Change in inventories results from the following items:	**-,2,006**	**1,208**
Net change in inventories	-2,006	1,208
Exchange differences	-	-
Change in receivables (excluding elimination of income tax receivable) results from the following items:	**20,730**	**9,141**
Balance-sheet change in current receivables	20,636	9,141
Elimination of income tax receivable	94	-
Exchange differences	-	-
Change in current liabilities (excluding financial liabilities and elimination of income tax liabilities) results from the following items:	**1,901**	**11,202**
Balance-sheet change in current liabilities	14,319	32,569
Adjustment for change in liabilities related to acquisition of property, plant and equipment	-	-
Elimination of change in lease liabilities	-165	-369
Exchange differences	-	-
Borrowings	-8,234	-9,202
Valuation of derivative instruments	-	-
- Liability related to the purchase of a 50% equity interest in SW Brasil	-4,020	-9,000
Change in prepayments and accrued income (excluding elimination of income tax assets) results from the following items:	**2,103**	**-23,176**
Net change in accruals and deferrals	-4,101	-23,684
Elimination of change in deferred tax assets	6,203	508
Exchange differences	-	-
Change in other adjustments results from the following items:	**21,940**	**2,911**
Management stock options	1,836	3,147
Impairment loss on goodwill	25,565	-
Capital valuation of pension plan at SWC	-3,402	474
Adjustment to profit or loss brought forward at SWE	-2,101	-199
Other	42	-511

Note 30. RELATED PARTIES

Related party	*Year*	*Sales to related parties*	*Purchases from related parties*	*Receivables from related parties*	*Liabilities towards related parties*
SECO/WARWICK S.A.					
	2014	15,188	7,581	10,822	3,727
	2013	12,979	4,110	7,853	349
OF SECO/WARWICK EUROPE					
	2014	17,939	15,472	15,512	2,632
	2013	16,610	10,442	9,202	4,416
SECO/WARWICK Corporation					
	2014	952	5,181	1,250	8,035
	2013	419	4,100	859	2,933
SECO/WARWICK GmbH					

	2014	46	-	53	6
	2013	56	-	1,194	13
SECO/WARWICK Rus					
	2014	1,706	1,700	145	2,816
	2013	1,849	8,719	177	4,821
RETECH					
	2014	275	1,125	1,292	267
	2013	1,469	1,775	271	371
SECO/WARWICK RETECH					
	2014	32	1,758	792	5,416
	2013	257	2,754	639	3,245
SECO/WARWICK Allied					
	2014	17	3,179	19	6,224
	2013	-	2,039	-	2,680
SECO/WARWICK Service GmbH					
	2014	3,804	3,656	41	412
	2013	739	406	55	1,366
SECO/WARWICK do Brasil					
	2014	30	336	-	393
	2013	-	31	-	55

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
31.12.2014			
Paweł Wyrzykowski	1,344	40	1,384
Wojciech Modrzyk	529	25	553
Jarosław Talerzak	415	21	436
Total	**2,288**	**85**	**2,374**
Dec 31 2013			
Paweł Wyrzykowski	1,529	41	1,570
Wojciech Modrzyk	510	25	535
Jarosław Talerzak	443	18	461
Total	**2,482**	**84**	**2,566**

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 2014	**Dec 31 2013**
SUPERVISORY BOARD OF SECO/WARWICK S.A.		
Andrzej Zawistowski, including:	132	268
- for his work as Chairman of the Supervisory Board	*120*	*120*
*- under agreement for advisory services**	*12*	*148*
Jeffrey Boswell, including:	122	360
- for his service as Member of the Supervisory Board	-	-
*- under employment contract***	*122*	*360*
James A.Goltz, including:	2,089	1,450
- for his service as Member of the Supervisory Board	-	-
*- under employment contract***	*2,089*	*1,450*
Mr Zbigniew Rogóż	42	42
Dr Gutmann Habig	30	46
Henryk Pilarski	54	54
Witold Klinowski, including:	219	120
- for his service as Member of the Supervisory Board	*42*	*42*
*- under agreement for advisory services*****	*177*	*78*
Total	**2,688**	**2,340**

* 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.

**Under an employment contract between SECO/WARWICK Corp. and Mr Jeffrey Boswell.

*** Under an employment contract between Retech Systems LLC and Mr James A. Goltz.

****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 Witold Klinowski.

Note 32. FINANCIAL ASSETS

Item	Category (IAS 39)	*Carrying amount*		*Fair value*		*Maximum credit risk exposure in 2014*
		Dec 31 2014	Dec 31 2013	Dec 31 2014	Dec 31 2013	
Financial assets						
Financial assets available for sale (non-current)	AFS	3	3	3	3	3
Loans advanced (current)	L&R	-	548	-	548	-
Loans advanced (non-current)	L&R	361	-	361	-	361
Trade and other receivables	L&R	88,961	99,769	88,961	99,769	88,961
Derivative financial instruments	M at FV through P/L	1,425	3,822	1,425	3,822	1,425
- Currency forwards	M at FV through P/L	1,425	3,822	1,425	3,822	1,425
Cash and cash equivalents	L&R	46,702	41,656	46,702	41,656	46,702
Sureties advanced		-	-	-	-	135,321
Financial liabilities						
current						
Interest-bearing bank and other borrowings, including:	OFL at AC					
- Overdraft facility	OFL at AC	26,071	16,640	26,071	16,640	
- current borrowings	OFL at AC	3,970	3,410	3,970	3,410	
- Finance lease liabilities (current)	OFL at AC	593	525	593	525	
Trade payables and other liabilities	OFL at AC	76,884	68,066	76,884	68,066	
Currency forwards	M at FV through P/L	2,660	5	2,660	5	
non-current						
Non-current borrowings bearing interest at variable rates	OFL at AC	15,659	16,069	15,659	16,069	
Other liabilities (non-current), including:	OFL at AC	5,807	9,095	5,801	9,095	
- Finance lease liabilities	OFL at AC	782	686	782	686	

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

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

	Dec 31 2013		
	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	-	3,822	-
- Currency forwards	-	3,822	-
Cash and cash equivalents	-	-	-
TOTAL	**-**	**3,822**	**-**
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	-	5	-
non-current	-	-	-
Non-current borrowings bearing interest at variable rates	-	-	-
Other liabilities (non-current), including:	-	-	-
- Finance lease liabilities	-	-	-
TOTAL	-	-	-

Note 33. WORKFORCE STRUCTURE

Item	Dec 31 2014	Dec 31 2013
Blue-collar employees	516	490
White-collar employees	464	590
Employees on parental leaves	5	1
Total	**985**	**1,081**

Note 34. PRESENTATION ADJUSTMENTS

To ensure comparability, the following presentation adjustments were made, which had no effect on the profit or loss for the period January 1st−December 31st 2013:

a) Opening balance adjustment consisting in:

1. Presentation of contract settlements as a separate item under equity and liabilities,
2. Presentation of cash maintained as security for the Company's investments in an Indian company as non-current,
3. Disclosure, on a net basis as per the Group's policy, of advances received under contracts in progress at the Indian subsidiary, using the percentage of completion method.

	BEFORE ADJUSTMENT	AFTER ADJUSTMENT
PLN '000	**Dec 31 2013**	**Dec 31 2013**
ASSETS		
Non-current assets		
Other financial assets	62	2,674
	200,071	**202,683**
Current assets		
Cash and cash equivalents	44,268	41,656
Contract settlement	98,653	95,097
	283,302	**277,134**
TOTAL ASSETS	**484,094**	**480,538**
EQUITY AND LIABILITIES		
Equity	**260,167**	**260,167**

Non-current liabilities	**50,166**	**50,166**
Current liabilities	**173,761**	**170,205**
Trade payables	56,473	52,917
Accruals and deferred income	57,608	2,268
Contract settlement	-	55,340
TOTAL EQUITY AND LIABILITIES	**484,094**	**480,538**

b) Adjustment to the note on revenue and profit/loss of the operating segments for the period January 1st–December 31st 2013, made 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 to be presented under unallocated items:

Before adjustment

Item	**Continuing operations**						**Unallocated items**	**Total**
	Vacuum Furnaces	***Melting Furnaces***	***Thermal***	***CAB***	***Aluminium Process***	***Total***		
Total segment revenue	108,996	185,064	97,627	52,211	30,191	474,088	13,885	487,974
Total segment expenses	-75,537	-141,533	-82,132	-38,435	-27,974	-365,611	-8,463	-374,074

After adjustment

Item	**Continuing operations**						**Unallocated items**	**Total**
	Vacuum Furnaces	***Melting Furnaces***	***Thermal***	***CAB***	***Aluminium Process***	***Total***		
Total segment revenue	102,093	174,325	83,714	48,640	29,389	438,161	49,813	487,974
Total segment expenses	-70,770	-133,360	-71,027	-36,508	-27643	-339,306	-34,768	-374,074

c) Correction of fundamental errors of PLN 870 thousand related to the incorrect calculation of deferred tax liabilities at Retech Systems. The accounting policy change consisted in the recognition in SWE of provisions for guarantees under planned manufacturing cost and accounting for long-term contracts taking into account the adjusted planned manufacturing cost. The value of the adjustment was PLN 1,707 thousand.

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 2014, 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 2014 PLN'000	Dec 31 2013 PLN'000
Debt	47,075	37,330
Cash and cash equivalents	(46,702)	(41,656)
Net debt	373	(4,326)
Equity	249,305	260,167
Net debt to equity	**0.15%**	**-1.66%**

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 do Brasil Ind. de Fornos Ltda., 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 2015 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 do Brasil Ind. de Fornos Ltda.*	*Seco/Warwick Corp. (USA)*	*Retech Systems LLC (USA)*	*SECO/WARWICK Services*
Average discount rate	13.22%	13.08%	9.42%	8.17%	9.67%
Average revenue growth rate	13.1%	31.2%	6.8%	7.6%	5.9%
Growth rate after the forecast period	3.5%	3.5%	1.0%	1.0%	1.0%
Impairment loss on goodwill (PLN '000)	- 9 078	- 16 488	NO	NO	NO

SECO/WARWICK Allied – the low number of new orders in the period from Q3 2014 to date 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. Following a short-lived recovery in Q4 2014, 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 reflects the management's assessment of the risk inherent in the company's operations. It is used by the management to assess the operating efficiency (performance) and future investment proposals. The discount rate was determined taking into account the risk-free interest rate determined for each period covered by the projection as the arithmetic mean of the following: median of the forecast risk-free interest rates calculated by stock-exchange analysts and estimated future risk-free interest rates.

Growth rates 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 2015−2019 changed for each company:

Item	*Seco/Warwick Allied Pvt. Ltd.*	*Seco/Warwick do Brasil Ind. de Fornos Ltda.*	*Seco/Warwick Corp. (USA)*	*Retech Systems LLC (USA)*	*SECO/WARWICK Services*
			Recoverable amount:		
Discount rates assumed in the test	13,791	-948	40,965	123,275	3,066
Discount rates increased by 1%	11,460	-1,092	37,032	106,865	2,305
Discount rates increased by 3%	7,884	-1,318	31,214	84,187	1,184

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 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 2014 in foreign currency	As at Dec 31 2014 in PLN	As at Dec 31 2013 in foreign currency	As at Dec 31 2013 in PLN
Liabilities				
EUR	579	2,469	5,623	23,320
USD	4,180	14,661	3,842	11,572
Retech-USD	5,374	18,849	6,801	20,487
SWC-USD	12,739	44,677	15,666	47,186
SWA-INR	1,005,724	55,787	730,264	35,605
SWR-CNY	25,847	14,634	16,052	7,988
SWB-BRL	7,443	9,822	3,322	4,237
SWS-EUR	1,697	7,234	1,738	7,208
Assets				
EUR	15,932	67,906	17,970	74,524
USD	9,005	31,581	8,878	26,742
Retech-USD	20,193	70,821	24,534	73,896
SWC-USD	13,735	48,173	17,991	54,189
SWA-INR	1,195,674	66,324	1,057,456	51,558
SWR-CNY	21,293	12,056	18,565	9,238
SWB-BRL	6,298	8,311	4,773	6,087
SWS-EUR	1,542	6,574	1,582	6,561
Notional amount of hedging instrument				
EUR	21,249	90,570	23,467	97,322
USD	11,140	39,070	7,514	22,632
Goodwill				
EUR	406	1,730	406	1,684
USD	19,054	66,827	19,054	57,392

The Group is mainly exposed to foreign currency risk related to EUR and USD, and − due to its operations in India − to INR.

Presented below is an analysis of sensitivity of the Group’s profit or loss and other comprehensive income to exchange rate fluctuations.

Assumptions:

Exchange rate at reporting date Dec 31 2014: + 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	Effect of INR	Effect of INR
		Period ended	**Period ended**	**Period ended**	**Period ended**	**Period ended**	**Period ended**
		Dec 31 2014	**Dec 31 2013**	**Dec 31 2014**	**Dec 31 2013**	**Dec 31 2014**	**Dec 31 2013**
ASSETS							
Increase in exchange rate	10%	21,740	21,221,762	7,620,581	8,276,813	6,632,405	5,155,840
Decrease in exchange rate	-10%	(21,740)	(21,221,762)	(7,620,581)	(8,276,813)	(6,632,405)	(5,155,840)
LIABILITIES AND BORROWINGS							
Increase in exchange rate	10%	(11,726)	(10,187,693)	(10,026,521)	(15,064,283)	(5,578,749)	(3,560,550)
Decrease in exchange rate	-10%	11,726	10,187,693	10,026,521	15,064,283	5,578,749	3,560,550
TOTAL							
Increase in exchange rate	10%	10,014	11,034,069	(2,405,940)	(6,787,469)	1,053,656	1,595,291
Decrease in exchange rate	-10%	(10,014)	(11,034,069)	2,405,940	6,787,469	(1,053,656)	(1,595,291)

Effect on profit/loss		Effect of USD	Effect of USD	Effect of EUR	Effect of EUR	Effect of INR	Effect of INR
		Period ended	**Period ended**	**Period ended**	**Period ended**	**Period ended**	**Period ended**
		Dec 31 2014	**Dec 31 2013**	**Dec 31 2014**	**Dec 31 2013**	**Dec 31 2014**	**Dec 31 2013**
ASSETS							
Increase in exchange rate	10%	3,158	2,674	6,790	7,452	-	-
Decrease in exchange rate	-10%	(3,158)	(2,674)	(6,790)	(7,452)	-	-
LIABILITIES AND BORROWINGS							
Increase in exchange rate	10%	(5,373)	(4,710)	(9,303)	(12,064)	-	-
Decrease in exchange rate	-10%	5,373	4,710	9,303	12,064	-	-
TOTAL							
Increase in exchange rate	10%	(2,215)	(2,035)	(2,513)	(4,612)	-	-
Decrease in exchange rate	-10%	2,215	2,035	2,513	4,612	-	-

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 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
INR	0.0555	0.006	-0.006

Exchange rate at Dec 31 2013	Exchange rate	+ 10% increase in exchange rate	- 10% decrease in exchange rate
USD	3.0120	0.301	-0.301
EUR	4.1472	0.415	-0.415
INR	0.0488	0.005	-0.005

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 equity**	**Effect on profit/loss before tax**	**Effect on equity**
	+ 1%/- 1%		+ 1%/- 1%	
	Year ended Dec 31 2014		**Year ended Dec 31 2013**	
Other financial liabilities at amortised cost	+/- 471	+/- 471	+/- 373	+/- 373

For the purposes of the assessment the average interest rate was assumed at 7.0% for 2014 and 6.1% for 2013. Total borrowings in 2014 stood at PLN 47,075 (2013: PLN 37,330). The effect of interest rate movements on profit or loss and equity was calculated by adding/deducting 1pp to/from the average interest rate.

37.3 Risk related to product prices

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

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

37.5 Liquidity risk

Liquidity risk is the risk that the Company may face problems with meeting its financial liabilities. Liquidity risk is managed by projecting future cash flows, analysing the relation of liquid assets to cash flows, monitoring liquidity ratios based on items of the statement of financial position and ensuring constant access to various sources of financing at the level of 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 2014, bank borrowings represented 23% of total current liabilities (December 31st 2013: 20%).

The table below presents the Group's financial liabilities by maturity as at December 31st 2014 and December 31st 2013, based on contractual undiscounted payments.

Dec 31 2014	Payable on demand	up to 1 year	1–5 years	Over 5 years	Total as at Dec 31 2014
Interest-bearing bank and other borrowings		30,041	15,659	-	**45,700**
Trade payables		57,233	-	-	**57,233**
Other liabilities		20,025	5,801	-	**25,826**
TOTAL		**107,299**	**21,460**	**-**	**128,759**

Dec 31 2013	Payable on demand	up to 1 year	1–5 years	Over 5 years	Total as at Dec 31 2013
Interest-bearing bank and other borrowings	-	18,050	16,069	-	**34,119**
Trade payables	-	56,473	-	-	**56,473**
Other liabilities	-	19,313	9,095	-	**28,408**
TOTAL	**-**	**93,836**	**25,164**	**-**	**119,000**

The maturity structure of liabilities is presented in Note 27.

37.5 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 2014, the share of receivables from one of the customers was in the range 10%–15% of total net trade receivables.
The maturity structure of receivables is presented in Note 19.

Note 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 2014, 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	Jul 17 2013
(1) Granted on July 15th 2013	13,527	Sep 19 2013
(1) Granted on August 13th 2013	13,703	Sep 19 2013
(2) Granted on October 21st 2013	27,518	Dec 3 2013
(2) Granted on October 25th 2013	5,248	Jan 20 2014
(3) Granted on December 20th 2013	52,392	Jan 20 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

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

Note 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 2014, 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. 2/2015, the Management Board of SECO/WARWICK S.A. announced that between November 14th 2014 and January 13th 2015 the Company's subsidiaries SECO/WARWICK EUROPE Sp. z o.o. and Retech Systems LLC, USA, executed with HSBC, a financial services company, twelve forward contracts to sell a total of EUR 1,726,185 (PLN 7,272,110), nine forward contracts to sell a total of USD 5,123,000 (PLN 17,880,807), and one forward contract to sell GBP 3,888,500 (PLN 21,380,140). The value of the forward contracts totals PLN 46,533,057.

In Current Report No. 3/2015, the Management Board of SECO/WARWICK S.A. announced that on January 16th 2015 it was notified that a subsidiary SECO/WARWICK Europe Sp. z o.o. of Świebodzin executed a contract with ECOTITANIUM of France for the construction and delivery of titanium refining, recycling, purification and melting equipment. On January 15th 2015, an advance payment was received by the subsidiary, marking the start of contract performance; the contract will be performed in accordance with the commercial terms previously agreed by the parties. The formal signing of the contract will take place within two weeks after the translation of the technical specification documents attached thereto is completed, and will be announced by the Company in a separate current report. The maximum delivery period under the contract is 80 months, and the contract value does not exceed 60% of the Company's equity. Equipment deliveries will be made regularly during the term of the contract, in accordance with the agreed schedules.

In Current Report No. 4/2015, the Management Board of SECO/WARWICK S.A. announced that between May 13th 2014 and January 16th 2015 SECO/WARWICK EUROPE Sp. z o.o., the Company's subsidiary, executed with mBank S.A. twelve forward contracts to sell a total of EUR 2,840,000 (PLN 11,835,918), six forward contracts to sell a total of RUB 53,581,000 (PLN 4,418,261), three forward contracts to sell a total of CZK 23,000,000 (PLN 3,498,300), and one forward contract to sell a total of USD 5,150,000 (PLN 19,144,610). The value of the forward contracts totals PLN 38,897,088.

In Current Report No. 5/2015, the Management Board of SECO/WARWICK S.A. announced that between September 3rd 2014 and January 16th 2015 SECO/WARWICK EUROPE Sp. z o.o., the Company's subsidiary, executed with Bank Handlowy w Warszawie S.A. of Warsaw twenty one forward contracts to sell a total of EUR 2,004,000 (PLN 8,417,972) and two forward contracts to sell a total of USD 5,150,000 (PLN 19,144,610). The value of the forward contracts totals PLN 27,562,582.

In Current Report No. 6/2015, the Management Board of SECO/WARWICK S.A. announced that between July 18th 2014 and January 16th 2015 SECO/WARWICK EUROPE Sp. z o.o., the Company's subsidiary, executed with Raiffeisen Bank Polska S.A. of Warsaw thirty-two forward contracts to sell a total of EUR 5,569,296 (PLN 23,448,117) and three forward contracts to sell a total of USD 5,270,000 (PLN 19,333,298). The value of the forward contracts totals PLN 42,781,415.

In Current Report No. 10/2015, the Management Board of SECO/WARWICK S.A. announced that on February 3rd 2015 it executed a credit facility agreement with mBank S.A. of Warsaw. Under the agreement, the Bank granted a PLN 41,250,000 investment credit facility to the Borrower. 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. The facility is available for drawing by the Borrower until December 31st 2015, and it must be repaid by January 31st 2020.

In Current Report No. 13/2015, the Management Board of SECO/WARWICK S.A. reported that on February 13th 2015 it carried out and settled the acquisition of 1,073,783 Company shares. The share buyback commenced pursuant to Resolution No. 5 of the Company's Extraordinary General Meeting of October 30th 2014 concerning authorisation of the Management Board to buy back the Company's own shares and create a capital reserve.

In order to further incentivise the Company's management team to work towards continued development of the SECO/WARWICK Group, its consolidation and growing the value of SECO/WARWICK S.A. shares, on April 23rd 2015 the Supervisory Board passed Resolution No. 9/2015, approving the key objectives of the 2016–2018 Incentive Scheme for members of the SECO/WARWICK Group's management personnel (the "2016–2018 Incentive Scheme").

The fair value of the scheme assessed by the actuary and spread over the years 2015–2022 is PLN 23,145,779.

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.

Date: April 29th 2015

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