SECO/WARWICK S.A.

SEPARATE FINANCIAL STATEMENTS

FOR THE PERIOD JANUARY 1ST–DECEMBER 31ST 2015

CONTENTS

SEPARATE STATEMENT OF FINANCIAL POSITION
(PLN '000)

	Note	Dec 31 2015	Dec 31 2014	Jan 1 2014
ASSETS				
Non-current assets				
Property, plant and equipment	*9*	1,789	1,829	2,446
Intangible assets	*10*	10,686	11,006	11,404
Investments in subsidiary, jointly-controlled and associated entities	*12*	113,759	161,629	188,901
Deferred tax assets	*6*	-	646	2,330
		126,235	**175,110**	**205,081**
Current assets				
Trade receivables	*16*	5,487	12,320	10,707
Other current receivables	*16*	11,113	148	1,771
Prepayments and accrued income	*18*	171	119	224
Other financial assets	*17*	4,529	3,901	4,220
Cash and cash equivalents	*19*	7,569	9,474	10,288
		28,868	**25,961**	**27,211**
ASSETS HELD FOR SALE	7	**-**	**-**	**361**
TOTAL ASSETS		**155,103**	**201,072**	**232,653**

	Note	Dec 31 2015	Dec 31 2014	Jan 1 2014
EQUITY AND LIABILITIES				
Equity				
Share capital	*20*	3,704	3,704	3,693
Statutory reserve funds	*20*	126,900	136,322	171,219
Capital reserves		15,705	41,750	-
Other components of equity	*20*	8,525	8,116	6,948
Retained earnings/(deficit)	*21*	-41,895	-13,924	15,595
		112,940	**175,968**	**197,455**
Non-current liabilities				
Borrowings and other debt instruments	*22*	24,215	5,534	8,163
Financial liabilities	*17*	204	17	3,981
Deferred tax liabilities	*6*	409	-	2,510
Deferred income	*26*	3,818	4,226	4,143
		28,645	**9,777**	**18,796**
Current liabilities				
Borrowings and other debt instruments	*22*	8,785	3,970	3,410
Financial liabilities	*17*	270	4,303	3,952
Trade payables	*23*	583	4,251	2,800
Other current liabilities	*23*	870	743	3,210
Income tax payable		374	454	394
Provision for retirement and similar benefits	*24*	1,492	1,357	1,629
Other provisions	*24*	800	-	687
Deferred income	*26*	345	249	319
		13,519	**15,326**	**16,401**
TOTAL EQUITY AND LIABILITIES		**155,103**	**201,072**	**232,653**

Date: April 28th 2016

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

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

(PLN '000)

CONTINUING OPERATIONS	Note	Year ended Dec 31 2015	Year ended Dec 31 2014
Revenue from sale of finished goods		12,110	11,957
Revenue from sale of merchandise and materials		18	-
Revenue	**1,2**	**12,129**	**11,957**
Finished goods sold		-9,997	-10,170
Merchandise and materials sold		-18	-
Cost of sales	**2,3**	**-10,015**	**-10,170**
Gross profit/(loss)		**2,113**	**1,787**
Other income	*4*	334	2,405
Distribution costs	*2,3*	-	-
Administrative expenses	*2,3*	-4,888	-4,332
Other expenses	*4*	-7,552	-3,396
Operating profit/(loss)		**-9,993**	**-3,536**
Finance income	*5*	26,700	22,611
Finance costs	*5*	-53,046	-33,663
Profit/(loss) before tax		**-36,339**	**-14,588**
Actual tax expense	*6*	1,055	27
Net profit/(loss) from continuing operations		**-37,394**	**-14,614**
DISCONTINUED OPERATIONS			
Loss from discontinued operations		-	-
Net profit/(loss) for financial year		**-37,394**	**-14,614**
OTHER COMPREHENSIVE INCOME:			
Cash flow hedges		-	-
Income tax on other comprehensive income		-	-
Other comprehensive income, net of tax		**-**	**-**
Total comprehensive income		**-37,394**	**-14,614**
Earnings/(loss) per share (PLN):			
- basic and diluted from net profit/(loss)		-3.48	-1.36

Date: April 28th 2016

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

SEPARATE STATEMENT OF CASH FLOWS
(PLN '000)

	Note	Jan 1–Dec 31 2015	Jan 1–Dec 31 2014
OPERATING ACTIVITIES			
Profit/(loss) before tax	*27*	**-36,339**	**-14,588**
Total adjustments:		**31,191**	**10,917**
Depreciation and amortisation	*3*	1,284	1,346
Foreign exchange gains/(losses)		1,346	2,023
Interest and profit distributions (dividends)		-24,227	-21,212
Gain/(loss) on investing activities		48,140	29,438
Change in provisions		935	-959
Change in inventories		-	-
Change in receivables		5,331	-1,972
Change in current liabilities (other than financial liabilities)		-3,540	-622
Change in accruals and deferrals		-364	118
Other adjustments		2,286	2,758
Cash from operating activities		**-5,148**	**-3,671**
Income tax (paid)/recovered		-	-794
Net cash flows from operating activities		**-5,148**	**-4,464**
INVESTING ACTIVITIES			
Cash provided by investing activities		**15,763**	**27,346**
Proceeds from disposal of intangible assets and property, plant and equipment		123	3,813
Dividends and profit distributions received		15,640	21,294
Decrease in loans advanced		-	1,509
Other inflows from financial assets		-	729
Cash used in investing activities		**7,956**	**11,646**
Investments in intangible assets, property, plant and equipment, and investment property		1,054	2,327
Acquisition of related entities		5,102	7,899
Increase in loans advanced		1,800	1,419
Net cash flows from investing activities		**7,807**	**15,700**
FINANCING ACTIVITIES			
Cash provided by investing activities		**26,845**	**12**
Net proceeds from issue of equity interests (shares) or other equity instruments and additional contributions to equity		800	12
Borrowings and other debt instruments		26,845	-
Cash used in investing activities		**30,745**	**12,041**
Acquisition of own shares		26,845	-
Dividends and other distributions to owners		-	8,053
Repayment of borrowings and other debt instruments		4,279	3,597
Payment of finance lease liabilities		136	182

Interest paid	994	208
Net cash flows from financing activities	**-4,609**	**-12,030**

Total net cash flows	**-1,950**	**-794**
Net change in cash, including:	**-1,905**	**-815**
- effect of exchange rate fluctuations on cash held	45	-21
Cash at beginning of the period	**9,515**	**10,309**
Cash at end of period, including:	**7,565**	**9,515**
- restricted cash	-	-

Date: April 28th 2016

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

SEPARATE STATEMENT OF CHANGES IN EQUITY (PLN '000)

	Share capital	Statutory reserve funds	Capital reserves	Hedging reserve	Other components of equity	Retained earnings/(deficit)	Total equity
		Twelve months ended Dec 31 2014					
As at Jan 1 2014	**3,693**	**171,219**	**-**	**-**	**3,147**	**17,808**	**195,867**
Correction of previous years' errors	-	-	-	-	3,801	-2,213	1,588
As at Jan 1 2014	**3,693**	**171,219**	**-**	**-**	**6,948**	**15,596**	**197,455**
Profit/(loss) for the period	-	-	-	-	-	-14,614	-14,614
Comprehensive income for the period	-	-	-	-	-	-14,614	-14,614
Distribution of retained earnings	-	6,852	-	-	-	-6,852	-
Dividend paid	-	-	-	-	-	-8,053	-8,053
Share capital increase	12	-	-	-	-	-	12
Share buyback	-	-41,750	41,750	-	-	-	-
Management stock options	-	-	-	-	1,168	-	1,168
As at Dec 31 2014	**3,704**	**136,322**	**41,750**	**-**	**8,116**	**-13,924**	**175,968**
							Twelve months ended Dec 31 2015
As at Jan 1 2015	**3,704**	**136,322**	**41,750**	**-**	**8,116**	**-13,924**	**175,968**
Profit/(loss) for the period	-	-	-	-		-37,394	-37,394
Comprehensive income for the period	-		-	-		-37,394	-37,394
Distribution of retained earnings	-	-9,422	-	-	-	9,422	-
Dividend paid	-	-	-	-	-	-	-
Share capital increase	-	-	-	-	-	-	-
Share buyback	-	-	-26,045	-	-	-	-26,045
Management stock options	-	-	-	-	409	-	409
As at Dec 31 2015	**3,704**	**126,900**	**15,705**	**-**	**8,525**	**-41,895**	**112,940**

Date: April 28th 2016

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

SECO/WARWICK S.A.

SUPPLEMENTARY INFORMATION TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31ST 2015

I. General information

1. Company details

Name:		**SECO/WARWICK S.A.**
Legal form:		Joint-stock company (spółka akcyjna)
Registered offices:		ul. Sobieskiego 8, 66-200 Świebodzin, Poland
Principal business activity according to the Polish Classification of Business Activities (PKD):		
	28,21,Z	Manufacture of ovens, furnaces and furnace burners,
	33,20,Z	Installation of industrial machinery and equipment,
	28,29,Z	Manufacture of other general-purpose machinery n.e.c.,
	28,24,Z	Manufacture of power-driven hand tools,
	28,99,Z	Manufacture of other special-purpose machinery n.e.c.,
	28,94,Z	Manufacture of machinery for textile, apparel and leather production,
	46,14,Z	Agents involved in the sale of machinery, industrial equipment, ships and aircraft,
	46,19,Z	Agents involved in the sale of a variety of goods,
	71,12,Z	Engineering activities and related technical consultancy,
	72,11,Z	Research and experimental development on biotechnology.
National Court Register (KRS) No.:		KRS 0000271014
Industry Identification Number (REGON)		970011679

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

2. Duration

The Company has been established for an indefinite period.

3. Presented periods

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

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

As at December 31st 2015, the composition of the SECO/WARWICK Management Board was as follows:
- Paweł Wyrzykowski – President of the Management Board
- Jarosław Talerzak – Vice-President of the Management Board
- Wojciech Peret – Member of the Management Board

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

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

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

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

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

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

Changes in the composition of the Management Board

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

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

Changes in the composition of the Supervisory Board:

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

5. Auditors

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

6. Large shareholders

The table below lists the shareholders holding over 5% of the total vote at the General Meeting as at December 31st 2015:

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

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

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

7. Subsidiaries and associates

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

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

The Group has one associate company:

- 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.

Other Group companies are:

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

Table: As at December 31st 2015, the structure of the SECO/WARWICK Group was as follows:

Company	Registered office	Business profile	Method of consolidation / accounting for equity interest	Group's ownership interest
Parent				
SECO/WARWICK S.A.	Świebodzin	Holding company of the SECO/WARWICK Group. Holding equity interests and providing strategic management services	N.A.	N.A.
Direct and indirect subsidiaries				
SECO/WARWICK EUROPE Sp. z o.o.	Świebodzin	Manufacture of metal heat treatment equipment	Full	100%
SECO/WARWICK Corp.	Meadville (USA)	Manufacture of metal heat treatment equipment	Full	100%
SECO/WARWICK of Delaware, Inc.	Wilmington (USA)	Holding company; registration of trademarks and patents, and granting licences for use of the trademarks and patents by SECO/WARWICK Corp.	Full	100%
SECO/WARWICK Rus	Moscow (Russia)	Distribution of the SECO/WARWICK Group's products	Full	100%
Retech Systems LLC	Ukiah (USA)	Trade and services; manufacture of metallurgy equipment used for melting and vacuum casting of metals and specialty alloys	Full	100%
SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co., Ltd.	Tianjin (China)	Manufacture of metal heat treatment equipment	Full	90%
Retech Tianjin Holdings LLC	(USA)	A holding company	Full	80%
SECO/WARWICK Allied Pvt. Ltd.	Mumbai (India)	Manufacture of metal heat treatment equipment	Full	75%
SECO/WARWICK GmbH	Bedburg-Hau (Germany)	Intermediation in the sale of furnaces and spare parts manufactured by SECO/WARWICK EUROPE Sp. z o.o., and provision of technical support to customers in Germany, Austria, the Netherlands, Switzerland, Liechtenstein and Slovenia	Full	100%
OOO SCT	Solnechnogorsk (Russia)	Provision of metal heat treatment services in Russia	Equity	50%
SECO/WARWICK Germany GmbH	Bedburg-Hau (Germany)	Provision of metal heat treatment services in Germany	Full	100%
SECO/WARWICK do Brasil Ltda. (Engefor Engenharia Indústria e Comércio Ltda)	Jundiaí (Brazil)	Manufacture of metal heat treatment equipment	Full	100%
SECO/WARWICK France	Roissy-en-Brie (France)	Commercial and technical representation of SECO/WARWICK Europe in France, French-speaking countries and their neighbouring countries	Full	100%

SECO/WARWICK Services Sp. z o.o.	Świebodzin	Repair and maintenance services	Full	100%

II. Key financial data translated into the euro

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

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

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

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

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

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

Separate financial highlights	2015	2014	2015	2014
	(PLN '000)		(EUR '000)	
Revenue	12,129	11,957	2,898	2,854
Cost of sales	-10,015	-10,170	-2,393	-2,428
Operating profit/(loss)	-9,993	-3,536	-2,388	-844
Profit/(loss) before tax	-36,339	-14,588	-8,684	-3,482
Net profit/(loss)	-37,394	-14,614	-8,936	-3,489
Net cash flows from operating activities	-5,148	-4,464	-1,230	-1,066
Net cash flows from investing activities	7,807	15,700	1,866	3,748
Net cash flows from financing activities	-4,609	-12,030	-1,101	-2,871
	Dec 31 2015	**Dec 31 2014**	**Dec 31 2015**	**Dec 31 2014**
Total assets	155,103	201,072	36,396	47,174
Total liabilities	42,164	25,103	9,894	5,890
including current liabilities	13,519	15,326	3,172	3,596
Equity	112,940	175,968	26,502	41,285
Share capital	3,704	3,704	869	869

III. Statement of compliance

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

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

These financial statements cover the period from January 1st to December 31st 2015 and a comparative period from January 1st to December 31st 2014.

The Management Board represents that the auditor of these financial statements was appointed in compliance with the applicable laws, and that both the auditing firm and the qualified auditors who performed the audit met the conditions required to issue an impartial and independent auditor's opinion, in accordance with the applicable provisions of Polish law. In line with the corporate governance principles adopted by the Management Board, the auditor was appointed by the Company's Supervisory Board (Resolution No. 1/2014 of December 4th 2014 on appointment of the auditor). The Supervisory Board appointed the auditor with due regard for the impartiality and objectivity of the selection itself as well as of the performance of the auditor's tasks.

Date: April 28th 2016

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

IV. Compliance with International Financial Reporting Standards

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

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

These separate financial statements of the Company should be read in conjunction with the consolidated financial statements approved for issue by the Management Board and released on the date of issue of these separate financial statements, in order to obtain complete information on the SECO/WARWICK Group's assets and financial position as at December 31st 2015 and its financial performance in the period from January 1st to December 31st 2015, in accordance with the International Financial Reporting Standards endorsed by the European Union.

V. Going concern assumption and comparability of accounts

These financial statements have been prepared on the assumption that the Company would continue as a going concern for the 12 months after the end of the most recent reporting period, i.e. December 31st 2015. As at the date of signing these financial statements, the Company's Management Board was aware of no facts or circumstances that would indicate a threat to the Company's continuing as a going concern in the 12 months after the reporting date, as a result of any planned or forced discontinuation or material downsizing of its existing operations.

By the date of these financial statements for 2015, no events occurred which have not but should have been disclosed in the accounting books for the reporting period. In these financial statements no material events related to prior years are disclosed.

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

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

These financial statements are presented in the złoty ("PLN"), and unless specified otherwise, all amounts are given in thousands of PLN. Totals may not correspond with the sum of the separate figures due to rounding.

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

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

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

- research phase,
- development phase.

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

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

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

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

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

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

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

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 Company 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, loans and receivables and cash and cash equivalents.

Financial liabilities include borrowings and other debt instruments, other types of financing, overdraft facilities, trade payables, liabilities to suppliers of property, plant and equipment, and lease liabilities.

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

Recognition and measurement of financial assets

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

Receivables

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

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

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

Cash and cash equivalents

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

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

Recognition and measurement of financial liabilities

Liabilities under borrowings

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

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

Hedge accounting

The Company does not apply hedge accounting.

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

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

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

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

The Company recognises the following provisions:

- 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;

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

Accruals and deferred income

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

Accrued expenses

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

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

Deferred and accrued income

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

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

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

Functional currency and presentation currency

a) Functional currency and presentation currency

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

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.

VII. Material judgements and estimates

In view of the fact that many items presented in the financial statements cannot be measured accurately, certain estimates need to be made in the preparation of the separate financial statements. The Management Board reviews such estimates taking into account the changes in the factors on which such estimates were based, new information and past experience. Therefore, the estimates made as at December 31st 2015 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 Company reviews the useful lives of its assets annually, on the basis of current estimates.

Depreciation/amortisation charges for assets used under finance lease agreements

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

Deferred tax assets

Deferred tax assets are recognised in respect of all unused tax losses to be deducted in the future to the extent it is probable that taxable profit will be available against which these losses can be utilised. Note No. 6.

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. Note No. 24.

Provision for old-age and disability retirement benefits

Disability severance payments and retirement bonuses are paid to employees of the Company's subsidiaries operating under the Polish law in accordance with the provisions of Art. 92 of the Polish Labour Code, whereas at foreign companies such payments or bonuses are paid in accordance with the local labour laws. Actuarial valuation of long- and short-term benefits is performed at the end of each financial year. Note No. 24.

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.

In 2015, no events occurred at SECO/WARWICK S.A. which would require the Management Board to make subjective judgements, as defined above.

VIII. Changes in accounting policies

Statement of compliance

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

Status of EU endorsement of the Standards

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

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

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

Key requirements under IFRS 9:

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

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

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

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

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

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

IFRS 15, which provides a single model to account for revenues under contracts with customers, was issued in May 2014. IFRS 15 is mandatory to all reporting entities. When it comes into effect, IFRS 15 will replace the revenue recognition guidance contained in IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations.
The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The amendments apply prospectively.

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

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

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

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

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

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

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

First-time adoption of standards

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

- IFRS Annual Improvements cycle 2011-2013

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

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

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

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

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

- IFRIC 21 Levies

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

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

Early application of standards and interpretations

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

Standards published and endorsed by the EU but not yet effective

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

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

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

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

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

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

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

Amendments to IAS 16 and IAS 38 eliminate the inconsistencies in accounting for accumulated depreciation or amortisation when an item of property, plant and equipment or an intangible asset is revalued. The modified standards clarify that when an asset is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset, and the accumulated amortisation or depreciation is equal to the difference between the gross carrying amount and the carrying amount net of accumulated impairment.

Amendments to IAS 24 clarify that a management entity providing key management personnel services to the reporting entity is a related party of the reporting entity. Therefore, the reporting entity must disclose the amounts paid or payable to the management entity for providing key management personnel services as related party transactions. The components of such amounts are not required to be disclosed, though.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Voluntary changes in accounting policies

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

Date: April 28th 2016

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

SECO/WARWICK S.A.

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

Note 1. REVENUE

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

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

Item	2015	2014
Sale of finished goods	12,110	11,957
Sales of merchandise and materials	18	-
TOTAL sales revenue	**12,129**	**11,957**
Other income	334	2,405
Finance income	26,700	22,611
TOTAL revenue and income	**39,163**	**36,973**

The Company did not generate any revenue from discontinued operations.

Note 2. OPERATING SEGMENTS

For detailed information on operating segments, see the consolidated financial statements of the SECO/WARWICK Group (Note 2 to the consolidated financial statements for the 12 months ended December 31st 2015).

Note 3. OPERATING EXPENSES

OPERATING EXPENSES, BY NATURE OF EXPENSE	Jan 1 – Dec 31 2015	Jan 1 – Dec 31 2014
Depreciation and amortisation	1,284	1,346
Raw materials and consumables used	294	321
Services	3,847	2,597
Taxes and charges	51	31
Salaries and wages	5,831	6,862
Social security and other benefits	910	800
Management stock options	409	1,179
Other costs	2,260	1,666
Total operating expenses, including:	**14,885**	**14,802**
Distribution costs	-	-
Administrative expenses	-4,888	-4,332
Change in products		-300
Cost of products sold and services rendered	**9,997**	**10,170**

DEPRECIATION/AMORTISATION AND IMPAIRMENT LOSSES RECOGNISED IN PROFIT OR LOSS	Jan 1 – Dec 31 2015	Jan 1 – Dec 31 2014
Items recognised in cost of sales:	**285**	**317**
Depreciation of property, plant and equipment	283	317
Amortisation of intangible assets	2	-
Items recognised in distribution costs	**-**	**-**
Depreciation of property, plant and equipment	-	-
Amortisation of intangible assets	-	-

Items recognised in administrative expenses:	**1,000**	**1,028**
Depreciation of property, plant and equipment	247	254
Amortisation of intangible assets	753	774
Items recognised in operating expenses:	**-**	**-**
Depreciation of investment property	-	-

EMPLOYEE BENEFITS EXPENSE

PERSONNEL COSTS	Jan 1 – Dec 31 2015	Jan 1 – Dec 31 2014
Salaries and wages	5,831	6,862
Social security	694	620
Other employee benefits	216	180
Total employee benefits expense, including:	**6,740**	**7,662**
Items recognised in cost of sales	5,695	6,628
Items recognised in distribution costs	-	-
Items recognised in administrative expenses:	1,046	1,034

Note 4. OTHER INCOME AND EXPENSES

OTHER INCOME	Jan 1 – Dec 31 2015	Jan 1 – Dec 31 2014
Reversal of impairment losses on receivables	-	238
Reversal of provision	-	33
Gain on disposal of non-current non-financial assets	42	-
Sale of rights to technology	-	1,756
Grant for development work	279	248
Other	12	129
Total other income	**334**	**2,405**

OTHER EXPENSES	Jan 1 – Dec 31 2015	Jan 1 – Dec 31 2014
Impairment losses on receivables	7,538	3,273
Court expenses, compensation/damages, penalties	-	106
Donations	5	5
Other	9	12
Total other expenses	**7,552**	**3,396**

Note 5. FINANCE INCOME AND COSTS

FINANCE INCOME	Jan 1 – Dec 31 2015	Jan 1 – Dec 31 2014
Interest income	161	182
Gain on disposal of investments	1,383	411
Net foreign exchange gains	-	-
Dividend received	25,096	21,294
Other	60	724
Total finance income	**26,700**	**22,611**

FINANCE COSTS	Jan 1 – Dec 31 2015	Jan 1 – Dec 31 2014
Interest paid	1,029	272
Net foreign exchange losses	1,521	1,657
Impairment losses on equity interests	47,996	31,733
Other	2,499	-
Total finance costs	**53,046**	**33,663**

Note 6. INCOME TAX AND DEFERRED INCOME TAX

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

INCOME TAX RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME	Jan 1 – Dec 31 2015	Jan 1 – Dec 31 2014
Current income tax	**-**	**854**
Current income tax expense	-	854
Adjustments to current income tax for previous years	-	
Deferred income tax	**1,055**	**-827**
Income tax recognised in profit or loss	**1,055**	**27**
Income tax on other comprehensive income	**-**	**-**

INCOME TAX RECOGNISED IN EQUITY	Jan 1 – Dec 31 2015	Jan 1 – Dec 31 2014
Current income tax	-	-
Current income tax expense	-	-
Deferred income tax	-	-
Tax on net gain/(loss) on revaluation of cash flow hedges	-	-
Tax benefit / (tax expense) recognised in equity	**-**	**-**

CURRENT INCOME TAX	2015	2014
Profit/loss before tax	**-36,339**	**-14,588**
Non-taxable income and previous years' income increasing tax base	-25,039	-11,929
Non-tax-deductible costs and previous years' costs decreasing tax base	55,317	39,676
Taxable income	**-6,061**	**13,160**
Deductions from income – donation, loss	-	1,965
Tax base	**-6,061**	**11,195**
Income tax at 19%	-	2,127
Tax credits	-	1,728
Income tax payable	-	399
Effective income tax rate (share of income tax in profit before tax)	**-**	**-**

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

In 2014, a tax of PLN 454,770 was paid in the USA.

Item	Dec 31 2015		Dec 31 2014	
	carrying amount	*amount recognised in profit or loss*	*carrying amount*	*amount recognised in profit or loss*
	Deferred tax liabilities			
Accelerated tax depreciation/amortisation	1,460	-80	1,540	-396
Lease (net)	23	-14	37	-14
Foreign exchange gains	-	-	-	-
Other	103	48	56	-469
Deferred tax liabilities	**1,586**	**-46**	**1,632**	**-878**
	Deferred tax assets			
Provision for length-of-service awards and bonuses	213	0,2	212	-57
Provision for accrued holiday entitlements	71	25	46	6
Other provisions	-	-861	861	310
Foreign exchange losses	237	-142	378	343
Salaries, wages and social security contributions payable in subsequent periods	33	10	23	-8
Settlement of grant	534	-35	569	-47
Lease liabilities	90	33	57	-47
Write-downs of inventories	-	-	-	-108
Impairment losses on receivables	-	-132	132	126
Impairment losses on investment	-	-	-	-569
Deferred tax assets	**1,178**	**-1,101**	**2,278**	**-51**

Note 7. ASSETS HELD FOR SALE

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

As at December 31st 2015, the Company had no assets held for sale.

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

On May 19th 2015, the Annual General Meeting of SECO/WARWICK EUROPE Sp. z o.o. resolved to distribute the company's net profit of PLN 25,084,097.89 as dividends. On May 19th 2015, SECO/WARWICK S.A. received a dividend of PLN 5,700 thousand and USD 1,300 thousand (PLN 4,621.5 thousand), on May 26th 2015 – PLN 3,800 thousand, and on July 20th 2015 – USD 400 thousand (PLN 1,498.8 thousand). The remaining dividend amount was settled in 2016 in accordance with Resolution No. 3.

Note 9. PROPERTY, PLANT AND EQUIPMENT

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

Item	Land	Buildings and structures	Machinery and equipment	Vehicles	Other tangible assets	Total
Gross carrying amount as at Jan 1 2014	**50**	**1,264**	**450**	**2,015**	**94**	**3,874**
Increase, including:	**-**	**-**	**5**	**-**	**-**	**5**
assets acquired	-	-	5	-	-	**5**
Decrease, including:	**-**	**-**	**-**	**88**	**-**	**88**
other	-	-	-	88	-	**88**
Gross carrying amount as at Dec 31 2014	**50**	**1,264**	**455**	**1,928**	**94**	**3,790**
Cumulative depreciation as at Jan 1 2014	**-**	**574**	**175**	**611**	**68**	**1,428**
Increase, including:	**-**	**68**	**82**	**416**	**5**	**572**
depreciation	-	68	82	416	5	**572**
Decrease, including:	-	**-**	**-**	**38**	**-**	**38**
other	-	-	-	38	-	**38**
Cumulative depreciation as at Dec 31 2014	**-**	**642**	**257**	**989**	**73**	**1,961**
Impairment losses as at Jan 1 2014	-	-	**-**	-	-	**-**
Impairment losses as at Dec 31 2014	**-**	-	-	-	-	**-**
Net carrying amount as at Dec 31 2014	**50**	**622**	**198**	**938**	**21**	**1,829**

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

Item	Land	Buildings and structures	Machinery and equipment	Vehicles	Other tangible assets	Total
Gross carrying amount as at Jan 1 2015	**50**	**1,264**	**455**	**1,928**	**94**	**3,790**
Increase, including:	**-**	**-**	**271**	**348**	**-**	**619**
assets acquired	-	-	271	39	-	310
finance leases	-	-	-	309		
Decrease, including:	**-**	**-**	**8**	**385**	**-**	**393**
sale of property, plant and equipment	-	-	8	306	-	314
other	-	-	-	79		
Gross carrying amount as at Dec 31 2015	**50**	**1,264**	**718**	**1,891**	**94**	**4,017**
Cumulative depreciation as at Jan 1 2015	**-**	**642**	**257**	**989**	**73**	**1,961**

Increase, including:	**-**	**68**	**84**	**372**	**5**	**529**
depreciation	-	68	84	372	5	529
Decrease, including:	**-**	**-**	**8**	**255**	**-**	**263**
sale of property, plant and equipment	-	-	8	255	-	263
Cumulative depreciation as at Dec 31 2015	**-**	**710**	**333**	**1,106**	**78**	**2,227**
Impairment losses as at Jan 1 2015	-	-	-	-	-	**-**
Impairment losses as at Dec 31 2015	**-**	**-**	**-**	**-**	**-**	**-**
Net carrying amount as at Dec 31 2015	**50**	**554**	**385**	**785**	**16**	**1,790**

OWNERSHIP STRUCTURE – net value	**Dec 31 2015**	**Dec 31 2014**
Owned	1,382	1,590
Used under lease, tenancy or similar contract	408	239
Total	**1,790**	**1,829**

As at December 31st 2015, the Company analysed information from external and internal sources for any indication of the need to test assets for impairment. As no indication of impairment of the Company's property, plant and equipment was found, no impairment testing was performed.

Gross value of items of property, plant and equipment which had a net value of zero but were still used as at December 31st 2015 was PLN 365 thousand (December 31st 2014: PLN 100 thousand).

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*	
-	**-**	-	-	-	-	-	**-**

Tangible assets under construction as at Jan 1 2015	*Expenditure incurred in the financial year*	*Accounting for the expenditure*					*As at Dec 31 2015*
		Buildings, premises and civil engineering structures	*Machinery and equipment*	*Vehicles*	*Other*	*Transferred with organised part of business*	
-	**-**	-	-	-	-	-	**-**

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

Address	**Number of entry in the Land and Mortgage Register**	**Lot No.**	**Surface area [sq m] as at Dec 31 2014**	**Value as at Dec 31 2014**
ul. Sobieskiego 8, Świebodzin, Poland	KW 9507	951/1	712	40
ul. Sobieskiego 8, Świebodzin, Poland	KW 9507	94/6	1,121	10
		Total	**1,833**	**50**

Value and area of land held in perpetual usufruct as at Dec 31 2015

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	94/6	1,121	10
		Total	**1,833**	**50**

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

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

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

Note 10. INTANGIBLE ASSETS

OWNERSHIP STRUCTURE – net value	Dec 31 2015	Dec 31 2014
Owned	10,685	11,006
Used under lease, tenancy or similar contract	-	-
Total	**10,685**	**11,006**

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

As at December 31st 2015 and December 31st 2014, the Company carried no fully amortised intangible assets that were still used and controlled by the Company.

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

Item	Development expense	Patents and licences, software	Other intangible assets	Total
Gross carrying amount as at Jan 1 2014	**10,295**	**703**	**3,453**	**14,451**
Increase, including:	**2,273**			**2,273**
acquisitions	2,273	-	-	**2,273**

Decrease, including:	**230**	**703**	**1,815**	**2,748**
disposal	230	703	1,815	**2,748**
Gross carrying amount as at Dec 31 2014	**12,337**	**-**	**1,638**	**13,976**
Cumulative amortisation as at Jan 1 2014	**1,539**	**319**	**1,189**	**3,047**
Increase, including:	**604**	**26**	**143**	**774**
amortisation	604	26	143	**774**
Decrease, including:	**143**	**345**	**363**	**851**
sale	143	345	363	**851**
Cumulative amortisation as at Dec 31 2014	**2,001**	**-**	**969**	**2,970**
Impairment losses as at Jan 1 2014	-	-	-	**-**
Impairment losses as at Dec 31 2014	-	-	-	**-**
Net carrying amount as at Dec 31 2014	**10,337**	**-**	**669**	**11,006**

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

Item	*Development expense*	*Patents and licences, software*	*Other intangible assets*	*Total*
Gross carrying amount as at Jan 1 2015	**12,337**	**-**	**1,638**	**13,976**
Increase, including:	**130**	**306**	**-**	**436**
acquisitions	130	306	-	**436**
Decrease, including:	**-**	**-**	**-**	**-**
disposal	-	-	-	**-**
Gross carrying amount as at Dec 31 2015	**12,467**	**306**	**1,638**	**14,411**
Cumulative amortisation as at Jan 1 2015	**2,001**	**-**	**969**	**2 970**
Increase, including:	**641**	**39**	**75**	**755**
amortisation	641	39	75	**755**
Decrease, including:	**-**	**-**	**-**	**-**
sale	-	-	-	**-**
Cumulative amortisation as at Dec 31 2015	**2,642**	**39**	**1,044**	**3,725**
Impairment losses as at Jan 1 2015	-	-	-	**-**
Impairment losses as at Dec 31 2015	-	-	-	**-**
Net carrying amount as at Dec 31 2015	**9,825**	**267**	**594**	**10,685**

Intangible assets are not pledged as security for liabilities.

Note 11. INVESTMENT PROPERTY

As at December 31st 2015 and December 31st 2014, the Company did not carry any investment property.

Note 12. INVESTMENTS IN SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES

Investments in subordinated entities carried at cost

Shares in subordinated entities	Dec 31 2015	Dec 31 2014
subsidiaries	109,531	157,039
jointly-controlled entities[1]	-	-
associates	4,228	4,228

(1) discontinued operations

Change in investments in subsidiaries

Item	2015	2014
At beginning of the period	**157,039**	**184,680**
Increase during the period, including:		
- acquisition of shares in SECO/WARWICK Services Sp. z o.o.	-	-
- share capital increase at SECO/WARWICK do Brasil	658	-
- reversal of impairment loss on investment in SECO/WARWICK GmbH	1,187	-
Decrease during the period, including:		
- impairment loss on investment in SECO/WARWICK Corp.	21,806	8,286
- impairment loss on investment in SECO/WARWICK Allied	13,791	3,675
- impairment loss on investment in SECO/WARWICK do Brasil	-	19,772
- impairment loss on investment in Retech Systems	12,399	
- sale of 99% of shares in SECO/WARWICK Rus	170	-
- sale of 100% of shares in SECO/WARWICK GmbH	1,187	-
As at end of the period	**109,531**	**157,039**

Change in investments in jointly-controlled and associated entities

Item	2015	2014
At beginning of the period	**4 228**	**4 590**
Increase during the period, including:	**-**	**-**
Decrease during the period, including:	**-**	**361**
- impairment loss on investment in SECO/WARWICK Tianjin	-	361
As at end of the period	**4,228**	**4,228**
including discontinued operations	-	-

Investments in subsidiary, jointly-controlled and associated entities

Dec 31 2015	Carrying amount of equity interests as at Dec 31 2015	Ownership interest (%)	% of the total vote	Method of consolidation	Assets	Liabilities	Revenue	Net profit/(loss)
SECO/WARWICK EUROPE	70,407	100%	100%	full	260,936	158,752	254,063	21,384
SECO/WARWICK Corporation	-	100%	100%	full	32,079	40,743	67,417	-12,467
SECO/WARWICK Rus	1,7	100%	100%	full	8,486	9,073	6,945	-789
RETECH Systems LLC	38,464	100%	100%	full	106,774	43,292	124,703	-6,493
SECO/WARWICK ALLIED	-	75%	75%	full	63,780	59,745	33,868	-7,170
SECO/WARWICK Retech	-	90%	90%	full	12,495	16,553	14,939	-2,523
OOO SCT Russia	4,228	50%	50%	equity method	3,694	725	954	-401
SECO/WARWICK GmbH	-	100%	100%	full	2,748	2,703	-	-84
SECO/WARWICK Germany GmbH	-	100%	100%	full	7,941	10,560	22,159	-1,924
SECO/WARWICK do Brasil	658	100%	100%	full	5,968	6,250	10,575	-711
SECO/WARWICK France	-	100%	100%	full	48	136	-	-95
SECO/WARWICK Service Sp. z o.o.	-	100%	100%	full	10	-	-	-
Dec 31 2014								
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	-	90%	90%	full	12,056	14,634	8,233	-4,270
OOO SCT Russia	4,228	50%	50%	equity method	4,726	950	267	-67
SECO/WARWICK GmbH	-	100%	100%	full	2,845	2,669	46	-145
SECO/WARWICK Service GmbH	-	100%	100%	full	6,574	7,234	17,092	6
SECO/WARWICK do Brasil	-	100%	100%	full	8,311	9,822	4,480	-3,517

Note 13. TEST FOR IMPAIRMENT OF SHARES

Tests for impairment of shares

The Company carried out tests for impairment of shares held in subsidiaries: Seco/Warwick Allied Pvt. Ltd., Seco/Warwick Corp., and Retech Systems LLC. In the course of the tests, impairment of shares was recognised in the case of the companies listed below. The recoverable amounts attributable to individual cash-generating units were determined based on their calculated value in use.

Cash-generating unit

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

Item	*Seco/Warwick Allied Pvt. Ltd.*	*Seco/Warwick Corp. (USA)*	*Retech Systems LLC (USA)*
Average discount rate	18.86%	12.91%	10.66%
Growth rate	10.4%	7.3%	9.4%
Growth rate after the forecast period	3.5%	1.0%	1.0%
Recoverable amount	*-2,563*	*-55*	*38,464*
Loss of value	-9,957	-18,876	-12,399

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

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

Note 14. INVENTORIES

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

As at December 31st 2015 and December 31st 2014, the Company did not carry any inventories.

Note 15. LONG-TERM CONTRACTS

In the annual periods ended December 31st 2015 and December 31st 2014, the Company did not enter into any agreements accounted for as long-term contracts.

Note 16. TRADE AND OTHER RECEIVABLES

Item	Dec 31 2015	Dec 31 2014
a) from related entities	**16,504**	**9,598**
- trade receivables maturing in 12 months or less	5,487	9,598
- other	11,017	-
b) from other entities	**96**	**2,870**
- trade receivables maturing in 12 months or less	-	2,722
- taxes, grants, customs duties, social security and other benefits receivable	1	41
- other	94	107
Total trade and other receivables, net	**16,600**	**12,468**
c) impairment losses on receivables	7,819	3,935
Total trade and other receivables, gross	**24,419**	**16,403**

As at December 31st 2015, trade receivables of PLN 7,819 thousand (2014: PLN 3,935 thousand) were classified as unrecoverable and, accordingly, a relevant impairment loss was recognised.

The changes in impairment losses on receivables were as follows:

CHANGE IN IMPAIRMENT LOSSES ON TRADE AND OTHER RECEIVABLES	Dec 31 2015	Dec 31 2014
Change in impairment losses on receivables from related entities		
Impairment losses as at beginning of the period	**3,249**	**-**
a) increase:	**7,526**	**3,249**
- trade receivables	7,526	3,249

b) decrease:	**3,642**	**-**
- trade receivables cancelled	3,642	-
Impairment losses on trade receivables from related entities as at end of the period	**7,133**	**3,249**
Change in impairment losses on receivables from other entities		
Impairment losses as at beginning of the period	**686**	**834**
a) increase, including:	**-**	**-**
- trade receivables	-	24
b) decrease, including:	**-**	**-**
- reversal of impairment losses on trade receivables	-	172
Impairment losses on trade receivables from other entities as at end of the period	**686**	**686**
Impairment losses on trade receivables as at end of the period	**7,819**	**3,935**

Age structure of trade receivables (gross):

Item	**Dec 31 2015**	**Dec 31 2014**
Not past due	5,125	5,798
Over 1 month to 6 months past due	275	2,126
Over 6 months past due	88	4,396
Total trade receivables (net)	**5,487**	**12,320**
Impairment losses on trade receivables	7,819	3,935
Total trade receivables (gross)	**13,306**	**16,255**

Trade and other receivables (gross) by currency:

Item	**Dec 31 2015**		**Dec 31 2014**	
	in foreign currency	restated in PLN	in foreign currency	restated in PLN
PLN	-	2,316	-	1,339
EUR	97	415	22	92
USD	707	2,756	3,047	10,889
Total		**5,487**		**12,320**

In the years ended December 31st 2015 and December 31st 2014, the Company did not pursue payment of any of its trade receivables through court action.

Contingent receivables

As at December 31st 2015 and December 31st 2014, the Company had not received any guarantees.

Note 17. OTHER FINANCIAL ASSETS AND LIABILITIES

No loans were advanced by SECO/WARWICK S.A. to members of the Management Board or the Supervisory Board in 2015.

LOANS ADVANCED	Dec 31 2015	Dec 31 2014
Total gross loans advanced	7,154	5,083
Impairment loss	2,625	821
Total net loans advanced	**4,529**	**4,262**
- non-current	-	361
- current	4,529	3,901

On August 11th 2015, SECO/WARWICK S.A. advanced a USD 420 thousand loan to its subsidiary, SECO/WARWICK Corporation. The loan amount in PLN was PLN 1,600 thousand.

In 2015, SECO/WARWICK S.A. did not advance loans to any non-related parties.

LOANS RECEIVED

In 2015, SECO/WARWICK S.A. did not receive any loans.

OTHER FINANCIAL ASSETS AND LIABILITIES

	Dec 31 2015		Dec 31 2014	
	Assets	Liabilities	Assets	Liabilities
Liabilities arising from the purchase of shares in SECO/WARWICK do Brasil	-	-	-	4,020
Lease liabilities	-	473	-	300
Total financial assets and liabilities at fair value through profit or loss	-	**473**	-	**4,320**
- non-current	-	204	-	17
- current	-	270	-	4,303
Total hedging instruments	**-**		**-**	**-**

Disclosures of derivative financial instruments which qualify for hedge accounting

As at December 31st 2015 and December 31st 2014, the Company did not enter into any derivative transactions. The Company did not apply hedge accounting.

Note 18. PREPAYMENTS AND ACCRUED INCOME

Item	Dec 31 2015	Dec 31 2014
Insurance policies	61	41
Subscriptions	2	2
VAT to be settled in the following period	42	43
Lease of software	11	16
Other	54	16
Total current prepayments and accrued income	**171**	**119**

Note 19. CASH AND CASH EQUIVALENTS

Item	Dec 31 2015	Dec 31 2014
Cash at banks and cash in hand	2,127	9,474
Short-term deposits	5,441	-
Other cash equivalents	-	-
Total cash and cash equivalents	**7,569**	**9,474**

CASH AND CASH EQUIVALENTS (BY CURRENCY):

Item	Dec 31 2015		Dec 31 2014	
	in foreign currency	restated in PLN	in foreign currency	restated in PLN
PLN	-	6,425	-	6,883
EUR	225	961	264	1126
USD	46	181	417	1,462
GBP	0.1	1	0.7	4
RUB	3	0.2		
Total		**7,569**		**9,474**

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

Share capital

Item	Dec 31 2015	Dec 31 2014
Number of shares	10,737,837	10,737,837
Par value of shares	0.2	0.2
Share capital	2,148	2,148
Share capital restated using hyperinflation index (IAS 29)	1,557	1,557
Share capital at end of the period	**3,704**	**3,704**

Share capital structure:

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

Changes in share capital:

Item	Jan 1 - Dec 31 2015	Jan 1 - Dec 31 2014
Share capital at beginning of the period	**3,704**	**3,693**
Share capital increases during the period		
capital increase – management stock options	-	12
Share capital restated using hyperinflation index (IAS 29)	-	-
Share capital reductions during the period	**-**	**-**
Share capital at end of the period	**3,704**	**3,704**

Other components of equity

Item	Statutory reserve funds	Other components of equity
Balance as at Jan 1 2014	**171,219**	**6,948**
Increase:		
Profit distributions	6,852	-
Capital allocated for share buyback	-	41,750
Valuation of management stock options	-	1,168
Decrease:		
Transfer to other components of equity	-41,750	-
Balance as at Dec 31 2014	**136,322**	**49,866**
Increase:		
Profit distributions	-	-
Capital allocated for share buyback	-	-
Management stock options	-	409
Decrease:		
Profit distributions	-9,422	**-**
Share buyback	-	-26,045
Balance as at Dec 31 2015	**126,900**	**24,231**

Note 21. RETAINED EARNINGS/(DEFICIT)

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

Item	Dec 31 2015	Dec 31 2014
Retained earnings/(deficit)	**-41,895**	**-13,924**
Current net profit/(loss)	-37,394	-14,614
Retained reserves	-4,502	691

Note 22. FINANCIAL LIABILITIES

Item	Dec 31 2015	Dec 31 2014
Bank borrowings	33,001	9,505
Other financial liabilities:	473	4,320
- lease liabilities	473	300
- liabilities arising from the purchase of shares in SECO/WARWICK do Brasil	-	4,020
Total financial liabilities	**33,474**	**13,824**
- non-current	24,419	5,551
- current	9,055	8,273

Bank and other borrowings:

Item	Amount of liability		Interest rate
	Investment overdraft facilities		
	Dec 31 2015	Dec 31 2014	
mBANK S.A.	-	1,754	variable
BANK HANDLOWY	6,156	7,751	variable
mBANK S.A.	26,845	-	variable
Total borrowings	**33,001**	**9,505**	

Non-current and current bank and other borrowings as at December 31st 2015 and December 31st 2014:

Name and registered office of lender	Borrowing amount		Repayment date	Security
	PLN	Foreign currency (USD)		
mBANK S.A. investment facility	26,845	-	31.01.2020	mortgage, SECO/WARWICK EUROPE Sp. z o.o.'s surety under civil law, hold on securities
BANK HANDLOWY investment facility	6,156	1,578	27.04.2018	mortgage of up to USD 3,750 thousand, SECO/WARWICK EUROPE Sp. z o.o.'s surety under civil law
Total as at Dec 31 2015	**33,001**	**x**	**x**	

Name and registered office of lender	Borrowing amount		Repayment date	Security
	PLN	Foreign currency (USD)		
mBANK S.A. investment facility	1,754	500	31.12.2015	Ordinary mortgage for USD 2,500 thousand Ceiling mortgage for USD 250 thousand Submission to enforcement for up to USD 2,750 thousand
BANK HANDLOWY investment facility	7,751	2,210	27.04.2018	mortgage of up to USD 3,750 thousand, SECO/WARWICK EUROPE Sp. z o.o.'s surety under civil law
Total as at Dec 31 2014	**9,505**	**x**	**x**	

Borrowings by maturity:

Item	**Dec 31 2015**	**Dec 31 2014**
Current bank and other borrowings	8,785	3,970
Non-current bank and other borrowings	24,215	5,534
- repayable in more than 1 year, up to 3 years	16,330	*4,433*
- repayable in more than 3 years, up to 5 years	7,885	*1,101*
Total bank and other borrowings	**33,001**	**9,505**

Bank and other borrowings by currency:

Item	**Dec 31 2015**		**Dec 31 2014**	
	amount in foreign currency	**amount in PLN**	**amount in foreign currency**	**amount in PLN**
PLN	-	26,845	-	-
USD	1,578	6,156	2,710	9,505
Total bank and other borrowings	**x**	**33,001**	**x**	**9,505**

Credit lines and other facilities as at Dec 31 2015:

Lender	Overdraft facility	Bank loan	Borrowing amount as per agreement	Interest	Repayment date	Security
mBANK S.A.	-	26,845	Credit agreement No. 29/001/15/Z/IN for a PLN 26,844,575 thousand investment facility	variable interest rate	31.01.2020	mortgage, SECO/WARWICK EUROPE Sp. z o.o.'s surety under civil law, hold on securities
BANK HANDLOWY	-	6,156	Credit agreement No. BDK/KR-D/000009908/0028/13 for a USD 3,000 thousand investment facility	variable interest rate	27.04.2018	mortgage of up to USD 3,750 thousand, SECO/WARWICK EUROPE Sp. z o.o.'s surety under civil law
Total	-	**33,001**				

Credit lines and other facilities as at Dec 31 2014:

Lender	Overdraft facility	Bank loan	Borrowing amount as per agreement	Interest	Repayment date	Security
MBANK S.A.	-	1,754	Credit agreement No. 29/058/10/D/IN for a USD 2,500 thousand investment facility	variable interest rate	31.12.2015	Ordinary mortgage for USD 2,500 thousand Ceiling mortgage for USD 250 thousand Submission to enforcement for up to USD 2,750 thousand
BANK HANDLOWY	-	7,751	Credit agreement No. BDK/KR-D/000009908/0028/13 for a USD 3,000 thousand investment facility	variable interest rate	27.04.2018	mortgage of up to USD 3,750 thousand, SECO/WARWICK EUROPE Sp. z o.o.'s surety under civil law
Total	-	**9,505**				

As at December 31st 2015 and December 31st 2014, SECO/WARWICK S.A. did not use any available overdraft facility.

LEASES

As at December 31st 2015, the future minimum lease payments under these lease agreements and the net present value of the minimum lease payments were as follows:

Item	Dec 31 2015		Dec 31 2014	
	Minimum lease payments	**Present value of the lease payments**	**Minimum lease payments**	**Present value of the lease payments**
Up to 1 year	221	168	320	283
From 1 year to 5 years	317	284	23	17
Total minimum lease payments	**538**	**452**	**343**	**300**
Future interest expense	86		43	
Present value of minimum lease payments, including:	**452**	**452**	**343**	**300**
Current	168	168	320	283
Non-current	284	284	23	17

Note 23. TRADE PAYABLES AND OTHER LIABILITIES

TRADE PAYABLES AND OTHER LIABILITIES	Dec 31 2015	Dec 31 2014
a) trade payables maturing in 12 months or less	583	4 251
b) prepaid deliveries	-	-
c) taxes, customs duties, social security and other benefits payable (net of income tax)	537	360
d) salaries and wages payable	322	301
e) other	11	82
TOTAL	**1,453**	**4,994**

Trade payables and other current liabilities by currency:

Item	Dec 31 2015		Dec 31 2014	
	in foreign currency	restated in PLN	in foreign currency	restated in PLN
PLN	-	1,448	-	2,156
EUR	1	1	27	116
USD	0.3	4	776	2,722
Total	**x**	**1,453**	**x**	**4,994**

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 2015	**583**	561	22				
Dec 31 2014	**4,251**	4,251	-	-	-	-	-

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 2015	870	870	-	-	-	-	-
Dec 31 2014	743	743	-	-	-	-	-

Contingent liabilities

Contingent liabilities under guarantees and sureties issued amounted to PLN 28,280 thousand as at the end of 2015, and to PLN 25,804 thousand as at the end of 2014. The guarantees were issued in respect of:

PBG → performance bond guarantee
SBLC→ standby letter of credit

Social assets and liabilities of the Company Social Benefits Fund

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

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

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

Item	Dec 31 2015	Dec 31 2014
Total tangible assets contributed to the Fund		
Loans advanced to employees	2	7
Cash	10	8
Liabilities to the Fund	12	15
Net balance	-	-
Contributions to the Fund during financial period	20	26

Investment commitments

SECO/WARWICK S.A. had no investment commitments as at December 31st 2015. As at December 31st 2014, the Company had an investment commitment related to the purchase of shares in Engefor Engenharia Industria e Comerci Ltda 9 (current name: SECO/WARWICK do Brasil Ind. de Fornos Ltda.) in the amount PLN 4,020 thousand. This commitment was settled in 2015.

Note 24. PROVISIONS

EMPLOYEE BENEFITS

Retirement benefits and other post-employment benefits

The Company does not recognise a provision for the present value of its obligation to pay retirement.

Provision for retirement bonuses and similar benefits

CURRENT PROVISION FOR RETIREMENT AND SIMILAR BENEFITS (BY CATEGORY)	Jan 1– Dec 31 2015	Jan 1– Dec 31 2014
1. Provision for accrued holiday entitlements		
a) as at beginning of the period	**240**	**210**
b) increase	134	30
- provision recognised	134	30
c) as at end of the period	**374**	**240**
2. Provision for bonuses		
a) as at beginning of the period	**1,118**	**1,419**
b) increase	960	1,110
- provision recognised	960	1,110
c) use	-	-
d) reversal	959	1,412
e) as at end of the period	**1,119**	**1,118**
3. Provision for retirement bonuses		
a) as at beginning of the period	**-**	**-**
b) as at end of the period	**-**	**-**

Other provisions

CHANGE IN OTHER CURRENT PROVISIONS (BY CATEGORY)	Jan 1– Dec 31 2015	Jan 1– Dec 31 2014
Provision for projected losses/additional expenses		
- as at beginning of the period	**-**	**687**
- provision recognised	800	-
- reversal	-	687
- as at end of the period	**800**	**-**
Provision for warranty repairs		
- as at beginning of the period	**-**	**-**
- transfer of organised part of business	-	-
- as at end of the period	**-**	**-**
Provision for penalties		
- as at beginning of the period	**-**	**-**
- as at end of the period	**-**	**-**

Note 25. LEASES

See Note 22 for more details.

Note 26. DEFERRED INCOME

Item	Dec 31 2015	Dec 31 2014
- grant from the Polish Ministry of Science and Higher Education [1]	2,746	2,994
- grant from the Polish National Centre for Research and Development [1]	1,417	1,480
Total deferred income, including:	**4,162**	**4,474**
Non-current	3,818	4,226
Current	345	249

[1] grant for the purposes of research and development projects

Note 27. EXPLANATORY INFORMATION TO THE STATEMENT OF CASH FLOWS

Item	Dec 31 2015	Dec 31 2014
Cash in the statement of financial position	**7,569**	**9,474**
Exchange differences on balance-sheet valuation	-3	41
Total cash and cash equivalents disclosed in the statement of cash flows	**7,565**	**9,515**

Item	Dec 31 2015	Dec 31 2014
Depreciation and amortisation	**1,284**	**1,346**
Amortisation of intangible assets	755	774
Depreciation of property, plant and equipment	529	571
Change in provisions results from the following items:	**935**	**-960**
Net change in provisions	1,343	-1,838
Elimination of change in deferred tax liabilities	-409	878
Change in inventories results from the following items:		**-**
Net change in inventories	-	-
Change in receivables results from the following items:	**5,331**	**-1,972**
Balance-sheet change in current receivables	-4,132	-1,972
Dividend receivable from SW Europe Sp. z o.o.	9,464	-
Change in current liabilities (excluding financial liabilities) results from the following items:	**-3,540**	**-623**
Balance-sheet change in current liabilities	-2,652	1,080
elimination of change in borrowings	-4,815	2,068
Valuation of derivative instruments	-	-
leases	169	249
obligation to pay for shares in SECO/WARWICK do Brasil	4,020	-4,020
elimination of liabilities	-262	
Change in accruals and deferrals results from the following items:	**-364**	**117**
Net change in accruals and deferrals	282	-6,086
Elimination of change in deferred tax assets	-646	6,203
Other:	**2,286**	**1,964**
income tax payable	-	-794
management stock options	409	4,969

profit (loss) brought forward	-	-2,211
elimination of liabilities	262	-
Impairment loss on loans advanced to related entities	1,615	-

Note 28. RELATED PARTIES

Related party	Year	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities towards related parties
SECO/WARWICK EUROPE					
	2015	6,804	1,524	2,699	200
	2014	9,122	9,419	1,339	3,706
SECO/WARWICK Corporation					
	2015	1,679	7	-	-
	2014	1,749	7	1,876	-
SECO/WARWICK GmbH					
	2015	48	-	-	-
	2014	-	-	-	-
SECO/WARWICK Rus					
	2015	3	-	3	-
	2014	-	-	-	-
RETECH					
	2015	4,799	-	-	-
	2014	1,336	-	2,155	-
SECO/WARWICK RETECH					
	2015	588	-	2,044	-
	2014	1,049	-	17	-
SECO/WARWICK Allied					
	2015	890	-	610	-
	2014	2,074	-	4,573	-
SECO/WARWICK Germany GmbH					
	2015	104	65	56	1
	2014	36	22	92	22
SECO/WARWICK do Brasil					
	2015	72	-	73	-
	2014	217	-	305	-
SECO/WARWICK France					
	2015	2	-	2	-
	2014	-	-	-	-
SECO/WARWICK Services Sp. z o.o.					
	2015	-	-	-	-
	2014	-	-	-	-

Note 29. KEY PERSONNEL REMUNERATION

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

MANAGEMENT BOARD REMUNERATION:

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

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

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

SUPERVISORY BOARD REMUNERATION:

Name and surname	Total remuneration	
	Dec 31 2015	Dec 31 2014
Andrzej Zawistowski, including:	197	132
- for his service as Chairman of the Supervisory Board	120	120
- under agreement for advisory services(1)	77	12
Jeffrey Boswell, including:	127	122
- for his service as Member of the Supervisory Board	-	-
- under employment contract(2)	127	122
James A. Goltz, including:	716	2,089
- for his service as Member of the Supervisory Board	-	-
- under employment contract(3)	716	2,089
Dr Gutmann Habig	28	30
Henryk Pilarski	54	54
Witold Klinowski, including:	198	219
- for his service as Member of the Supervisory Board	42	42
- under agreement for advisory services(4)	156	177
Zbigniew Rogóż (5)	17	42
Marcin Murawski (6)	26	-
Total	**1,363**	**2,688**

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

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

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

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

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

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

Note 30. FINANCIAL ASSETS

Item	Category (IAS 39)	Carrying amount		Fair value		Maximum credit risk exposure in 2015
		Dec 31 2015	Dec 31 2014	Dec 31 2015	Dec 31 2014	
Financial assets						
Investments in related entities	AFS	113,759	161,629	113,759	161,629	113,759
Loans advanced	L&R	4,529	4,262	4,529	4,262	4,529
Trade and other receivables	L&R	16,600	12,468	16,600	12,468	16,600
Cash and cash equivalents	L&R	7,569	9,474	7,569	9,474	7,569
Sureties advanced	-	-	-	-	-	109,835
Financial liabilities						
Current						
Interest-bearing bank and other borrowings, including:	OFL at AC					
- *current borrowings*	OFL at AC	8,785	3,970	8,785	3,970	-
- *finance lease liabilities (current)*	OFL at AC	168	283	168	283	-
Trade payables and other liabilities	OFL at AC	1,453	4,994	1,453	4,994	-
Non-current						
- *non-current borrowings*	OFL at AC	24,215	5,534	24,215	5,534	-
Trade payables and other liabilities	OFL at AC	4,021	4,243	4,021	4,243	-
- finance lease liabilities (non-current)	OFL at AC	284	17	284	17	-

The Company does not carry any financial instruments measured at fair value.

Note 31. WORKFORCE STRUCTURE

Item	Dec 31 2015	Dec 31 2014
Blue-collar employees	-	-
White-collar employees	21	20
Employees on parental leaves	-	-
Total	**21**	**20**

Note 32. PRESENTATION ADJUSTMENTS

To ensure comparability, the following presentation adjustments were made, which had no effect on the profit/(loss) for the period January 1st-December 31st 2014:

a) opening balance adjustment consisting in:

- recognition of net deferred tax assets and liabilities and reduction of deferred tax assets by PLN 6,255 thousand related to impairment losses on investments;

- an increase in trade receivables by PLN 2,379 thousand following the issue of invoices related to previous years (2011-2014) under guarantees;

- transfer of PLN 41,750 thousand from other capital reserves in connection with the planned share buyback;

- a decrease in other components of equity by PLN 3,133 thousand in connection with the settlement of management stock options

- recognition of a PLN 1,480 thousand grant as deferred income under non-current liabilities instead of current liabilities;

- a PLN 394 thousand increase in income tax payable following the issue of invoices related to previous years.

	BEFORE ADJUSTMENT	AFTER ADJUSTMENT
	Dec 31 2014	Dec 31 2014
ASSETS		
Non-current assets		
Deferred tax assets	8,533	646
	182,997	**175,110**
Current assets		
Trade receivables	9,941	12,320
	23,583	**25,961**
ASSETS HELD FOR SALE	**-**	**-**
TOTAL ASSETS	**206,580**	**201,072**

	BEFORE ADJUSTMENT	AFTER ADJUSTMENT
	Dec 31 2014	Dec 31 2014
EQUITY AND LIABILITIES		
Equity		
Capital reserves	-	41,750
Other components of equity	46,733	8,116
Retained earnings/(deficit)	-6,520	-13,924
	180,239	**175,968**

Non-current liabilities		
Deferred tax liabilities	1,632	-
Deferred income	2,746	4,226
	9,929	**9,777**
Current liabilities		
Income tax payable	60	454
Deferred income	1,729	249
	16,412	**15,326**
TOTAL EQUITY AND LIABILITIES	**206,580**	**201,072**

b) adjustment of the statement of comprehensive income for the year ended December 31st 2014 consisting in:

- an increase in revenue from sale of finished goods by PLN 395 thousand related to guarantees;

- a decrease in revenue from and cost of finished goods sold by PLN 7,948 thousand in connection with recognition of the net result on a contract under which the Company acted as agent;

- a decrease in administrative expenses by PLN 668 thousand related to management stock options;

- a decrease in tax expense by PLN 6,255 thousand due to a change in deferred tax.

	BEFORE ADJUSTMENT	**AFTER ADJUSTMENT**
CONTINUING OPERATIONS	**Year ended Dec 31 2014**	**Year ended Dec 31 2014**
Revenue from sale of finished goods	19,511	11,957
Revenue from sale of merchandise and materials	-	-
Revenue	**19,511**	**11,957**
Finished goods sold	-18,119	-10,170
Merchandise and materials sold	-	-
Cost of sales	**-18,119**	**-10,170**
Gross profit/(loss)	**1,392**	**1,787**
Other income	2,405	2,405
Distribution costs	-	-
Administrative expenses	-5,000	-4,332
Other expenses	-3,396	-3,396
Operating profit/(loss)	**-4,598**	**-3,536**
Finance income	22,611	22,611
Finance costs	-33,663	-33,663
Profit/(loss) before tax	**-15,650**	**-14,588**
Actual tax expense	-6,228	27
Net profit/(loss) from continuing operations	**-9,422**	**-14,614**

Note 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY

In 2015, SECO/WARWICK S.A.'s activities were limited to performing the functions of a holding company and providing management services and support to the Group companies. The relevant risk factors and the Group-wide financial risk management policy are described in detail in the consolidated report.

33.1 Currency risk

Its active international presence and a broad geographical reach require the Company to enter into transactions denominated in foreign currencies. Some of the Company's borrowings and other financial liabilities are also denominated in foreign currencies. This exposes the Company 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:

Liabilities	As at Dec 31 2015 in foreign currency	As at Dec 31 2015 in PLN	As at Dec 31 2014 in foreign currency	As at Dec 31 2014 in PLN
EUR	1	4	5	22
USD	1,875	6,157	3,486	12,227

Assets	As at Dec 31 2015 in foreign currency	As at Dec 31 2015 in PLN	As at Dec 31 2014 in foreign currency	As at Dec 31 2014 in PLN
EUR	1,063	4,529	1,136	4,841
USD	753	2,938	2,849	9,993

33.1.1 Foreign currency sensitivity analysis

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

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

Exchange rate at Dec 31 2015	Exchange rate	+ 10% increase in exchange rate	- 10% decrease in exchange rate
USD	3.9011	0.390	-0.390
EUR	4.2615	0.426	-0.426

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

Assumptions:

exchange rate at reporting date Dec 31 2015

+ 10% increase in exchange rate

- 10% decrease in exchange rate

Effect on equity		Effect of USD Period ended Dec 31 2015	Effect of USD Period ended Dec 31 2014	Effect of EUR Period ended Dec 31 2015	Effect of EUR Period ended Dec 31 2014
ASSETS					
Increase in exchange rate	10%	294	999	453	484
Decrease in exchange rate	-10%	-294	-999	-453	-484

LIABILITIES AND BORROWINGS					
Increase in exchange rate	10%	-731	-1,223	-0,4	-2
Decrease in exchange rate	-10%	731	1,223	0,4	2
TOTAL					
Increase in exchange rate	10%	-437	-223	452	482
Decrease in exchange rate	-10%	437	223	-452	-482

Effect on profit/loss		**Effect of USD**	**Effect of USD**	**Effect of EUR**	**Effect of EUR**
		Period ended Dec 31 2015	**Period ended Dec 31 2014**	**Period ended Dec 31 2015**	**Period ended Dec 31 2014**
ASSETS					
Increase in exchange rate	10%	294	999	453	484
Decrease in exchange rate	-10%	-294	-999	-453	-484
LIABILITIES AND BORROWINGS					
Increase in exchange rate	10%	-731	-1,223	-0,4	-2
Decrease in exchange rate	-10%	731	1,223	0,4	2
TOTAL					
Increase in exchange rate	10%	-437	-223	452	482
Decrease in exchange rate	-10%	437	223	-452	-482

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 Company's exposure to foreign currency risk.

33.2 Interest rate risk

The Company holds interest-bearing liabilities. Therefore, it is exposed to interest rate risk. In the financial year 2015, the total amount of interest on the Company's liabilities was PLN 1,044 thousand. The risk assessment is presented based on a 1% increase/decrease in interest rates.

	Effect on profit/loss before tax	**Effect on equity**	**Effect on profit/loss before**	**Effect on equity**
	+ 1%/- 1%		+ 1%/- 1%	
	Year ended Dec 31 2015		**Year ended Dec 31 2014**	
	+/- 5	+/- 5	+/- 3	+/- 3
Other financial liabilities at amortised cost	+/- 330	+/- 330	+/- 95	+/- 95

33.3 Capital management

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

The Company manages its capital structure and modifies it in response to changes in the economic environment. To maintain or adjust its capital structure, the Company may make changes regarding dividend distributions, return capital to the shareholders or issue new shares. During the year ended December 31st 2015, no changes were made to capital management objectives, policies and processes.

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

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

	Dec 31 2015	**Dec 31 2014**
	PLN'000	**PLN'000**
Debt	33,453	9,804
Cash and cash equivalents	-7,569	-9,474
Net debt	25,884	330
Equity	126,139	175,968
Net debt to equity	**20.52%**	**0.19%**

33.5 Liquidity risk

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

The Company also manages its liquidity risk by maintaining available unused credit facilities which serve as a liquidity reserve securing solvency and financial flexibility. The Company considers its bank borrowings as financial instruments that may potentially lead to a concentration of liquidity risk as the Company enters into cooperation with selected financial institutions only (see Note 22). As at December 31st 2015, current bank borrowings represented 69% of total current liabilities (December 31st 2014: 26%).

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

Dec 31 2015	**Payable on demand**	**up to 1 year**	**1–5 years**	**Over 5 years**	**Total as at Dec 31 2015**
Interest-bearing bank and other borrowings		24,215	8,785	-	**33,001**
Trade payables		583	-	-	**583**
Other liabilities		1,139	204	-	**1,343**
TOTAL		**25,937**	**204**	**-**	**34,927**

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		3,970	5,534	-	**9,505**
Trade payables		4,251	-	-	**4,251**
Other liabilities		5,045	17	-	**5,062**
TOTAL		**13,266**	**5,551**	**-**	**18,818**

The maturity structure of liabilities is presented in Note 23.

33.6 Credit risk

SECO/WARWICK S.A. considers its trade receivables and loans advanced to be financial assets that may potentially lead to a concentration of credit risk.

However, the Company's credit risk exposure is limited because, being a holding company, its principal business relationships are with related entities. The Company defines its exposure to credit risk as the total amount of outstanding receivables and monitors the balances owed by each company on a regular basis. As at December 31st 2015, receivables from the Company's largest trading partner represented 49% of total net trade receivables.

The credit risk relating to the Company's other financial assets, including loans, arises from the potential failure by the other party to an agreement to pay amounts owed, and the maximum exposure to this risk equals the carrying amount of those assets. The age structure of receivables is presented in Note 16 and the value of loans advanced in Note 17 to these financial statements.

Note 34. 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.

As at December 31st 2015, 261,627 Series E Shares had been acquired under the 2012–2016 Incentive Scheme for management personnel of the SECO/WARWICK Group, approved by virtue of Resolution No. 21 of the Annual General Meeting of May 28th 2012, of which:

- 132,325 Series E Shares, with a fair value of PLN 2,997 thousand, were acquired by Paweł Wyrzykowski, President of the Management Board;
- 25,558 Series E Shares, with a fair value of PLN 575 thousand, were acquired by Wojciech Modrzyk, Vice-President of the Management Board;
- 25,558 Series E Shares, with a fair value of PLN 575 thousand were acquired by Jarosław Talerzak, Vice-President of the Management Board.

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

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

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

For the annual costs of the scheme, see Note 3 to these financial statements.

Note 35. CAPITALISED BORROWING COSTS

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

Note 36. REVENUE GENERATED SEASONALLY, CYCLICALLY OR OCCASIONALLY

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

Note 37. COURT PROCEEDINGS

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

Note 38. TAX SETTLEMENTS

Tax settlements and other regulated areas of activity (e.g. customs or foreign exchange control) are subject to inspection by competent administration authorities, which are authorised to impose high penalties and sanctions. Lack of reference to well-established legal regulation in Poland has resulted in ambiguity and inconsistency of the applicable laws and regulations. Frequent differences of opinion on the legal interpretation of tax laws, both between different governmental authorities and between governmental authorities and companies, create areas of uncertainty and conflicts. Therefore, the tax risk in Poland is significantly higher than is usually the case in countries with more developed tax systems.

Tax settlements may be subject to tax inspection for a period of five years from the end of the calendar year in which the tax payment was made. As a result of such inspections, additional tax liabilities may be assessed with respect to the tax settlements made by the Group.

In the Management Board's opinion, as at December 31st 2015, there was no need to recognise provisions for any recognised and measurable tax risks. The Company pays its tax liabilities when due.

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

Major events with a material bearing on the Company's business which occurred after the end of the financial year:

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

For details on material 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 40. FINANCIAL STATEMENTS ADJUSTED FOR INFLATION

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

Date: April 28th 2016

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