SEPARATE FINANCIAL STATEMENTS

FOR THE PERIOD **JANUARY 1ST–DECEMBER 31ST 2016**

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SEPARATE STATEMENT OF COMPREHENSIVE INCOME

(PLN '000)

CONTINUING OPERATIONS	Note	Year ended Dec 31 2016	Year ended Dec 31 2015
Revenue from sale of finished goods		11,438	12,110
Revenue from sale of merchandise and materials		5	18
Revenue	**1**	**11,443**	**12,129**
Finished goods sold		-9,148	-9,997
Merchandise and materials sold		-4	-18
Cost of sales	**3**	**-9,151**	**-10,015**
Gross profit/(loss)		**2,292**	**2,113**
Other income	*4*	407	334
Distribution costs	*3*	-	-
Administrative expenses	*3*	-3,820	-4,888
Other expenses	*4*	-1,304	-7,552
Operating profit/(loss)		**-2,426**	**-9,993**
Finance income	*5*	13,105	26,700
Finance costs	*5*	-19,105	-53,046
Profit/(loss) before tax		**-8,425**	**-36,339**
Actual tax expense	*6*	-6,426	1,055
Net profit/(loss) from continuing operations		**-1,999**	**-37,394**
DISCONTINUED OPERATIONS			
Net profit/(loss) from discontinued operations		-	-
Net profit/(loss) for financial year		**-1,999**	**-37,394**
OTHER COMPREHENSIVE INCOME:			
Cash flow hedges		-	-
Income tax on other comprehensive income		-	-
Other comprehensive income, net of tax		**-**	**-**
Total comprehensive income		**-1,999**	**-37,394**
Earnings/(loss) per share (PLN):	7		
- basic and diluted from net profit/(loss)		-0.19	-3.48

Date: April 27th 2017

Person responsible for keeping the accounting records: Ryszard Rej	Paweł Wyrzykowski	Wojciech Peret	Sławomir Woźniak	Bartosz Klinowski
	President of the Management Board	*Member of the Management Board*	*Member of the Management Board*	*Member of the Management Board*

SEPARATE STATEMENT OF FINANCIAL POSITION

(PLN '000)

	Note	Dec 31 2016	Dec 31 2015
ASSETS			
Non-current assets			
Property, plant and equipment	*9*	1,504	1,789
Intangible assets	*10*	9,759	10,686
Long-term receivables	*14*	4,388	-
Investments in subsidiary, jointly-controlled and associated entities	*11*	109,020	113,759
Deferred tax assets	*6*	6,021	-
Other financial assets	*15*	67	-
		130,759	**126,235**
Current assets			
Inventories	13	100	-
Trade receivables	*14*	7,086	5,487
Other short-term receivables	*14*	57	11,113
Cash and cash equivalents	*17*	1,368	7,569
Other financial assets	*15*	1,071	4,529
Other non-financial assets	*16*	156	171
		9,839	**28,868**
ASSETS HELD FOR SALE		**-**	**-**
TOTAL ASSETS		**140,598**	**155,103**

SEPARATE STATEMENT OF FINANCIAL POSITION

(PLN '000)

	Note	Dec 31 2016	Dec 31 2015
EQUITY AND LIABILITIES			
Equity			
Share capital	*18*	3,616	3,704
Statutory reserve funds	*18*	97,674	126,900
Capital reserves	*18*	188	15,705
Other components of equity	*18*	9,096	8,525
Retained earnings / accumulated losses		-1,999	-41,895
		108,576	**112,940**
Non-current liabilities			
Bank and other borrowings	*19*	15,517	24,215
Other financial liabilities	*15*	118	204
Deferred tax liabilities	*6*	-	409
Deferred income	*22*	3,473	3,818
		19,108	**28,645**
Current liabilities			
Bank and other borrowings	*19*	8,961	8,785
Other financial liabilities	*15*	188	270
Trade payables	*20*	1,132	583
Other current liabilities	*20*	945	870
Income tax payable	*20*	-	374
Provision for retirement and similar benefits	*21*	1,344	1,492
Other provisions	*21*	-	800
Deferred income	*22*	344	345
		12,914	**13,519**
TOTAL EQUITY AND LIABILITIES		**140,598**	**155,103**

Date: April 27th 2017

Person responsible for keeping the accounting records: Ryszard Rej	Paweł Wyrzykowski	Wojciech Peret	Sławomir Woźniak	Bartosz Klinowski
	President of the Management Board	*Member of the Management Board*	*Member of the Management Board*	*Member of the Management Board*

SEPARATE STATEMENT OF CASH FLOWS

(PLN '000)

	Note	Year ended Dec 31 2016	Year ended Dec 31 2015
OPERATING ACTIVITIES			
Profit/(loss) before tax		**-8,425**	**-36,339**
Total adjustments:	*23*	**5,119**	**31,191**
Depreciation and amortisation		1,422	1,284
Foreign exchange gains/(losses)		66	1,346
Interest and profit distributions (dividends)		-12,040	-24,227
Gain/(loss) on investing activities		17,414	48,140
Change in provisions		-948	935
Change in inventories		-100	-
Change in receivables		-1,560	5,331
Change in current liabilities (other than financial liabilities)		624	-3,540
Change in accruals and deferrals		-329	-364
Other adjustments (management stock options)		571	2,286
Income tax paid/recovered		**-379**	-
Net cash from operating activities		**-3,686**	**-5,148**
INVESTING ACTIVITIES			
Cash provided by investing activities		**26,629**	**15,763**
Proceeds from disposal of intangible assets and property, plant and equipment		125	123
Dividends and profit distributions received		22,412	15,640
Decrease in loans advanced		2,538	-
Proceeds from the sale of shares in subsidiaries		1,553	-
Cash used in investing activities		**16,239**	**7,956**
Investments in intangible assets, property, plant and equipment, and investment property		347	1,054
Acquisition of related entities		13,980	5,102
Increase in loans advanced		1,912	1,800
Net cash from investing activities		**10,390**	**7,807**
FINANCING ACTIVITIES			
Cash provided by investing activities		**71**	**27,645**
Net proceeds from issue of equity interests (shares) or other equity instruments and contributions to equity		71	800
Bank and other borrowings		-	26,845
Cash used in investing activities		**12,988**	**32,254**
Acquisition of own shares		-	26,845
Dividends and other distributions to owners		3,007	0
Repayment of Bank and other borrowings		8,839	4,279
Payment of finance lease liabilities		121	136
Interest paid		1,021	994

Net cash from financing activities	**-12,917**	**-4,609**

Total net cash	**-6,213**	**-1,950**
Net change in cash, including:	**-6,200**	**-1,905**
- effect of exchange rate fluctuations on cash held	13	45
Cash at beginning of the period	**7,565**	**9,515**
Cash at end of period	**1,352**	**7,565**

Date: April 27th 2017

Person responsible for keeping the accounting records: Ryszard Rej	Paweł Wyrzykowski	Wojciech Peret	Sławomir Woźniak	Bartosz Klinowski
	President of the Management Board	*Member of the Management Board*	*Member of the Management Board*	*Member of the Management Board*

for the year ended Dec 31 2016 (PLN '000)

SEPARATE STATEMENT OF CHANGES IN EQUITY (PLN ‘000)

	Share capital	Statutory reserve funds	Capital reserves	Other components of equity	Retained earnings / accumulated losses	Total equity
Note	*18*	*18*	*18*	*18*		
As at Jan 1 2016	**3,704**	**126,900**	**15,705**	**8,525**	**-41,895**	**112,940**
Profit/(loss) for the period	-	-	-	-	-1,999	-1,999
Comprehensive income for the period	-	-	-	-	-1,999	-1,999
Coverage of loss brought forward	-	-41,895	-	-	41,895	-
Dividend	-	-3,007	-	-	-	-3,007
Cancellation of treasury shares	-88	-	88	-	-	-
Transfer from capital reserve to statutory reserve funds	-	15,705	-15,705	-	-	-
Disposal of own shares	-	-29	100	-	-	71
Management stock options	-	-	-	571	-	571
As at Dec 31 2016	**3,616**	**97,674**	**188**	**9,096**	**-1,999**	**108,576**
As at Jan 1 2015	**3,704**	**136,322**	**41,750**	**4,983**	**-6,520**	**180,239**
Correction of previous years’ errors	**-**	-	-	3,133	-7,404	**-4,271**
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**
Coverage of loss brought forward	-	-9,422	-	-	9,422	**-**
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 27th 2017

Person responsible for keeping the accounting records: Ryszard Rej	Paweł Wyrzykowski	Wojciech Peret	Sławomir Woźniak	Bartosz Klinowski
	President of the Management Board	*Member of the Management Board*	*Member of the Management Board*	*Member of the Management Board*

SUPPLEMENTARY INFORMATION TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED

DECEMBER 31ST 2016

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):		
	64.20.Z	Activities of holding companies
	25	Manufacture of fabricated metal products, except machinery and equipment
	28	Manufacture of machinery and equipment n.e.c.
	33	Repair, maintenance, and assembly of machinery and equipment
	46	Wholesale trade, except of motor vehicles and motorcycles
	49	Land transport and transport via pipelines
	52	Warehousing and support activities for transportation
	62	Computer programming, consultancy and related activities
	71	Architectural and engineering activities; technical testing and analysis
	72	Scientific research and development

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 2016. The comparative data is presented as at December 31st 2015 in the case of the statement of financial position, and for the period from January 1st to December 31st 2015 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 2016 and 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 2016, 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
- Paweł Tamborski – Member of the Supervisory 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.

Changes in the composition of the Supervisory Board:

On June 24th 2016, the Annual General Meeting of SECO/WARWICK S.A. removed Mr Gutmann Habig from his position of Member of the Supervisory Board by Resolution No. 28, with effect from June 24th 2016, and appointed Mr Paweł Tamborski as Member of the Supervisory Board by Resolution No. 29, with effect from June 24th 2016. Also on June 24th 2016, Mr Witold Klinowski tendered his resignation as member of the Supervisory Board, with effect from June 24th 2016. For details, see Current Report No. 22/2016.

5. Auditors

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością spółka komandytowa
Rondo ONZ 1
00-124 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 2016:

Shareholder	Number of shares	Ownership interest (%)	Number of votes	% of total vote at General Meeting
SW Holding	3,387,139	32.89%	3,387,139	32.89%
Spruce Holding Limited Liability Company (USA)	1,123,337	10.91%	1,123,337	10.91%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	1,046,573	10.16%	1,046,573	10.16%
Bleauhard Holdings LLC	637,028	6.19%	637,028	6.19%
Nationale-Nederlanden Otwarty Fundusz Emerytalny	600,000	5.83%	600,000	5.83%
Metlife OFE	577,470	5.61%	577,470	5.61%

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

SECO / WARWICK S.A. holds 598,500 treasury shares representing 5.81% of the share capital. 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,
- ALLIED FURNACES PVT. LTD.,
- SECO/WARWICK France,
- SECO/WARWICK Services Sp. z o.o.,
- SECO/WARWICK of Delaware, Inc.,
- Retech Tianjin Holdings LLC,
- SECO WARWICK USA HOLDING LLC,
- SECO VACUUM TECHNOLOGIES LLC.

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.

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 2016**	**Year ended Dec 31 2015**
Average exchange rate for the period*	4.3757	4.1848
Exchange rate effective for the last day of the period	4.4240	4.2615

** 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	**2016**	**2015**	**2016**	**2015**
	(PLN ’000)		(EUR ‘000)	
Revenue	11,443	12,129	2,615	2,898
Cost of sales	-9,151	-10,015	-2,091	-2,393
Operating profit/(loss)	-2,426	-9,993	-554	-2,388
Profit/(loss) before tax	-8,425	-36,339	-1,925	-8,684
Net profit/(loss)	-1,999	-37,394	-457	-8,936
Net cash flows from operating activities	-3,686	-5,148	-842	-1,230
Net cash flows from investing activities	10,390	7,807	2,374	1,866
Net cash flows from financing activities	-12,917	-4,609	-2,952	-1,101
	Dec 31 2016	**Dec 31 2015**	**Dec 31 2016**	**Dec 31 2015**
Total assets	140,598	155,103	31,781	36,396
Total liabilities	32,022	42,164	7,238	9,894
including current liabilities	12,914	13,519	2,919	3,172
Equity	108,576	112,940	24,542	26,502
Share capital	3,616	3,704	817	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 (Dz.U. of 2014, item 133, as amended), 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 condition 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 2014, item 133, as amended).

These financial statements cover the period from January 1st to December 31st 2016 and a comparative period from January 1st to December 31st 2015.

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 accordance with the Rules of Procedure of the Supervisory Board, the Supervisory Board appointed the auditor by Resolution No. 12/2016 of April 28th 2016 on appointment of an 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.

IV. Authorisation of the financial statements

The Parent's Management Board authorised these interim condensed consolidated financial statements for issue on April 27th 2017.

Date: April 27th 2017

Person responsible for keeping the accounting records: Ryszard Rej	Paweł Wyrzykowski	Wojciech Peret	Sławomir Woźniak	Bartosz Klinowski
	President of the Management Board	*Member of the Management Board*	*Member of the Management Board*	*Member of the Management Board*

V. 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 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 2016 and its financial performance in the period from January 1st to December 31st 2016, in accordance with the International Financial Reporting Standards endorsed by the European Union.

VI. 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 2016. 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 2016, 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.

VII. 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.

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 Bank and other borrowings, 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.

Investments in subsidiary, jointly-controlled and associated entities

Investments in subsidiary, jointly-controlled and associated entities are stated at historical cost after impairments.

Borrowings

Borrowings are recognized and accounted for at amounts originally determined in the loan agreement, including revaluation write-downs.

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 and other financial liabilities

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.

Trade payables

Short-term trade payables are stated at the amount payable.

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.
The Company is offsetting deferred tax assets with deferred tax liabilities if and only if it has a legally enforceable title to offset current liabilities and deferred income tax relates to the same taxpayer and the same tax authority.

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;
- employee benefit obligations – 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

<u>Accrued expenses</u>

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.

<u>Deferred and accrued income</u>

Deferred/accrued income includes primarily government grants intended to finance assets and revenue. 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.

Revenue

In accordance with IAS 18, revenues from the sale of products, goods, materials and services, after tax and discounts are recognized when the significant risks and rewards of ownership have been transferred to the buyer.

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.

VIII. 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 2016 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 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 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 24.

Uncertainty connected with tax settlements

Regulations regarding VAT, corporate profits tax and social security contributions are subject to frequent changes. These changes result in there being little point of reference and few established precedents that may be followed. The binding regulations also contain uncertainties, resulting in differences in opinion regarding the legal interpretation of tax regulations both between government bodies, and between government bodies and companies.

Tax and other settlements (e.g. customs or foreign currency settlements) may be subject to inspection by administrative bodies authorised to impose high penalties and fines, and any additional taxation liabilities calculated as a result must be paid together with high interest. The above circumstances mean that tax exposure is greater in Poland than in countries that have a more established taxation system.

Accordingly, the amounts shown in the financial statements may change at a later date as a result of the final decision of the tax authorities.

On 15 July 2016, amendments were made to the Tax Ordinance to introduce the provisions of General Anti-Avoidance Rule (GAAR). GAAR are targeted to prevent origination and use of factitious legal structures made to avoid payment of tax in Poland. GAAR define tax evasion as an activity performed mainly with a view to realising tax gains, which is contrary, under given circumstances, to the subject and objective of the tax law. In accordance with GAAR, an activity does not bring about tax gains, if its modus operandi was false. Any instances of (i) unreasonable division of an operation (ii) involvement of agents despite lack of economic rationale for such involvement, (iii) mutually exclusive or mutually compensating elements, as well as (iv) other activities similar to those referred to earlier may be treated as a hint of artificial activities subject to GAAR. New regulations will require considerably greater judgment in assessing tax effects of individual transactions.

The GAAR clause should be applied to the transactions performed after clause effective date and to the transactions which were performed prior to GAAR clause effective date, but for which after the clause effective date tax gains were realised or continue to be realised. The implementation of the above provisions will enable Polish tax authority challenge such arrangements realised by tax remitters as restructuring or reorganization.

The Company measures and recognises current and deferred income tax assets and liabilities in accordance with the provisions of IAS 12 Income taxes based on taxable profit (tax loss), taxable base, carry-forward of unused tax losses, tax credits and tax rates, while considering assessment of tax treatment uncertainty.

If there is any uncertainty as to whether or to what extent the tax authority will accept individual tax settlements of transactions, the Company recognises these settlements while considering uncertainty assessment.

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 2016, no events occurred at SECO/WARWICK S.A. which would require the Management Board to make subjective judgements, as defined above.

IX. Changes in accounting policies

The accounting policies applied in the preparation of the attached financial statements are consistent with those applied in the preparation of the financial statements of the Company for the year ended 31 December 2015, except for the below amendments. These changes were applied in the attached consolidated financial statements on their effective date and had no significant impact on the disclosed financial information, did not apply to the the Company's transactions, or the Company decided not to apply a newly introduced approach or model.

- Amendments arising from IFRS Improvements, 2010-2012 Cycle, including amendments to IFRS 2 Share-Based Payment, amendments to IFRS 3 Business Combinations, amendments to IFRS 8 Operating Segments, amendments to IAS 16 Property, plant and equipment and IAS 38 Intangible assets, amendments to IFRS 13 Fair Value Measurement, amendments to IAS 24 Related Party Disclosures, amendments to IFRS 7 Financial Instruments: Disclosures and amendments to IAS 19 Employee Benefits
- Amendments arising from IFRS Improvements, 2012-2014 Cycle, including amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, amendments to IAS 34 Interim Financial Reporting
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization
- Amendments to IAS 1 Disclosure Initiative
- Amendments to IAS 27 Equity Method in Separate Financial Statements
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
- Amendments to IFRS 11 Accounting for Acquisition of Interests in Joint Operations
- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

• Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception The Company has not opted for earlier application of any other standard, interpretation or amendment that has been published but has not yet entered into force in the light of European Union legislation.

X. New standards and interpretations issued but not yet effective

The following standards and interpretations have been issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee, but are not yet effective:

- IFRS 9 *Financial Instruments* (issued on July 24th 2014) − effective for annual periods beginning on or after January 1st 2018;
- IFRS 14 *Regulatory Deferral Accounts* (issued on January 30th 2014) – effective for annual periods beginning on or after January 1st 2016; pursuant to the European Commission's decision, the process leading to the approval of a preliminary version of the standard will not be initiated until the publication of its final version − not yet endorsed by the EU as at the date of authorisation of these financial statements;
- IFRS 15 *Revenue from Contracts with Customers* (issued on May 28th 2014) − effective for annual periods beginning on or after January 1st 2018 − including amendments to IFRS 15 *Effective Date of IFRS 15* (issued on September 11th 2015);
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (issued on September 11th 2014) − work on endorsing the amendments has been deferred indefinitely by the EU − effective date deferred indefinitely by the IASB;
- IFRS 16 *Leases* (issued on January 13th 2016) – effective for annual periods beginning on or after January 1st 2019 − not yet endorsed by the EU as at the date of authorisation of these financial statements for issue,
- Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (issued on September 12th 2016) − effective for annual periods beginning on or after January 1st 2018 − not yet endorsed by the EU by the date of authorisation of these financial statements;
- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses* (issued on January 19th 2016) − effective for annual periods beginning on or after January 1st 2017 − not yet endorsed by the EU by the date of authorisation of these financial statements;
- Amendments to IAS 7 *Disclosure Initiative* (issued on January 29th 2016) − effective for annual periods beginning on or after January 1st 2017 − not yet endorsed by the EU by the date of authorisation of these financial statements;
- Clarifications to IFRS 15 *Revenue from Contracts with Customers* (issued on April 12th 2016) – effective for annual periods beginning on or after January 1st 2018 – not yet endorsed by the EU by the date of authorisation of these financial statements;
- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions* (issued on June 20th 2016) − effective for annual periods beginning on or after January 1st 2018 − not endorsed by the EU by the date of authorisation of these financial statements for issue;
- Amendments to IFRS introduced following the Annual Improvements to IFRS 2014–2016 Cycle (issued on December 8th 2016) – Amendments to IFRS 12 effective for annual periods beginning on or after January 1st 2017, while Amendments to IFRS 1 and IAS 28 effective for annual periods beginning on or after January 1st 2018 – not endorsed by the EU by the date of authorisation of these financial statements for issue;
- IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration* (issued on December 8th 2016) – effective for annual periods beginning on or after January 1st 2018 – not endorsed by the EU by the date of authorisation of these financial statements for issue;
- Amendments to IAS 40 *Transfer of Investment Property* (issued on December 8th 2016) – effective for annual periods beginning on or after January 1st 2018 – not endorsed by the EU by the date of authorisation of these financial statements for issue.

The Management Board is currently analysing the potential effect of those amendments on the accounting policies applied by the Company. However, the Management Board does not expect the implementation of these standards to have a material effect on the Company.

Date: April 27th 2017

Person responsible for keeping the accounting records: Ryszard Rej	Paweł Wyrzykowski *President of the Management Board*	Wojciech Peret *Member of the Management Board*	Sławomir Woźniak *Member of the Management Board*	Bartosz Klinowski *Member of the Management Board*

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31ST 2016

The general information and notes included in pages 11−55 form an integral part of these financial statements.

Note 1. REVENUE

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

Item	2016	2015
Sale of finished goods	11,438	12,110
Sales of merchandise and materials	5	18
Revenue	**11,443**	**12,129**
Other income	407	334
Finance income	13,105	26,700
Total income	**24,955**	**39,163**

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 2016). The Company generates revenue from strategic management services provided to the subsidiaries and constitute one segment.

Note 3. OPERATING EXPENSES

OPERATING EXPENSES, BY NATURE OF EXPENSE	Jan 1 2016 – Dec 31 2016	Jan 1 2015 – Dec 31 2015
Depreciation and amortisation	1,422	1,284
Raw materials and consumables used	315	294
Services	3,172	3,847
Taxes and charges	22	51
Salaries and wages	5,885	5,831
Social security and other benefits	696	910
Management stock options	571	409
Other costs	886	2,260
Total operating expenses, including:	**12,968**	**14,885**
Distribution costs	-	-
Administrative expenses	-3,820	-4,888
Change in products	-	-
Cost of products sold and services rendered	**9,148**	**9,997**

DEPRECIATION/AMORTISATION AND IMPAIRMENT LOSSES RECOGNISED IN PROFIT OR LOSS	Jan 1 2016 – Dec 31 2016	Jan 1 2015 – Dec 31 2015
Items recognised in cost of sales:	**319**	**285**
Depreciation of property, plant and equipment	317	283
Amortisation of intangible assets	2	2
Items recognised in distribution costs	**-**	**-**
Depreciation of property, plant and equipment	-	-
Amortisation of intangible assets	-	-
Items recognised in administrative expenses:	**1,102**	**1,000**
Depreciation of property, plant and equipment	155	247
Amortisation of intangible assets	947	753

EMPLOYEE BENEFITS EXPENSE

PERSONNEL COSTS	Jan 1 2016 – Dec 31 2016	Jan 1 2015 – Dec 31 2015
Salaries and wages	5,885	5,831
Social security	643	559
Other employee benefits	53	350
Total employee benefits expense, including:	**6,580**	**6,740**
Items recognised in cost of sales	5,823	5,695
Items recognised in distribution costs	-	-
Items recognised in administrative expenses:	757	1,046

Note 4. OTHER INCOME AND EXPENSES

OTHER INCOME	Jan 1 2016 – Dec 31 2016	Jan 1 2015 – Dec 31 2015
Gain on disposal of non-current non-financial assets	34	42
Grant for development work	344	279
Other	28	12
Total other income	**407**	**334**

OTHER EXPENSES	Jan 1 2016 – Dec 31 2016	Jan 1 2015 – Dec 31 2015
Impairment losses on receivables	1,127	7,538
Donations	2	5
Withholding tax	149	-
Other	26	9
Total other expenses	**1,304**	**7,552**

Note 5. FINANCE INCOME AND COSTS

FINANCE INCOME	Jan 1 2016 – Dec 31 2016	Jan 1 2015 – Dec 31 2015
Interest income	105	161
Gain on disposal of investments	-	1,383
Dividend received	13,000	25,096
Other	-	60
Total finance income	**13,105**	**26,700**

FINANCE COSTS	Jan 1 2016 – Dec 31 2016	Jan 1 2015 – Dec 31 2015
Interest paid	1,048	1,029
Net foreign exchange losses	239	1,521
Impairment losses on equity interests	14,548	47,996
Impairment loss on loans	2,003	1,600
Loan cancellation	912	-
Other	355	899
Total finance costs	**19,105**	**53,046**

Note 6. INCOME TAX AND DEFERRED INCOME TAX

The main items of the tax expense for the annual periods ended December 31st 2016 and December 31st 2015 were as follows:

INCOME TAX RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME	Jan 1 2016 – Dec 31 2016	Jan 1 2015 – Dec 31 2015
Current income tax	**3**	**-**
Current income tax expense	-	-
Adjustments to current income tax for previous years	3	-
Deferred income tax	**-6,430**	**1,055**
Income tax recognised in profit or loss	**6,426**	**-1,055**
Income tax on other comprehensive income	**-**	**-**

CURRENT INCOME TAX	2016	2015
Profit/loss before tax	**-8,425**	**-36,339**
Non-taxable income and previous years' income increasing tax base	-13,714	-25,039
Non-tax-deductible costs and previous years' costs decreasing tax base	-3,833	55,317
Taxable income	**-25,973**	**-6,061**
Deductions from income – donation, loss	-	-
Tax base	**-25,973**	**-6,061**
Income tax at 19%	-	-
Tax credits	-	-

Income tax payable	-	-
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.

Item	Dec 31 2016		Dec 31 2015	
	carrying amount	*amount recognised in profit or loss*	*carrying amount*	*amount recognised in profit or loss*
	Deferred tax liabilities			
Accelerated tax depreciation/amortisation	1,411	-49	1,460	-80
Lease (net)	-	-23	23	-14
Other	77	-26	103	48
Deferred tax liabilities	**1,487**	**-99**	**1,586**	**-46**
	Deferred tax assets			
Provision for length-of-service awards and bonuses	190	-22	213	-
Provision for accrued holiday entitlements	65	-6	71	25
Other provisions	-	-	-	-861
Foreign exchange losses	170	-66	237	-142
Salaries, wages and social security contributions payable in subsequent periods	28	-6	33	10
Settlement of grant	537	3	534	-35
Lease liabilities	58	-32	90	33
Impairment losses on receivables	-	-	-	-132
Loss brought forward	6,460	6,460	-	-
Deferred tax assets	**7,509**	**6,331**	**1,178**	**-1,101**

Note 7. EARNINGS PER SHARE

Item	Dec 31 2016	Dec 31 2015
Net profit from continuing operations	-1,999	-37,394
Profit(loss) from discontinued operations	-	-
Net profit	**-1,999**	**-37,394**
Weighted average number of outstanding ordinary shares, used to calculate basic earnings per share	10,660,812	10,734,679
Earnings per share	**-0.19**	**-3.48**
Adjusted weighted average number of ordinary shares, used to calculate diluted earnings per share	10,660,812	-
Diluted earnings per share	**-0,19**	**-3.48**

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

On June 24th 2016, the Annual General Meeting of SECO/WARWICK S.A. passed Resolution No. 22 approving payment of PLN 3,005,776.74 (three million, five thousand, seven hundred and seventy-six złoty, 74/100) as dividend for 2015. Dividend per share was PLN 0.31. The dividend record date and the dividend payment date were July 4th 2016 and July 18th 2016, respectively.

Note 9. PROPERTY, PLANT AND EQUIPMENT

Changes in property, plant and equipment (by type) in the period Jan 1–Dec 31 2016

Item	Land	Buildings and structures	Machinery and equipment	Vehicles	Other tangible assets	Total
Gross carrying amount as at Jan 1 2016	**50**	**1,264**	**718**	**1,891**	**94**	**4,017**
Increase, including:	**-**	**-**	**21**	**90**	**10**	**122**
acquisitions	-	-	21	90	10	122
Decrease, including:	**-**	**-**	**-**	**543**	**-**	**543**
disposal	-	-	-	451	-	451
other	-	-	-	92	-	92
Gross carrying amount as at Dec 31 2016	**50**	**1,264**	**739**	**1,438**	**104**	**3,594**
Cumulative amortisation as at Jan 1 2016	**-**	**710**	**333**	**1,106**	**78**	**2,227**
Increase, including:	**-**	**68**	**93**	**308**	**3**	**472**
amortisation	-	68	93	308	3	472
Decrease, including:	-	-	-	**405**	-	**405**
disposal	-	-	-	328		328
other	-	-	-	77	-	77
Cumulative amortisation as at Dec 31 2016	**-**	**778**	**425**	**1,010**	**81**	**2,294**
Impairment losses as at Jan 1 2016	-	-	-	-	-	-
Impairment losses as at Dec 31 2016	-	-	-	-	-	-
Net carrying amount as at Dec 31 2016	**50**	**486**	**314**	**429**	**23**	**1,301**

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**
acquisitions	-	-	271	39	-	310
finance leases	-	-	-	309		309

Decrease, including:	**-**	**-**	**8**	**385**	**-**	**393**
disposal	-	-	8	306	-	314
other	-	-	-	79	,	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**
disposal	-	-	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**	**1,789**

OWNERSHIP STRUCTURE – net value	**Dec 31 2016**	**Dec 31 2015**
Owned	1,057	1,382
Used under lease, tenancy or similar contract	244	408
Total	**1,301**	**1,789**

As at December 31st 2016, 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 2016 was PLN 465 thousand (December 31st 2015: PLN 365 thousand).

Tangible assets under construction:

		Accounting for the expenditure					
Tangible assets under construction as at Jan 1 2016	***Expenditure incurred in the financial year***	***Buildings, premises and civil engineering structures***	***Machinery and equipment***	***Vehicles***	***Other***	***Intangible assets***	***Dec 31 2016***
-	**347**	-	21	90	10	23	**203**

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*	
-	-	-	-	-	-	-	-

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 2016, the total amount drawn under the facility was PLN 20,524,575.00.

The borrowing is 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 2016**	**Dec 31 2015**
Owned	9,759	10,686
Used under lease, tenancy or similar contract	-	-
Total	**9,759**	**10,686**

As at December 31st 2016 and December 31st 2015, the Company had no intangible assets held for sale.

Changes in intangible assets (by type) in the period January 1st–December 31st 2016

Item	**Development expense**	**Patents and licences, software**	**Other intangible assets**	**Total**
Gross carrying amount as at Jan 1 2016	**12,467**	**306**	**1,638**	**14,411**
Increase, including:	**-**	**23**	**-**	**23**
acquisitions	-	23	-	23

Decrease, including:	**-**	**-**	**-**	**-**
disposal	-	-	-	**-**
Gross carrying amount as at Dec 31 2016	**12,467**	**328**	**1,638**	**14,434**
Cumulative amortisation as at Jan 1 2016	**2,642**	**39**	**1,044**	**3,725**
Increase, including:	**812**	**63**	**75**	**950**
amortisation	812	63	75	**950**
Decrease, including:	**-**	**-**	**-**	**-**
disposal	-	-	-	**-**
Cumulative amortisation as at Dec 31 2016	**3,453**	**102**	**1,120**	**4,675**
Impairment losses as at Jan 1 2016	-	-	-	**-**
Impairment losses as at Dec 31 2016	-	-	-	**-**
Net carrying amount as at Dec 31 2016	**9,014**	**227**	**518**	**9,759**

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**	**2970**
Increase, including:	**641**	**39**	**75**	**755**
amortisation	641	39	75	**755**
Decrease, including:	**-**	**-**	**-**	**-**
disposal	-	-	-	**-**
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**	**10,686**

Intangible assets are not pledged as security for liabilities.

Note 11. INVESTMENTS IN SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES

Investments in subordinated entities carried at cost

Shares in subordinated entities	Dec 31 2016	Dec 31 2015
subsidiaries	109,020	109,531
jointly-controlled entities	-	-
associates	-	4,228

Change in investments in subsidiaries

Item	2016	2015
At beginning of period	**109,531**	**157,039**
Increase during the period, including:		
- share capital increase at SECO/WARWICK do Brasil	4,903	658
- establishing of SECO/WARWICK USA Holding	42	-
- share capital increase at SECO/WARWICK USA Holding	106	-
- share capital increase at SECO/WARWICK Allied	8,930	-
- 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
- impairment loss on investment in SECO/WARWICK Allied	8,930	13,791
- 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
- sale of 100% of shares in SECO/WARWICK Brasil	5,561	-
As end of period	**109,020**	**109,531**

Change in investments in jointly-controlled and associated entities

Item	2016	2015
At beginning of period	**4,228**	**4,228**
Increase during the period, including:	**-**	**-**
Decrease during the period, including:	**4,228**	**-**
- impairment loss on investment in OOO SCT	4,228	-
At end of period	-	**4,228**

Investments in subsidiary, jointly-controlled and associated entities

Dec 31 2016	Carrying amount of equity interests	Ownership interest (%)	% of the total vote
SECO/WARWICK EUROPE Sp. z o.o.	70,407	100%	100%
SECO/WARWICK Corporation	-	100%	100%
SECO/WARWICK Rus	2	100%	100%
RETECH Systems LLC	38,464	100%	100%
SECO/WARWICK ALLIED	-	98%	98%
SECO/WARWICK Retech	-	90%	90%
OOO SCT Russia	-	50%	50%
SECO/WARWICK GmbH	-	100%	100%
SECO/WARWICK Germany GmbH	-	100%	100%
SECO/WARWICK France	-	100%	100%
SECO/WARWICK Service Sp. z o.o.	-	100%	100%
SECO WARWICK USA Holding	147	100%	100%
SECO VACUUM TECHNOLOGIES	-	100%	100%
As at Dec 31 2015			
SECO/WARWICK EUROPE Sp. z o.o.	70,407	100%	100%
SECO/WARWICK Corporation	-	100%	100%
SECO/WARWICK Rus	2	100%	100%
RETECH Systems LLC	38,464	100%	100%
SECO/WARWICK ALLIED	-	75%	75%
SECO/WARWICK Retech	-	90%	90%
OOO SCT Russia	4,228	50%	50%
SECO/WARWICK GmbH	-	100%	100%
SECO/WARWICK Germany GmbH	-	100%	100%
SECO/WARWICK do Brasil	658	100%	100%
SECO/WARWICK France	-	100%	100%
SECO/WARWICK Service Sp. z o.o.	-	100%	100%

Note 12. TEST FOR IMPAIRMENT OF SHARES

Tests for impairment of shares

The Company carried out tests for impairment of shares held in the subsidiaries Seco/Warwick Allied Pvt. Ltd. and Retech Systems LLC, and in the associate OOO SCT. 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 2017 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.*	*Retech Systems LLC (USA)*	*OOO SCT*
Average discount rate (pre-tax)	21,73%	16,99%	19,69%
Growth rate	26,7%	3,8%	6.7%
Growth rate after the forecast period	3.5%	1.0%	3.5%
Recoverable amount	121	121,956	163
Loss of value	-8,809	-	-4,065

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

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

• free cash flows;

• discount rates;

• market share in the projection period.

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

Discount rate – the weighted average cost of capital (WACC) was used as a discount rate for the purposes of impairment tests; WACC was adjusted on a case-by-case basis (i.e. for the individual tested equity interests and goodwill) for premiums and discounts related to risks specific to a given tested asset (as well as for country risk and differences in the inflation rates expected in the countries in which the individual companies of the Seco/Warwick Group operate).

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 condition 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 2017−2021 changed for each company:

Item	*Seco/Warwick Allied Pvt. Ltd.*	*Retech Systems LLC (USA)*	OOO SCT
Recoverable amount:			
Discount rates assumed in the test	121	121,956	163
Discount rates increased by 1%	-1,255	110,492	153
Discount rates increased by 3%	-3,497	92,689	137

Note 13. INVENTORIES

As at December 31st 2016, the Company had materials with a value of PLN 100 thousand, while as at December 31st 2015 it had no inventories.

Note 14. TRADE AND OTHER RECEIVABLES

Long-term receivables

Item	Dec 31 2016	Dec 31 2015
a) from related entities	-	-
b) from other entities	4,388	-
Total long-term receivables	**4,388**	**-**

As at December 31st 2016, the Company disclosed long-term receivables from the sale of 100% of shares in SECO/WARWICK Brasil.

Short-term receivables

Item	Dec 31 2016	Dec 31 2015
a) from related entities	**7,005**	**16,504**
- trade receivables maturing in 12 months or less	7,005	5,487
- dividend	-	9,464
- other	-	1,553
b) from other entities	**138**	**96**
- trade receivables maturing in 12 months or less	81	-
- taxes, grants, customs duties, social security and other benefits receivable	-	1
- other	57	94
Total trade and other receivables, net	**7,143**	**16,600**
impairment losses on receivables	5,257	7,819
Total trade and other receivables, gross	**12,400**	**24,419**

As at December 31st 2016, trade receivables of PLN 5,257 thousand (2015: PLN 7,819 thousand) were classified as unrecoverable and an appropriate 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 2016	Dec 31 2015
Change in impairment losses on receivables from related entities		
Impairment losses as at beginning of the period	**7,133**	**3,249**
a) increase:	**1,127**	**7,526**
- trade receivables	1,127	7,526
b) decrease:	**3,689**	**3,642**
- trade receivables cancelled	3,689	3,642
Impairment losses on trade receivables from related entities at end of period	**4,571**	**7,133**
Change in impairment losses on receivables from other entities		
Impairment losses as at beginning of the period	**686**	**686**
a) increase, including:	**-**	**-**
- trade receivables	-	-
b) decrease, including:	**-**	**-**
- reversal of impairment losses on trade receivables	-	-
Impairment losses on trade receivables from other entities at end of period	**686**	**686**
Impairment losses on trade receivables at end of period	**5,257**	**7,819**

Age structure of trade receivables (gross):

Item	Dec 31 2016	Dec 31 2015
Not past due	4,031	5,125
Over 1 month to 6 months past due	3,027	275
Over 6 months past due	27	88
Total trade receivables (net)	**7,086**	**5,487**
Impairment losses on trade receivables	5,257	7,819
Total trade receivables (gross)	**12,343**	**13,306**

In the annual periods ended December 31st 2016 and December 31st 2015, the Company did not seek payment of trade receivables through court action.

Contingent receivables

As at December 31st 2016 and December 31st 2015, the Company had no guarantees received.

Note 15. OTHER FINANCIAL ASSETS AND LIABILITIES

LOANS ADVANCED	Dec 31 2016	Dec 31 2015
Total gross loans advanced	3,962	7,154
Impairment loss	2,824	2,625
Total net loans advanced	**1,138**	**4,529**
- non-current	67	-
- current	1,071	4,529

On March 3rd 2016, the Company advanced a USD 230.8 thousand loan to its subsidiary, SECO/WARWICK Corporation. The loan amount in PLN was PLN 912 thousand.

On November 14th 2016, the Company advanced a PLN 1m loan to its subsidiary, SECO/WARWICK Europe.

On September 11th 2016, the Company advanced a PLN 1,600 thousand loan to its subsidiary, SECO/WARWICK Corporation.

No loans were advanced by SECO/WARWICK S.A. to members of the Management or the Supervisory Board, or any non-related parties in 2016.

In 2016, the Company cancelled loans granted to a subsidiary SECO / WARWICK Corporation in the amount of PLN 2,512 thousand.

LOANS RECEIVED

In 2016, SECO/WARWICK S.A. did not receive any loans.

OTHER FINANCIAL ASSETS AND LIABILITIES

	Dec 31 2016		Dec 31 2015	
	Assets	Liabilities	Assets	Liabilities
Lease liabilities	-	306	-	473
Total financial assets and liabilities at fair value through profit or loss	-	**306**	-	**473**
- non-current	-	118	-	204
- current	-	188	-	270

Disclosures of derivative financial instruments which qualify for hedge accounting

As at December 31st 2016 and December 31st 2015, the Company did not enter into any derivative transactions. The Company did not apply hedge accounting.

Note 16. PREPAYMENTS AND ACCRUED INCOME

Item	Dec 31 2016	Dec 31 2015
Insurance policies	32	61
Subscriptions	2	2
VAT to be settled in the following period	64	42
Lease of software	23	11
Other	35	54
Total current prepayments and accrued income	**156**	**171**

Note 17. CASH AND CASH EQUIVALENTS

Item	Dec 31 2016	Dec 31 2015
Cash at banks and cash in hand	891	2,127
Short-term deposits	478	5,441
Total cash and cash equivalents	**1,368**	**7,569**

Note 18. SHARE CAPITAL AND STATUTORY RESERVE FUNDS/CAPITAL RESERVES

Share capital

Item	Dec 31 2016	Dec 31 2015
Number of shares	10,298,554	10,737,837
Par value of shares	0.2	0.2
Share capital	2,060	2,148
Share capital restated using hyperinflation index (IAS 29)	1,557	1,557
Share capital at end of the period	**3,616**	**3,704**

Share capital restated using hyperinflation index made in 2006 is presented as part of the share capital.

Changes in share capital

Item	Jan 1 2016 - Dec 31 2016	Jan 1 2015 - Dec 31 2015
Share capital at beginning of the period	**3,704**	**3,704**
Share capital increases during the period	**-**	**-**
Share capital reductions during the period	**88**	**-**
Cancellation of treasury shares	88	-
Share capital at end of the period	**3,616**	**3,704**

Other components of equity

Item	Statutory reserve funds	Other components of equity
Balance as at Jan 1 2015	**136,322**	**49,866**
Increase:	**-**	**409**
Valuation of management stock options	-	409
Decrease:	-	**26,045**
Coverage of loss brought forward	9,422	-
Share buyback	-	26,045
Balance as at Dec 31 2015	**126,900**	**24,230**
Increase:	**15,705**	**759**
Transfer from capital reserve	15,705	-
Disposal of own shares	-	100
Cancellation of treasury shares	-	88
Management stock options	-	571
Decrease:	**44,931**	**15,705**
Coverage of loss brought forward	41,895	**-**
Dividend	3,007	**-**
Transfer to statutory reserve funds	-	15,705
Disposal of own shares	29	-
Balance as at Dec 31 2016	**97,674**	**9,284**

Other capital reserves were recognised in connection with the share buyback and the management stock option plan.

Note 19. FINANCIAL LIABILITIES

Item	Dec 31 2016	Dec 31 2015
Bank borrowings	24,478	33,001
Other financial liabilities:	306	473
- lease liabilities	306	473
Total financial liabilities	**24,784**	**33,474**
- non-current	15,635	24,419
- current	9,149	9,055

Credit lines and other facilities as at Dec 31 2016:

Lender	Investment facility	Borrowing amount as per agreement	Interest	Repayment date	Security
mBANK S.A.	20,524	Credit agreement No. 29/001/15/Z/IN for a PLN 26,844,575 thousand investment facility	variable interest rate	Jan 31 2020	mortgage, SECO/WARWICK EUROPE Sp. z o.o.'s surety under civil law, hold on securities
BANK HANDLOWY	3,954	Credit agreement No. BDK/KR-D/000009908/0028/13 for a USD 3,000 thousand investment facility	variable interest rate	Apr 27 2018	mortgage of up to USD 3,750 thousand, SECO/WARWICK EUROPE Sp. z o.o.'s surety under civil law
Total	**24,478**				

Credit lines and other facilities as at Dec 31 2015:

Lender	Investment facility	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	Jan 31 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	Apr 27 2018	mortgage of up to USD 3,750 thousand, SECO/WARWICK EUROPE Sp. z o.o.'s surety under civil law
Total	**33 001**				

Borrowings by maturity:

Item	Dec 31 2016	Dec 31 2015
Current bank and other borrowings	8,961	8,785
Non-current bank and other borrowings	15,517	24,215
- repayable in more than 1 year, up to 3 years	13,952	16,330
- repayable in more than 3 years, up to 5 years	1,565	7,885
Total bank and other borrowings	**24,478**	**33,001**

Bank and other borrowings by currency:

Item	Dec 31 2016		Dec 31 2015	
	amount in foreign currency	amount in PLN	amount in foreign currency	amount in PLN
PLN	-	20,524	-	26,845
USD	946	3,954	1 578	6,156
Total bank and other borrowings	**x**	**24,478**	**x**	**33,001**

LEASES

As at December 31st 2016, 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 2016		Dec 31 2015	
	Minimum lease payments	Present value of the lease payments	Minimum lease payments	Present value of the lease payments
Up to 1 year	209	188	221	168
From 1 year to 5 years	130	118	317	284
Total minimum lease payments	**339**	**306**	**538**	**452**
Future interest expense	33		86	
Present value of minimum lease payments, including:	**306**	**306**	**452**	**452**
Current	188	188	168	168
Non-current	118	118	284	284

Note 20. TRADE PAYABLES AND OTHER LIABILITIES

TRADE PAYABLES AND OTHER LIABILITIES	Dec 31 2016	Dec 31 2015
a) trade payables maturing in 12 months or less	1,132	583
b) prepaid deliveries	-	-
c) taxes, customs duties, social security and other benefits payable (net of income tax)	606	537
d) salaries and wages payable	314	322
e) other	25	11
TOTAL	**2,076**	**1,453**

Contingent liabilities

Contingent liabilities under guarantees and sureties issued amounted to PLN 14,443 thousand as at the end of 2016 and PLN 28,280 thousand as at the end of 2015. The guarantees were issued in respect of performance (PBG) and standby letter of credit (SBLC)

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 2016	Dec 31 2015
Loans advanced to employees	-	2
Cash	3	10
Liabilities to the Fund	3	12
Contributions to the Fund during financial period	21	20

Note 21. 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

SHORT-TERM PROVISION FOR RETIREMENT AND SIMILAR BENEFITS (BY CATEGORY)	Jan 1 2016 - Dec 31 2016	Jan 1 2015 - Dec 31 2015
1. Provision for accrued holiday entitlements		
- as at beginning of the period	**374**	**240**
- recognised	343	134
- reversed	373	-
- At end of period	**344**	**374**
2. Provision for bonuses		
- as at beginning of the period	**1,119**	**1,118**
- recognised	706	960
- used	287	-
- reversal	537	959
- At end of period	**1,001**	**1,119**

Other provisions

CHANGE IN OTHER SHORT-TERM PROVISIONS (BY CATEGORY)	Jan 1 2016 - Dec 31 2016	Jan 1 2015 - Dec 31 2015
Provision for projected losses/additional expenses		
- as at beginning of the period	**800**	**-**
- provision recognised	-	800
- reversal	800	-
- At end of period	**-**	**800**

Note 22. DEFERRED INCOME

Item	Dec 31 2016	Dec 31 2015
- grant from the Polish Ministry of Science and Higher Education (1)	2,498	2,746
- grant from the Polish National Centre for Research and Development (1)	1,320	1,417
Total deferred income, including:	**3,818**	**4,162**
- non-current	3,473	3,473
- current	344	344

(1) Grants for research and development projects

Note 23. EXPLANATORY INFORMATION TO THE STATEMENT OF CASH FLOWS

Item	Dec 31 2016	Dec 31 2015
Cash in the statement of financial position	**1,368**	**7,569**
Exchange differences on balance-sheet valuation	-16	-3
Total cash and cash equivalents disclosed in the statement of cash flows	**1,352**	**7,565**

Item	Dec 31 2016	Dec 31 2015
Gain/(loss) on investing activities	**17,414**	**48,140**
Sale of property, plant and equipment	-3	-26
Impairment of loans and interest on loans	2,003	-
Impairment of the value of shares in subsidiaries and associates	14,548	47,996
Acquisition of S/W Rus	-	170
Redemption of loans and other	865	-
Change in provisions results from the following items:	**-948**	**935**
Net change in provisions	-1,356	1,343
Elimination of change in deferred tax liabilities	409	-409
Change in receivables results from the following items:	**-1,560**	**5,331**
Balance-sheet change in short-term receivables	9,457	-4,132
Change in dividend receivable from SW Europe Sp. z o.o.	-9,464	9,464
Change in receivables from sales of subsidiaries	-1,553	-
Change in current liabilities (excluding financial liabilities) results from the following items:	**624**	**-3,540**

Balance-sheet change in current liabilities	250	-7,560
Obligation to pay for shares in SECO/WARWICK do Brasil	-	4,020
tax paid	374	
Change in accruals and deferrals results from the following items:	**-329**	**-364**
Net change in accruals and deferrals	-6,350	282
Elimination of change in deferred tax assets	6,021	-646
Other:	**571**	**2,286**
Management stock options	571	409
Elimination of liabilities	-	262
Impairment loss on loans advanced to related entities	-	1,615

Note 24. RELATED PARTIES

Related party (Subsidiaries)	Year	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities towards related parties
OF SECO/WARWICK EUROPE					
	2016	7,018	414	4,207	74
	2015	6,804	1,524	2,699	200
SECO/WARWICK Corporation					
	2016	1,526	13	1,311	
	2015	1,679	7	0	-
SECO/WARWICK GmbH					
	2016	50			
	2015	48	-	-	-
SECO/WARWICK Rus					
	2016	6		3	
	2015	3	-	3	-
RETECH					
	2016	1,960		636	
	2015	4,799	-	2,044	-
SECO/WARWICK RETECH					
	2016	480		397	
	2015	588	-	-	-
SECO/WARWICK Allied					
	2016	354		324	
	2015	890	-	610	-
SECO/WARWICK Germany GmbH					
	2016	42	39	24	27
	2015	104	65	56	1
SECO/WARWICK France					
	2016	6		2	
	2015	2	-	2	-

SECO/WARWICK Services

	2016	220	,80,	102	94
	2015	-	-	-	-

Note 25. 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 2016			
Paweł Wyrzykowski	750	24	774
Jarosław Talerzak	390	23	413
Wojciech Peret	384	19	403
Total	**1,524**	**66**	**1,590**
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**

(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 2016	**Dec 31 2015**
Andrzej Zawistowski, including:	223	197
- for his service as Chairman of the Supervisory Board	120	120
- under agreement for advisory services(1)	103	77
Jeffrey Boswell, including:	161	127
- for his service as Member of the Supervisory Board	-	-
- under employment contract(2)	161	127
James A. Goltz, including:	840	716
- for his service as Member of the Supervisory Board	-	-
- under employment contract(3)	840	716
Dr Gutmann Habig (4)	46	28
Henryk Pilarski	54	54
Witold Klinowski, including:	196	198
- for his service as Member of the Supervisory Board(5)	20	42

- under agreement for advisory services[6]	176	156
Zbigniew Rogóż [7]	-	17
Marcin Murawski [8]	44	26
Paweł Tamborski [9]	22	-
Total	**1 586**	**1 363**

(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) Mr Gutmann Habig was removed from his position of Member of the Supervisory Board by Resolution No. 28 of the General Meeting of June 24th 2016.

(5) Mr Witold Klinowski tendered his resignation as member of the Supervisory Board, with effect from June 24th 2016.

(6) 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.

(7) 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.

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

(9) Mr Paweł Tamborski was appointed as Member of the Supervisory Board by Resolution No. 29 of the General Meeting of June 24th 2016.

Note 26. FINANCIAL ASSETS AND LIABILITIES

Item	Category (IAS 39)	Carrying amount		Maximum credit risk exposure in 2016
		Dec 31 2016	Dec 31 2015	
Financial assets				
Loans advanced	L&R	1,138	4,529	1,138
Trade and other receivables	L&R	7,143	16,600	7,143
Long-term receivables	L&R	4,388	-	4,388
Cash and cash equivalents	L&R	1,368	7,569	1,368
Sureties advanced	-	-	-	69,179
Financial liabilities				
Current				
Interest-bearing bank and other borrowings, including:	OFL at AC			
- *short-term borrowings*	OFL at AC	8,961	8,785	-
- *finance lease liabilities (current)*	OFL at AC	188	270	-
Trade payables and other liabilities	OFL at AC	2,076	1,453	-
Non-current				
- *long-term borrowings*	OFL at AC	15,517	24,215	-
Trade payables and other liabilities	OFL at AC	3,591	4,021	-
- finance lease liabilities (non-current)	OFL at AC	118	204	-

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

Note 27. WORKFORCE STRUCTURE

Item	Dec 31 2016	Dec 31 2015
Blue-collar employees	-	-
White-collar employees	20	21
Employees on parental leaves	-	-
Total	**20**	**21**

Note 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY

In 2016, 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.

28.1 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 assets and liabilities translated into PLN using the closing exchange rate effective for the reporting date:

Liabilities	As at Dec 31 2016 in foreign currency	As at Dec 31 2016 in PLN	As at Dec 31 2015 in foreign currency	As at Dec 31 2015 in PLN
EUR	8	36	1	4
USD	967	4,041	1,578	6,157

Assets	As at Dec 31 2016 in foreign currency	As at Dec 31 2016 in PLN	As at Dec 31 2015 in foreign currency	As at Dec 31 2015 in PLN
EUR	232	1,025	1,063	4,529
USD	731	3,057	753	2,938

28.1.1 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 2016	Exchange rate	+ 10% increase in exchange rate	- 10% decrease in exchange rate
USD	4.1793	0.418	-0.418
EUR	4.4240	0.442	-0.422

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

Assumptions:

- exchange rate at reporting date Dec 31 2016

+ 10% increase in exchange rate

- 10% decrease in exchange rate

Effect on equity		Effect of USD	Effect of USD	Effect of EUR	Effect of EUR
		Period ended Dec 31 2016	Period ended Dec 31 2015	Period ended Dec 31 2016	Period ended Dec 31 2015
ASSETS					
Increase in exchange rate	10%	306	294	103	453
Decrease in exchange rate	-10%	-306	-294	-103	-453
LIABILITIES AND BORROWINGS					
Increase in exchange rate	10%	-404	-731	-3.6	-0.4
Decrease in exchange rate	-10%	404	731	3.6	0.4
TOTAL					
Increase in exchange rate	10%	-98	-437	99	452
Decrease in exchange rate	-10%	98	437	-99	-452

Effect on profit/loss		Effect of USD	Effect of USD	Effect of EUR	Effect of EUR
		Period ended Dec 31 2016	Period ended Dec 31 2015	Period ended Dec 31 2016	Period ended Dec 31 2015
ASSETS					
Increase in exchange rate	10%	306	294	103	453
Decrease in exchange rate	-10%	-306	-294	-103	-453
LIABILITIES AND BORROWINGS					
Increase in exchange rate	10%	-404	-731	-3.6	-0.4
Decrease in exchange rate	-10%	404	731	3.6	0.4
TOTAL					
Increase in exchange rate	10%	-98	-437	99	452
Decrease in exchange rate	-10%	98	437	-99	-452

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.

28.2 Interest rate risk

The Company holds interest-bearing liabilities. Therefore, it is exposed to interest rate risk. In the financial year 2016, the total amount of interest on the Company's liabilities was PLN 1,048 thousand. The risk assessment is presented based on a 1% increase/decrease in interest rates.

	Effect on net profit/loss	Effect on equity	Effect on profit/loss	Effect on equity
	+ 1%/- 1%		+ 1%/- 1%	
	Year ended Dec 31 2016		Year ended Dec 31 2015	
Lease liabilities	+/- 3	+/- 3	+/- 5	+/- 5
Other financial liabilities at amortised cost	+/- 245	+/- 245	+/- 330	+/- 330

28.3 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 2016, 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 Bank and other borrowings 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 2016 PLN '000	Dec 31 2015 PLN '000
Debt	24,784	33,453
Cash and cash equivalents	-1,368	-7,569
Net debt	23,415	25,884
Equity	108,576	112,940
Net debt to equity	**21.57%**	**22.92%**

28.4 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 2016, short-term bank borrowings represented 69% of total current liabilities (December 31st 2015: 65%).

The table below presents the Company's financial liabilities by maturity as at December 31st 2016 and December 31st 2015, based on contractual undiscounted payments.

Dec 31 2016	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	-	8,961	15,517	-	**24,478**
Trade payables	-	1,132	-	-	**1,132**
Other liabilities	-	1,132	118	-	**1,250**
TOTAL	**-**	**11,225**	**16,635**	**-**	**26,860**

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	-	8,785	24,215	-	**33,001**
Trade payables	-	583	-	-	**583**
Other liabilities	-	1,513	204	-	**1,717**
TOTAL	**-**	**10,881**	**24,419**	**-**	**35,301**

28.5 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 2016, receivables from the Company's largest trading partner represented 60% 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 29. 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 April 23rd 2015 the Supervisory Board approved the key objectives of the 2016–2018 Incentive Scheme for members of the SECO/WARWICK Group's management staff (the "2016–2018 Incentive Scheme").

General objectives of the Incentive Scheme of SECO/WARWICK S.A.

- The Incentive Scheme is effective for 2016, 2017 and 2018.
- The Incentive Scheme covers 995,750 Company shares which may be distributed to Eligible Persons.
- Scheme Participants include key members of the Group's management staff who are identified as Scheme Participants in the relevant resolution of the Supervisory Board, and in the period between

February 1st 2015 and August 15th 2015 acquire with their own funds, in their own name and for their own account no less than 4,000 and no more than 11,500 Company shares. In the case of the President of the Management Board of SECO/WARWICK SA, the number of shares to be acquired is 100,000. In the case of the President of the Management Board of SECOWARWICK Europe, the largest company of the Group, the number of shares to be acquired is 35,000. The price per share is PLN 25.

- The number of acquired shares and the 3.5 multiple defines the number of potential options which may be granted under the Scheme subject to fulfilment of the conditions specified below.
- Shares for a participant's own account must be acquired no later than on August 15th 2015, and may not be sold before June 30th 2022.
- The persons specified in the Supervisory Board's resolution are to declare their intention to participate in the Incentive Scheme by August 31st 2015.
- Participants of the scheme will be assigned individual objectives and a joint objective, the achievement of which is a precondition for a Scheme Participant to become eligible for benefits under the Scheme.
- Achievement of individual objectives is a pre-condition for acquiring rights to 15% of the options in each of the years 2016, 2017 and 2018.
- Achievement of the joint objective is a pre-condition for acquiring rights to 55% of the options in 2016, 2017 and 2018.
- Achievement of the Individual Objectives will be revised on the basis of the Company's audited financial information.
- Achievement of the Individual Objectives will be verified by the Audit Committee by April 30th of each consecutive financial year for the previous financial year.
- Achievement of the Joint Objective will be verified on the basis of the Company's audited financial information for all the financial years between 2016 and 2018.
- Achievement of the Joint Objective will be verified by the Audit Committee by April 30th 2019.
- If a Scheme Participant achieves the Individual Objectives or the Joint Objective, such participant will become eligible to acquire Company Shares in the number and on the terms and conditions specified in the Scheme Rules, and to obtain a Capital Bonus (the "Option").
- Options will vest in accordance with the provisions of agreements to be entered into between the Company and the individual Scheme Participants (the "Option Agreement").
- Rights under Options may not be transferred or encumbered. Such rights are attached to a Scheme Participant and expire upon his/her death.
- An Option entitles a Scheme Participant to purchase Shares at nominal price, in the number specified in the Option Agreement.
- An Option also entitles a Scheme Participant to receive from the Company annual payments whose amount will depend on the amount of dividend paid by the Company for a preceding financial year (the "Capital Bonus").
- The Capital Bonus for a given financial year will be calculated by July 31st of a given financial year, on the basis of a resolution on distribution of the Company's profit and the Company's audited financial information for the previous financial year, based on the following formula:

$$PK_t = \frac{Div_t}{LA} \times LAUP$$

where:

PKt – the Capital Bonus to be paid in a given financial year,

Divt – the amount of dividend to be paid in a given financial year,

LA – the total number of Company shares participating in dividend payment,

LAUP – the number of Company shares that a Scheme Participant is entitled to acquire in the exercise of an Option; Shares already delivered to a Scheme Participant are not taken into account in this calculation;

- The right to obtain the Capital Bonus expires on or before the last Distribution Date.
- Date of settlement of the acquisition by a Scheme Participant of Company Shares in the exercise of an Option (Distribution Date)

- in the case of Scheme Participants other than the President of the Management Board, the Distribution Date will be: June 30th 2020 − in respect of 33% of Shares receivable by a Scheme Participant, June 30th 2021 − in respect of another 33% of Shares receivable by a Scheme Participant, and June 30th 2022 − in respect of the remaining 33% of Shares receivable by a Scheme Participant;
- in the case of the Management Board President, the Distribution Date will be August 31st 2019 in respect of all Shares receivable by him.

The Supervisory Board determined the Individual Objectives and the Joint Objective for the Incentive Scheme Participants, the achievement of which is a precondition for a Scheme Participant to become eligible for benefits under the Scheme for the financial year 2016. The Objectives cover financial and operating ratios of the individual subsidiaries, the organisational units related to particular technologies, or the entire Group, depending on the position of a Scheme Participant. For the entire Group, the Individual Objective for the President of the Management Board, Chief Financial Officer and Chief Operating Officer at SECO/WARWICK S.A., the Parent, is the consolidated net profit of the Group. For 2016 and 2017, the Objective is set at PLN 18m.

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

Note 30. CAPITALISED BORROWING COSTS

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

Note 31. 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 32. 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 condition or profitability (exceeding 10% of equity) of the Company.

Note 33. 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 2016, there was no need to recognise provisions for any recognised and measurable tax risks. The Company pays its tax liabilities when due.

Note 34. 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:

In Current Report No. 1/2017, referring to Current Report No. 26/2016 of October 31st 2016, the Management Board of SECO/WARWICK S.A. announced that on January 2nd 2017 the District Court in

Zielona Góra, 8th Commercial Division of the National Court Register, registered the merger of the Company with its subsidiary, SECO/WARWICK EUROPE sp. z o.o. of Świebodzin.

The merger was effected pursuant to Art. 492.1.1 of the Commercial Companies Code, i.e through the transfer of all assets of SECO/WARWICK EUROPE Sp. z o.o. to SECO/WARWICK S.A. by way of universal succession. As a result of the merger, SECO/WARWICK S.A., as the acquirer, assumed all the rights and obligations of SECO/WARWICK EUROPE Sp. z o.o., which was dissolved without liquidation proceedings, as of the date of its deletion from the register.

As SECO/WARWICK S.A. was the sole owner of SECO/WARWICK EUROPE sp. z o.o., the merger was effected under Art. 515.1 of the Commercial Companies Code, i.e. without a share capital increase at SECO/WARWICK S.A.

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"

Date: April 27th 2017

Person responsible for keeping the accounting records: Ryszard Rej	Paweł Wyrzykowski	Wojciech Peret	Sławomir Woźniak	Bartosz Klinowski
	President of the Management Board	*Member of the Management Board*	*Member of the Management Board*	*Member of the Management Board*