SEPARATE FINANCIAL STATEMENTS

FOR THE PERIOD **JANUARY 1ST – DECEMBER 31ST 2020**

CONTENTS

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

(PLN '000)

CONTINUING OPERATIONS	Note	Year ended Dec 31 2020	Year ended Dec 31 2019 transformed*
Revenue from sale of finished goods and services		236,983	257,675
Revenue from sale of merchandise and materials		7	9
Revenue	*1*	**236,990**	**257,684**
Cost of finished goods sold and services rendered	*3*	-190,384	-133,501
Cost of merchandise and materials sold		-25	-8
Cost of sales		**-190,409**	**-199,509**
Gross profit/(loss)		**46,581**	**58,176**
Other income	*4*	3,182	2,535
Distribution costs	*3*	-11,661	-12,943
Administrative expenses	*3*	-23,259	-24,619
Impairment of receivables and contract assets	*4*	-1,400	-3,935
Other expenses	*4*	-1,844	-2,496
Operating profit/(loss)		**11,598**	**16,719**
Finance income	*5*	3,012	387
Finance costs	*5*	-4,722	-3,450
Profit/(loss) before tax		**9,888**	**13,656**
Income tax	*6*	-2,031	-3,036
Net profit/(loss) from continuing operations		**7,856**	**10,620**
DISCONTINUED OPERATIONS			
Net profit/(loss) from discontinued operations		-	-
Net profit/(loss) for the year		**7,856**	**10,620**
OTHER COMPREHENSIVE INCOME:			
Items to be reclassified to profit/(loss) in subsequent reporting periods			
Valuation of cash flow hedging derivatives		-1,683	525
Actuarial gains/(losses)		-	-176
Income tax on other comprehensive income		320	-66
Other comprehensive income, net		**-1,364**	**283**
Total comprehensive income		**6,493**	**10,902**
Earnings/(loss) per share (PLN):	*7*		
- basic earnings/(loss) per share attributable to owners of the parent		0.80	1.08
- diluted earnings/(loss) per share attributable to owners of the parent		0.79	1.07

*Details of changes in the accounting policy are presented in section VIII.

SEPARATE STATEMENT OF FINANCIAL POSITION

(PLN '000)

	Note	Dec 31 2020	Dec 31 2019 transformed*
Non-current assets			
Property, plant and equipment	*9*	44,585	47,370
Right-of-use assets	*9*	11,255	11,174
Investment property		310	334
Intangible assets	*10*	44,664	44,066
Long-term receivables	*15*	512	2,072
Investments in related entities	*11*	58,422	58,422
Derivative financial instruments	*16*	-	151
Other financial assets	*16*	3	3
Contract costs	*14*	-	2,981
		159,751	**166,572**
Current assets			
Inventories	*13*	26,331	31,939
Trade receivables	*15*	58,616	58,571
Other short-term receivables	*15*	14,493	8,278
Derivative financial instruments	*16*	345	695
Other financial assets	*16*	2,000	2,000
Other non-financial assets	*17*	1,943	2,740
Contract costs	*14*	3,882	3,255
Contract assets	*14*	48,524	73,295
Cash and cash equivalents	*18*	15,940	23,099
		172,073	**203,871**
TOTAL ASSETS		**331,823**	**370,443**

*Details of changes in the accounting policy are presented in section VIII.

SEPARATE STATEMENT OF FINANCIAL POSITION

(PLN '000)

	Note	Dec 31 2020	Dec 31 2019 transformed*
Equity			
Share capital	*19*	3,616	3,616
Statutory reserve funds		137,376	141,372
Hedging reserve		-1,524	-161
Other components of equity	*19*	15,258	13,811
Retained earnings / accumulated losses	*19*	29,472	32,235
		184,198	**190,873**
Non-current liabilities			
Borrowings	*20*	10,472	-
Lease liabilities	*21*	6,678	6,331
Derivative financial instruments	*16*	402	287
Deferred tax liabilities	*6*	7,860	6,307
Liabilities due to employee benefits	*23*	1,335	1,243
Contract liabilities	*14*	598	1,777
		27,344	**15,945**
Current liabilities			
Borrowings	*20*	19,612	27,418
Lease liabilities	*21*	2,306	2,591
Derivative financial instruments	*16*	2,682	719
Trade payables	*22*	40,861	42,781
Other current liabilities	*22*	5,241	5,360
Liabilities due to employee benefits	*23*	8,196	9,015
Other provisions	*24*	5,019	7,596
Contract liabilities	*14*	36,364	68,145
		120,281	**163,625**
TOTAL EQUITY AND LIABILITIES		**331,823**	**370,443**

*Details of changes in the accounting policy are presented in section VIII.

SEPARATE STATEMENT OF CASH FLOWS

(PLN '000)

	Note	Year ended Dec 31 2020	Year ended Dec 31 2019 transformed*
OPERATING ACTIVITIES			
Profit/(loss) before tax		**9,888**	**13,656**
Total adjustments:	*25*	**2,882**	**26,841**
Depreciation and amortisation		7,737	6,783
Foreign exchange gains/(losses)		391	95
Interest and profit distributions (dividends)		695	1,853
Gain/(loss) on investing activities		-35	723
Change in provisions		-3,305	661
Change in inventories		5,607	-2,732
Change in receivables		-4,700	-11,088
Change in current liabilities (other than financial liabilities)		-1,214	5,291
Change in contract assets and liabilities		-5,834	23,555
Change in accruals and deferrals		797	-670
Change in currency forward contracts		851	681
Other adjustments (including management stock options)		1,891	1,688
Income tax (paid)/refunded		**-114**	**-239**
Net cash from operating activities		**12,656**	**40,257**
INVESTING ACTIVITIES			
Cash provided by investing activities		**120**	**300**
Proceeds from disposal of intangible assets and property, plant and equipment		59	246
Decrease in loans advanced		60	54
Cash used in investing activities		**6,050**	**14,502**
Investments in intangible assets, property, plant and equipment, and investment property		6,050	10,765
Share capital increase at subsidiaries		-	1,737
Loans advanced		-	2,000
Net cash from investing activities		**-5,931**	**-14,203**
FINANCING ACTIVITIES			
Cash provided by financing activities		**15,453**	**1,314**
Sale of treasury shares under the incentive scheme		83	198
Borrowings		14,500	-
Grants		870	1,116
Cash used in financing activities		**28,946**	**43,948**
Repayment of borrowings		11,833	36,196
Repurchase of shares		14,615	-
Dividends and other distributions to owners		-	4,019
Payment of lease liabilities		1,742	1,867
Interest paid		755	1,867
Net cash from financing activities		**-13,492**	**-42,634**

Total net cash flows	**-6,767**	**-16,579**
Net change in cash, including:	**-7,159**	**-16,672**
- effect of exchange rate fluctuations on cash held	-391	-93
Cash at beginning of period	**23,099**	**39,770**
Cash at end of period	**15,940**	**23,099**

*Details of changes in the accounting policy are presented in section VIII.

SEPARATE STATEMENT OF CHANGES IN EQUITY (PLN '000)

	Share capital	Statutory reserve funds	Revaluation capital reserve	Other components of equity	Retained earnings / accumulated losses	Total equity
Note	*19*			*19*	*19*	
As at Jan 1 2020	**3,616**	**141,371**	**-161**	**13,811**	**32,235**	**190,872**
Profit/(loss) for the period	-	-	-	-	7,856	7,856
Other comprehensive income	-	-	-1,364	-	-	-1,364
Total comprehensive income for the year	-	-	-1,364	-	7,856	6,493
Sale of treasury shares under the incentive scheme	-	-	-	83	-	83
Transfer of retained earnings to statutory reserve funds	-	10,620	-	-	-10,620	-
Management stock options	-	-	-	1,364	-	1,364
Repurchase of shares	-	-	-	-14,615	-	-14,615
Capital reserve for repurchase of shares	-	-14,615	-	14,615	-	0
As at Dec 31 2020	**3,616**	**137,376**	**-1,524**	**15,258**	**29,472**	**184,197**
As at Jan 1 2019	**3,616**	**130,960**	**-586**	**12,067**	**36,046**	**182,103**
Profit/(loss) for the period	-	-	-	-	10,620	10,620
Other comprehensive income	-	-	425	-142	-	283
Total comprehensive income for the year	-	-	425	-142	10,620	10,902
Allocation of profit to dividend payment	-	-	-	-	-4,019	-4,019
Transfer of retained earnings to statutory reserve funds	-	10,412	-	-	-10,412	-
Management stock options	-	-	-	1,688	-	1,688
Sale of treasury shares under the incentive scheme	-	-	-	198	-	198
As at Dec 31 2019	**3,616**	**141,371**	**-161**	**13,811**	**32,235**	**190,872**

SUPPLEMENTARY INFORMATION TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31ST 2020

I. General information

1. Company data

Name:	**SECO/WARWICK S.A.**
Legal form:	Joint-stock company (spółka akcyjna)
Registered offices:	ul. Sobieskiego 8, 66-200 Świebodzin, Poland
Principal business according to the Polish Classification of Business	
28,21,Z	Manufacture of ovens, furnaces and furnace burners
25	Manufacture of fabricated metal products, except machinery and equipment
33	Repair, maintenance, and assembly of machinery and equipment
46	Wholesale trade, except 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
64,20,Z	Activities of financial holding companies
National Court Register 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 2020. The comparative data is presented as at December 31st 2019 (statement of financial position) and for the period January 1st–December 31st 2019 (statement of comprehensive income, statement of cash flows, and statement of changes in equity).

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

As at the date of issue of these financial statements and as at December 31st 2020 and December 31st 2019, the Supervisory Board of SECO/WARWICK S.A. consisted of:

- Sławomir Woźniak – President of the Management Board
- Jarosław Talerzak – Vice President of the Management Board
- Bartosz Klinowski – Member of the Management Board
- Earl Good – Member of the Management Board
- Piotr Walasek – Member of the Management Board

As at the date of issue of these financial statements and as at December 31st 2020 and December 31st 2019, the Supervisory Board of SECO/WARWICK S.A. consisted of:

- Andrzej Zawistowski – Chairman of the Supervisory Board
- Henryk Pilarski – Deputy Chairman of the Supervisory Board
- Jeffrey Boswell – Member of the Supervisory Board
- Marcin Murawski – Member of the Supervisory Board
- Jacek Tucharz – Member of the Supervisory Board

In 2020 and by the date of issue of these financial statements, there were no changes in the composition of the Management and Supervisory Boards.

5. Audit firm

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością spółka komandytowa
Rondo ONZ 1
00-124 Warsaw, Poland

6. Significant shareholders

The information presented in the table is based on notifications received by the Group from the shareholders under Art. 69 of the Public Offering Act.

Shareholders holding over 5% of total voting rights at the Company's General Meeting as at December 31st 2020 are listed in the table below.

Shareholder	Number of shares	Ownership interest (%)	Number of voting rights	% of total voting rights
SW Holding	3,387,139	32.89%	3,387,139	32.89%
Spruce Holding Limited Liability Company (USA)	1,091,952	10.60%	1,091,952	10.60%
Bleauhard Holdings LLC	594,973	5.78%	594,973	5.78%
Nationale-Nederlanden Otwarty Fundusz Emerytalny	600,000	5.83%	600,000	5.83%
Metlife OFE	577,470	5.61%	577,470	5.61%

As at December 31st 2020 SECO/WARWICK S.A. holds 1,308,904 treasury shares, representing 12.71% of the share capital. The Company does not exercise voting rights in respect of the treasury shares.

On February 12th 2020, the Extraordinary General Meeting passed Resolution No. 5 to authorise the Company's Management Board to repurchase the Company's shares listed on the regulated market operated by the Warsaw Stock Exchange. Pursuant to the resolution, the Company will be able to repurchase up to one million shares by December 31st 2021. Shares repurchased by the Company may be cancelled on the basis of a separate resolution of the General Meeting or, upon prior approval by the Company's Supervisory Board, may be held for the purposes of existing or future incentive schemes at the Company or its subsidiaries, for further resale or for any other purpose defined in a resolution of the Company's Management Board.

On October 29th 2020, the Company acquired 1,000,000 shares covered by the invitation to tender Company shares for sale. The shares conferred the right to 9.71% of total voting rights at the Company's General Meeting. Pursuant to Art. 364.2 of the Commercial Companies Code, the Company will not exercise the rights attached to own shares other than the right to dispose of the shares and the right to take actions to preserve those rights.

On November 3rd 2020, the Company was notified by shareholder Aviva Otwarty Fundusz Emerytalny Aviva Santander of the sale of 656,919 shares in the Company. Prior to the transaction, AVIVA OFE held 1,046,573 Company shares, representing 10.16% of the Company's share capital and 10.16% of total voting rights at the General Meeting. After the transaction settlement, AVIVA OFE holds 389,654 Company shares, representing 3.78% of the share capital and 3.78% of total voting rights at the General Meeting.

Acting on the basis of a resolution of the Company's Supervisory Board dated April 22nd 2020 and Resolution No. 23 of the Annual General Meeting of June 5th 2020 on verification of the achievement of Annual Targets by Incentive Scheme Beneficiaries in 2019, announced by the Company in Current Report No. 13/2020, in the settlement of the Incentive Scheme for 2019 the Company entered into agreements for the purchase of a total of 55,373 treasury shares with the persons covered by the Incentive Scheme.

The shares were sold to the beneficiaries of the Incentive Scheme for PLN 1.50 per share.

The shares represented 0.54% of the Company's share capital and conferred the right to 55,373 votes, or 0.54% of total voting rights, at the General Meeting.

As at the date of issue of these financial statements, there were no changes in the list of shareholders holding more than 5% of total voting rights at the Company's General Meeting.

7. Subsidiaries and affiliates

As at December 31st 2020, SECO/WARWICK S.A. was the parent of the following subsidiaries:

- SECO/WARWICK Corporation,
- SECO/WARWICK Rus,
- Retech Systems LLC,
- SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co. Ltd.,
- SECO/WARWICK Germany GmbH,
- 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,
- SECO/WARWICK Systems and Services India PVT. Ltd.

As at December 31st 2020, the Group had one associate:

- OOO SCT (Solnechnogorsk) Russia, in which SECO/WARWICK S.A. holds a 50% interest, conferring the right to 50% of the total voting rights in the company.

Changes in the composition of the Group:

In 2020, the composition of the Group did not change.

Composition of the Group as at December 31st 2020:

Company	Registered office	Principal business activity	Group's ownership interest
Parent			
SECO/WARWICK S.A.	Świebodzin (Poland)	Holding company of the SECO/WARWICK Group; holding equity interests and providing strategic management services; manufacture of equipment for metal heat treatment	N.A.
Direct and indirect subsidiaries			
SECO/WARWICK Corp.	Meadville (USA)	Sale, repair and maintenance services	100%
SECO/WARWICK of Delaware, Inc	Wilmington (USA)	Holding company; registration of trademarks and patents, and granting licences for use of the trademarks and patents by SECO/WARWICK Corp.	100%
SECO/WARWICK Rus	Moscow (Russia)	Distribution of the Group's products	100%
Retech Systems LLC	Buffalo (USA)	Trade and services; manufacture of metallurgy equipment used for melting and vacuum casting of metals and specialty alloys	100%
SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co., Ltd.	Tianjin (China)	manufacture of equipment for metal heat treatment	93%
Retech Tianjin Holdings LLC	(USA)	Holding company	80%
OOO SCT	Solnechnogorsk (Russia)	Provision of metal heat treatment services in Russia	50%
SECO/WARWICK Germany GmbH	Bedburg-Hau (Germany)	Sale, repair and maintenance services	100%
SECO/WARWICK Services Sp. z o.o.	Świebodzin (Poland)	Repair and maintenance services	100%
SECO WARWICK USA HOLDING LLC	Wilmington (USA)	Holding company	100%

SECO VACUUM TECHNOLOGIES LLC	Wilmington (USA)	Sale and distribution of vacuum furnaces	100%
SECO/WARWICK Systems and Services India PVT. Ltd.	Mumbai (India)	Sale, repair and maintenance services	100%

II. Authorisation of the financial statements

The Management Board authorised these financial statements for issue on April 22nd 2021.

III. The impact of the COVID-19 pandemic on the Company's situation

At the end of 2019, the first news was received of the spread of the SARS-CoV-2 virus, causing the COVID-19 disease, in China. In the first months of 2020, the virus spread across the world, and its adverse impacts are being felt in many countries.

In connection with the spread of SARS-CoV-2 in Poland, the Polish government announced a state of epidemic threat as of March 14th 2020, and then a state of epidemic as of March 20th 2020, and introduced far-reaching restrictions aimed at limiting the pace and extent of the epidemic. Similar precautionary measures were implemented in most of the affected countries, including in the world's largest economies. The restrictions have strongly affected business organisations' ability to operate and have a material bearing on the current economic situation. It should also be pointed out that the epidemic threat is driving a strong volatility on stock exchange and currency markets, unavailability of certain goods and services, as well as the risk of disruption to global supply chains of key importance to specialised industrial production activities.

The Company's Management Board took steps to mitigate the adverse effect of the situation on the Company's operations and financial performance, while taking steps to ensure safety of the employees and trading partners.

On April 1st 2020, in consultation with trade unions, the Company reduced employees' working hours to 80%, with pro rata cuts of the pay amounts. The Company's employees confirmed their readiness to work reduced hours and to accept the proportionate pay reductions. Full working time was reinstated on August 1st 2020. A Covid19 team has been established to mitigate the effects and risks of the epidemic. Procedures and policies have been put in place, including a rotational work system with a home office option for most of the Company's employees, to minimise the risk of infection among staff. In the case of the departments in which remote work is not possible, an equivalent working time has been introduced.

The Company also decided to apply for aid under various financial assistance and business support programmes as introduced on some of the Group's markets. In the first half of 2020, SECO/WARWICK S.A. received three tranches of employee compensation subsidies totalling PLN 3.1m as part of the anti-crisis shield package in connection with reduced working hours. Received subsidies were recognized as a reduction of remuneration costs within operating costs

Based on its best knowledge, the Company's Management Board does not expect any rise in the number of court disputes, any penalties imposed for contract performance delays, contract terminations, or insolvencies of the Company's customers. The Management Board monitors and analyses on an ongoing basis the situation, the value of orders, and the stage of completion of contracts, to undertake activities to secure the Company's operations if necessary.

So far, the Group has not experienced any significant problems with the availability of feedstocks, materials or goods. The Company's Management Board will continue to monitor the potential impact of the epidemic and take all reasonable steps to mitigate its negative effects on the Company and other Group companies.

The Company has identified the following as the main risks that may affect the Group's operations and financial performance and the results for the period 12 months ended at December 31st 2020 :

1. no significant change in the timeliness of payments of receivables was identified, therefore no significant write-offs for impairment of receivables and contract assets were introduced,
2. limiting the number and value of new orders placed by the Company's contractors,
3. implementation of restrictions in the field of work and the possibility of traveling in China, Europe and the USA, causing delays in the implementation of contracts concluded by the Group companies by limiting the possibility of effective sales, as well as commissioning and servicing devices,
4. difficulties in the execution of orders due to the introduction of a remote work system to protect the health and life of employees against COVID-19,
5. potential difficulties in cooperation with key suppliers of raw materials and components for the Company,
6. as at December 31,2020, the Company performed an impairment test for shares in the related company SECO/WARWICK USA HOLDINGS LLC (see Note 12). No impairment was recognized on the basis of the test results.

The impact of the COVID-19 pandemic on the Company, its financial condition and results in subsequent periods depends on many factors beyond the Company's control.

These factors include, among others: the duration and severity of the pandemic, measures taken by the government to reduce the pandemic and protect society from the effects of the crisis, and thus its final impact on the Polish economy.

The company will monitor the situation resulting from COVID-19 and its impact on the Polish economy.

IV. Compliance with International Financial Reporting Standards

These financial statements have been prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union ((“EU IFRS”) . As at the date of authorisation of these financial statements for issue, given the ongoing process of implementing the IFRSs in the EU and the Company’s business, there were no differences, within the scope of accounting policies applied by the Company, between the IFRSs which were in effect and the IFRSs endorsed by the EU.

These separate financial statements should be read in conjunction with the consolidated financial statements authorised for issue by the Management Board and published on the same day as these separate financial statements.

V. Going concern basis

These financial statements have been prepared on the assumption that the Company will continue as a going concern for the 12 months after the end of the reporting period, i.e. December 31st 2020.

Taking into account the COVID-19 issues, the Company's current order pipeline, cash held and current debt level, projected cash flows, available credit facilities, and the indirect cost saving initiatives undertaken by the Company, the Management Board has performed relevant analyses and concluded that despite those risks and limitations it identified no threat to the Company's ability to continue as a going concern for at least 12 months from the reporting date.

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

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

Historical cost is generally determined on the basis of fair value of the consideration paid for goods and services.

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

These financial statements are presented in the złoty ("PLN"), and unless stated otherwise, all amounts are given in thousands of PLN. Any differences between the total amounts and the sum of their components are due to rounding.

Summary of significant accounting policies

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, taking into account treasury shares. Diluted earnings per share reflect the effect of the Company's incentive scheme whereby treasury shares held by SECO/WARWICK S.A. are to be delivered to the scheme beneficiaries.

Intangible assets

Under intangible assets the Company recognises assets which are identifiable (separable or saleable), are controlled by the Company and are highly probable to bring future economic benefits to the Company.

Intangible assets comprise mainly software and development costs and are initially measured at cost including purchase price, import duties, non-refundable purchase taxes, after deducting trade discounts and rebates, plus any directly attributable cost of preparing the asset for its intended use.

To assess whether an internally generated intangible asset meets the criteria for recognition, the Company classifies the generation of the asset into:

- a research phase,
- a development phase.

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

Intangible assets created as a result of development work are capitalised 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.

The Company determines whether intangible assets have definite or indefinite useful lives. Intangible assets with definite useful lives are amortised over their useful lives and tested for impairment whenever there is an indication of impairment.

The amortisation period and amortisation method for intangible assets with definite useful lives are reviewed at the end of each financial year or more frequently. Changes in the expected useful life or pattern of consumption of the future economic benefits embodied in an asset are disclosed by changing the amortisation period or amortisation method, as appropriate, and are accounted for as changes in accounting estimates.

Amortisation charges on intangible assets with definite useful lives are recognised in profit or loss in the category that corresponds to the function of a given intangible asset.

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	5–20 years	5–15 years
Amortisation method	Amortised using straight-line method after completion of work	Amortised over contract term using straight-line method	Amortised using straight-line method
Origin	Internally generated	Acquired	Acquired
Impairment testing/measuring recoverable amount	Annual assessment of whether there are indications of impairment and annual impairment testing of expenditures on ongoing development work	Annual assessment of whether there are indications of impairment	Annual assessment of whether there are indications of impairment

Grants received are not recognised as a separate item of equity and liabilities in the statement of financial position but as a reduction of the carrying amount of the asset financed with the grant. At the same time, the Company accounts for the grants in the statement of comprehensive income by reducing the amortisation charges on the assets.

Property, plant and equipment

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

Depreciation charges are calculated using the straight-line method based on the useful lives of the 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 property, plant and equipment	from 5 to 15 years

Any gains and losses arising on sale or retirement of an asset are determined as the difference between net proceeds from the disposal, if any, and the carrying amount of the asset, and are recognised in the statement of comprehensive income.

Grants received are not recognised as a separate item of equity and liabilities in the statement of financial position but as a reduction of the carrying amount of the asset financed with the grant. At the same time, the Company accounts for the grants in the statement of comprehensive income by reducing the depreciation charges on the assets.

Property, plant and equipment under construction

Property, plant and equipment under construction include expenditures on items of property, plant and equipment that are not yet ready for use and are highly probable to be completed. Property, plant and equipment under construction are presented in the statement of financial position at cost less impairment losses, if any. Property, plant and equipment under construction are not depreciated.

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 investment property using the straight-line method. Land is not depreciated.

Shares in related entities

Shares in subsidiaries, associates and joint ventures are recognised at historical cost, net of impairment losses.

Financial assets and liabilities

Classification of financial assets

Financial assets are classified into the following categories:

- Financial assets at amortised cost,
- Financial assets at fair value through profit or loss,
- Financial assets at fair value through other comprehensive income.

The Company classifies a financial asset based on its business model for managing the asset and the asset's contractual cash flow characteristics (the SPPI test). The Company reclassifies investments in debt instruments when, and only when, their management model changes.

Measurement on initial recognition

With the exception of certain trade receivables, financial assets are recognised on initial recognition at fair value, which – in the case of financial assets other than those at fair value through profit or loss – is increased by transaction costs directly attributable to their acquisition.

Derecognition

Financial assets are derecognised when:

- The contractual rights to the cash flows from the financial asset expire, or
- the contractual rights to the cash flows from the financial asset are transferred in a transaction whereby the Company transferred substantially all risks and rewards related to that asset.

Measurement subsequent to initial recognition

For the purpose of measurement subsequent to initial recognition, financial assets are classified into one of the following four categories:

- Debt instruments at amortised cost,
- Debt instruments at fair value through other comprehensive income,
- Equity instruments at fair value through other comprehensive income,
- Financial assets at fair value through profit or loss.

Debt instruments – financial assets at amortised cost

A financial asset is carried at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows, and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In the category of financial assets at amortised cost, the Company classifies:

- Trade receivables,
- Loans that meet the SPPI classification test and, in line with the business model, are recognised as held to collect cash flows,
- Cash and cash equivalents.

Recognition and measurement of financial liabilities

Liabilities under bank borrowings and other financial liabilities

Liabilities under bank borrowings and other financial liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Transaction costs directly attributable to the acquisition or issue of a financial liability are added to the carrying amount of the liability because the liability is initially recognised at the fair value of the consideration paid or received to settle the liability. Subsequently, these costs are amortised over the life of the liability using the effective interest method.

Trade payables

Short-term trade payables are recognised at amounts due.

Hedge accounting

In accordance with IFRS 9 Financial Instruments, there are three types of hedging relationships:

a) Fair value hedge: a hedge of the exposure to changes in the fair value of a recognised asset or liability, or a component of an asset, liability or a firm commitment, that is attributable to a particular risk and could affect the statement of comprehensive income,

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

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

The valuation of derivative instruments representing cash flow hedges as at the reporting date is recognised in equity. If a transaction hedged with a currency forward affects the statement of comprehensive income, any valuation previously recognised in equity is reclassified to the statement of comprehensive income.

As derivative instrument transactions are executed to hedge cash flows under sale contracts for which revenue is recognised with the percentage of completion method, measurement of the derivative instruments affects profit or loss pro rata to the percentage of completion of a given contract, and is disclosed in finance income or finance costs in the amount equal to the effective portion of the hedge.

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

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

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

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

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

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

Inventories

Inventories are measured at the lower of cost and net realisable value. Any downward adjustment of the value of inventories to the net selling price is made through recognition of write-downs to net realisable value.

Furthermore, slow-moving inventory, obsolete inventory or inventory whose usability has been impaired in any way are revalued as at the end of each financial year. If the circumstances which caused the decrease in the value of inventories cease to exist, the write-down is reversed.

The effects of measurement at net selling price are charged to other expenses. An inventory decrease is accounted for with the FIFO method, i.e. at cost, starting from the item of materials that was accepted in the warehouse the earliest.

Deferred income tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the separate financial statements and their tax bases.

Deferred tax liabilities are recognised for all taxable temporary differences. A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be offset. Such deferred tax assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that does not affect profit/loss before tax or taxable income/tax loss. In addition, no deferred tax is recognised if the temporary differences arise on initial recognition of goodwill.

A deferred tax liability is recognised for taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, unless the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets resulting from deductible temporary differences related to such investments and interests are recognised only to the extent that it is probable that there will be sufficient taxable profits against which the tax benefits resulting from the temporary differences can be utilised, and it is expected that the temporary differences will reverse in the foreseeable future.

The carrying amount of a deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be realised. An unrecognised deferred tax asset is reassessed at each reporting date and is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or whose future effect is certain as at the reporting date.

The Company offsets deferred tax assets against deferred tax liabilities only if it has a legally enforceable right to set off current income tax assets against current income tax liabilities, and the deferred tax assets and liabilities relate to income taxes levied on the same taxable entity and by the same taxation authority.

Regulations on value added tax, corporate income tax, and social security contributions are subject to frequent changes, with the effect being lack of appropriate points of reference, conflicting interpretations, and scarcity of established precedents which could be followed. Furthermore, the applicable tax laws lack clarity, which leads to differences in opinions and diverse interpretations of tax regulations, both between various public authorities and between public authorities and businesses.

Tax settlements and other areas of activity (e.g. customs or foreign exchange control) may be subject to inspections by authorities that are entitled to impose high fines and penalties, and any additional tax liabilities resulting from such inspections must be paid with high interest. Consequently, tax risk in Poland is higher than in countries with more mature tax systems.

The amounts presented and disclosed in financial statements may therefore change in the future as a result of a final decision by a tax inspection authority.

On July 15th 2016, amendments were made to the Tax Law reflecting the provisions of the General Anti-Abuse Rule (GAAR). GAAR is intended to prevent the creation and use of abusive arrangements to avoid paying taxes in Poland. GAAR defines tax evasion as measures taken primarily for the purpose of achieving a tax benefit which in the given circumstances is contrary to the object and purpose of tax laws. In accordance with GAAR, no tax advantage can be obtained through an arrangement which is abusive. Any arrangements involving (i) separation of transactions or operations without a sufficient rationale, (ii) engaging intermediaries where no business or economic rationale exists, (iii) any offsetting elements, and (iv) any arrangements that operate in a similar way, may be viewed as an indication of the existence of an abusive arrangement subject to GAAR. The new regulations will require much more judgement to be exercised when assessing the tax consequences of particular transactions.

The GAAR clause should be applied with respect to arrangements made after its effective date as well as arrangements that were made before its effective date but the benefit of the tax advantage obtained through the arrangement continued or still continues after that date. After the new regulations are implemented, Polish tax inspection authorities will be able to challenge certain legal agreements and arrangements made by taxpayers, such as corporate restructurings.

The Company discloses and measures current and deferred tax assets or liabilities in compliance with the requirements of IAS 12 *Income Taxes*, based on the taxable income (tax loss), tax base, tax loss carryforwards, unused tax reliefs and the tax rates, taking into consideration uncertainties related to tax settlements.

Whenever there is uncertainty as to whether and to what extent a tax authority would accept a tax settlement, the Company discloses such settlement taking into account assessment of the uncertainty.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and when it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the Company expects that the costs covered by the provision will be reimbursed, e.g. under an insurance agreement, then such reimbursement is recognized as a separate asset, but only when it is practically certain that such reimbursement will actually take place.

Costs related to a given provision are disclosed in the statement of comprehensive income net of all reimbursements. If the effect of the time value of money is material, the amount of provision is determined by discounting the projected future cash flows to their present value using a gross discount rate reflecting current market estimates of the time value of money. Where discounting was used, any increase in the provision due to the passage of time is recognized as finance costs.

Estimates of the financial result and impact are based on the judgement of the management of the companies, supported by their past experience with similar transactions and, in some cases, by reports of independent experts.

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

The Company recognises the following provisions:

- Provision for warranty repairs – on the basis of the estimated future cost of warranty repairs, by reference to the stage of contract completion;
- Provisions for probable costs related to the current financial year which will not be invoiced until the following year (trade payables). 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 each reporting date.

Employee benefits

Employee benefit obligations include obligations in respect of current salaries and wages, estimated employee bonuses, and accrued holiday entitlements – in an amount equivalent to the number of days of accrued unused holidays multiplied by average gross daily pay.

The Company also incurs costs related to the operation of Employee Capital Plans (PPKs) by making contributions to the investment fund. They are post-employment benefits in the form of a defined contribution plan. Costs of PPK contributions are recognised in the same cost item as the cost of salaries and wages on which they are paid. Liabilities under PPKs are presented under other liabilities.

Share-based payments

The Company's employees (including management board members) receive awards in the form of shares.

Share-based payment transactions are measured by reference to the fair value of the equity instruments as at the grant date, and the fair value is measured by an independent expert using a binomial model. When measuring equity-settled transactions, market vesting conditions (related to the Company's share price) and non-vesting conditions are taken into account.

The cost of equity-settled share-based payment transactions is recognised with a corresponding increase in equity in the period in which the performance conditions and/or service conditions are satisfied and which ends on the date when the rights are fully vested in eligible employees (the "'vesting date"). The accumulated cost recognised under equity-settled transactions as at each reporting date until the vesting date reflects the passage of the vesting period and the number of awards which, in the opinion of the Company's Management Board as at that date, based on best estimate of the number of equity instruments, will finally vest.

No costs are recognised in respect of awards which do not finally vest, except for the awards where the rights are vested depending on market vesting conditions or non-vesting conditions. Such rights are treated as acquired regardless of whether such market vesting conditions or non-vesting conditions are satisfied, provided that all other performance conditions or service conditions are met.

If the terms on which equity-settled awards were granted are modified, the Company recognises, at a minimum, the cost of the original award as if they were not modified. Furthermore, costs of any increase in the value of a share-based payment transaction as a result of such modifications, measured as at the modification date, are recognised.

When an equity-settled award is cancelled, it receives the same treatment as if it vested on the date of cancellation and any unrecognised award-related costs are recognised immediately. It also applies to awards where the non-vesting conditions which the Company or the employee controls are not met. However, if the cancelled award is replaced with a new one, both the new award, which is identified as a replacement award on the grant date, as well as the cancelled award are accounted for as if they were a modification of the original award (as described in the above paragraph).

Contractual assets, liabilities and costs

Contract assets include any excess of estimated revenue related to the stage of completion of a long-term contract, in accordance with IFRS 15, over advance payments received and the aggregate amount invoiced under the contract.

Contract liabilities reflect the Company's obligations to transfer services or equipment to a customer for which the Company has already received consideration in the form of an advance payment or for which consideration is due based an invoice issued.

Contract costs include incremental costs of obtaining a contract with a customer, that is costs that the Company would not have incurred if the contract had not been obtained. Incremental costs of obtaining a contract include sales commissions. Contract costs are amortised on a systematic basis, taking into account the stage of completion of the contract to which they relate, if they relate to a contract from which revenue is recognised over time, or on a one-off basis at the time of revenue recognition in the case of a contract from which revenue is recognised at a point in time.

Grants for development projects

Grants for development projects include in particular government grants to finance assets.

The value of grants received to finance development work is deducted from the carrying amount of the asset. The Company accounts for the grants in the statement of comprehensive income by reducing the amortisation charges on the assets.

Grants are not credited directly to equity.

Revenue

If one of the following criteria specified in IFRS 15.35 is met:
a) The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs; or
b) The entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
c) The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Revenue is recognised by measuring progress towards complete satisfaction of a performance obligation, and in other cases revenue is recognised when control of the product is transferred to the customer. The progress towards satisfaction of a performance obligation is measured by reference to incurred costs in comparison with total contract costs (input method).

The Company recognises only documented revenue, i.e. revenue which is guaranteed under the original contract, adjusted to account for any subsequent contract modifications (annexes). Changes in contract revenue are recognised when it is certain (a contract or annex has been signed) or at least when it is probable (a contract or annex has been initialled) that the customer will accept the changes and the amounts of revenue resulting from those changes, and when the amount of such revenue can be measured reliably.

Any excess of advance payments (prepayments) received under a contract over the estimated revenue attributable to a given reporting period is recognised as contract liabilities. Up to the amount of the estimated contract revenue, advance payments reduce the receivables under settlement of long-term contracts.

Any excess of invoiced revenue is recognised under contract liabilities.

Revenue as at the end of the reporting period is determined based on the percentage of contract completion, net of any revenue which affected the financial result in previous reporting periods. For contracts denominated in a currency other than the functional currency, the revenue at the end of the reporting period is calculated first of all based on the exchange rate used for partial invoicing, pro rata to the percentage of contract completion. In order to determine the exchange rate applicable to advance payments, the transaction date is the date of initial recognition of the advance payment as an asset or liability. If there are multiple payments or receipts of advance payments, the transaction date is determined for each payment or receipt. Estimated contract revenue attributable to a given reporting period is recognised as revenue from sale of finished goods and services for the period, and as contract assets in the statement of financial position.

Consideration under contracts concluded by the Company is fixed and includes no variable components. The contracts contain a single performance obligation as the nature of the delivery requires the Company to provide a comprehensive service, that is delivery and installation. Given the complexity of equipment installation, the contract covers not only the purchase of the equipment, but also the supplier's supervision over its installation and the training needed for the equipment to be properly started and operated.

Leases

Right-of-use assets

The Company recognises right-of-use assets at the lease commencement date (i.e. the date when the underlying asset is made available for use). Right-of-use assets are measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, the initial direct costs incurred and any lease payments made at or before the commencement date, less any lease incentives received. If there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, right-of-use assets are depreciated using the straight-line method over the shorter of the estimated life of the asset or the lease term. A right-of-use asset is tested for impairment if there is any indication of impairment.

Lease liabilities

At the lease commencement date, the Company measures lease liabilities at the present value of lease payments then outstanding. Lease payments include fixed payments (including in-substance fixed lease payments) less any lease incentives due, variable payments that depend on an index or rate, and amounts expected to be payable under residual value guarantees. Lease payments also include the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and payment of financial penalties for terminating the lease if the lease terms grant a termination option to the Company. Variable lease payments that do not depend on an index or rate are recognised as an expense in the period in which the event or condition triggering the payment occurs.

When calculating the present value of lease payments, the Company uses the lessee's incremental borrowing rate on the lease commencement date if the interest rate implicit in the lease cannot be readily determined. After the commencement date, the amount of lease liabilities is increased to reflect the interest, and reduced by lease payments made. Furthermore, the carrying amount of lease liabilities is remeasured if the lease term, in-substance fixed lease payments or judgement as to purchase of the underlying assets change.

Short-term leases and leases of low-value assets

The Company applies the short-term exemption to its short-term lease contracts (i.e. contracts with a lease term of 12 months or less from the commencement date, containing no purchase options). The Company also applies the low value lease exemption. Lease payments under short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Significant judgements and estimates in determining the lease term of contracts with extension options

The Company determines the lease term as a non-cancellable lease term, including periods covered by an option to extend the lease, if it is reasonably certain that the option will be exercised, as well as periods covered by an option to terminate the lease if it is reasonably certain that the option will not be exercised.

The Company is able to extend the lease term of certain lease contracts. The Company applies judgment to assess whether there is reasonable certainty that the extension option will be exercised, which means that it takes into account all material facts and circumstances that represent an economic incentive to extend the option or an economic penalty for its non-extension. After the commencement date, the Company reviews the lease term if a significant event or change in circumstances under its control occurs which affects its ability to exercise (or not to exercise) the extension option (e.g. a change in the business strategy).

Functional currency and presentation currency

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 zloty (PLN), which is the Company's functional and presentation currency.

Transactions and balances

Transactions in foreign currencies are translated into the functional currency at the exchange rates prevailing on the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions, as well as from changes in the carrying amounts of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

VII. Material judgements and assumptions

When preparing the financial statements of the Company, the Management Board has to make certain judgements, assumptions and estimates which affect the presented revenue, costs, assets, liabilities, as well as related notes and disclosures concerning contingent liabilities. Uncertainties related to these assumptions and estimates may result in material changes to carrying amounts of assets and liabilities 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 rates for property, plant and equipment used under lease contracts

Depreciation charges for leased items of property, plant and equipment are determined based on their expected useful lives, which is consistent with the depreciation policy applied with respect to assets owned by the Company. If a lease includes an option to purchase the leased asset and the Company assumes that it will exercise this option, it does not apply useful lives equal to the contract term.

Recognition of development costs

The Company recognises development costs if, and only if, it can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete the intangible asset;
- Its ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Impairment of development costs

The Company carries out annual impairment tests for expenditure on ongoing development work in the case of intangible assets with indefinite useful lives and intangible assets that are not in use. The tests were based on forecast future economic benefits, such as lower operating expenses and profits from sale of new equipment.

Impairment losses on shares in subsidiaries

The Company has carried out impairment tests with respect to its shares in subsidiaries for which indications of impairment have been identified. This required an estimation of the value in use of the individual subsidiaries tested for impairment. Estimating the value in use requires making an estimate of the expected future cash flows from the subsidiary and determining a suitable discount rate in order to calculate the present value of those cash flows. The underlying assumptions are presented in the Note.

Deferred tax assets

Deferred tax assets are recognised in respect of all temporary differences to the extent it is probable that taxable profit will be available which will enable these differences to be utilised.

Provision for warranty repairs

The Company provides guarantees for sold products, assuring the customer that the product conforms to the specifications agreed upon by the parties. Since the guarantees are not a separate service under IFRS 15, the Company recognises such guarantees in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The provision for warranty repairs is calculated on the basis of the historical costs of manufacturing of the equipment sold and of the warranty repairs made in the previous years.

Long-term contracts

In the case of contracts accounted for over time, revenue is recognised by measuring progress towards complete satisfaction of a performance obligation, and in other cases revenue is recognised when control of the product is transferred to the customer.

The progress towards satisfaction of a performance obligation is measured by reference to incurred costs in comparison with the planned total contract costs estimated based on the Company's best knowledge (input method).

At the end of each reporting period, the Company estimates the profit or loss on each contract. When a loss on a contract is expected, it is immediately recognised in the statement of profit or loss as a provision for future costs of contract performance. The provision for loss on a contract is recognised at the end of the period if the expected margin on the contract is lower than the margin recognised at that time. It is recognised as the difference between the forecast contract margin and the margin recognised on the contract as at the end of the reporting period.

The amount of such loss is determined irrespective of whether or not work has commenced on the contract, the stage of contract completion, or the amount of profits expected to arise on other contracts.
Revenue recognised over time is revenue guaranteed under the original contract, adjusted to account for any subsequent contract modifications (annexes). Changes in contract revenue are recognised when it is certain or at least when it is highly probable that the customer will accept the changes and the amounts of revenue resulting from those changes, and when the value of that revenue can be measured reliably.

Derivative financial instruments

Derivative instruments are initially recognised at fair value as at the relevant contract date, and subsequently they are remeasured at fair value as at the end of each reporting period. The resulting gains or losses are recognised directly in profit or loss, unless the instrument is used as a hedging instrument. In such a case, the moment of recognition depends on the nature of the hedging relationship.

VIII. Changes in accounting policies

Save for the changes described below and resulting from the introduction of new standards effective for reporting periods beginning on or after January 1st 2020, in the preparation of these financial statements the Company applied the same accounting policies as described in the financial statements prepared as at and for the year ended December 31st 2019.

Change of recognition and presentation of grants received

In 2020, there was a change to the accounting policies applied in the recognition and presentation of grants for development projects received to finance purchases of property, plant and equipment and intangible assets. The Company decided that starting from the financial statements for the year ended December 31st 2020, such grants will not be recognised as a separate item of equity and liabilities in the statement of financial position but as a reduction of the carrying amount of the asset financed with the grant. At the same time, the Company will account for the grants in the statement of comprehensive income by reducing the depreciation or amortisation charges on the assets. Previously, grants received were recognised in the statement of financial position under development projects, in non-current and current liabilities, and were accounted for in the statement of comprehensive income under other income.

Allocation of grants to individual asset items and recognition of depreciation and amortisation charges on asset values reduced by the amounts of grants received will enable the Company to provide a presentation of operating expenses that is more adequate from the perspective of profitability of individual projects at the gross margin level. In the opinion of the Company's Management Board, the change will also facilitate investors' assessment of the profitability of the Company's operations and its distribution costs and administrative expenses.

The following tables summarise the effect of changes in accounting policies on the recognition and presentation of grants received.

Statement of comprehensive income	**Year ended Dec 31 2019**	**Effect of change in accounting policies**	**Year ended Dec 31 2019 – after the change**
Revenue from sale of finished goods and services	257,675		257,675
Revenue from sale of merchandise and materials	9		9
Revenue	**257,684**	**-**	**257,684**
Cost of finished goods sold and services rendered	-199,855	354	-199,501
Cost of merchandise and materials sold	-8		-8
Cost of sales	**-199,863**	**354**	**-199,509**
Gross profit/(loss)	**57,822**	**354**	**58,176**
Other income	3,204	-669	2,535
Distribution costs	-13,254	311	-12,943
Administrative expenses	-24,623	4	-24,619
Impairment of receivables and contract assets	-3,935		-3,935
Other expenses	-2,496		-2,496
Operating profit/(loss)	**16,719**	**-**	**16,719**
Finance income	387		387
Finance costs	-3,450		-3,450
Profit/(loss) before tax	**13,656**	**-**	**13,656**
Income tax	-3,036		-3,036
Net profit/(loss) from continuing operations	**10,620**	**-**	**10,620**

Statement of financial position	**Dec 31 2019**	**Effect of change in accounting policies**	**Dec 31 2019 – after the change**
Non-current assets			
Property, plant and equipment	52,745	-5,375	47,370
Right-of-use assets	11,174		11,174
Investment property	334		334
Intangible assets	55,072	-11,006	44,066
Long-term receivables	2,072		2,072
Investments in related entities	58,422		58,422
Other financial assets	155		155

Contract costs	2,981		2,981
	182,954	**-16,381**	**166,573**
Current assets			
Inventories	31,939		31,939
Trade receivables	58,571		58,571
Income tax assets	-		-
Other short-term receivables	8,278		8,278
Cash and cash equivalents	23,099		23,099
Other financial assets	2,695		2,695
Other non-financial assets	2,740		2,740
Contract costs	3,255		3,255
Contract assets	73,295		73,295
	203,871	**-**	**203,871**
TOTAL ASSETS	**386,824**	**-16,381**	**370,443**

Statement of financial position	**Dec 31 2019**	**Effect of change in accounting policies**	**Dec 31 2019 – after the change**
Equity			
Share capital	3,616		3,616
Statutory reserve funds	141,372		141,372
Hedging reserve	-161		-161
Other components of equity	13,811		13,811
Retained earnings / accumulated losses	32,235		32,235
	190,873	**-**	**190,873**
Non-current liabilities			
Borrowings	-		-
Lease liabilities	6,331		6,331
Derivative financial instruments	287		287
Deferred tax liabilities	6,307		6,307
Provision for retirement and similar benefits	1,243		1,243
Grants for development projects	15,698	-15,698	-
Contract liabilities	1,777		1,777
	31,644	**-15,698**	**15,946**
Current liabilities			
Borrowings	27,418		27,418
Lease liabilities	2,591		2,591
Derivative financial instruments	719		719
Trade payables	42,781		42,781
Other current liabilities	8,363	35	8,398
Provision for retirement and similar benefits	5,976		5,976
Other provisions	7,596		7,596
Grants for development projects	718	-718	-
Contract liabilities	68,145		68,145
	164,307	**-683**	**163,624**
TOTAL EQUITY AND LIABILITIES	**386,824**	**-16,381**	**370,443**

Statement of cash flows	Year ended Dec 31 2019	Effect of change in accounting policies	Year ended Dec 31 2019 – after the change
OPERATING ACTIVITIES			
Profit/(loss) before tax	**13,656**		**13,656**
Total adjustments:	**26,841**	**-**	**26,841**
Depreciation and amortisation	7,452	-669	6,783
Foreign exchange gains/(losses)	95		95
Interest and profit distributions (dividends)	1,853		1,853
Gain/(loss) on investing activities	723		723
Change in provisions	661		661
Change in inventories	-2,732		-2,732
Change in receivables	-11,088		-11,088
Change in current liabilities (other than financial liabilities)	5,291		5,291
Change in grants for development projects	-669	669	-
Change in contract assets and liabilities	23,555		23,555
Change in accruals and deferrals	-670		-670
Change in currency forward contracts	681		681
Other adjustments (including management stock options)	1,688		1,688
Income tax (paid)/refunded	**-239**		**-239**
Net cash from operating activities	**40,257**	**-**	**40,257**
INVESTING ACTIVITIES			
Cash provided by investing activities	**300**	**-**	**300**
Proceeds from disposal of intangible assets and property, plant and equipment	246		246
Decrease in loans advanced	54		54
Cash used in investing activities	**14,502**	**-**	**14,502**
Investments in intangible assets, property, plant and equipment, and investment property	10,765		10,765
Share capital increase at subsidiaries	1,737		1,737
Loans advanced	2,000		2,000
Net cash from investing activities	**-14,203**	**-**	**-14,203**
FINANCING ACTIVITIES			
Cash provided by financing activities	**1,314**	**-**	**1,314**
Sale of treasury shares under the incentive scheme	198		198
Borrowings	-		-
Grants	1,116		1,116
Cash used in financing activities	**43,948**	**-**	**43,948**
Repayment of borrowings	36,196		36,196
Dividends and other distributions to owners	4,019		4,019
Payment of lease liabilities	1,867		1,867
Interest paid	1,867		1,867
Net cash from financing activities	**-42,634**	**-**	**-42,634**

Total net cash flows	**-16,579**	**-**	**-16,579**
Net change in cash, including:	**-16,672**		**-16,672**
- effect of exchange rate fluctuations on cash held	-93		-93
Cash at beginning of period	**39,770**		**39,770**
Cash at end of period	**23,099**	**-**	**23,099**

Presentation changes

In 2020, the presentation of liabilities due to employee benefits was changed by changing the name of the line in the statement of financial position from "Provision for retirement benefits and similar" to "Liabilities due to employee benefits". At the same time, liabilities due to current salaries in the amount of PLN 3,039 thousand PLN, which were previously presented under the item "Other current liabilities" were transferred to the item "Liabilities due to employee benefits".

The amendment aims to present the liabilities for employee benefits as a whole under one item in the statement of financial position, which, in the Company's opinion, better reflects the economic nature of these liabilities.

Other

The amendments to standards and interpretations made in 2020 did not have a material effect on the accounting policies applied by the Group.

a) Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

b) Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

c) Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

d) Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

e) Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The Management Board does not expect any other amendments to the standards and interpretations to have any material bearing on the accounting policies applied by the Company.

The Company did not elect to early adopt any of the standards, interpretations or amendments that have been published but are not effective as not yet endorsed by the European Union.

IX. 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 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;
- 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 17 *Insurance Contracts* (issued on May 18th 2017) including Amendments to IFRS 17 (issued on June 25th 2020) – effective for annual periods beginning on or after January 1st 2023; not endorsed by the EU by the date of authorisation of these financial statements for issue;
- Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current* and *Classification of Liabilities as Current or Non-Current – Deferral of Effective Date* (issued on January 23rd 2020 and July 15th 2020, respectively) – effective for annual periods beginning on or after January 1st 2023; not endorsed by the EU as at the date of authorisation of these financial statements for issue;
- Amendments to IFRS 3*: Amendments to References to the Conceptual Framework in IFRS Standards* (issued on May 14th 2020) – effective for annual periods beginning on or after January 1st 2022; not endorsed by the EU by the date of authorisation of these financial statements for issue;
- Amendments to IFRS 16: *Property, Plant and Equipment – Proceeds before Intended Use* (issued on May 14th 2020) – effective for annual periods beginning on or after January 1st 2022; not endorsed by the EU by the date of authorisation of these financial statements for issue;
- Amendments to IFRS 37: *Onerous Contracts – Cost of Fulfilling a Contract* (issued on May 14th 2020) – effective for annual periods beginning on or after January 1st 2022; not endorsed by the EU by the date of authorisation of these financial statements for issue;
- *Annual Improvements to IFRS Standards 2018–2020* (issued on May 14th 2020) – effective for annual periods beginning on or after January 1st 2022; not endorsed by the EU by the date of authorisation of these financial statements for issue;
- Amendments to IFRS 4: *Insurance Contracts – Deferral of Effective Date of IFRS 9* (issued on June 25th 2020) − effective for annual periods beginning on or after January 1st 2021;
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: *Interest Rates Benchmark Reform – Phase 2* (issued on August 27th 2020) − effective for annual periods beginning on or after January 1st 2021;

- Amendments to IAS 1 and IFRS Practice Statement 2: *Disclosure of Accounting Policies* (issued on February 12th 2021) – effective for annual periods beginning on or after January 1st 2023; not endorsed by the EU as at the date of authorisation of these financial statements for issue;
- Amendments to IAS 8: *Definition of Accounting Estimates* (issued on February 12th 2021) – effective for annual periods beginning on or after January 1st 2023; not endorsed by the EU by the date of authorisation of these financial statements for issue.

Effective dates are the dates resulting from the content of the standards announced by the International Financial Reporting Board. The dates of application of the standards in the European Union may differ from the dates of application resulting from the content of the standards and are published at the time of approval for application by the European Union.

The Company is currently analysing the effect of amendments to IAS 37 which clarify what costs should be considered in the measurement of provisions for onerous contracts. The amendments introduce an approach based on costs that relate directly to the contract. Costs that relate directly to a contract can either be incremental costs of fulfilling a contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling the contract (an example would be the allocation of the depreciation charge for machinery used in fulfilling the contract or the costs of project management or supervision). General and administrative expenses are not considered direct costs and are excluded from the calculation, unless the contract expressly provides that they are borne by the customer.

According to the Company's estimates, the new standards, interpretations and amendments to the existing standards awaiting endorsement by the EU will have no material effect on the Company's financial statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31ST 2020

Note 1. REVENUE

Contracts with customers provide for the design, manufacture and installation of metal heat treatment equipment, as well as sale of spare parts and maintenance services.

Equipment of this type is often dependent on the customer's infrastructure, such as existing units and foundations. Furthermore, the design process of a unit is highly complex given the need to set up the equipment parameters in line with the customer's expectations.

Revenue and total revenue and income of the Company:

Item	Jan 1–Dec 31 2020	Jan 1–Dec 31 2019 transformed
Revenue from sale of finished goods and services	236,983	257,675
- including revenue recognised over time	*198,897*	*235,201*
Revenue from sale of merchandise and materials	7	9
TOTAL revenue	**236,990**	**257,684**
Other income	3,182	2,535
Finance income	3,012	387
TOTAL revenue and income	**243,183**	**260,607**

Revenue by geographical markets:

Item	Jan 1–Dec 31 2020	Jan 1–Dec 31 2019
European Union	92,039	147,576
Commonwealth of Independent States	44,537	2,925
USA	18,549	50,283
Asia	70,119	55,488
Other	11,746	1,413
TOTAL revenue	**236,990**	**257,684**

All revenue is recognised by the Company in accordance with IFRS 15. In 2020, the Company also recognised revenue under a licence agreement in accordance with IFRS 15 in amount PLN 241 thousand recognised under other income, and in 2019 PLN 413 thousand.

Revenue by product type	Jan 1–Dec 31 2020	Jan 1–Dec 31 2019
Vacuum Furnaces	80,792	104,374
Melting Furnaces	85,028	51,776
Atmosphere Furnaces (Thermal)	21,202	54,445
Aluminium Process	34,623	26,713
Aftersales	15,345	19,963
Other	-	413
TOTAL revenue	**236,990**	**257,684**

In 2020, due to the implementation of a large order in the Melting Furnaces segment, revenues from one of the customers in the Commonwealth of Independent States region amounted to PLN 31 757 thousand PLN, which accounts for 13% of the total revenues achieved by the Company in 2020.

Note 2. OPERATING SEGMENTS

Information on particular operating segments is presented in the consolidated financial statements of the SECO/WARWICK Group (Note 2 to the consolidated financial statements for the 12 months ended December 31st 2020).

Note 3. OPERATING EXPENSES

OPERATING EXPENSES, BY NATURE OF EXPENSE	Jan 1–Dec 31 2020	Jan 1–Dec 31 2019 transformed
Depreciation and amortisation	7,713	6,759
Raw materials and consumables used	95,763	121,133
Services	43,986	50,675
Taxes and charges	854	847
Salaries and wages	46,419	56,815
Social security and other benefits	10,054	11,467
Other expenses	6,469	12,469
Total operating expenses, including:	**211,257**	**260,164**
Distribution costs	-11,661	-12,943
Administrative expenses	-23,259	-24,619
Change in products	20,279	-8,133
Cost of work performed by entity and capitalised	-6,231	-14,969
Cost of products sold and services rendered	**190,384**	**199,501**

DEPRECIATION/AMORTISATION CHARGES RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME	Jan 1–Dec 31 2020	Jan 1–Dec 31 2019 transformed
Items recognised as cost of sales	**5,323**	**4,244**
Depreciation of property, plant and equipment	2,477	1,738
Depreciation of right-of-use assets	1,023	894
Amortisation of intangible assets	1,822	1,612
Items recognised as distribution costs	**1,275**	**1,288**
Depreciation of property, plant and equipment	810	618
Depreciation of right-of-use assets	118	20
Amortisation of intangible assets	346	651
Items recognised as administrative expenses	**1,116**	**1,227**
Depreciation of property, plant and equipment	186	461
Depreciation of right-of-use assets	811	382
Amortisation of intangible assets	119	384
Items recognised as other expenses	**24**	**24**
Depreciation of investment property	24	24

PERSONNEL COSTS	Jan 1–Dec 31 2020	Jan 1–Dec 31 2019
Salaries and wages	46,419	56,815
Social security	10,054	11,467
Total employee benefits expense, including:	**56,472**	**68,282**
Items recognised as cost of sales	39,923	46,933
Items recognised as distribution costs	3,556	3,342
Items recognised as administrative expenses	12,993	18,007

Note 4. OTHER INCOME AND EXPENSES

OTHER INCOME	Jan 1–Dec 31 2020	Jan 1–Dec 31 2019 transformed
Gain on disposal of property, plant and equipment	35	106
Reversal of provision for liquidated damages under contracts	730	-
Penalties and compensation received	90	66
Income from lease of property, plant and equipment and investment property	913	908
Licence revenue	241	413
Services provided to subsidiaries	403	420
Accounting for lease liabilities in connection with return of cars	253	-
Other	518	622
Total other income	**3,181**	**2,535**

OTHER EXPENSES	Jan 1–Dec 31 2020	Jan 1–Dec 31 2019
Inventory write-downs	851	750
Court expenses, compensation/damages, penalties	143	576
Donations	35	8
Cost related to income from lease of property, plant and equipment	417	349
Retirement of an item of property, plant and equipment	-	323
Other	397	490
Total other expenses	**1,844**	**2,496**

Impairment of receivables and contract assets	Jan 1–Dec 31 2020	Jan 1–Dec 31 2019
Change in amount of impairment of receivables	1,464	3,935
- including impairment losses on receivables from SECO/WARWICK Germany GmbH	1,000	2,441
- including impairment losses on receivables from SECO/WARWICK Rus	-	1,035
- including impairment losses on receivables from Retech	460	-
- including impairment losses on receivables from SECO/WARWICK Corporation	193	-
- including impairment losses on receivables from SECO/WARWICK Retech	-240	-
Change in amount of impairment of contract assets	-64	0
Impairment of receivables and contract assets	**1,400**	**3,935**

Note 5. FINANCE INCOME AND COSTS

FINANCE INCOME	Jan 1–Dec 31 2020	Jan 1–Dec 31 2019
Interest income	216	386
Net foreign exchange gains	2,796	-
Other	-	1
Total finance income	**3,012**	**387**

FINANCE COSTS	Jan 1–Dec 31 2020	Jan 1–Dec 31 2019
Interest on bank borrowings	794	1,600
Interest on leases	345	453
Net foreign exchange losses	-	343
Net gain/(loss) on derivative instruments	3,554	75
Impairment losses on loans	29	29
Impairment losses on shares (1)	-	909
Other	-	41
Total finance costs	**4,722**	**3,450**

1) The impairment losses recognised in 2019 include impairment losses of PLN 737 thousand on SECO/WARWICK Germany GmbH and PLN 172 thousand on SECO/WARWICK RUS.

Note 6. INCOME TAX AND DEFERRED INCOME TAX

The main items of the tax expense for the annual periods ended December 31st 2020 and December 31st 2019 were as follows:

INCOME TAX DISCLOSED IN THE STATEMENT OF COMPREHENSIVE INCOME	Jan 1–Dec 31 2020	Jan 1–Dec 31 2019
Current income tax	**114**	**239**
Withholding tax	114	239
Deferred income tax	**1,917**	**2,797**
Income tax disclosed in profit or loss	**-2,031**	**-3,036**
Income tax on other comprehensive income	**-320**	**66**

CURRENT INCOME TAX	Jan 1–Dec 31 2020	Jan 1–Dec 31 2019
Net profit/(loss) before tax	**9,888**	**13,656**
Income temporarily excluded from taxation and previous years' income increasing tax base	-12,987	27,527
Costs temporarily non-tax deductible and costs of previous years reducing tax base	15,466	-19,436
Tax profit/(loss)	**12,367**	**21,747**
Deductions from income – loss	-12,305	-16,017
R&D relief	-	-5,025
COVID-19 relief	-39	-
Tax base	**23**	**705**

Income tax at 19%	114	134
Tax deduction	114	134
Effective tax rate (share of income tax in profit before tax)	**-**	**-**

The current portion of income tax was determined at the rate of 19% of the tax base.

The table below presents a reconciliation of corporate income tax on profit/loss before tax computed at the statutory tax rate with corporate income tax computed at the Company's effective tax rate for the years ended December 31st 2020 and December 31st 2019.

	Jan 1–Dec 31 2020	**Jan 1–Dec 31 2019**
Profit/(loss) before tax from continuing operations	9,888	13,656
Profit/(loss) before tax from discontinued operations	-	-
Profit/(loss) before tax	9,888	13,656
Corporate income tax at Poland's statutory rate of 19% (2019: 19%)	1,879	2,595
Corporate income tax at the effective tax rate of 20% (2019: 22%)	2,031	3,036
Tax differences	**153**	**441**
Explanation of differences between the effective and theoretical tax rates:		
Investment tax reliefs	-3,661	-3,223
Permanently non-deductible expenses	626	1,019
Temporary differences with respect to which no deferred tax was recognised*	3,047	2,799
Permanently non-taxable income	-288	-82
Additional income included in taxable income	372	372
Other	716	1,436
Total differences between the effective and theoretical tax rates	804	2,321
Tax on the difference between the effective and theoretical tax rates	**153**	**441**

* As at December 31st 2020, temporary differences included in the calculation of income tax for 2020, for which no deferred tax was recognised, amounted to PLN 3,046 thousand, of which PLN 954 thousand related to impairment losses on receivables from subsidiaries, and PLN 1,364 thousand to the Incentive Scheme costs.

As at December 31st 2019, temporary differences included in the calculation of income tax for 2019, for which no deferred tax was recognised, amounted to PLN 2,799 thousand, of which PLN 1,688 thousand related to the Incentive Scheme costs, and PLN 909 thousand to impairment losses on shares in subsidiaries.

The amount of unrecognised deferred tax assets is related to temporary differences which, in the opinion of the Company's Management Board, may not be used for tax purposes.

As at December 31st 2020, temporary differences for which no deferred tax assets were recognised amounted to PLN 51,389 thousand, of which PLN 3,103 thousand were unused tax losses on equity-related activities, incurred in 2018, PLN 44,666 thousand were impairment losses on shares in subsidiaries, and PLN 3,620 thousand were impairment losses on receivables.

As at December 31st 2019, temporary differences for which no deferred tax assets were recognised amounted to PLN 49,982 thousand, of which PLN 3,103 thousand were unused tax losses on equity-related activities, incurred in 2019, PLN 44,666 thousand were impairment losses on shares in subsidiaries, and PLN 2,213 thousand were impairment losses on receivables.

As part of the 2020 tax settlement, the Company made a deduction of tax losses incurred in previous years of PLN 12.607 thousand. Tax loss carryforwards of PLN 1,217 thousand were recognised, comprising tax loss carryforwards from 2016. Based on its past experience of continually reporting taxable profit since 2017, which allowed the Company to gradually recover its tax losses from earlier years, as at December 31st 2020 the Company did not expect any material risk of non-recovery of tax losses brought forward.

As part of the 2019 tax settlement, the Company made a deduction of tax losses incurred in previous years of PLN 16,016.8 thousand. Tax loss carryforwards of PLN 13,824.1 thousand were recognised, including tax loss carryforwards of PLN 837.6 thousand from 2015 and PLN 12,986.5 thousand from 2016. Based on its past experience of continually reporting taxable profit since 2017, which allowed the Company to gradually recover its tax losses from earlier years, as at December 31st 2019 the Company did not expect any material risk of non-recovery of tax losses brought forward.

Item	Dec 31 2020 deferred income tax base	Dec 31 2020 other comprehensive income	Dec 31 2020 amount recognised in the statement of comprehensive income	Dec 31 2019 deferred income tax base	Dec 31 2019 other comprehensive income	Dec 31 2019 amount recognised in the statement of comprehensive income
Deferred tax liabilities						
Property, plant and equipment and intangible assets	5,533	-	258	5,275	-	-1,470
Contract assets	10,163	-	-757	10,920	-	902
Right-of-use assets	555	-	100	455	-	455
Foreign exchange gains	130	-	159	-	-	-56
Measurement of forward contracts	66	-80	-52	197	-52	-132
Other	18	-	-1	19	-	-54
Deferred tax liabilities	**14,464**	**-80**	**-292**	**16,866**	**-52**	**-355**
Deferred tax assets						
Provision for disability severance payments and retirement bonuses	222	-	15	240	33	43
Provision for length-of-service awards and bonuses	839	-	20	819	-	-258
Employee benefits for accrued holiday entitlements	303	-	-9	312	-	-23
Provision for losses on contracts	112	-	79	32	-	-163
Provision for warranty repairs	801	-	-430	1,231	-	189
Other provisions	42	-	-139	181	-	13
Tax losses to be settled	289	-	-2,338	2,627	-	-3,043
Contract liabilities	1,760	-	-325	2,086	-	557
Foreign exchange losses	-	-	-	29	-	29
Salaries, wages and social security contributions payable in subsequent periods	282	-	-13	295	-	10
Lease liabilities	-	-	-	-	-	-1,070
Impairment losses on receivables	1,306	-	161	1,145	-	-10
Inventory write-downs	1,112	-	162	950	-	950
R&D relief	902	-	666	236	-	-343
Measurement of forward contracts	619	285	110	191	-40	4
Other	16	-	-169	184	-	-37
Deferred tax assets	**8,606**	**285**	**-2,208**	**10,559**	**-7**	**-3,151**

Note 7. EARNINGS PER SHARE

Item	2020	2019
Net profit from continuing operations attributable to shareholders	7,856	10,620
Loss from discontinued operations attributable to shareholders		
Net profit attributable to owners of the parent	7,856	10,620
Interest on redeemable preference shares convertible into ordinary shares		
Net profit attributable to holders of ordinary shares used to calculate diluted earnings per share	**7,856**	**10,620**
,878,	9,773,820	9,878,044
Earnings per share	**0.80**	**1.08**
Adjusted weighted average number of ordinary shares used to calculate diluted earnings per share	9,977,186	9,980,362
Diluted earnings per share	**0.79**	**1.07**

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

In 2020, the Company did not propose or pass a resolution to pay any dividend.

On April 22nd 2020, the Supervisory Board gave a positive assessment of the Management Board's proposal to allocate SECO/WARWICK S.A.'s total net profit for 2019, of PLN 10,619,707.32 (ten million, six hundred and nineteen thousand, seven hundred and seven złoty, 32/100), to the Company's statutory reserve funds.

On June 5th 2020, the Annual General Meeting decided to retain the Company's net profit for 2019 and allocate it in full to the Company's statutory reserve funds.

Note 9. PROPERTY, PLANT AND EQUIPMENT

Changes in property, plant and equipment (by type) in the period January 1st–December 31st 2020

Item	Land	Buildings and structures	Plant and equipment	Vehicles	Other property, plant and equipment	Total
Gross carrying amount as at Dec 31 2019 transformed	**32**	**35,989**	**25,524**	**1,499**	**4,261**	**67,305**
Increase, including:	**-**	**164**	**669**	**-**	**41**	**874**
acquisitions	-	164	669	-	41	874
Decrease, including:	**-**	**1,173**	**222**	**215**	**85**	**522**
disposal	-	-	16	215	-	231
retirement	-	-	206	-	85	291
Gross carrying amount as at Dec 31 2020	**32**	**36,153**	**25,971**	**1,284**	**4,217**	**67,657**
Cumulative depreciation as at Dec 31 2019 transformed	**-**	**6,713**	**10,688**	**948**	**2,139**	**20,488**
Increase, including:	**-**	**1,091**	**1,856**	**228**	**300**	**3,475**
depreciation	-	1,091	1,856	228	300	3,475

Decrease, including:	**-**	**-**	**210**	**197**	**79**	**487**
disposal	-	-	9	197	-	206
retirement	-	-	201	-	79	281
Cumulative depreciation as at Dec 31 2020	**-**	**7,803**	**12,334**	**979**	**2,360**	**23,476**
Impairment losses as at Dec 31 2019	-	-	-	-	-	-
Impairment losses as at Dec 31 2020	-	-	-	-	-	-
Net carrying amount as at Dec 31 2020	**32**	**28,350**	**13,637**	**304**	**1,857**	**44,181**

Changes in property, plant and equipment (by type) in the period January 1st–December 31st 2019 transformed

Item	**Land**	**Buildings and structures**	**Plant and equipment**	**Vehicles**	**Other property, plant and equipment**	**Total**
Gross carrying amount as at Dec 31 2018 transformed	**32**	**34,476**	**23,549**	**2,044**	**4,235**	**64,337**
Increase, including:	**-**	**1,514**	**2,297**	**344**	**26**	**4,180**
acquisitions	-	1,514	2,297	274	26	4,110
other	-	-	-	70	-	70
Decrease, including:	**-**	**-**	**322**	**889**	**-**	**1,211**
disposal	-	-	202	710	-	911
retirement	-	-	120	179	-	299
Gross carrying amount as at Dec 31 2019 transformed	**32**	**35,990**	**25,524**	**1,499**	**4,261**	**67,306**
Cumulative depreciation as at Dec 31 2018 transformed	**-**	**5,959**	**9,352**	**1,341**	**1,826**	**18,478**
Increase, including:	**-**	**753**	**1,598**	**144**	**314**	**2,810**
depreciation	-	753	1,598	144	314	2,810
Decrease, including:	**-**	**-**	**263**	**536**	**-**	**799**
disposal	-	-	143	533	-	676
retirement	-	-	120	-	-	120
other	-	-	-	3	-	3
Cumulative depreciation as at Dec 31 2019 transformed	**-**	**6,712**	**10,688**	**948**	**2,140**	**20,488**
Impairment losses as at Dec 31 2018	-	-	-	-	-	-
Impairment losses as at Dec 31 2019	-	-	-	-	-	-
Net carrying amount as at Dec 31 2019 transformed	**32**	**29,277**	**14,836**	**551**	**2,122**	**46,818**

As at December 31st 2020, 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.

Property, plant and equipment under construction

Property, plant and equipment under construction as at Jan 1 2020	*Expenditure incurred in the financial year*	*Allocation of the expenditure*				*As at Dec 31 2020*
		Buildings, premises and civil engineering structures	*Machinery and equipment*	*Vehicles*	*Other*	
552	**777**	216	710	-	-	**404**

Property, plant and equipment under construction as at Jan 1 2019	*Expenditure incurred in the financial year*	*Allocation of the expenditure*				*As at Dec 31 2019*
		Buildings, premises and civil engineering structures	*Machinery and equipment*	*Vehicles*	*Other*	
2,206	**3,267**	1,514	3,312	70	26	**552**

RIGHT-OF-USE ASSETS

Item	**Land**	**Buildings and structures**	**Plant and equipment**	**Vehicles**	**Total**
Gross carrying amount as at Dec 31 2019	**2,625**	**1,357**	**4,144**	**5,957**	**14,083**
Increase, including:	**-**	**15**	**-**	**3,119**	**3,134**
new lease contracts	-	-	-	3,119	3,119
modification of contracts	-	15	-	-	15
Decrease, including:	**-**	**129**	**-**	**2,354**	**2,483**
retirement	-	-	-	2,354	2,354
modification of contracts	-	129	-	-	129
Gross carrying amount as at Dec 31 2020	**2,625**	**1,244**	**4,144**	**6,722**	**14,734**
Cumulative depreciation as at Dec 31 2019	**23**	**267**	**115**	**2,505**	**2,909**
Increase, including:	**37**	**345**	**184**	**1,387**	**1,953**
depreciation	37	345	184	1,387	1,953
Decrease, including:	**-**	**-**	**-**	**1,382**	**1,382**
retirement	-	-	-	1,382	1,382
Cumulative depreciation as at Dec 31 2020	**59**	**612**	**299**	**2,509**	**3,480**
Net carrying amount as at Dec 31 2020	**2,565**	**632**	**3,845**	**4,213**	**11,255**

Item	**Land**	**Buildings and structures**	**Plant and equipment**	**Vehicles**	**Total**
Gross carrying amount as at Dec 31 2018	**-**	**-**	**-**	**-**	**-**
Identification of rights of use in connection with the adoption of IFRS 16	2,625	380	3,133	5,060	11,198
Gross carrying amount as at Jan 1 2019 following the adoption of IFRS 16	**2,625**	**380**	**3,133**	**5,060**	**11,198**
Increase, including:	**-**	**977**	**1,011**	**1,194**	**3,182**
new lease contracts	-	537	1,011	1,194	2,742
modification of contracts	-	440	-	-	440
Decrease, including:	**-**	**-**	**-**	**297**	**297**
retirement	-	-	-	297	297

Gross carrying amount as at Dec 31 2019	**2,625**	**1,357**	**4,144**	**5,957**	**14,083**
Cumulative depreciation as at Dec 31 2018	**-**	**-**	**-**	**-**	**-**
Identification of rights of use in connection with the adoption of IFRS 16	-	-	19	1,841	1,860
Cumulative depreciation as at Jan 1 2019 following the adoption of IFRS 16	**-**	**-**	**19**	**1,841**	**1,860**
Increase, including:	**23**	**267**	**97**	**910**	**1,296**
depreciation	23	267	97	910	1,296
Decrease, including:	**-**	**-**	**-**	**247**	**247**
retirement	-	-	-	247	247
Cumulative depreciation as at Dec 31 2019	**23**	**267**	**115**	**2,505**	**2,909**
Net carrying amount as at Dec 31 2019	**2,602**	**1,091**	**4,029**	**3,452**	**11,174**

Note 10. INTANGIBLE ASSETS

Changes in intangible assets (by type) in the period January 1st–December 31st 2020

Item	Development costs	Patents and licences, software	Other intangible assets	Total
Gross carrying amount as at Dec 31 2019 transformed	**42,455**	**10,881**	**4,955**	**58,292**
Increase, including:	**2,580**	**676**	**-**	**3,256**
acquisitions	2,580	533	-	3,114
other	-	142	-	142
Decrease, including:	**-**	**553**	**-**	**553**
other	-	553	-	553
Gross carrying amount as at Dec 31 2020	**45,035**	**11,004**	**4,955**	**60,994**
Cumulative amortisation as at Dec 31 2019 transformed	**5,611**	**5,167**	**3,448**	**14,225**
Increase, including:	**1,266**	**732**	**288**	**2,287**
amortisation	1,266	732	288	2,287
Decrease, including:	**177**	**4**	**-**	**181**
other	177	4	-	181
Cumulative amortisation as at Dec 31 2020	**6,700**	**5,895**	**3,736**	**16,331**
Impairment losses as at Dec 31 2019	-	-	-	**-**
Impairment losses as at Dec 31 2020	-	-	-	**-**
Net carrying amount as at Dec 31 2020	**38,336**	**5,108**	**1,219**	**44,664**

Changes in intangible assets (by type) in the period January 1st–December 31st 2019 transformed

Item	Development costs	Patents and licences, software	Other intangible assets	Total
Gross carrying amount as at Dec 31 2018 transformed	**34,854**	**9,606**	**4,955**	**49,415**
Increase, including:	**7,601**	**1,275**	**-**	**8,876**
acquisitions	7,601	1,275	-	8,876
Decrease, including:	**-**	**-**	**-**	**-**
other	-	-	-	-
Gross carrying amount as at Dec 31 2019 transformed	**42,455**	**10,881**	**4,955**	**58,292**
Cumulative amortisation as at Dec 31 2018 transformed	**4,741**	**3,653**	**3,129**	**13,832**
Increase, including:	**1,157**	**1,521**	**319**	**2,996**
amortisation	1,157	1,458	319	2,933
other	-	63	-	63
Decrease, including:	**287**	**7**	**-**	**293**
other	287	7	-	**293**
Cumulative amortisation as at Dec 31 2019 transformed	**5,611**	**5,167**	**3,448**	**14,225**
Impairment losses as at Dec 31 2018	-	-	-	**-**
Impairment losses as at Dec 31 2019	-	-	-	**-**
Net carrying amount as at Dec 31 2019 transformed	**36,844**	**5,714**	**1,508**	**44,066**

No intangible assets are pledged as security for liabilities.

As at December 31st 2020 and December 31st 2019, the Company had no intangible assets held for sale.

In 2020, the research costs recognised in the statement of comprehensive income were PLN 1,107 thousand (2019: PLN 1,442 thousand).

As at December 31st 2020, PLN 26,134 thousand of costs of completed development work and PLN 12,202 thousand of costs of ongoing development work were recognised. Those costs include the development of innovative equipment for metal heat treatment and vacuum metallurgy.

Work related to ongoing development projects involves development of new equipment prototypes and new thermal treatment technologies, as well as improvement of the existing products by enhancing their technical parameters.

Costs of completed development work include:

- PLN 14,155 thousand allocated to the vacuum furnace segments;
- PLN 5,471 thousand allocated to the atmosphere furnace segments;
- PLN 1,248 thousand allocated to the aluminium furnace segments;
- PLN 1,615 thousand allocated to the melting furnace segments;
- PLN 3,645 thousand in other costs.

Costs of ongoing development work include:

- PLN 2,346 thousand allocated to the vacuum furnace segments;
- PLN 6,833 thousand allocated to the atmosphere furnace segments;
- PLN 419 thousand allocated to the aluminium furnace segments;
- PLN 1,347 thousand allocated to the melting furnace segments;
- PLN 1,257 thousand in other costs.

The Company tested expenditure on ongoing development work for impairment. To this end, each development project was analysed in terms of its progress status against the project schedule and budget, as well as confirmation of the project's business objectives. In addition, ongoing development work was analysed at the operating segment level.

The total recoverable amount of segment assets was determined by reference to their value in use, calculated on the basis of cash flow projections based on financial budgets approved by the senior management and covering a five-year period, and additionally the residual value after the end of the five-year period, taking into account the expected long-term use of the technologies being developed, as anticipated from the Company's past experience.

Kay assumptions for the calculation of value in use

The calculation of value in use is most sensitive to the following assumptions:

- The segment’s sales,
- Gross margin based on the average percentage margins realised by the segment;
- Discount rates estimated based on the risk level for the segment.

Sensitivity to changes of assumptions

With regard to the value in use estimation, the management believes that no reasonably possible change to any of the key assumptions referred to above will result in the cash generating unit's carrying amount exceeding significantly its recoverable amount.

Note 11. INVESTMENTS IN RELATED ENTITIES

Investments in related entities

As at Dec 31 2020	Gross amount of equity interests	Impairment losses on shares	Carrying amount of equity interests	Ownership interest (%)	% of total voting rights
SECO/WARWICK Corporation	21,806	21,806	-	100%	100%
SECO/WARWICK Rus	172	172	-	100%	100%
Retech Systems LLC	50,863	12,399	38,464	100%	100%
SECO/WARWICK Retech	7,601		7,601	93%	93%
OOO SCT Russia (2)	4,228	4,228	-	50%	50%
SECO/WARWICK Germany GmbH	6,035	6,035	-	100%	100%
SECO/WARWICK Systems and Services India PVT Ltd	1,268	-	1,268	100%	100%
SECO/WARWICK Service Sp. z o.o.	3,412	26	3,386	100%	100%
SECO WARWICK USA Holding	7,703	-	7,703	100%	100%
Total	**103,088**	**44,666**	**58,421**		

As at Dec 31 2019	Gross amount of equity interests	Impairment losses on shares	Carrying amount of equity interests	Ownership interest (%)	% of total voting rights
SECO/WARWICK Corporation	21,806	21,806	-	100%	100%
SECO/WARWICK Rus (1)	172	172	-	100%	100%
Retech Systems LLC	50,863	12,399	38,464	100%	100%
SECO/WARWICK Retech	7,601		7,601	93%	93%
OOO SCT Russia (2)	4,228	4,228	-	50%	50%
SECO/WARWICK Germany GmbH (3)	6,035	6,035	-	100%	100%
SECO/WARWICK Systems and Services India PVT Ltd	1,268	-	1,268	100%	100%
SECO/WARWICK Service Sp. z o.o. (4)	3,412	26	3,386	100%	100%
SECO WARWICK USA Holding	7,703	-	7,703	100%	100%
Total	**103,088**	**44,666**	**58,421**		

(1) In 2019, impairment losses of PLN 172 thousand were recognised on SECO/WARWICK Rus.

(2) Associate.

(3) In 2019, EUR 170 thousand (PLN 737 thousand) was contributed to SECO/WARWICK Germany GmbH's equity. Impairment losses of PLN 737 thousand were recognised.

(4) In 2019, PLN 1 million was contributed to SECO/WARWICK Services Sp. z o.o.'s equity.

Change in investments in related entities

Item	2020	2019
At beginning of period	**58,421**	**57,593**
Increase during the period, including:		
- share capital increase at SECO/WARWICK Services Sp. z o.o.	-	1,000
- share capital increase at SECO/WARWICK Germany GmbH	-	738
Decrease during the period, including:		
- impairment losses on investment in SECO/WARWICK Rus	-	172
- impairment losses on investment in SECO/WARWICK Germany	-	737
At end of period	**58,421**	**58,421**

Note 12. IMPAIRMENT TESTS

As at December 31st 2020, the Company identified indications of impairment with respect to SECO WARWICK USA HOLDING LLC therefore investments in this company was tested for impairment.

The recoverable amounts were determined using future cash flow projections based on the 2021 budget and forecasts for the next five years. The projections reflect the management's business experience to date and 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 USA HOLDING LLC *(USA)*
Average discount rate (pre-tax)	10,00%
Average revenue growth rate	25,50%
Growth rate after the forecast period	2,00%
Recoverable amount	22 453
Value of the shares	7 703
Impairment losses	0

Other key assumptions for the calculation of value in use:

The estimation of recoverable amount is sensitive to the following variables:

• Free cash flows,

• Discount rates,

• Market share in the forecast period.

Free cash flows are estimated based on historical data concerning individual cash-generating units and forecast revenues, operating profit, depreciation and amortisation, replacement 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 the impairment tests; WACC was adjusted on a case-by-case basis 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.

Market assumptions – these assumptions are important because, in addition to the use of industry data for growth rates, the management assesses how the assets and financial position of individual cash-generating units may change during the financial period against competitors. The management assumes an increase in market share in the forecast period, taking into account currently contracted projects as well as potential projects resulting from received inquiries. In 2021 the management expects to "return to normality" which was before COVID-19, in the US market - the company's core business.

Sensitivity to changes of assumptions

In testing shares for impairment, a projection was made of the recoverable amount for different discount rate levels in the years 2021–2025, for each company covered by the impairment test.

Item	*Recoverable amount* *SECO WARWICK USA HOLDING LLC (USA)*	
Discount rates assumed in the test	22 453	
+1/-1% change in discount rate	-3 148	-3 148
+10/-10% change in average revenue growth rate	30 931	30 931
+1/-1% change in growth rate after forecast period	3 512	3 512

As at December 31st 2019, the Company identified indications of impairment with respect to SECO/WARWICK Germany GmbH (SWG) and SECO/WARWICK Rus (SW RUS), therefore investments in those companies were tested for impairment.

The recoverable amounts were determined using future cash flow projections based on the 2020 budget and forecasts for the next five years. The projections reflect the management's business experience to date and 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	*SWG (Germany)*	*SW RUS (Russia)*
Average discount rate (pre-tax)	13.90%	19.09%
Average revenue growth rate	13.19%	6.51%
Growth rate after the forecast period	2.00%	2.00%
Recoverable amount	-4,431	-139
Value of the shares	737	172
Impairment losses	737	172

Based on the tests, the Company recognised a PLN 737 thousand impairment loss on shares in SECO/WARWICK Germany GmbH and a PLN 172 thousand impairment loss on shares in SECO/WARWICK Rus.

Sensitivity to changes of assumptions

In testing shares for impairment, a projection was made of the recoverable amount for different discount rate levels in the years 2020–2024, for each company covered by the impairment test.

Item	*Recoverable amount SWG (Germany)*	
Discount rates assumed in the test	-4,431	
+1/-1% change in discount rate	-433	510
+10/-10% change in average revenue growth rate	6,876	-5,023
+1/-1% change in growth rate after forecast period	356	-300

Item	*Recoverable amount SW RUS (Russia)*	
Discount rates assumed in the test	-139	
+1/-1% change in discount rate	-207	232
+10/-10% change in average revenue growth rate	1,216	-898
+1/-1% change in growth rate after forecast period	127	-113

Note 13. INVENTORIES

Item	Dec 31 2020	Dec 31 2019
Materials	16,085	16,135
Semi-finished products and work in progress	10,247	15,804
Total inventories (carrying amount)	**26,331**	**31,939**
Inventory write-downs	5,852	5,001
Gross inventories	**32,183**	**36,940**

CHANGE IN WRITE-DOWNS

WRITE-DOWNS	Materials	Semi-finished products and work in progress	Finished goods	Merchandise	**Total**
Jan 1 2019	**264**	**4,310**	**-**	**-**	**4,574**
Increase, including:	**750**	**-**	**-**	**-**	**750**
- inventory write-downs recognised	750	-	-	-	750
Decrease, including:	**-**	**-323**	-	-	**-323**
- inventory write-downs reversed	-	-323	-	-	-323
Dec 31 2019	**1,014**	**3,987**	**-**	**-**	**5,001**
Increase, including:	**401**	**450**	**-**	**-**	**851**
- inventory write-downs recognised	401	450	-	-	851
Decrease, including:	**-**	**-**	**-**	**-**	**-**
- inventory write-downs reversed	-	-	-	-	-
Dec 31 2020	**1,415**	**4,437**	**-**	**-**	**5,852**

Note 14. CONTRACT ASSETS/LIABILITIES

The Company recognised the following assets and liabilities under contracts with customers:

Contract assets

Contract assets reflect the amounts payable by customers in connection with provision of services or delivery of equipment.
In the Company's opinion, there is no concentration of credit risk related to contract assets due to a large and diversified customer base. The Company's maximum exposure to credit risk at the end of the reporting period corresponds to the carrying amount of these assets.

Changes in contract assets in the twelve months ended December 31st 2020 were as follows:

	2020	2019
Opening balance	**73,296**	**73,835**
Effect of IFRS 9	64	-
Increase	176,700	260,889
Invoiced amounts transferred to trade receivables	-201,536	-261,428
Closing balance	**48,524**	**73,296**

As at December 31st 2020, expected credit losses for contract assets were at 0.29%. As the amount of expected credit losses changed, the impairment losses as at December 31st 2020 were reduced by PLN 64 thousand.

Contract liabilities

The balance of contract liabilities of approximately PLN 65,734 thousand as at January 1st 2020 was recognised as revenue generated in the 12 months ended December 31st 2020.

The significant amounts of contract assets and liabilities result from the payment schedules agreed with the customers and are recognised at the level of individual contracts.

As at December 31st 2020, the transaction price allocated to unsatisfied performance obligations under contracts with customers was PLN 36,962 thousand. The following table shows the time periods during which the Company expects to satisfy those performance obligations and recognise related revenue.

	Dec 31 2020	Dec 31 2019
Up to 1 year	36,364	68,145
1–2 years	598	1,777
Total unsatisfied performance obligations	**36,962**	**69,922**

Contract costs

As at December 31st 2020, the Company also recognised the following costs of obtaining a contract with a customer:

	Dec 31 2020	Dec 31 2019
As at Jan 1	**6,236**	**-**
- contract costs capitalised in the period	-	6,331
- amortisation for period	2,354	95
- impairment losses	-	-
As at Dec 31	**3,882**	**6,236**

Note 15. TRADE AND OTHER RECEIVABLES

Long-term receivables

Item	Dec 31 2020	Dec 31 2019
Trade receivables	**-**	**-**
a) from related entities	-	-
b) from other entities	-	-
Other receivables	**512**	**2,072**
a) from related entities	-	-
b) from other entities*	512	2,072
Total long-term receivables	**512**	**2,072**

* The main item is receivables from sale of shares in S/W Brasil of PLN 1,227 thousand as at December 31st 2019.

Short-term receivables

Item	Dec 31 2020	Dec 31 2019
a) from related entities	**32,031**	**32,541**
- trade receivables, up to 12 months	24,045	31,635
- advance payments and deposits	7,986	907
b) from other entities	**41,077**	**34,307**
- trade receivables, up to 12 months	34,571	26,936
- taxes, customs duties, social security and other benefits receivable	4,081	3,682
- other, including:	2,425	3,689
advance payments to suppliers	*502*	*1,736*
receivables from sale of S/W Brasil shares	*1,518*	*1,534*
Total net trade and other receivables	**73,108**	**66,848**
Impairment losses on receivables	9,888	8,316
Total gross trade and other receivables	**82,995**	**75,164**

As at December 31st 2020, trade receivables of PLN 9,888 thousand (2019: PLN 8,316 thousand) were classified as unrecoverable and, accordingly, a relevant impairment loss was recognised. Impairment losses recognised following an individual analysis of balances amounted to PLN 4,670 thousand. Expected credit losses recognised for all receivables stood at PLN 5,218 thousand.

Changes in impairment losses on receivables were as follows:

CHANGE IN IMPAIRMENT LOSSES ON TRADE AND OTHER RECEIVABLES	Dec 31 2020	Dec 31 2019
Change in impairment losses in related entities		
At beginning of period	**6,956**	**3,480**
a) increase:	**1,194**	**3,476**
- recognition of impairment loss on trade receivables	1,194	3,476
b) decrease:	**240**	**-**
- reversal of impairment loss on trade receivables	240	-
Balance of impairment losses on trade receivables from related entities at end of period	**7,910**	**6,956**
Change in impairment losses at other entities		
At beginning of period	**1,360**	**1,623**
a) increase, including:	**718**	**543**
- recognition of impairment loss on trade receivables	718	543
b) decrease, including:	**101**	**806**
- reversal of impairment loss on trade receivables	92	79
- write-off of receivables	8	722
- sale of receivables	-	5

Balance of impairment losses on trade receivables from other entities at end of period	**1,978**	**1,360**
Balance of impairment losses on trade receivables at end of period	**9,888**	**8,316**

Ageing of trade receivables (net):

Item	Dec 31 2020	Dec 31 2019
short-term	40,596	32,875
past due more than 1 month, up to 6 months	5,058	11,372
past due more than 6 months, up to 12 months	4,658	6,278
past due over 12 months	8,303	8,045
Net trade receivables	**58,616**	**58,571**
impairment losses on trade receivables	9,888	8,316
Gross trade receivables	**68,503**	**66,887**

In the years ended December 31st 2020 and December 31st 2019, the Company did not claim any trade receivables in court.

Contingent receivables

As at December 31st 2020, the Company held guarantees for a total amount of PLN 13,899 thousand. As at December 31st 2019, the Company held guarantees for a total amount of PLN 4,499 thousand.

Note 16. OTHER FINANCIAL ASSETS AND LIABILITIES

Other financial assets and liabilities

Item	Dec 31 2020	Dec 31 2019
Derivative financial instruments	345	846
Loans advanced*	2,000	2,000
Other	3	3
Total financial assets, including:	**2,348**	**2,849**
- non-current	3	154
- current	2,345	2,695

* Loan advanced to SECO/WARWICK Services Sp. z o.o. with the repayment date extended to December 31st 2021.

Item	Dec 31 2020	Dec 31 2019
Other financial liabilities:	**12,068**	**9,928**
- derivative financial instruments	3,084	1,005
- lease liabilities	8,984	8,923
Total financial liabilities, including:	**12,068**	**9,928**
- non-current	7,080	6,618
- current	4,988	3,310

Disclosures of derivative financial instruments which qualify for hedge accounting

In 2020, SECO/WARWICK S.A. used currency forwards to hedge on average 55% of its export cash flows denominated in EUR, 76% of its cash flows denominated in USD, and 65% of its cash flows denominated in GBP. The purpose was to hedge the budgeted exchange rates for contracts. Any changes in the amounts of EUR-, USD-, or GBP-denominated cash flows are offset by changes in the fair value of the hedging instrument. Hedge accounting is applied if the criteria provided for in IAS 39:88 are met.

The valuation of derivative instruments as at the reporting date is recognised in equity. If a transaction which has been hedged with a currency forward affects profit or loss, the valuation previously recognised in equity is reclassified to profit or loss. Given that transactions in derivative instruments are entered into to hedge concluded long-term contracts (accounted for based on the stage of completion measured by reference to contract costs incurred), the Group assumed that the transactions affect profit or loss in proportion to the percentage of completion of a given contract. The Group further assumed that the measurement of derivative instruments as at the reporting date provided by partner banks reliably reflect the fair value of its currency forwards, and so this amount was disclosed in its accounting records. The effectiveness of a transaction is assessed by comparing the maturity dates and notional amounts of the hedged item and the hedging instrument.

The table below presents total values of hedging relationships open as at December 31st 2020.

Dec 31 2020	Notional amount of contract (EUR '000)	Initial notional amount of hedging instrument	Outstanding notional amount of hedging instrument as at Dec 31 2020	Fair value of instrument (PLN '000)	Amount recognised in profit or loss (cumulative) (PLN '000)	Amount recognised in equity (PLN '000)	Date of final settlement of hedging instrument
TOTAL	48,086	19,524	15,542	- 2,808	- 1,065	- 1,743	Feb 26 2021 – Nov 30 2022

Dec 31 2020	Notional amount of contract (USD '000)	Initial notional amount of hedging instrument	Outstanding notional amount of hedging instrument as at Dec 31 2020	Fair value of instrument (PLN '000)	Amount recognised in profit or loss (cumulative) (PLN '000)	Amount recognised in equity (PLN '000)	Date of final settlement of hedging instrument
TOTAL	11,781	8,980	6,340	115	208	-93	Feb 26 2021 – Jun 30 2021

Dec 31 2020	Notional amount of contract (GBP '000)	Initial notional amount of hedging instrument	Outstanding notional amount of hedging instrument as at Dec 31 2020	Fair value of instrument (PLN '000)	Amount recognised in profit or loss (cumulative) (PLN '000)	Amount recognised in equity (PLN '000)	Date of final settlement of hedging instrument
TOTAL	1,275	830	580	- 45	0	- 45	Jun 30 2021 – Nov 30 2021

The table below presents total values of hedging relationships open as at December 31st 2019.

Dec 31 2019	Notional amount of contract (EUR '000)	Initial notional amount of hedging instrument	Outstanding notional amount of hedging instrument as at Dec 31 2019	Fair value of instrument (PLN ‘000)	Amount recognised in profit or loss (cumulative) (PLN ‘000)	Amount recognised in equity (PLN '000)	Date of final settlement of hedging instrument
TOTAL	53,839	20,368	13,618	258	167	91	Jan 31 2020 – Jan 31 2022

Dec 31 2019	Notional amount of contract (USD '000)	Initial notional amount of hedging instrument	Outstanding notional amount of hedging instrument as at Dec 31 2019	Fair value of instrument (PLN ‘000)	Amount recognised in profit or loss (cumulative) (PLN ‘000)	Amount recognised in equity (PLN '000)	Date of final settlement of hedging instrument
TOTAL	43,406	24,502	10,579	-417	-368	-49	Jan 31 2020 – Mar 15 2021

Note 17. OTHER NON-FINANCIAL ASSETS

Item	Dec 31 2020	Dec 31 2019
VAT to be settled in future period	-	-
Prepayments and accrued income	1,943	2,740
Total other non-financial assets	**1,943**	**2,740**

Note 18. CASH AND CASH EQUIVALENTS

Item	Dec 31 2020	Dec 31 2019
Cash at banks and cash in hand	15,683	22,685
Short-term deposits	257	414
Total cash and cash equivalents	**15,940**	**23,099**

Note 19. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY

Share capital

Item	Dec 31 2020	Dec 31 2019
Number of shares	10,298,554	10,298,554
Par value of shares	0.2	0.2
Share capital	2,060	2,060
Restatement due to hyperinflationary conditions	1,557	1,557
Share capital at end of period	**3,616**	**3,616**

Components of equity from the restatement made in 2006 under hyperinflationary conditions are disclosed as a part of the share capital.

Shareholding structure:

Shareholders as at Dec 31 2020	Share preference	% interest held	Type of limitation on rights to shares	Number of shares
SW Holding	None	32.89%	-	3,387,139
Spruce Holding Limited Liability Company (USA)	None	10.60%	-	1,091,952
Bleauhard Holdings LLC	None	5.78%	-	594,973
Nationale-Nederlanden Otwarty Fundusz Emerytalny	None	5.83%	-	600,000
SECO/WARWICK S.A.	None	12.71%	-	1,308,904
Metlife OFE	None	5.61%	-	577,470
Other	None	26.58%	-	2,738,116
TOTAL		**100%**		**10,298,554**

Other components of equity

Other components of equity:	Share-based payment reserve	Share buyback reserve	Actuarial gains/(losses)	Treasury shares	Total other components of equity
Other components of equity as at Jan 1 2020	**7,911**	**15,150**	**-142**	**-9,107**	**13,811**
Valuation of management stock option plan	1,364	-	-	-	**1,364**
Award of management stock options	-1,384	-	-	1,384	**-**
Repurchase of shares		14,615	-	-14,615	**-**
Sale of treasury shares under the incentive scheme	83	-	-	-	**83**
Other components of equity as at Dec 31 2020	**7,973**	**29,765**	**-142**	**-22,338**	**15,258**
Other components of equity as at Jan 1 2019	**9,326**	**15,150**	**-**	**-12,409**	**12,067**
Valuation of management stock option plan	1,688	-	-	-	**1,688**
Award of management stock options	-3,301	-	-	3,301	**0**
Sale of treasury shares under the incentive scheme	198	-	-	-	**198**
Actuarial gains/(losses)	-	-	-142	-	**-142**
Other components of equity as at Dec 31 2019	**7,911**	**15,150**	**-142**	**-9,107**	**13,811**

Retained profit/(loss)

Item	**Dec 31 2020**	**Dec 31 2019**
Retained profit/(loss)	**29,472**	**32,235**
Current period's result	7,856	10,620
Retained earnings	21,615	21,615

Note 20. BORROWINGS

On March 12th 2020, SECO/WARWICK S.A. executed a PLN 15,000 thousand investment credit facility agreement with mBank S.A. of Warsaw. The facility was contracted to finance the repurchase of up to 1,000,000 Company shares under the share buyback programme established pursuant to Resolution No. 5 of the Company's Extraordinary General Meeting of February 12th 2020. As at the date of signing Annex 3, i.e. November 10th 2020, the amount drawn under the facility was PLN 14,500 thousand. As at December 31st 2020, the total amount drawn under the facility was PLN 13,694 thousand.

The facility is secured by a contractual mortgage created over a property owned by the State Treasury and comprising the following plots of land:

- No. 195/94, situated at ul. Zachodnia 76, Świebodzin
- No. 195/80, situated at ul. Zachodnia 76, Świebodzin

As at Dec 31 2020

Lender	Amount in PLN '000	Currency	Limit/amount as per agreement	Interest	Repayment date	Security
mBANK S.A.	13,694	PLN	14,500	variable interest rate	Mar 31 2025	mortgage, financial pledge over securities
mBank – credit card limit	30	PLN	-	variable interest rate	None	None
mBank – credit card limit	42	EUR	-	variable interest rate	None	None
SANTANDER S.A. – overdraft facility	11,492	PLN	19,000	variable interest rate	Feb 28 2021	representation on voluntary submission to enforcement under Art. 777.1 of the Code of Civil Procedure
BNP Paribas S.A. – overdraft facility	4,827	PLN	20,000	variable interest rate	Sep 30 2021	representation on voluntary submission to enforcement under Art. 777.1 of the Code of Civil Procedure
PEKAO – overdraft facility	-	PLN	25,000	variable interest rate	Aug 31 2021	representation on voluntary submission to enforcement under Art. 777.1 of the Code of Civil Procedure
Total	**30,085**					

As at December 31st 2019

Lender	Amount in PLN '000	Currency	Limit/amount as per agreement	Interest	Repayment date	Security
mBANK S.A.	1,565	PLN	26,845	variable interest rate	Jan 31 2020	mortgage, hold on securities account

mBank – credit card limit	88	PLN	-	variable interest rate	None	None
mBank – credit card limit	20	USD	-	variable interest rate	None	None
mBank – credit card limit	93	EUR	-	variable interest rate	None	None
SANTANDER S.A. – overdraft facility	-	PLN	19,000	variable interest rate	Jan 30 2020	Representation on voluntary submission to enforcement under Art. 777.1 of the Code of Civil Procedure
BNP Paribas S.A. – overdraft facility	2,786	PLN	20,000	variable interest rate	Aug 28 2020	Representation on voluntary submission to enforcement under Art. 777.1 of the Code of Civil Procedure
PEKAO – overdraft facility	22,867	PLN	25,000	variable interest rate	Sep 30 2020	Representation on voluntary submission to enforcement under Art. 777.1 of the Code of Civil Procedure
Total	**27,418**					

Borrowings by maturity:

Item	Dec 31 2020	Dec 31 2019
Short-term borrowings	19,612	27,418
Long-term borrowings	10,472	-
- repayable in more than 1 year, up to 3 years	9,667	-
- repayable in more than 4 year, up to 5 years	806	-
Total borrowings	**30,085**	**27,418**

Borrowings	Dec 31 2020	Dec 31 2019
Overdrafts	16,318	25,652
Investment credit facility	13,694	1,565
Credit card limits	72	201
Total	**30,085**	**27,418**

Borrowings

As at Dec 31 2019	**27,418**
Increase, including:	**14,500**
- bank loans contracted	14,500
Decrease, including:	**11,833**
- repayment of overdrafts	9,334
- repayment of investment credit facility	2,370
- repayment of credit card limits	129
As at Dec 31 2020	**30,085**

Note 21. LEASES

The Company as a lessee (period from January 1st 2020 – following the adoption of IFRS 16)

The Company holds lease contracts for property, vehicles, machinery and perpetual usufruct of land. The lease terms are as follows:

Property	from 2 to 4 years
Vehicles	from 4 to 5 years
Machinery	from 4 to 5 years
Perpetual usufruct of land	from 68 to 82 years

Some of the lease contracts contain options to extend or terminate the lease.

The Company also has lease contracts for equipment or vehicles with lease terms of 12 months or less, and lease contracts for low-value assets. The Company uses the exemption for short-term leases and leases of low-value assets.

The Company's lease liabilities are secured with the lessor's ownership title to the leased assets. As a general rule, the Company is not entitled to sub-lease the leased assets or to assign its rights under lease contracts. Some contracts include covenants for specific financial indicators.

Prior to the adoption of IFRS 16, assets used under finance leases as defined in IAS 17 were recognised as property, plant and equipment. The carrying amount of each group of such assets as at December 31st 2018 is disclosed in Note 9. 'Property, plant and equipment'.

Below are presented the carrying amounts of lease liabilities and their changes in the reporting period.

Item	2020
Liability amount as at Dec 31 2019	**8,923**
Increase (new leases)	3,119
Amendments to lease contracts	-1,340
Interest paid	345
Payments	-2,063
As at Dec 31 2020	**8,984**
Current	2,306
Non-current	6,678

Item	2019

Liability amount as at Dec 31 2018	7,933
Increase (new leases)	2,742
Amendments to lease contracts	-37
Interest paid	470
Payments	-2,185
As at Dec 31 2019	**8,923**
Current	2,592
Non-current	6,331

For information on the maturities of the lease liabilities, see Note 30.4. 'Liquidity risk'.

The table below presents amounts of income, expenses, gains and losses under leases recognised in the statement of comprehensive income.

Item	2020	2019
Depreciation of right-of-use assets	1,953	1,296
Interest expense on lease liabilities	345	470
Cost of short-term leases (included in cost of products and services sold)	324	251
Cost of leases of low-value assets (included in administrative expenses)	69	199
Total amount recognised in the statement of comprehensive income	2,691	2,216

The total cash outflow from the Company's lease contracts in 2020 was PLN 2,630 thousand (2019: PLN 2,635 thousand).

Receivables under operating leases – the Company as a lessor

The lease income recognised by the Company in 2020 amounted to PLN 913 thousand .

As at December 31st 2020 and December 31st 2019, the maturities of lease payments were as follows (at undiscounted amounts):

Item	Dec 31 2020	Dec 31 2019
In the 1st year	886	906
In the 2nd year	599	512
In the 3rd year	587	508
In the 4th year	587	498
In the 5th year	587	498
In more than 5 years	373	747
Total	**3,619**	**3,669**

The Company mainly leases premises to its cooperating entities in the case of which the nature of cooperation requires location in close proximity.

Note 22. TRADE PAYABLES AND OTHER LIABILITIES

TRADE PAYABLES AND OTHER CURRENT LIABILITIES	Dec 31 2020	Dec 31 2019
a) for deliveries and services, payable in up to 12 months	40,861	42,781
b) taxes, duties, social security and other benefits (excluding income tax) payable	3,699	3,840
d) capital commitments	5	856
e) other	1,537	664
TOTAL	**46,101**	**48,140**

Contingent liabilities

Contingent liabilities under guarantees and sureties issued were PLN 72,256 thousand as at the end of 2020, and PLN 85,661 thousand as at the end of 2019. The following guarantees were issued:

Item	Dec 31 2020	Dec 31 2019
advance payment guarantee	24,299	37,974
loan guarantee	-	-
performance bond	1,962	1,266
stand-by letter of credit	16,913	17,090
bid bond	166	-
warranty obligations guarantee	5,145	5,070
Total	**48,485**	**61,400**

As at December 31st 2020, there were no material expected credit losses under financial guarantees issued.

For information on sureties issued, see section 17 of the Directors' Report on the operations of SECO/WARWICK S.A.

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 is required to create a Company Social Benefits Fund if it has more than 50 full-time employees. The Company has set up such a fund and makes periodic contributions to it at the basic rate/the rate agreed upon with the trade unions. The fund holds property, plant and equipment. The purpose of the fund is to partly finance the Company's social activities, loans to its employees and other social costs.

The Company set off the fund's assets against its liabilities towards the fund because the fund's assets are not separate from the Company's assets.

The table below presents analytic data on the fund's assets, liabilities and expenses.

Item	Dec 31 2020	Dec 31 2019
Loans to employees	12	29
Cash	441	643
Liabilities to the fund	441	670
Contributions to the fund during the year	565	672

Note 23. EMPLOYEE BENEFITS

Retirement benefits and other post-employment benefits

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

Long-term employee benefit obligations	Jan 1–Dec 31 2020	Jan 1–Dec 31 2019
at beginning of period	1,243	838
increase	122	405
- recognition	*122*	*405*
decrease	31	-
- use	*31*	-
at end of period	**1,334**	**1,243**

The following key assumptions as at the end of the reporting period were adopted to calculate the amount of the accrued retirement bonuses:

Item	Dec 31 2020	Dec 31 2019
Discount rate (%)	1.25	2.00
Expected rate of growth of salaries and wages (%) in year 1	3.00	5.00
Expected rate of growth of salaries and wages (%) in next years	5.00	5.00

Short-term employee benefit obligations	Jan 1–Dec 31 2020	Jan 1–Dec 31 2019
- accrued holiday entitlements	1,596	1,641
- accrued bonuses	3,641	4,314
- liabilities due to retirement and disability benefits	10	20
- current salaries and wages	2,949	3,039
	8,196	**9,015**

Note 24. OTHER PROVISIONS

Item	*Provision for warranty repairs*	*Provision for penalties*	*Provision for loss-making contracts*	*Total*
As at Dec 31 2018	**5,484**	**1350**	**272**	**7,106**
recognised during the financial year	5,030	-	-	5,030
use	-4,037	-	-	-4,037
reversed	-	-400	-102	-502
As at Dec 31 2019	**6,477**	**950**	**170**	**7,596**

recognised during the financial year	1,485	-	419	1,904
use	-3,750	-	-	-3,750
reversed	-	-730	-	-730
As at Dec 31 2020	**4,211**	**220**	**589**	**5,020**

Note 25. EXPLANATORY INFORMATION TO THE STATEMENT OF CASH FLOWS

Item	Dec 31 2020	Dec 31 2019
Gain/(loss) on investing activities	**-35**	**723**
Disposal of property, plant and equipment	-35	137
Impairment losses on shares in subsidiaries and associates	-	909
Retirement of property, plant and equipment	-	-323
Change in provisions results from the following items:	**-3,305**	**661**
net change in provisions	-1,752	4,017
actuarial gains/(losses)	-	-142
elimination of change in deferred tax liabilities	-1,553	-3,213
Change in liabilities (excluding financial liabilities) results from the following items:	**-1,214**	**5,291**
net change in liabilities	101	8,568
elimination of lease liabilities	-62	-2,907
elimination of liabilities under forward contracts	-2,078	192
elimination of capital commitments	825	-562
Other	**1,891**	**1,688**
management stock options	1,364	1,688
Settlement of the lease	-253	-
Correction of the recognition of expenditure on research work	780	-

Note 26. RELATED ENTITIES

Related party (subsidiaries)	year	Sales to related entities	Purchases from related entities	Receivables from related entities	Liabilities to related entities
SECO/WARWICK Corporation					
	2020	37	695	4,769	-
	2019	7,226	774	8,199	-
SECO/WARWICK Rus					
	2020	11	993	1415	-
	2019	14	2,930	1295	6
RETECH SYSTEMS LLC					
	2020	15,677	7,540	663	2,304
	2019	6,694	9,596	647	4,472
SECO/WARWICK RETECH Thermal Equipment Manufacturing Tianjin Co., Ltd.					

	2020	1,061	5,833	2,259	8,201
	2019	1,651	1,712	2,289	5,014
SECO/WARWICK Germany GmbH					
	2020	197	673	4,317	1,675
	2019	3,428	1,716	4,809	1,406
SECO/WARWICK Services					
	2020	4,089	806	1,308	10
	2019	3,750	287	1,675	45
SECO VACUUM TECHNOLOGIES LLC					
	2020	18,342	539	9,179	547
	2019	22,669	573	12,578	1,012
SECO/WARWICK Systems and Services India					
	2020	147	492	134	60
	2019	218	876	144	273

Note 27. REMUNERATION OF KEY PERSONNEL

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

REMUNERATION OF THE MANAGEMENT BOARD

Name and surname	**Base salary for period**	**Other benefits, including bonuses, awards**	**Accrued incentive scheme costs**	**Total remuneration in the period**
Dec 31 2020	**(PLN '000)**	**(PLN '000)**	**(PLN '000)**	**(PLN '000)**
Sławomir Woźniak	448	441	351	1,240
Jarosław Talerzak	364	143	16	522
Piotr Walasek	336	180	118	634
Earl Good	1,124	0	123	1,247
Bartosz Klinowski	336	136	306	778
Total	**2,608**	**899**	**914**	**4,422**
Dec 31 2019	**(PLN '000)**	**(PLN '000)**	**(PLN '000)**	**(PLN '000)**
Sławomir Woźniak	444	174	379	997
Paweł Wyrzykowski(1)	181	807	285	1,273
Jarosław Talerzak(2)	228	14	20	262
Piotr Walasek(3)	210	5	125	339
Earl Good(4)	1,040	0	74	1,115
Bartosz Klinowski	345	247	618	1,210
Total	**2,448**	**1,248**	**1,501**	**5,196**

(1) The remuneration amount relates to the term of office on the Management Board: from January 1st 2019 to June 4th 2019.

(2) Mr Jarosław Talerzak was appointed Vice President of the Management Board on June 5th 2019.

(3) Mr Piotr Walasek was appointed Member of the Management Board on June 5th 2019.

(4) Under an employment contract between Retech and Mr Earl Good. Mr Earl Good was appointed Member of the Management Board on June 5th 2019.

REMUNERATION OF THE SUPERVISORY BOARD:

Name and surname	Total remuneration	
	Dec 31 2020	**Dec 31 2019**
Andrzej Zawistowski, including:	211	218
- for his service as Chairman of the Supervisory Board	147	120
- under contract for advisory services[1]	64	97.5
Jeffrey Boswell, including:	135	165
- under employment contract[2]	135	165
Henryk Pilarski	51	54
Marcin Murawski	40	43
Jacek Tucharz	39	43
Total	**477**	**523**

[1] Under a service contract between SECO/WARWICK S.A. and Mr Andrzej Zawistowski, who conducts business activities as USŁUGI DORADCZE Andrzej Zawistowski. The contract 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.

Note 28. FINANCIAL INSTRUMENTS

Item	Category under IFRS 9	Carrying amount		Maximum credit risk exposure in 2020
		Dec 31 2020	Dec 31 2019	
Financial assets				
Loans advanced	At amortised cost	2,000	2,000	2,000
Trade and other receivables	At amortised cost	73,108	66,848	73,108
Long-term receivables	At amortised cost	512	2,072	512
Hedging instruments	At fair value through profit or loss	345	846	345
Cash and cash equivalents	At amortised cost	15,940	23,099	15,940
Contract assets	At amortised cost	52,618	79,532	52,618
Sureties issued	-	-	-	23,771
Financial liabilities				
Current				
Short-term bank borrowings	At amortised cost	19,612	27,418	-
Lease liabilities	At amortised cost	2,306	2,609	-
Trade and other payables	At amortised cost	46,101	51,144	-
Hedging instruments	At fair value through profit or loss	2,682	719	-
Non-current				
Long-term bank borrowings	At amortised cost	10,472	-	-
Hedging instruments	At fair value through profit or loss	402	287	
Lease liabilities	At amortised cost	6,678	6,314	-

At amortised cost – measurement at amortised cost
At fair value – measurement at fair value through profit or loss.
*In the case of derivative instruments serving as hedging instruments, measurement is recognised in profit or loss through finance income or finance costs in proportion to the percentage of completion of the hedged contract.

There are no material differences between the carrying amount and the fair value of any of the financial assets and liabilities.

Income, expenses, gains and losses accounted for in the statement of profit or loss/ statement of comprehensive income, by category of financial instruments in 2020

	Other interest income/(expense)	Realised foreign exchange gains/(losses)	Impairment losses reversed/(recognised)	Valuation gains/(losses)	Gains/(losses) on settlement of financial instruments	Gains/(losses) on derecognition of financial assets
Financial assets						
Loans advanced	98	-	-29	-	-	-
Trade and other receivables	76	1,044	-1,424	1,200	-	-
Long-term receivables	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-82	265	-
Cash and cash equivalents	19	1,086	-	391	-	-
TOTAL	**193**	**2,131**	**-1,453**	**1,510**	**265**	**-**

	Other interest income/(expense)	Realised foreign exchange gains/(losses)	Impairment losses reversed/(recognised)	Valuation gains/(losses)	Gains/(losses) on settlement of financial instruments	
Financial liabilities						
current						
Short-term bank borrowings	-622	-2	-	-7	-	-
Lease liabilities	-345	-	-	-75	-	-
Trade and other payables	-148	-145	-	-697	-	-
Hedging instruments	-	-	-	-507	-3,157	-
non-current						
Long-term bank borrowings	-	-	-	-	-	-
Lease liabilities	-	-	-	-	-	-
Hedging instruments	-	-	-	-73	-	-
TOTAL	**-1,116**	**-147**	**-**	**-1,359**	**-3,157**	**-**

Income, expenses, gains and losses accounted for in the statement of profit or loss/ statement of comprehensive income, by category of financial instruments in 2019

	Other interest income/(expense)	Realised foreign exchange gains/(losses)	Impairment losses reversed/(recognised)	Valuation gains/(losses)	Gains/(losses) on settlement of financial instruments	Gains/(losses) on derecognition of financial assets
Financial assets						
Loans advanced	78	-	-64	-	-	-
Trade and other receivables	136	30	-3,935	-322	-	-
Long-term receivables	-	-	-	-	-	-
Hedging instruments	-	-	-	-218	1,768	-
Cash and cash equivalents	31	215	-	-301	-	-
TOTAL	**244**	**245**	**-3,998**	**-842**	**1,768**	**-**

	Other interest income/(expense)	Realised foreign exchange gains/(losses)	Impairment losses reversed/(recognised)	Valuation gains/(losses)	Gains/(losses) on settlement of financial instruments	
Financial liabilities						
current						
Short-term bank borrowings	-1,438	-	-	5	-	-
Lease liabilities	-453	-	-	-	-	-
Trade and other payables	-20	-140	-	169	-	-
Hedging instruments	-	-	-	-168	-1,607	-
non-current						
Long-term bank borrowings	-	-	-	-	-	-
Lease liabilities	-	-	-	-	-	-
Hedging instruments	-	-	-	150	-	-
TOTAL	**-1,911**	**-140**	**-**	**157**	**-1,607**	**-**

Changes in liabilities arising from financing activities

	Jan 1 2020	changes resulting from cash flows from financing activities	increase under leases	redemption/sale/assignment	effect of valuation of hedging instruments	Dec 31 2020
Non-current:						
Interest-bearing borrowings	-	10,472	-	-	-	**10,472**
Lease liabilities	6,331	-	734	-387	-	**6,678**
Current:						
Interest-bearing borrowings	27,418	-7,806	-	-	-	**19,612**
Lease liabilities	2,591	-1,777	2,475	-983	-	**2,306**
Total liabilities arising from financing activities	**36,341**	**890**	**3,209**	**-1,370**	**-**	**39,069**

	Jan 1 2019	changes resulting from cash flows from financing activities	increase under leases	redemption/sale/assignment	effect of valuation of hedging instruments	Dec 31 2019
Non-current:						
Interest-bearing borrowings	1,565	-1,565	-	-	-	-
Lease liabilities	4,631	-	1,950	-250	-	**6,331**
Current:						
Interest-bearing borrowings	62,047	-34,629	-	-	-	**27,418**
Lease liabilities	1,385	-1,867	3,365	-291	-	**2,591**
Total liabilities arising from financing activities	**69,628**	**-38,060**	**5,315**	**-541**	-	**36,341**

Note 29. EMPLOYMENT STRUCTURE

Item	Dec 31 2020	Dec 31 2019
Production and product unit employees	384	425
White-collar employees	127	110
Employees on parental leaves	1	1
Total	**512**	**536**

Note 30. OBJECTIVES AND POLICY OF FINANCIAL RISK MANAGEMENT

As part of its operating and financing activities, the Company is exposed to risks related primarily to its financial instruments. Those risks may be broadly defined as market risk, and comprise currency risk, interest rate risk, liquidity risk and credit risk. The Company manages financial risks in order to limit the adverse impact of changes in foreign exchange rates and interest rates, as well as to stabilise cash flows and ensure an appropriate level of financial liquidity and flexibility. The financial risk management policies for the Group are determined by the Management Board of the Parent. As part of the risk management process, an expert system for management accounting was developed and implemented. The key parameters of operational and financial risks are monitored on the basis of monthly reports prepared by the Group companies.

30.1 Currency risk

Due to its active and extensive presence on foreign markets, the Company enters into certain sales and purchase transactions denominated in foreign currencies. The Company also has loans and other financial liabilities denominated in foreign currencies. This exposes the Company to the risk of exchange rate fluctuations.

Assets and liabilities denominated in foreign currencies and translated into PLN at the closing rate effective as at the reporting date are presented below:

Liabilities	As at Dec 31 2020 in foreign currency	As at Dec 31 2020 in PLN	As at Dec 31 2019 in foreign currency	As at Dec 31 2019 in PLN
EUR	5,135	23,695	3,936	16,761
USD	1,226	4,607	1,011	3,838
GBP	6	30	58	290

Assets	As at Dec 31 2020 in foreign currency	As at Dec 31 2020 in PLN	As at Dec 31 2019 in foreign currency	As at Dec 31 2019 in PLN
EUR	10,539	48,633	10,883	46,345
USD	6,026	22,649	9,522	36,161
GBP	29	150	115	575
Notional amount of the hedging instrument – for currency sale transactions				
EUR	48,086	221,907	53,839	229,273
USD	11,781	44,278	43,406	164,843
GBP	1,275	6,544	-	-

Sensitivity to currency risk

The Company is mainly exposed to currency risk related to the euro and US dollar.

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

Exchange rate at Dec 31 2020	Exchange rate	+ 10% increase in exchange rate	decrease in exchange rate -10%
USD	3.7584	0.376	-0.376
EUR	4.6148	0.461	-0.461
GBP	5,1327	0,513	-0,513

Exchange rate at Dec 31 2019	Exchange rate	+ 10% increase in exchange rate	decrease in exchange rate -10%
USD	3.7977	0.380	-0.380
EUR	4.2585	0.426	-0.426
GBP	4,9971	0,500	-0,500

Assumptions:
- exchange rate at reporting date Dec 31 2020
- 10% increase in exchange rate
- 10% decrease in exchange rate

Effect on equity		**Effect of USD**	**Effect of USD**	**Effect of EUR**	**Effect of EUR**	**Effect of GBP**	**Effect of GBP**
		Period ended Dec 31 2020	**Period ended Dec 31 2019**	**Period ended Dec 31 2020**	**Period ended Dec 31 2019**	**Period ended Dec 31 2020**	**Period ended Dec 31 2019**
ASSETS							
Rate increase	10%	2,265	3,616	4,863	4,635	15	57
Rate decrease	-10%	-2,265	-3,616	-4,863	-4,635	-15	-57
LIABILITIES AND BANK BORROWINGS							
Rate increase	10%	-461	-384	-2,369	-1,676	-3	-29
Rate decrease	-10%	461	384	2,369	1,676	3	29
TOTAL							
Rate increase	10%	1,804	3,232	2,494	2,958	12	28
Rate decrease	-10%	-1,804	-3,232	-2,494	-2,958	-12	-28

Effect on profit/loss		**Effect of USD**	**Effect of USD**	**Effect of EUR**	**Effect of EUR**	**Effect of GBP**	**Effect of GBP**

		Period ended Dec 31 2020	Period ended Dec 31 2019	Period ended Dec 31 2020	Period ended Dec 31 2019	Period ended Dec 31 2020	Period ended Dec 31 2019
ASSETS							
Rate increase	10%	2,265	3,616	4,863	4,635		
Rate decrease	-10%	-2,265	-3,616	-4,863	-4,635	15	57
LIABILITIES AND BANK BORROWINGS						-15	-57
Rate increase	10%	-461	-384	-2,369	-1,676		
Rate decrease	-10%	461	384	2,369	1,676	-3	-29
TOTAL						3	29
Rate increase	10%	1,804	3,232	2,494	2,958		
Rate decrease	-10%	-1,804	-3,232	-2,494	-2,958	12	28

Exposure to currency risk changes during the year depending on the volume of transactions carried out in foreign currencies. However, the sensitivity analysis is considered to be representative of the Company's exposure to foreign currency risk.

30.2 Interest rate risk

The Company uses interest-bearing borrowings. Liabilities under credit facilities of PLN 30,085 thousand and lease liabilities of PLN 7,321 thousand bear interest at variable rates, while lease liabilities of PLN 1,601 thousand bear interest at fixed rates. Accordingly, the Company is exposed to interest rate risk. The risk is estimated on the basis of interest rate increase/decrease by 1%.

	Effect on net profit/loss	Effect on equity	Effect on profit/loss	Effect on equity
	+ 1%/- 1%		+ 1%/- 1%	
	Year ended Dec 31 2020		Year ended Dec 31 2019	
Lease liabilities	+/- 90	+/- 90	+/- 89	+/- 89
Other financial liabilities at amortised cost	+/- 301	+/- 301	+/- 274	+/- 274

30.3 Capital management

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

The Company manages its capital structure and modifies it in response to changes in the economic environment. In order to maintain or adjust the capital structure, the Company may change dividend payments, return capital to shareholders or issue new shares. In the year ended December 31st 2020, no changes were introduced to the objectives, principles and processes applicable in this area.

The Company monitors its equity using a gearing ratio, which is calculated as the ratio of net debt to total equity plus net debt. The Company's net debt includes interest-bearing 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 respective years was as follows:

	As at Dec 31 2020 (PLN '000)	As at Dec 31 2019 (PLN '000)
Debt	39,069	36,341
Cash and cash equivalents	-15,940	-23,099
Net debt	23,129	13,242
Equity	184,198	190,873
Net debt to equity	**12.56%**	**6.94%**

30.4 Liquidity risk

Liquidity risk is the risk that the Company may face difficulties in meeting financial liabilities. The liquidity risk management process at the Company involves projecting future cash flows, analysing the level of liquid assets in relation to cash flows, monitoring the liquidity ratios based on items of the statement of financial position, and maintaining access to various sources of financing.

The Company also manages liquidity risk by maintaining open and undrawn credit facilities which serve as a liquidity reserve and secure solvency and financial flexibility. The Company recognises bank borrowings as financial instruments which may potentially cause concentration of liquidity risk as the Company maintains relationships with selected financial institutions only. As at December 31st 2020, short-term bank borrowings represented 17% of total current liabilities (December 31st 2019: 17%). The Company has undrawn credit facilities of PLN 47,682 thousand; for summary information see Note 20 to these financial statements.

The table below presents the Company's financial liabilities by maturity as at December 31st 2020, based on contractual payments – following the adoption of IFRS 16.

Dec 31 2020	up to 1 year	1–2 years	2-3 years	3-4 years	4–5 years	over 5 years	Total as at Dec 31 2020
Borrowings	19,612	3,222	3,222	3,222	806	-	**30,086**
Trade payables	40,861	-	-	-	-	-	**40,861**
Lease liabilities	2,637	2,080	1,275	1,780	379	6,886	**15,037**
Derivative financial instruments	2,682	402	-	-	-	-	**3,084**
Other current liabilities	5,241	-	-	-	-	-	**5,241**
TOTAL	**71,034**	**5,704**	**4,497**	**5,002**	**1,185**	**6,886**	**94,307**

The table below presents the Company's financial liabilities by maturity as at December 31st 2019, based on contractual payments – following the adoption of IFRS 16.

Dec 31 2019	up to 1 year	1–2 years	2-3 years	3-4 years	4–5 years	over 5 years	Total as at Dec 31 2019

Borrowings	27,418	-	-	-	-	-	**27,419**
Trade payables	42,781	-	-	-	-	-	**42,781**
Lease liabilities	3,012	2,256	1,673	1,078	428	7,101	**15,548**
Derivative financial instruments	719	287	-	-	-	-	**1,005**
Other current liabilities	8,363	-	-	-	-	-	**8,363**
TOTAL	**82,294**	**2,543**	**1,673**	**1,078**	**428**	**7,101**	**95,116**

30.5 Credit risk

The Company executes transactions only with reputable companies enjoying sound credit standing. Each customer who wishes to use trade credit is subject to preliminary verification procedures. Moreover, thanks to ongoing monitoring of the balance of receivables, the Company's exposure to the risk of unrecoverable receivables is insignificant.

With respect to the Company's other financial assets, such as derivative instruments, credit risk is related to the counterparty's inability to pay, and the maximum exposure to this risk is equal to the carrying amount of such instruments.

There are no significant concentrations of credit risk within the Company.

The Company applies a simplified model for calculating impairment losses on trade receivables (regardless of maturity). The expected credit loss is calculated on recognition of receivables in the statement of financial position and is updated as at each subsequent reporting date, depending on the number of days past due for a given amount receivable. To estimate expected credit losses on receivables from customers, the Company uses a provision matrix estimated based on historical data on payments of amounts due from customers. The Company takes into account forward-looking information in its expected loss estimation model by adjusting the underlying default probability ratios. The expected credit loss on receivables from customers is calculated on recognition of receivables in the statement of financial position and is updated as at each subsequent reporting date, depending on the number of days past due for a given amount receivable.

The maturity structure of receivables is presented in Note 15.

Note 31. MANAGEMENT STOCK OPTIONS

SECO/WARWICK S.A. Incentive Scheme

On April 11th 2018, an Extraordinary General Meeting of SECO/WARWICK S.A. passed Resolution No. 20 to approve the 2018−2020 Incentive Scheme, approve the Rules of the Incentive Scheme, and allocate the Company's treasury shares for the purposes of the Incentive Scheme. The Meeting also passed Resolution No. 21 approving the list of participants of the 2018−2020 Incentive Scheme. The Incentive Scheme beneficiaries are the Group's senior management staff. The Incentive Scheme includes a total of 494,000 shares. The annual equity volumes for the years 2018, 2019, 2020, and the assessment parameter, which is determined by the Company's Supervisory Board and approved by the General Meeting, have been established for each beneficiary. The assessment parameter is closely linked to the net profit of the SECO/WARWICK Group, the separate net profit, or operating profit of an operating segment. After the end of each financial year, the Company's Supervisory Board and General Meeting determine and approve the achievement of individual targets by the beneficiaries.

On June 5th 2019, the Supervisory Board passed Resolution No. 01/2019 approving the results of the review of the annual targets for the 2018 Incentive Scheme, and indicating the proposed number of shares to be acquired by each of the beneficiaries, subject to the condition that they remain employed with the Company in the period from January 1st 2019 to December 31st 2019. On the same day, the Annual General Meeting approved the resolution passed by the Supervisory Board and decided to extend the list of positions eligible for participation in the Incentive Scheme and to amend the Rules of the Incentive Scheme as previously proposed by the Supervisory Board. On October 2nd 2019, as part of the settlement of the 2018 Incentive Scheme, the Company entered into agreements with its participants for the acquisition of a total of 132,057 shares in the Company. The shares were sold to the beneficiaries of the Incentive Scheme for PLN 1.50 (one złoty, fifty grosz) per share. The sold shares represent 1.28% of the Company's share capital and confer the right to 132,057 votes, or 1.28% of total voting rights, at the General Meeting.

Following the sale, the Company holds 364,277 treasury shares, representing 3.54% of its share capital and 3.54% of total voting rights at its General Meeting.
On December 12th 2019, by Resolution No. 01/2019 the Supervisory Board defined the individual 2020 targets for the participants of the 2018–2020 Incentive Scheme. Achievement of the individual targets is a condition for the award of rights under the Incentive Scheme to its participants, provided that they remain employed with the Company in the period from January 1st to December 31st 2020. The targets 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 participant. As at December 31st 2020, the maximum number of options that may be granted to the beneficiaries of the 2018−2020 Incentive Scheme was 227,200 (December 31st 2019: 361,943; December 31st 2018 494,000). The cost of option vesting recognised in 2020 was PLN 1,364 thousand.

Note 32. EVENTS SUBSEQUENT TO THE REPORTING DATE

On February 17th 2021, a multi-facility agreement was signed with Santander Bank Polska Spółka Akcyjna, with the final facility repayment date set at February 28th 2022. The amount of the granted Loan in the Current Account is PLN 19 million, intended for the financing of current business activities.

Date: April 22nd 2021

President of the Management Board

Sławomir Woźniak

Vice President of the Management Board

Jarosław Talerzak

Member of the Management Board

Bartosz Klinowski

Member of the Management Board

Earl Good

Member of the Management Board

Piotr Walasek

Chief Accountant

Krzysztof Opszalski