CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD **JANUARY 1ST – DECEMBER 31ST 2021**

CONTENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(PLN '000)

	Note	Year ended Dec 31 2021	Year ended Dec 31 2020
Revenue	*1*	**463,197**	**389,480**
Cost of sales	*3*	**-358,936**	**-304,477**
Gross profit		**104,261**	**85,003**
Other income	*4*	2,120	9,897
Distribution costs	*3*	-26,999	-24,246
Administrative expenses	*3*	-49,408	-49,105
Impairment of receivables and contract assets	*4*	-1,004	1,026
Other expenses	*4*	-4,959	-3,540
Operating profit		**24,011**	**19,035**
Finance income	*5*	1,106	3,734
Finance costs	*5*	-5,421	-5,765
Share of net profit/(loss) of equity-accounted associates		-242	150
Profit before tax		**19,454**	**17,154**
Income tax	*6*	-2,145	-3,039
Net profit from continuing operations		17,309	14,115
Profit from discontinued operations		-	-
Net profit/(loss)		**17,309**	**14,115**
Net profit attributable to			
Owners of the parent		**16,914**	**13,773**
Non-controlling interests		395	342

The statement of comprehensive income should be read in conjunction with the notes and additional information.

	Year ended Dec 31 2021	Year ended Dec 31 2020
Profit	**17,309**	**14,115**
OTHER COMPREHENSIVE INCOME:		
Items not to be reclassified to profit/(loss) in subsequent reporting periods	3,415	565
Actuarial gains on a defined benefit pension plan	3,415	565
Items which may be reclassified to profit/(loss) in subsequent reporting periods	3,565	-2,208
Valuation of cash flow hedge derivatives	-414	-1,683
Exchange differences on translating foreign operations	3,979	-525
Other comprehensive income before tax	**6,980**	**-1,643**
Income tax on other comprehensive income		
Income tax relating to components of other comprehensive income that will not be reclassified to profit or loss	-	-
Income tax relating to components of other comprehensive income that will be reclassified to profit or loss	77	318
Total other comprehensive income, net	**7,057**	**-1,325**
Total comprehensive income	**24,366**	**12,790**
Total comprehensive income attributable to		
Owners of the parent	23,841	12,410
Non-controlling interests	525	380

EARNINGS PER SHARE

	7		
- basic earnings (loss) per share		1.91	1.41
- diluted earnings (loss) per share		1.91	1.40
- basic earnings/(loss) per share from continuing operations attributable to owners of the parent		1.91	1.41
- diluted earnings/(loss) per share from continuing operations attributable to owners of the parent		1.91	1.40
- basic earnings/(loss) per share from discontinued operations attributable to owners of the parent		-	-
- diluted earnings/(loss) per share from discontinued operations attributable to owners of the parent		-	-

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(PLN '000)

	Note	Dec 31 2021	Dec 31 2020 restated*
ASSETS			
Property, plant and equipment	*9*	52,875	54,331
Right-of-use assets	*9*	20,993	23,649
Investment property		286	310
Goodwill	*11*	31,748	31,748
Intangible assets	*10*	47,248	45,440
Long-term receivables	*15*	1,457	678
Other non-financial assets	*16*	3	3
Deferred tax assets	*6*	1,714	978
Non-current assets		**156,324**	**157,137**
Inventories	*13*	62,790	61,555
Trade receivables and other short-term receivables	*15*	101,888	102,215
Income tax assets	*15*	280	481
Other financial assets	*16*	35	345
Other non-financial assets	*17*	2,620	3,181
Contract assets	*14*	78,434	66,583
Cash and cash equivalents	*18*	54,225	52,558
Current assets other than held for sale		**300,272**	**286,918**
Assets classified as held for sale		-	-
Current assets		**300,272**	**286,918**
TOTAL ASSETS		**456,596**	**444,055**

*For details of the restatement, see Section VIII.

The statement of financial position should be read in conjunction with the notes and additional information.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(PLN '000)

	Note	Dec 31 2021	Dec 31 2020 restated*
EQUITY AND LIABILITIES			
Share capital	19	3,616	3,616
Share premium reserve	19	78,666	78,666
Treasury shares	19	-28,532	-22,338
Other components of equity	19	64,620	49,866
Retained earnings	19	73,754	71,369
Equity attributable to owners of the parent		**192,124**	**181,179**
Non-controlling interests		**1,377**	**852**
Equity		**193,501**	**182,031**
Borrowings	20	12,586	10,692
Lease liabilities	21	13,952	16,908
Derivative financial instruments	16	90	402
Deferred tax liabilities	6	18,194	16,617
Employee benefit obligations	23	1,143	2,173
Contract liabilities	14	1,357	598
Non-current liabilities		**47,322**	**47,390**
Borrowings	20	37,207	21,321
Lease liabilities	21	4,589	4,647
Derivative financial instruments	16	3,782	2,682
Trade and other liabilities	22	62,382	50,653
Employee benefit obligations	23	19,130	14,325
Other provisions	24	9,766	8,056
Contract liabilities	14	78,917	112,950
Current liabilities excluding liabilities related to assets held for sale		**215,773**	**214,634**
Liabilities directly related to non-current assets classified as held for sale		-	-
Current liabilities		**215,773**	**214,634**
Total liabilities		**263,095**	**262,024**
TOTAL EQUITY AND LIABILITIES		**456,596**	**444,055**

*For details of the restatement, see Section VIII.

The statement of financial position should be read in conjunction with the notes and additional information.

CONSOLIDATED STATEMENT OF CASH FLOWS

(PLN '000)

	Note	Year ended Dec 31 2021	Year ended Dec 31 2020
Cash flows from operating activities			
Profit before tax		**19,454**	**17,154**
Total adjustments:	*25*	**-8,937**	**19,964**
Share of net (profit)/loss of a jointly controlled entity	*12*	242	-150
Depreciation and amortisation	*3*	12,894	12,999
Foreign exchange gains/(losses)		2,551	-465
Adjustments due to finance income (cost)		666	804
Gain/(loss) on investing activities		421	-545
Other adjustments		-455	-5,788
Changes in items of the statement of financial position:			
Change in provisions		7,800	-3,998
Change in inventories		283	3,788
Change in receivables		136	-27,080
Change in current liabilities (other than financial liabilities)		7,450	-3,860
Change in contract assets and liabilities		-42,409	42,044
Change in currency derivative instruments		683	851
Adjustments due to share-based payments		801	1,364
Cash provided by operating activities		**10,517**	**37,118**
Income tax paid		-955	-742
Net cash from operating activities		**9,562**	**36,376**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of intangible assets and property, plant and equipment		1,622	4,509
Other proceeds from financial assets		136	-
Investments in intangible assets and property, plant and equipment		- 10,311	- 11,537
Net cash from investing activities		**-8,553**	**-7,028**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		18,260	28,553
Proceeds from sale or issue of own shares		153	83
Grants received		849	870
Repurchase of shares	*19*	-8,750	-14,615
Dividends and other distributions to owners	*8*	-4,944	-
Repayment of bank borrowings		-39	-22,335

Payment of lease liabilities	-4,394	-4,098
Payment of interest	-862	-1,085
Other cash used in financing activities	-	-367
Net cash from financing activities	**273**	**-12,994**
Increase (decrease) in cash and cash equivalents before the effect of exchange rate changes	**1,282**	**16,354**
Effect of exchange rate changes on cash and cash equivalents	384	- 392
Increase (decrease) in cash and cash equivalents	**1,666**	**15,962**
Cash at beginning of period	**52,558**	**36,596**
Cash at end of period	**54,225**	**52,558**

The statement of cash flows should be read in conjunction with the notes and additional information.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(PLN '000)

	Share capital	Share premium reserve	Treasury shares	Other components of equity	Retained earnings / accumulated losses	**Equity attributable to owners of the parent**	Non-controlling interests	**Total equity**
Note	*19*	*19*	*19*	*19*	*19*			
Equity as at Jan 1 2021	**3,616**	**78,666**	**-22,338**	**49,866**	**71,369**	**181,179**	**852**	**182,031**
Profit for period	-	-	-	-	16,914	16,914	395	17,309
Other comprehensive income	-	-	-	3,511	3,415	6,927	130	7,057
Total comprehensive income for the year	**-**	**-**	**-**	**3,511**	**20,329**	**23,841**	**525**	**24,366**
Sale of treasury shares under the incentive scheme	-	-	2,556	-1,757	-	799	-	799
Payment of dividends	-	-	-	-	-4,944	-4,944	-	-4,944
Capital reserve for repurchase of shares	-	-	-	13,000	-13,000	-1	-	-1
Repurchase of shares	-	-	-8,750	-	-	-8,750	-	-8,750
Changes in equity	**-**	**-**	**-6,194**	**14,754**	**2,385**	**10,945**	**525**	**11,470**
Equity as at Dec 31 2021	**3,616**	**78,666**	**-28,532**	**64,620**	**73,754**	**192,124**	**1,377**	**193,501**

Equity as at Jan 1 2020 restated*	**3,616**	**78,666**	**-9,107**	**37,115**	**71,646**	**181,935**	**472**	**182,407**
Profit for period	-	-	-	-	13,773	**13,773**	342	**14,115**
Other comprehensive income	-	-	-	-1,928	565	**-1,363**	38	**-1,325**
Total comprehensive income for the year	**-**	**-**	**-**	**-1,928**	**14,338**	**12,410**	**380**	**12,790**
Sale of treasury shares under the incentive scheme	-	-	1,384	64	-	1,448	-	1,448
Payment of dividends	-	-	-	-	-	-	-	-
Capital reserve for repurchase of shares	-	-	-	14,615	-14,615	-	-	-
Repurchase of shares	-	-	-14,615	-	-	-14,615	-	-14,615
Changes in equity	**-**	**-**	**-13,231**	**12,751**	**-277**	**-757**	**380**	**-377**
Equity as at Dec 31 2020 restated*	**3,616**	**78,666**	**-22,338**	**49,866**	**71,369**	**181,179**	**852**	**182,031**

*For details of the restatements, see Section VIII.

The statement of changes in equity should be read in conjunction with the notes and additional information.

SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31ST 2021

I. GENERAL INFORMATION

1. Parent

The Parent of the SECO/WARWICK Group (the "Group" or the "SECO/WARWICK Group") is SECO/WARWICK Spółka Akcyjna of Świebodzin (the "Company" or the "Parent"). The Company was incorporated on January 2nd 2007 and registered by the District Court for Zielona Góra, 8th Commercial Division of the National Court Register, in the Register of Businesses of the National Court Register under No. KRS 0000271014.

Name of the reporting entity or other identification data: SECO/WARWICK S.A.

Explanation of changes in the name of the reporting entity or other identification data that occurred after the end of the previous reporting period: no changes occurred in the current reporting period

Registered office: ul. Sobieskiego 8, 66-200 Świebodzin, Poland

Legal form: Joint-stock company (spółka akcyjna)

Country of registration: Poland

Name of the reporting entity: SECO/WARWICK S.A.

Registered office address: ul. Sobieskiego 8, 66-200 Świebodzin, Poland

Principal place of business: Poland

Principal business activity: the operations of the SECO/WARWICK Group are divided into four main product groups: vacuum furnaces, aluminium heat treatment systems and CAB lines, melting furnaces, aftersales services.

Name of the parent: SECO WARWICK S.A.

Name of the ultimate parent of the group: SECO WARWICK S.A.

Industry Identification Number (REGON): 970011679

Principal business according to the Polish Classification of Business Activities (PKD):

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

2. Duration of the Group

SECO/WARWICK S.A. and other companies of the SECO/WARWICK Group were incorporated to operate for an unlimited period of time, except SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co. Ltd., which was established to operate for 27 years, i.e., until May 5th 2037.
The financial statements of all subordinates have been prepared for the same period as the Parent's financial statements, using uniform accounting policies.
The financial year of the Parent and the Group companies is the calendar year.

The SECO/WARWICK Group is a producer of heat processing equipment. Thanks to its R&D centre equipped with industrial furnaces and cooperation with technical universities, the Group provides innovative solutions tailored to customer needs.

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

3. Presented periods

These consolidated financial statements of the Company cover the 12 months ended December 31st 2021.

Comparative data is presented:

- as at December 31st 2020 – in the case of the consolidated statement of financial position,
- for the period January 1st–December 31st 2020 − in the case of the consolidated statement of comprehensive income,
- of the period January 1st–December 31st 2020 − in the case of the consolidated statement of cash flows,
- for the period January 1st–December 31st 2020 − in the case of the consolidated statement of changes in equity.

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

As at the date of authorisation of these financial statements for issue and as at December 31st 2021, the Management Board of SECO/WARWICK S.A. consisted of:

- Sławomir Woźniak – 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 December 31st 2020, the Management 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 authorisation of these financial statements for issue, December 31st 2021 and December 31st 2020, 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

Changes in the composition of the Management Board:

On April 27th 2021, the Company received a notice from Mr Jarosław Talerzak, Vice President of the Management Board, of his resignation as Vice President of the Management Board of SECO/WARWICK S.A.

Changes in the composition of the Supervisory Board:

In the period from January 1st 2021 to the date of issue of these financial statements, there were no changes in the composition of the Supervisory Board.

5. Audit firm

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
ul. Inflancka 4A
00-189 Warsaw, Poland

6. Major holdings of shares

Shareholders holding over 5% of total voting rights at the Company's General Meeting as at December 31st 2021 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%**
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 2021 and as at the issue date of these financial statements, SECO/WARWICK S.A. holds 1,802,189 treasury shares, representing 17.50% of the share capital. The Company does not exercise voting rights in respect of the treasury shares.

On October 7th 2021, the Extraordinary General Meeting passed Resolution No. 5 to authorise the Company's Management Board to repurchase Company shares listed on the regulated market operated by the Warsaw Stock Exchange. Pursuant to the resolution, the Company has been authorised to acquire no more than 850,000 Company shares by the earlier of (i) December 31st 2022 and (ii) exhaustion of the capital reserve allocated for the buyback. 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 28th 2021, the Company acquired 595.488 shares covered by the invitation to tender Company shares for sale. The shares conferred the right to 5.78% of total voting rights at the Company’s General Meeting. Pursuant to Art. 364.2 of the Commercial Companies Code, the Company may not exercise the rights attached to treasury shares other than the right to dispose thereof and the right to take actions to preserve those rights.

On October 29th 2021, the Company was notified that shareholder BLEAUHARD HOLDINGS LLC had sold 594,973 Company shares. Prior to the transaction, BLEAUHARD HOLDINGS LLC held 594,973 Company shares, representing 5.78% of the Company’s share capital and 5.78% of total voting rights at the General Meeting. Following the settlement of the transaction, BLEAUHARD HOLDINGS LLC does not hold any Company shares.

Acting on the basis of a resolution of the Company’s Supervisory Board dated April 22nd 2021 and Resolution No. 21 of the Annual General Meeting of June 10th 2021 on verification of the achievement of Annual Targets by Incentive Scheme Beneficiaries in 2020, announced by the Company in Current Report No. 7/2021, in the settlement of the Incentive Scheme for 2020 the Company entered into agreements for the purchase of a total of 102,203 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 0.99% of the Company’s share capital and conferred the right to 102,203 votes, or 0.99% of total voting rights, at the General Meeting.
For detailed information on the Incentive Scheme, see Note 33 to these financial statements.
The information presented in the table is based on notifications received by the Company from the shareholders under Art. 69 of the Public Offering Act.

As at the issue date 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, compared with the information as at December 31st 2021 shown in the table below.

7. Subsidiaries

As at December 31st 2021, SECO/WARWICK S.A. was the direct or indirect parent of the following companies:

- 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.
- OOO SCT

Changes in the composition of the Group:

In 2021, the composition of the Group did not change.

Composition of the Group as at December 31st 2021:

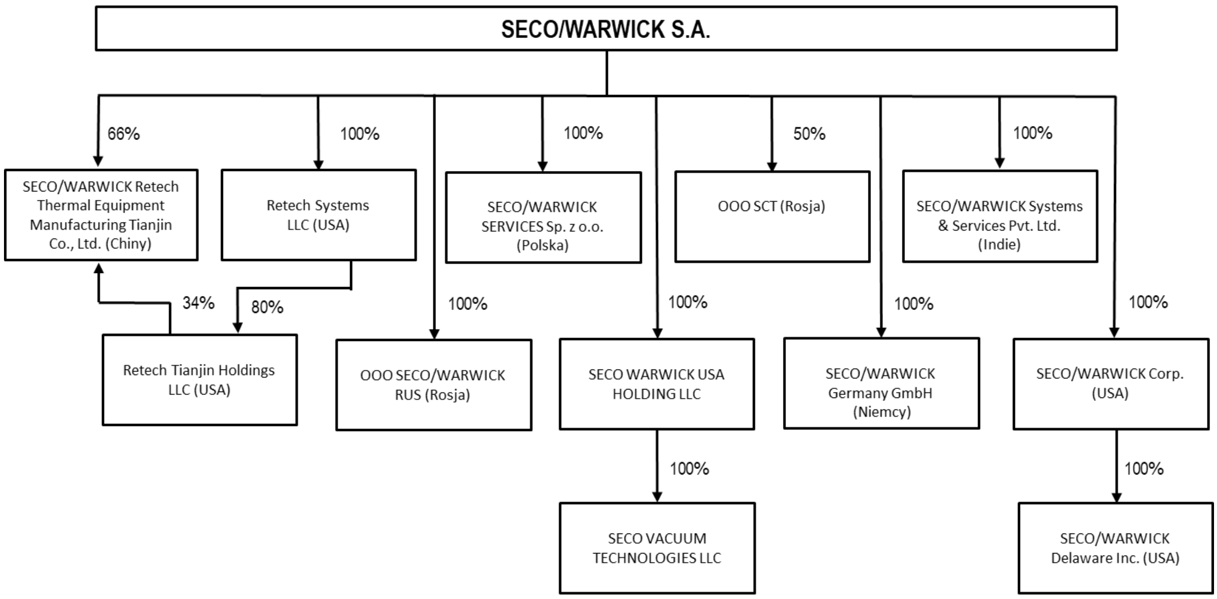
Company	Registered office	Principal business activity	Group's ownership interest
Parent			
SECO/WARWICK S.A.	Świebodzin (Poland)	Holding company of the SECO/WARWICK Group; holding equity interests and providing strategic management services; manufacture of equipment for metal heat treatment.	**N.A.**
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%**

8. Jointly controlled entities

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

9. Organisation of the Group



II. AUTHORISATION OF THE FINANCIAL STATEMENTS

The Parent's Management Board authorised these consolidated financial statements for issue on April 21st 2022.

III. EFFECT OF THE COVID-19 PANDEMIC AND THE WAR IN UKRAINE ON THE GROUP'SPOSITION

COVID-19 PANDEMIC

The global coronavirus pandemic which broke out in late 2019 persisted in 2021. The Group continued to suffer from the effects of pandemic sanitary and trade restrictions, which, however, were definitely less of a burden than in 2020, partially due to effective preventive measures taken by the Group, which resulted in a business scale-up and improved performance. Investment activity in some of the Group's customer sectors (such as aviation) has not yet returned to pre-pandemic levels, but it was significantly higher in 2021 than the year before, which, together with growing demand in other industries, made a positive contribution to the value of new business (up 31% year on year). Adverse developments caused by the pandemic, which resulted in component and raw material shortages and considerable hikes in their prices, coupled with an increase in other operating expenses, did not cease in 2021 – on the contrary, the situation even got worse in certain areas (such as steel, electrical materials, transport services, employee and contractor salaries). Inflation escalated in 2022, driven by the ongoing war caused by the Russian invasion of Ukraine. Due to the nature of the Group's operations and contracts, increasing operating expenses can be offset by the value of contracts to a significant extent. In addition, as the Group skilfully manages the supplies of feedstocks, materials and components and secures them in advance, it has been able to deliver on its contracts in a timely manner. The Group companies did not face any problems with timely payment of receivables and the Management Board did not identify any significant increase in credit risk among the Group's customers.
The Group remained committed to protecting the safety and health of its employees, collaborators and contractors. The biosecurity procedures and policies put in place in 2020, including the rotational work system and a home office option, were maintained.

As at the date of authorisation of these financial statements, the Company did not identify any material impediments to its operations caused by the pandemic in any of the markets. The number of active COVID-19 cases in most countries is steadily decreasing. Sanitary restrictions are being gradually lifted and the economy is returning to normal trading conditions. However, it cannot be ruled out that in subsequent periods, as well as during the cold season in autumn and winter, the number of infections will increase again and, consequently, governments will introduce restrictions that may adversely affect the business, growth prospects and financial condition of the Company and the Group.
Since the situation remains highly uncertain and unpredictable, it is not possible to provide a more precise assessment of the potential impact of the existing pandemic threat on the Group's performance.
The Company's Management Board monitors the situation on an ongoing basis, identifying any pandemic threats and taking appropriate steps to ensure operational continuity and timely contract performance, maintain financial stability, and enable the Group to deliver the best possible financial results, while protecting the safety and health of the Group's employees and trading partners.

WAR IN UKRAINE

On February 24th 2022, the armed forces of the Russian Federation invaded Ukraine. By the date of authorisation of these financial statements, the war in Ukraine had resulted in many casualties, migration of civilians, damage to infrastructure, restrictions on currency trading and payments, and significant disruptions of business activity, both in Ukraine and in Russia and Belarus (also due to sanctions imposed by the European Union, the United States and a number of other countries).

In accordance with IAS 10, for the purposes of preparing the financial statements as at and for the period ended December 31st 2021, the Group treats the Russian invasion of Ukraine as an event subsequent to the end of the reporting period, which does not necessitate any adjustments as at the reporting date.

As at the date of authorisation of these financial statements, the war in Ukraine and the related ongoing consequences (including the economic sanctions imposed on Russia and Belarus) had a limited direct impact on the Group's operations. The Group has a subsidiary based in Moscow (SECO/WARWICK Rus), operating as an intermediary in the sale of the Group's products in Russia. The Group holds 100% of shares in the share capital of this subsidiary, which is fully consolidated. Another Group member is OOO SCT, a jointly-controlled company based in Solnechnogorsk, which provides heat treatment services in Russia. The Group holds 50% of OOO SCT's share capital and 50% of voting rights at its general meeting (the remaining 50% of its share capital and voting rights are held by an entity governed by Russian law). OOO SCT is equity-accounted. The Group does not hold any assets (companies, non-current assets) situated in Ukraine or Belarus.

The Management Board keeps track of the economic sanctions imposed on the Russian Federation and Belarus and makes sure that all of its business activities are conducted in full compliance with the economic sanctions which must be respected by the Company, whether direct or indirect and whether imposed on persons or on activities. The sanctions imposed by the European Union on the Russian Federation and its related persons, as well as on Belarus, are set out primarily in Council Regulation (EU) No 833/2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine and Council Regulation (EC) No 765/2006 concerning restrictive measures against President Lukashenko and certain officials of Belarus (the "Regulations").

The Company and other Group companies did not advance any loans to SECO/WARWICK Rus or OOO SCT. Furthermore, as at December 31st 2021:

- The companies accounted for approximately 2.5% of the Group's sales in 2021;
- Trade receivables from customers in Eastern markets stood at PLN 12.3m (of which PLN 12.3m was repaid by the date of authorisation of these financial statements). As at the date of authorisation of the Report, the receivables amounted to PLN 8.2m.
- The Group had PLN 8.1m in outstanding deposits transferred to customers (of which PLN 0.2m was repaid by the date of authorisation of these financial statements);

The Group does not have any material suppliers in Eastern markets. As at the date of authorisation of these financial statements, markets are experiencing considerable price increases and temporary shortages of certain components, materials and feedstocks, but at present these negative factors are not materially affecting the timely execution of current orders or prospects for more business. However, the risk that the situation could deteriorate and supplies of components, materials and feedstocks could be interrupted, leading to suspension of the performance of existing contracts and significant difficulties in acquiring new business cannot be excluded.

As at December 31st 2021, the Group's risk exposure in Eastern markets totalled PLN 20.4m and went down to PLN 16.1m as at the issue date of these financial statements. As at the date of authorisation of these financial statements, the Group did not recognise any impairment losses on these assets since as at the reporting date the recoverable amount of the assets was higher than their carrying amount. The Group's Management Board is monitoring the situation and, if justified, the assets will be remeasured in the reporting periods in 2022 or later.

In the near future, the Management Board expects that there will be no sales on the Eastern markets due to the economic sanctions imposed on Russia and Belarus and, in the case of Ukraine, due to the war spreading to a large part of the country and the moratorium imposed by the National Bank of Ukraine on cross-border payments.

As at the date of authorisation of these financial statements, it was not possible to fully assess the impact of Russia's invasion of Ukraine on the financial performance of the Group.

The Russian invasion of Ukraine has aggravated many existing adverse macroeconomic trends (some of them initially related to the coronavirus pandemic) and has given rise to new risks. The Company's Management Board has identified the following key factors which could have a direct or indirect adverse effect on the Group's operations and financial performance:

- increased volatility of exchange rate movements,
- a global economic downturn coupled with growing inflation (stagflation),
- increased geopolitical risk, resulting in a risk of lower investment activity in the industries of the Group's customers,
- further supply chain disruptions – shortages of some components, feedstocks and materials, such as steel, and significant price hikes,
- growing costs of energy (electricity, fuels and natural gas),
- rising interest rates resulting in higher finance costs,
- IT risks.

IV. BASIS OF ACCOUNTING

1. Basis of accounting

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards, as endorsed by the European Union, and the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated March 29th 2018 (the "Regulation").

2. Going concern assumption and comparability of accounts

These financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future comprising a period no shorter than 12 months from the end of the most recent reporting period, i.e., December 31st 2021.
As at December 31st 2021, the Parent's Management Board carried out an analysis of the Group's ability to continue as a going concern, taking into account the COVID-19 pandemic as well as other factors, including the current order book, projected cash flow estimates, the amount of working capital, debt and available credit facilities. Based on the analysis, the Management Board did not identify any material uncertainty as to the Group's ability to continue as a going concern for at least 12 months from the reporting date. The Company's Management Board also believes that Russia's invasion of and war against Ukraine have no direct impact on the Group's operations, including on the going concern assumption. However, the Management Board is aware that both the pandemic and the war in Ukraine are highly unpredictable and uncertain, which may affect the Group's financial performance in future periods.

3. Events which have not but should have been disclosed in the accounting books for the reporting period

By the date of these consolidated financial statements for 2021, no events occurred which have not but should have been disclosed in the accounting records for the reporting period. No material events related to prior years have been disclosed in these financial statements.

V. BASIS OF CONSOLIDATION

These consolidated financial statements include the financial statements of the Company and its subsidiaries.

1) Subsidiaries

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

- power over the entity,
- exposure, or rights, to its variable returns,
- the ability to use its power over the entity to affect the amount of its own returns.

The acquirer recognises goodwill as of the acquisition date measured as the excess of A over B, where:
A) means the aggregate of:

- the payment transferred,
- the amount of any non-controlling interest in the acquiree, and
- in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.

B) means the net fair value of the acquisition-date amounts of the identifiable assets acquired as well as liabilities and contingent liabilities assumed.

Following initial recognition, goodwill is recognised at cost less any cumulative impairment losses. Goodwill is not amortised.
Subsidiaries sold during a financial year are consolidated from the beginning of the financial year to the date of disposal. Financial results of entities acquired during a year are recognised in the financial statements from the date of acquisition.
Income and expenses, receivables and payables, and unrealised gains arising from intra-Group transactions are eliminated. Unrealised losses are also eliminated, but only to the extent there is no evidence of impairment of the asset transferred in the transaction. The accounting policies of the subsidiaries have been changed whenever it was deemed necessary to align them with the accounting policies applied by the Group.

2) Equity and transactions related to non-controlling shareholders

Non-controlling interests are initially recognised at the non-controlling interests' share of the acquired entity's net identifiable assets. In subsequent periods, losses attributable to non-controlling interests are attributed to owners of the parent and the non-controlling interests even if this results in a negative value of the non-controlling interests.
Non-controlling interests include interests in consolidated companies which are not owned by the Group. Equity attributable to non-controlling interests is determined as the amount of the related entity's net assets which are attributable as at the acquisition date to shareholders from outside the Group. This amount is reduced/increased by any increase/decrease in equity attributable to non-controlling interests.

3) Associates and jointly controlled entities

Associates and jointly controlled entities are entities over which the Group has significant influence but not control. Significant influence is presumed to exist when the Group holds between 20% and 50% of total voting rights in an entity's governing bodies. Investments in associates and jointly controlled entities are accounted for using the equity method and are initially recognised at cost.
The Group's share in an associate's or jointly controlled entity's net profit/(loss) is recognised in the statement of comprehensive income, and the Group's share of the movements in the entity's other components of equity after the acquisition date is recognised under other components of equity. The carrying amount of the investment is increased/reduced by the amount of cumulative changes from the acquisition date.

4) Companies included in the consolidated financial statements

The following Group entities are included in these consolidated financial statements for the periods ended December 31st 2021 and December 31st 2020:

Item	% of total voting rights	
	Dec 31 2021	Dec 31 2020
SECO/WARWICK S.A.	Parent	
SECO/WARWICK Corp.	100%	100%
SECO/WARWICK Rus	100%	100%
Retech Systems LLC	100%	100%
SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co., Ltd.	93%	93%
SECO/WARWICK Germany GmbH	100%	100%
SECO/WARWICK Systems and Services India PVT Ltd	100%	100%
SECO/WARWICK Services Sp. z o.o.	100%	100%
SECO/WARWICK of Delaware, Inc	100%	100%
Retech Tianjin Holdings LLC	80%	80%
SECO WARWICK USA HOLDING LLC	100%	100%
SECO VACUUM TECHNOLOGIES LLC	100%	100%
Jointly controlled entity:		
OOO SCT	50%	50%

VI. APPLIED ACCOUNTING POLICIES, INCLUDING METHODS OF MEASUREMENT OF ASSETS, EQUITY AND LIABILITIES, REVENUE AND EXPENSES

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

Historical cost is 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 Group takes into account the characteristics of the asset or liability if market participants take these characteristics into account when measuring the assets or liabilities at the measurement date.

These financial statements are presented in the Polish 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. Exchange differences on translating items of the statement of financial position are calculated as differences between the exchange rates applicable to the opening and closing balance.
Other new or amended standards and interpretations which have been applied for the first time in 2021 do not have a material effect on the Group's interim condensed consolidated financial statements.

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

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 Group 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 Group'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 Group accounts for the grants in the statement of comprehensive income by reducing the amortisation charges on the assets.

Goodwill is measured as described in Part V. Basis of consolidation, item 1) subsidiaries. Goodwill on acquisition of subsidiaries is recognised in intangible assets. Goodwill is not amortised, but is tested for impairment on an annual basis (or more frequently if there is any indication of impairment), and is initially disclosed net of impairment losses. Gains or losses on disposal of an entity comprise the carrying amount of the sold entity's goodwill.

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 by estimating the useful lives of given assets, which are as follows:

Buildings and structures	from 10 to 40 years
Machinery and equipment	from 5 to 30 years
Vehicles	from 5 to 10 years
Other property, plant and equipment	from 5 to 15 years

Any gains and losses arising on sale or retirement of property, plant and equipment are determined as the difference between net proceeds from the disposal, if any, and the carrying amount of the property, plant and equipment, 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 Group accounts for the grants in the statement of comprehensive income by reducing the amortisation charges on the assets.

Property, plant and equipment under construction

Property, plant and equipment under construction include expenditure 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. Property, plant and equipment under construction are not depreciated.

Investment property

The Group classifies as investment property all property which is considered a source of income (earns rentals) and/or is held for capital appreciation.
Investment property is carried at cost less cumulative depreciation and impairment losses, if any.
Depreciation is charged over the estimated useful life of investment property using the straight-line method. Land is not depreciated.

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

Measurement on initial recognition

With the exception of certain trade receivables, on initial recognition financial assets are recognised 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
- Upon transfer of contractual rights to cash flows from the asset following a transaction whereby the Group transferred substantially all risks and rewards related to that financial 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 Group 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 by writing it down 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. Reversals of inventory write-downs due to an increase in their net realisable value are recognised as a decrease in inventories recognised as expenses for the period in which such reversals were made. 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 consolidated 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 nor 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 Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.
Deferred tax assets resulting from negative temporary differences related to such investments and shares are recognised only to the extent that it is probable that there will be sufficient taxable profits, on the basis of which it will be possible to use tax benefits resulting from temporary differences and that it is expected that the temporary differences will be reversed 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 Group 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 income tax is attributable to the same taxable entity and 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 Group discloses and measures current and deferred assets or liabilities in compliance with the requirements of IAS 12 Income Taxes, based on the taxable income (tax loss), tax base, unused tax losses, unused tax credits and 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 Group discloses such settlement taking into consideration the assessed uncertainty.

Provisions

Provisions are recognised when the Group 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 Group expects that the costs covered by the provision will be reimbursed, e.g., under an insurance agreement, then such reimbursement is recognised 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 is used, the 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 Group 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 disputes.

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 Group 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.
Employee benefit obligations also include defined benefit plans. In the case of such plans, the Group pays fixed contributions to a separate entity (a fund), as a consequence of which the actuarial risk (that benefits will be lower than expected) and investment risk (that assets invested will be insufficient to meet the expected benefits) are borne by the Group.

Share-based payments

The Group's employees (including management board members) receive awards in the form of shares.
Such awards are classified as an equity-settled share-based payment scheme. The fair value of shares allotted under the Incentive Scheme is disclosed as an employee benefits expense. Concurrently, an appropriate increase in equity is recognised.

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 Group'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 Group'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 under the control of the Group or the employee 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 Group's obligations to transfer services or equipment to a customer for which the Group 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 Group 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.
Grants for development projects are disclosed in the statement of financial position at the amount of the funds received, and then recognised on a systematic basis as revenue over the periods necessary to match them with the related costs they are intended to compensate.
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 Group 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 over recognised revenue in the reporting period 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 advance payments or receipts, the transaction date is determined for each such 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 Group is fixed and includes no variable components. The contracts contain a single performance obligation as the nature of the delivery requires the Group 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 Group 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 Group 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 Group 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 Group 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 Group. 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 Group 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 Group 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 Group 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 Group 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 Group is able to extend the lease term of certain lease contracts. The Group 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 Group reviews the lease term if a significant event or change in circumstances under its control occur which affect its ability to exercise (or not to exercise) the extension option (e.g., a change in the business strategy).

The Group as a lessor

Leases where the Group retains substantially all the risks and rewards incidental to the ownership of the asset are classified as operating leases. Initial direct costs incurred in the course of negotiating operating lease contracts are added to the carrying amount of the leased asset and recognised over the term of the lease on the same basis as lease income. Contingent lease payments are recognised as revenue in the period in which they become due.

Functional currency and presentation currency

Functional currency and presentation currency

The Group's consolidated financial statements are presented in the Polish złoty, which is also the functional currency of the Parent. The functional currency is determined for each subsidiary, and the subsidiary's assets and liabilities are measured in that functional currency. The Group applies the direct consolidation method and has selected the method of accounting for translation gains or losses which is consistent with that method.

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 consolidated financial statements of the Group, the Management Board of the Parent 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 Group reviews the useful lives of its assets annually, on the basis of current estimates.

Amortisation charges for right-of-use assets used under lease contracts

If a lease contract includes a purchase option the payment for which has been included in minimum lease payments, the amortisation period is the useful life equal to the economic useful life of the underlying asset. Where the value of a purchase option is not included in minimum lease payments, the amortisation period is the term of the lease contract.

Recognition of development costs

The Group 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.

In view of the above, the Group assesses whether an intangible asset generated by the entity meets the recognition criteria. In addition, two phases are distinguished in the asset generation process:

a) the research phase,

b) the development phase.

If the Group is unable to separate the research phase from the development phase of a project leading to the generation of an intangible asset, it treats expenditure on the project as if it were incurred only during the research phase.

Impairment of development costs

The Group conducts 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 are conducted at an appropriate level reflecting the allocation of the Group's assets to cash-generating units. Intangible assets in the form of expenditure on development work are tested at the level of a group of cash-generating units together with corporate assets.

Goodwill impairment

Goodwill and intangible assets with indefinite useful lives are not amortised, but are tested for impairment once a year or more frequently if events or changes in circumstances indicate the possibility of impairment.

The Group conducts goodwill impairment tests, which requires allocating goodwill to individual cash-generating units and then estimating the recoverable amount of each cash-generating unit. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. To analyse impairment of goodwill, the Group assesses its value in use. Estimating the value in use requires making an estimate of the expected future cash flows from the cash-generating unit as well as determining and using a suitable discount rate to calculate the present value of those cash flows. The underlying assumptions are presented in Note 11.

Impairment of other non-current assets

Other assets, with the exception of intangible assets with indefinite useful lives and goodwill, are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognised in the amount by which the carrying amount of a given asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purpose of impairment analysis, assets are grouped together into the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).
Any previously identified impairment of non-financial assets (other than goodwill) is assessed as at each reporting date for indications that a previously recognised impairment loss could be reversed.

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.

Pension benefit obligations

Disability severance payments and retirement bonuses are paid to employees of the Group's subsidiaries operating under Polish law in accordance with the provisions of Art. 92 of the Polish Labour Code, whereas at foreign companies such payments or bonuses are paid in accordance with the local laws pr agreements with employee groups. Actuarial valuation of long- and short-term benefits is performed at the end of each financial year.

Provision for warranty repairs

The Group 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 Group recognises such guarantees in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The provision for warranty repairs is estimated on the basis of the historical costs of manufacturing of the equipment sold and of the warranty repairs made in the previous years.

Provision for disputes concerning exposure to asbestos

According to the Group Management Board's judgment, disputes concerning exposure to asbestos do not meet the requirements for recognition of the provision and are recognised as contingent liabilities. The related disclosures are presented in Note 34 to these financial statements. Cash outflows are not sufficiently probable, as historically all payments under settlements were made directly by insurers.

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 Group's best knowledge (input method).

At the end of each reporting period, the Group estimates the result 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 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 if both parties to the contract 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 when the Group becomes a party to the contract, and subsequently they are remeasured at fair value as at the end of each reporting period. Changes in fair value 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 AND ADJUSTMENTS

Save for the changes in presentation described below and resulting from the introduction of new standards or amendments to existing standards effective for reporting periods beginning on or after January 1st 2021, in the preparation of these financial statements the Group applied the same accounting policies as described in the financial statements prepared as at and for the year ended December 31st 2020.

Change in presentation of receivables, financial assets, liabilities and equity

In 2021, the presentation of "Trade receivables" and "Other short-term receivables" was changed by combing these items to make a single line in the statement of financial position: "Trade receivables and other short-term receivables".

In 2021, the presentation of "Trade payables" and "Other current liabilities" was changed by combining these items to make a single line in the statement of financial position: "Trade and other payables". Also, changes were made in the presentation of equity. "Share premium reserve" was separated from "Statutory reserve funds", with the balance presented under "Retained earnings / accumulated losses". "Treasury shares" were separated from "Other components", with the balance presented under "Other components of equity". "Hedging reserve" is now included under "Other components of equity".

Adjustments

In addition, "Goodwill" and other capital reserves were adjusted in connection with goodwill adjustment to account for currency valuation. In previous years, it was incorrectly measured at a changing exchange rate. Goodwill arose mainly on the acquisition of Retech and was adjusted to the amount as at the acquisition date. Also contract assets, trade receivables and contract liabilities were adjusted following an adjustment of incorrect recognition of sales invoices as part of sales recognised over time.

The Group believes that the changes in presentation will improve the transparency and readability of the financial statements. It can also be expected that the enhanced usefulness of reporting disclosures will make it possible to make more informed investment decisions.

	Dec 31 2020	Presentation change	Dec 31st 2020 restated*
ASSETS			
Non-current assets			
Property, plant and equipment	54,331	-	54,331
Right-of-use assets	23,649	-	23,649
Investment property	310	-	310
Goodwill	38,931	-7,183	31,748
Intangible assets	45,440	-	45,440
Long-term receivables	67	-	678
Derivative financial instruments	-	-	-
Other financial assets	3	-	3
Deferred tax assets	978	-	978
	164,320	**-7,183**	**157,137**
Current assets			
Inventories	61,555	-	61,555
Trade receivables and other short-term receivables	-	102,215	102,215
Trade receivables	84,842	-84,842	-
Income tax assets	481	-	481
Other short-term receivables	13,222	-13,222	-
Other financial assets	345	-	345
Other non-financial assets	3,181	-	3,181
Contract assets	70,022	-3,439	66,583
Cash and cash equivalents	52,558	-	52,558
	286,205	**711**	**286,918**
TOTAL ASSETS	**450,525**	**-6,472**	**444,055**

	Jan 1 2020	Presentation change	Jan 1st 2020 restated*
ASSETS			
Non-current assets			
Property, plant and equipment	60,448	-	60,448
Right-of-use assets	16,231	-	16,231
Investment property	334	-	334
Goodwill	39,174	-7,426	31,748
Intangible assets	44,978	-	44,978
Investments in related entities	-	-	-
Long-term receivables	2,104	-	2,104
Other financial assets	154	-	154
Deferred tax assets	95	-	95
Contract assets	-	-	-
	163,518	**-7,426**	**156,093**
Current assets			
Inventories	64,401	-	64,401
Trade receivables and other short-term receivables	-	69,706	69,706

Trade receivables	56,687	-56,687	-
Income tax assets	386	-	386
Other short-term receivables	12,776	-12,776	-
Other financial assets	695	-	695
Other non-financial assets	4,880	-	4,880
Contract assets	101,984	-	101,984
Cash and cash equivalents	36,595	-	36,595
	278,404	**243**	**278,647**
Assets held for sale	**-**	**-**	**-**
TOTAL ASSETS	**441,922**	**-7,183**	**434,740**

	Dec 31 2020	Presentation change	Dec 31st 2020 restated*
EQUITY AND LIABILITIES			
Equity			
Share capital	3,616	-	3,616
Share premium reserve	-	78,666	78,666
Treasury shares	-	-22,338	-22,338
Other components of equity	-	49,866	49,866
Statutory reserve funds	201,557	-201,557	-
Other components	15,258	-15,258	-
Hedging reserve	-1,524	1,524	-
Translation reserve	20,978	-20,978	-
Retained earnings / accumulated losses	-51,524	122,893	71,369
Equity attributable to owners of the parent	**188,361**	**-7,181**	**181,179**
Non-controlling interests	**852**	**-**	852
	189,213	**-7,181**	**182,031**
Non-current liabilities			
Borrowings	10,692	-	10,692
Lease liabilities	16,908	-	16,908
Derivative financial instruments	402	-	402
Deferred tax liabilities	16,617	-	16,617
Employee benefit obligations	2,173	-	2,173
Contract liabilities	598	-	598
	47,390	**-**	**47,390**
Current liabilities			
Borrowings	21,321	-	21,321
Lease liabilities	4,647	-	4,647
Derivative financial instruments	2,682	-	2,682
Trade and other liabilities	-	50,653	50,653
Trade payables	42,961	-42,961	-
Other current liabilities	7,693	-7,693	-
Employee benefit obligations	14,325	-	14,325
Other provisions	8,056	-	8,056
Contract liabilities	112,237	712	112,950
	213,922	**712**	**214,634**
TOTAL EQUITY AND LIABILITIES	**450,525**	**-6,469**	**444,055**

	Jan 1 2020	Presentation change	Jan 1st 2020 restated*
EQUITY AND LIABILITIES			
Equity			
Share capital	3,616	-	3,616
Share premium reserve	-	78,666	78,666
Treasury shares	-	-9,107	-9,107
Other components of equity	-	37,115	37,115
Statutory reserve funds	205,773	-205,773	-
Other components	13,811	-13,811	-
Hedging reserve	-161	161	-
Translation reserve	21,541	-21,541	-
Retained earnings / accumulated losses	-55,461	127,107	71,646
Equity attributable to owners of the parent	**189,118**	**-7,183**	**181,935**
Non-controlling interests	**475**	**-**	475
	189,593	**-**	**182,410**
Non-current liabilities			
Borrowings	155	-	155
Lease liabilities	9,926	-	9,926
Derivative financial instruments	287	-	287
Deferred tax liabilities	14,689	-	14,689
Employee benefit obligations	2,503	-	2,503
Contract liabilities	2,186	-	2,186
	29,745	**-**	**29,745**
Current liabilities			
Borrowings	32,858	-	32,858
Lease liabilities	4,012	-	4,012
Derivative financial instruments	719	-	719
Other financial liabilities	419	-	419
Trade and other payables	-	55,248	55,248
Trade payables	47,647	-47,647	-
Other current liabilities	7,601	-7,601	-
Employee benefit obligations	13,663	-	13,663
Other provisions	10,940	-	10,940
Contract liabilities	104,724	-	104,724
	222,583	**-**	**222,583**
Liabilities directly related to discontinued operations	**-**	**-**	**-**
TOTAL EQUITY AND LIABILITIES	**441,922**	**-**	**434,740**

These financial statements have been prepared in accordance with IFRSs as endorsed by the EU, issued and effective for reporting periods beginning on or after January 1st 2021.

1. **New standards, interpretations and amendments to existing standards effective in 2021**

1.1. **Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts*, and IFRS 16 *Leases*: Interest Rate Benchmark Reform**

The purpose of the amendments is to facilitate the provision of financial statements to users and to assist entities preparing IFRS-compliant financial statements to provide useful information in a case where changes are made to contractual cash flows or hedging relationships as a result of the transition to an alternative benchmark interest rate. The amendments provide for a practical expedient for certain changes in contractual cash flows and exemption from certain hedge accounting requirements.

The amendments had no material effect on the Group’s financial statements.

1.2. **Amendments to IFRS 4 *Insurance Contracts***

The amendments extend the temporary exemption from applying IFRS 9 *Financial Instruments* by two years, to annual periods beginning on January 1st 2023, to align it with the first-time application of IFRS 17 *Insurance Contracts*, which will replace IFRS 4 *Insurance Contracts*.

The amendments had no effect on the Group's financial statements.

IX. STANDARDS AND INTERPRETATIONS NOT APPLIED IN THESE FINANCIAL STATEMENTS

Standards and interpretations	Type of expected change in accounting policies
Amendments to IFRS 3 *Business Combinations*, IAS 16 *Property, Plant and Equipment*, IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, and Annual Improvements to IFRSs 2018–2020 Cycle (all issued on May 14th 2020) (Effective for annual periods beginning on or after January 1st 2022; early application is permitted)	The package of amendments contains three amendments to the standards: ▪ Amendments to IFRS 3 *Business Combinations*, which update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations; ▪ Amendments to IAS 16 *Property, Plant and Equipment*, which rule out the possibility of deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Such revenue and related costs should be recognised in profit or loss for the period. ▪ Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* explain what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The package also contains Annual Improvements to IFRSs 2018-2020 Cycle, which include explanations and clarifications regarding the provisions of IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IAS 41 *Agriculture*, and illustrative examples for IFRS 16 *Leases*.

Standards and interpretations	Type of expected change in accounting policies
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; prospective application, with early application permitted)	IFRS 17 supersedes the temporary IFRS 4, introduced in 2004. IFRS 4 allowed entities to continue the recognition of insurance contracts in accordance with the local accounting policies based on national accounting standards, which resulted in the application of many different solutions. IFRS 17 solves the issue of a lack of comparability resulting from the application of IFRS 4 by requiring consistent recognition of all insurance contracts. Contractual obligations will be recognised at present value rather than historical cost.
Amendments to IAS 1 *Presentation of Financial Statements 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; early application is permitted)	Amendments to IAS 1 clarify the scope of disclosures of significant accounting policies in the entity's financial statements. In accordance with the amendments, in financial statements entities should disclose their material accounting policies rather than their significant accounting policies.
Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors:* Definition of accounting estimates (issued on February 12th 2021) (Effective for annual periods beginning on or after January 1st 2023; early application is permitted)	The amendments introduce the definition of accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty and clarify the relationship between accounting policies and accounting estimates, indicating that an entity develops accounting estimates to meet the objectives set out in the accounting policies.
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; early application is permitted)	The amendments clarify that the presentation of liabilities as current or non-current should only be based on the existence at the end of the reporting period of the entity's right to defer settlement for at least twelve months after the reporting period and on complying with conditions for such deferral as at the reporting date. Such classification is not affected by the management's intentions or expectations about whether and when the entity will exercise its right. The amendments also provide clarifications as to events which are deemed settlement of a liability.
Amendments to IAS 12 *Income Taxes:* Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on May 7th 2021) (Effective for annual periods beginning on or after January 1st 2023; early application is	The amendments narrow the scope of application of the deferred tax exemption and indicate that such exemption may not be applied to transactions where an entity recognises both an asset and a liability that give rise to equal taxable and deductible temporary differences.

Standards and interpretations	Type of expected change in accounting policies
permitted)	Consequently, an entity should recognise both a deferred tax asset and a deferred tax liability for temporary differences arising from initial recognition of lease contracts and decommissioning obligations.
Amendments to IFRS 17 *Insurance Contracts:* First application of IFRS 17 and IFRS 9 – comparative data (issued on December 9th 2021) (Effective for annual periods beginning on or after January 1st 2023)	The amendment introduces a new option to apply IFRS 17 for the first time to reduce the operational complexity and the accounting mismatch in the comparative data between insurance contract liabilities and related financial assets at the time of initial application of IFRS 17. The amendment enables comparative data on financial assets to be presented in a manner that is more consistent with IFRS 9 *Financial Instruments*.

The Group did not elect to early adopt any of the standards, interpretations or amendments that have been published but are not yet effective.
The Group's Management Board does not expect the application of the new standards and interpretations to have any material effect on the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31ST 2021

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 Group:

Item	Jan 1–Dec 31 2021	Jan 1–Dec 31 2020
Revenue from sale of finished goods and services	454,374	386,454
including revenue recognised over time	*389,148*	*305,402*
Revenue from sale of merchandise and materials	8,823	3,026
TOTAL revenue	**463,197**	**389,480**
Other income	2,120	9,897
Finance income	1,106	3,734
TOTAL revenue and income	**466,423**	**403,112**

Revenue by geographical markets:

Item	Jan 1–Dec 31 2021	Jan 1–Dec 31 2020
European Union	126,540	108,417
Russia	66,187	51,800
USA	117,076	108,534
Asia	131,793	102,102
Other	21,601	18,628
TOTAL revenue	**463,197**	**389,480**

All revenue is recognised by the Group in accordance with IFRS 15.

MAIN PRODUCTS 2021

Item	Vacuum Furnaces (Vacuum)	Melting Furnaces	Atmosphere Furnaces (Thermal)	Aluminium Process	Aftersales services	Total	Other	Total
Total revenue	**137,027**	**127,303**	**2,493**	**97,876**	**98,401**	**463,100**	**97**	**463,197**
Sales to customers accounting for 10% or more of revenue	-	-	-	-	-	-	-	-
Cost of sales	**-105,274**	**-97,182**	**-5,029**	**-79,642**	**-71,368**	**-358,495**	**-441**	**-358,936**
Gross profit/(loss)	**31,753**	**30,122**	**-2,537**	**18,235**	**27,033**	**104,605**	**-344**	**104,261**

MAIN PRODUCTS 2020

Item	Vacuum Furnaces (Vacuum)	Melting Furnaces	Atmosphere Furnaces (Thermal)	Aluminium Process	Aftersales services	Total	Other	Total
Total revenue	**97,215**	**129,428**	**22,419**	**52,967**	**87,085**	**389,115**	**365**	**389,480**
Sales to customers accounting for 10% or more of revenue	-	-	-	-	-	-	-	-
Cost of sales	**-76,472**	**-107,998**	**-21,500**	**-37,766**	**-58,465**	**-302,201**	**-2,276**	**-304,477**
Gross profit/(loss)	**20,743**	**21,431**	**919**	**15,201**	**28,621**	**86,915**	**-1,911**	**85,003**

Note 2. OPERATING SEGMENTS

The operating segments were changed relative to the previous year following an analysis of IFRS 8 performed by the Group's Management Board. Based on the outcome of the analysis, the Parent's management decided that a geographical breakdown better reflected the requirements of the standard. The data for the previous year were restated accordingly.

The Management Board's ongoing analysis of business performance by vertically integrated units within the Group resulted in a change of the approach to segment recognition.

The Group operates in many markets around the globe, selling metal heat treatment equipment manufactured using three main technologies. As at the reporting date, the Group's main production centres were situated in Poland and China. Sales, handled by the individual Group companies, are made by the companies in global markets, usually related to their place of registration, although in practice there are often deviations from this allocation, especially if the company also has customers outside its country of registration. The SECO/WARWICK Group's key markets include Europe, the United States and China.

Based on the geographical criterion, the Group identifies two main operating segments: “China” and “Rest of the World”.

The Chinese market accounts for an significant share of the SECO/WARWICK Group's revenue. The Chinese market is also a separate point of reference for the Group's operations and it is possible to allocate cash inflows to assets in that market. In principle, separate flows are generated from deliveries to the Chinese market (related to production by the plant in China and independent assets in China).

The Rest of the World segment includes mainly revenue generated in Europe and the United States. Apart from China, production and sales are global and are carried out based on the same assets – the assets of all the other Group companies. For these reasons, the second cash-generating unit is “Production and Distribution – Rest of the World”.

In the Rest of the World, Poland and the United States accounted for a significant share as they generated revenue of PLN 272,829 thousand and PLN 123,320 thousand, respectively. The value of non-current assets for Poland was PLN 109,297 thousand and for the Unites States – PLN 27,673 thousand.

2021	Production and distribution – Rest of the World	Production and distribution – China	Total
Total revenue	**409,489**	**53,708**	**463,197**
Sales to customers accounting for 10% or more of revenue	-	-	-
Cost of sales	**-317,109**	**-41,826**	**-358,935**
Gross profit	**92,380**	**11,882**	**104,262**
Operating profit	**17,016**	**6,996**	**24,012**
Net profit/(loss)	**11,599**	**5,315**	**16,914**
Non-current assets	**150,075**	**6,249**	**156,323**

2020	Production and distribution – Rest of the World	Production and distribution – China	Total
Total revenue	**361,528**	**27,952**	**389,480**
Sales to customers accounting for 10% or more of revenue	-	-	-
Cost of sales	**-286,356**	**-18,121**	**-304,477**
Gross profit	**75,172**	**9,831**	**85,003**
Operating profit	**14,398**	**4,637**	**19,035**
Net profit/(loss)	**9,331**	**4,442**	**13,773**
Non-current assets	**153,676**	**3,461**	**157,137**

Note 3. OPERATING EXPENSES

OPERATING EXPENSES, BY NATURE OF EXPENSE	Jan 1–Dec 31 2021	Jan 1–Dec 31 2020
Depreciation and amortisation	12,894	12,975
Raw materials and consumables used	228,918	183,207
Services	85,255	54,578
Taxes and charges	1,796	2,011
Salaries and wages	84,098	76,677
Social security and other benefits	19,073	17,188
Other expenses	20,247	15,746
Total operating expenses, including:	**452,282**	**362,381**
Distribution costs	-26,999	-24,245
Administrative expenses	-49,408	-49,105
Change in products	-16,987	20,153
Cost of work performed by entity and capitalised	-7,257	-6,231
Cost of products sold and services rendered	**351,631**	**302,952**

DEPRECIATION/AMORTISATION AND IMPAIRMENT LOSSES RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME	Jan 1–Dec 31 2021	Jan 1–Dec 31 2020
Items recognised as cost of sales	**10,198**	**9,661**
Depreciation of property, plant and equipment	4,214	4,206
Depreciation of right-of-use assets	3,211	3,051
Amortisation of intangible assets	2,773	2,404
Items recognised as distribution costs	**1,069**	**1,352**
Depreciation of property, plant and equipment	526	838
Depreciation of right-of-use assets	231	167
Amortisation of intangible assets	312	346
Items recognised as administrative expenses	**1,603**	**1,963**
Depreciation of property, plant and equipment	571	407
Depreciation of right-of-use assets	872	1,317
Amortisation of intangible assets	160	239
Items recognised as other expenses	**24**	**24**
Depreciation of investment property	24	24

EMPLOYEE BENEFITS EXPENSE

PERSONNEL COSTS	Jan 1–Dec 31 2021	Jan 1–Dec 31 2020
Salaries and wages	84,098	76,677
Social security and other benefits	19,073	17,188
Total employee benefits expense, including:	**103,171**	**93,865**
Items recognised as cost of sales	54,997	54,418
Items recognised as distribution costs	17,261	13,942
Items recognised as administrative expenses	30,913	25,504

Note 4. OTHER INCOME AND EXPENSES

OTHER INCOME	Jan 1–Dec 31 2021	Jan 1–Dec 31 2020
Reversal of provision for penalties and fines	-	730
Gain on disposal of property, plant and equipment	15	300
Licence revenue	-	241
Penalties and compensation received	551	95
Income from lease of property, plant and equipment and investment property	897	914
Paycheck Protection Program loan forgiveness*	-	6,465
Impairment losses on property, plant and equipment	-	9
Accounting for lease in connection with decision not to exercise the right to purchase the leased asset	331	253
Lease concessions	-	236
Other	326	655
Total other income	**2,120**	**9,897**

OTHER EXPENSES	Jan 1–Dec 31 2021	Jan 1–Dec 31 2020
Inventory write-downs	2,863	2,094
Loss on disposal of property, plant and equipment	529	-
Court expenses, compensation/damages, penalties	583	179
Cost related to income from lease of property, plant and equipment	552	418
Donations	4	-
Provision for compensation/damages	-	27
Other	429	822
Total other expenses	**4,959**	**3,540**

*Paycheck Protection Program (PPP) – a U.S. government programme that helps businesses keep their workforce; the loan may be forgiven subject to fulfilment of certain conditions (mainly its use for specific purposes). As the Group's US companies qualified for PPP loan forgiveness, the forgiveness of the loans was recognised as other income in 2020.

Impairment of receivables and contract assets	Jan 1–Dec 31 2021	Jan 1–Dec 31 2020
Impairment of receivables	1,004	-1,026
Impairment of contract assets	-	-
Impairment of receivables and contract assets	**1,004**	**-1,026**

Note 5. FINANCE INCOME AND COSTS

FINANCE INCOME	Jan 1–Dec 31 2021	Jan 1–Dec 31 2020
Interest income	285	360
Net foreign exchange gains	821	3,147
Other	-	227
Total finance income	**1,106**	**3,734**

FINANCE COSTS	Jan 1–Dec 31 2021	Jan 1–Dec 31 2020
Payment of interest	1,022	1,090
Interest on leases	705	753
Loss on derivative instruments at maturity	3,406	3,554
Other	287	367
Total finance costs	**5,421**	**5,765**

Note 6. INCOME TAX AND DEFERRED INCOME TAX

The main items of the tax expense for the annual periods ended December 31st 2021 and December 31st 2020 were as follows:

INCOME TAX DISCLOSED IN THE STATEMENT OF COMPREHENSIVE INCOME	Jan 1–Dec 31 2021	Jan 1–Dec 31 2020
Current income tax	**1,684**	**1,630**
Current income tax expense	1,671	1,630
Adjustments for prior years	12	151
Deferred income tax	**461**	**1,410**
Related to recognition and reversal of temporary differences	461	1,410
Income tax expense disclosed in the statement of profit or loss	**2,145**	**3,039**

Deferred income tax disclosed in the statement of profit or loss equals the difference between the balances of deferred tax liabilities and deferred tax assets as at the end and as at the beginning of the reporting periods, excluding items charged or credited to equity.

Item	2021	2020
Profit before tax (PLN)	**19,454**	**17,154**
Tax rate applicable in Poland	**19%**	**19%**
Income tax calculated at the tax rate applicable in Poland	**3,696**	**3,259**
Differences in tax rates	**176**	**-216**
USA	402	-66
China	-246	-199
Germany	28	6
India	17	8
Russia	-26	35
Tax effect of expenses that are not deductible in determining taxable profit	279	2,728
Non-deductible income	-90	-288
Use of tax losses	-1,320	-1,354
Development tax credit	-814	-655
Decrease in opening balance of deferred tax due to lower tax rate	172	-164
Other	47	-271
Deductible expense	**2,145**	**3,039**
Effective tax rate	**11%**	**18%**

The use of tax losses is mainly related to losses brought forward that are offset against profits, with respect to which no deferred tax assets have been recognised.

Item	Dec 31 2021 deferred income tax base	Dec 31 2021 other comprehensive income	Dec 31 2021 amount recognised in the statement of comprehensive income	Dec 31 2020 deferred income tax base	Dec 31 2020 other comprehensive income	Dec 31 2020 amount recognised in the statement of comprehensive income
Deferred tax liabilities						
Property, plant and equipment and intangible assets	7,676	-	-1,502	7,056	-	380
Contract assets	10,562	-	981	7,205	-	-666
Foreign exchange gains	993	-	993	130	-	159
Measurement of forward contracts	60	-	-70	66	-80	-52
Right-of-use assets	7	-17	-42	-	-	-
Tax goodwill on acquisition of RETECH	7,794	-	-	8,349	-	-
Other	136	-	118	18	-	-302
Deferred tax liabilities	**27,228**	**-17**	**479**	**22,823**	**-80**	**-381**
Deferred tax assets						
Provision for disability severance payments and retirement bonuses	198	-	-55	253	33	46
Provision for length-of-service awards and bonuses	1,319	-	349	903	-	119
Provision for accrued holiday entitlements	418	-	49	369	-	3
Provision for losses on contracts	80	-	-31	112	-	80
Provision for warranty repairs	1,222	-	349	748	-	-371
Other provisions	87	-	-246	42	-	-205
Tax losses to be settled	-	-	-289	289	-	-2,338
Contract liabilities	851	-	-606	-1,159	-	-1,401
Foreign exchange losses	-7	-	16	-23	-	-37
Salaries, wages and social security contributions payable in subsequent periods	337	-	18	319	-	-2
Inventory write-downs	1,225	-	-343	1,112	-	162
Lease liabilities	1,392	-	147	134	-	-2
Impairment losses on receivables	1,423	-	77	1,396	-	284
R&D relief	866	-	-36	902	-	666
Measurement of forward contracts	736	62	88	619	285	110
Other	602	-	529	515	-	330
Deferred tax assets	**10,748**	**62**	**16**	**6,529**	**318**	**-2,557**

After netting, the net value of deferred tax assets was PLN 1,714 thousand.
After netting, the net value of deferred tax liability was PLN 18,194 thousand.

Note 7. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for a given period attributable to ordinary equity holders in the Parent by the weighted average number of ordinary shares outstanding in the period less treasury shares.

Diluted earnings per share are calculated as the quotient of net profit for the reporting period attributable to ordinary equity holders (after adjustment by costs generated by instruments convertible in the future into dilutive ordinary shares) and the weighted average number of ordinary shares outstanding in the period adjusted for the effect of potential shares resulting from financial instruments issued by the parent which may in the future result in emissions of parent's shares below the market price.

Item	Dec 31 2021	Dec 31 2020
Net profit/(loss) from continuing operations attributable to owners of the parent	16,912	13,773
Net profit/(loss) attributable to owners of the parent	16,914	13,773
Net profit attributable to holders of ordinary shares used to calculate diluted earnings per share	**16,914**	**13,773**
Weighted average number of outstanding ordinary shares used to calculate basic earnings per share	8,845,099	9,765,601
Earnings per share	**1.91**	**1.41**
Dilutive effect:		
Number of potential shares to be issued under the incentive scheme	-	203,367
Number of potential shares to be issued at market price	-	9,870
Adjusted weighted average number of ordinary shares used to calculate diluted earnings per share	8,845,099	9,850,711
Diluted earnings per share	**1.91**	**1.40**

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

On April 22nd 2021, the Management Board resolved on its recommendation for the Annual General Meeting as regards net profit appropriation. It recommended that the Company's net profit for 2020, of PLN 7,856,447.93 (seven million, eight hundred and fifty-six thousand, four hundred and forty-seven złoty, 93/100), should be allocated as follows:

- PLN 4,944,307.50 (four million, nine hundred and forty-four thousand, three hundred and seven złoty, 50/100) of the net profit to be distributed as dividend to the shareholders (PLN 0.55 per share);
- PLN 2,912,140.43 (two million, nine hundred and twelve thousand, one hundred and forty złoty, forty-three grosz) of the net profit – to the Company's statutory reserve funds.

Furthermore, the Management Board recommended that the dividend record date (Day R) should be July 1st 2021 and that the dividend payment (Day P) should be July 15th 2021.

On the same day, the Supervisory Board approved the Management Board's recommendation.

On June 10th 2021, the Annual General Meeting resolved on the appropriation of the Company's net profit for 2020, including distribution of PLN 4,944,307.50 as dividend to the shareholders. Dividend per share was PLN 0.55.
The dividend record date was set in accordance with the Management Board's recommendation for July 1st 2021. The dividend was paid on July 15th 2021.

Note 9. PROPERTY, PLANT AND EQUIPMENT

Changes in property, plant and equipment (by type) in the period January 1st–December 31st 2021

Item	Land	Buildings and structures	Plant and equipment	Vehicles	Other property, plant and equipment	Total
Gross carrying amount as at Jan 1 2021	**8**	**37,627**	**47,998**	**4,353**	**10,608**	**100,592**
Increase, including:	**-**	**189**	**1,672**	**107**	**5,216**	**7,184**
acquisitions	-	189	1,672	107	5,216	7,184
Decrease, including:	**-**	**-**	**4,848**	**217**	**349**	**5,414**
sale	-	-	4,007	197	-	4,203
retirement	-	-	842	20	148	1,009
other	-	-	-	-	201	201
Gross carrying amount as at Dec 31 2021	**8**	**37,816**	**44,821**	**4,244**	**15,475**	**102,362**
Cumulative depreciation as at Jan 1 2021	**-**	**9,886**	**30,548**	**3,549**	**7,916**	**51,899**
Increase, including:	**-**	**1,076**	**2,798**	**277**	**1,160**	**5,311**
depreciation	-	1,076	2,798	277	1,160	5,311
Decrease, including:	**-**	**-**	**2,958**	**109**	**349**	**3,415**
sale	-	-	2,190	16	-	2,206
retirement	-	-	768	93	148	1,008
separate recognition of right of use	-	-	-	-	201	201
Cumulative depreciation as at Dec 31 2021	**-**	**10,962**	**30,388**	**3,718**	**8,727**	**53,795**
Impairment losses as at Jan 1 2021	**-**	**-**	**-**	**3**	**-**	**3**
Increase, including:	**-**	**-**	**-**	**-**	**-**	**-**
impairment loss recognition	-	-	-	-	-	-
Decrease, including:	**-**	**-**	**-**	**-**	**-**	**-**
use	-	-	-	-	-	-
reversal	-		-	-	-	-
Impairment losses as at Dec 31 2021	**-**	**-**	**-**	**3**	**-**	**3**
Net exchange differences on translating financial statements into presentation currency	24	947	911	243	573	2,698
Net carrying amount as at Dec 31 2021	**32**	**27,801**	**15,344**	**768**	**7,320**	**51,263**

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 Jan 1 2020	**649**	**45,526**	**56,938**	**4,080**	**8,740**	**115,932**
Increase, including:	**-**	**344**	**1,028**	**600**	**1,969**	**3,941**
acquisitions	-	344	1,028	600	1,969	3,941
Decrease, including:	**641**	**8,243**	**9,968**	**327**	**100**	**19,280**
sale	641	8,073	9,761	327	15	18,818
retirement	-	51	206	-	85	343
other	-	119	-	-	-	119
Gross carrying amount as at Dec 31 2020	**8**	**37,627**	**47,998**	**4,353**	**10,608**	**100,592**
Cumulative amortisation as at Jan 1 2020	**-**	**12,609**	**37,012**	**3,421**	**6,144**	**59,186**
Increase, including:	**-**	**1,168**	**2,107**	**325**	**1,851**	**5,451**
amortisation	-	1,168	2,107	325	1,851	5,451
Decrease, including:	**-**	**3,891**	**8,571**	**197**	**79**	**12,739**
sale	-	3,891	8,370	197	-	12,458
retirement	-	-	201	-	79	281
Cumulative amortisation as at Dec 31 2020	**-**	**9,886**	**30,548**	**3,549**	**7,916**	**51,899**
Impairment losses as at Jan 1 2020	**63**	**1,527**	**1,232**	**3**	**-**	**2,825**
Increase, including:	**-**	**-**	**-**	**-**	**-**	**-**
impairment loss recognition	-	-	-	-	-	-
Decrease, including:	**63**	**1,527**	**1,232**	**-**	**-**	**2,822**
use	**63**	**1,262**	**1,232**			**2,557**
reversal	-	265	-	-	-	265
Impairment losses as at Dec 31 2020	**-**	**-**	**-**	**3**	**-**	**3**
Net exchange differences on translating financial statements into presentation currency	24	959	549	199	504	2,234
Net carrying amount as at Dec 31 2020	**32**	**28,699**	**17,998**	**1,001**	**3,195**	**50,924**

Property, plant and equipment under construction:

Property, plant and equipment under construction as at Jan 1 2021	Expenditure incurred in the financial year	Allocation of the expenditure: Buildings, premises and civil engineering structures	Machinery and equipment	Vehicles	Other property, plant and equipment	As at Dec 31 2021
3,407	4,406	268	774	-	5,158	1,612

Property, plant and equipment under construction as at Jan 1 2020	Expenditure incurred in the financial year	Allocation of the expenditure: Buildings, premises and civil engineering structures	Machinery and equipment	Vehicles	Other property, plant and equipment	As at Dec 31 2020
1,026	3,403	215	807	-	-	3,407

RIGHT-OF-USE ASSETS

Item	Land	Buildings and structures	Plant and equipment	Vehicles	Total
Gross carrying amount as at Jan 1 2021	**2,625**	**16,140**	**4,144**	**7,777**	**30,685**
Increase, including:	**-**	**2,721**	**-**	**986**	**3,706**
new lease contracts	-	2,707	-	986	3,693
modification of contracts	-	14	-	-	14
Decrease, including:	**-**	**-**	**-**	**1,716**	**1,716**
retirement	-	-	-	209	209
modification of contracts	-	-	-	1,506	1,506
Gross carrying amount as at Dec 31 2021	**2,625**	**18,861**	**4,144**	**7,047**	**32,676**
Cumulative depreciation as at Jan 1 2021	**59**	**4,287**	**299**	**3,016**	**7,661**
Increase, including:	**37**	**1,925**	**184**	**1,625**	**3,771**
depreciation	37	1,925	184	1,625	3,771
Decrease, including:	**-**	**-**	**-**	**1,201**	**1,201**
modification of contracts	-	-	-	1,201	1,201
Cumulative depreciation as at Dec 31 2021	**96**	**6,211**	**483**	**3,440**	**10,231**
Exchange differences	**-**	**-1,452**	**-**	**-**	-1,452
Net carrying amount as at Dec 31 2021	**2,529**	**11,198**	**3,661**	**3,607**	**20,993**

Item	Land	Buildings and structures	Plant and equipment	Vehicles	Total
Gross carrying amount as at Jan 1 2020	**2,625**	**7,000**	**4,144**	**6,969**	**20,738**
Increase, including:	**-**	**9,276**	**-**	**3,281**	**12,556**
new lease contracts	-	9,260	-	3,281	12,541
modification of contracts	-	15	-	-	15
Decrease, including:	**-**	**136**	**-**	**2,474**	**2,609**
retirement	-	-	-	119	119
modification of contracts	-	136	-	2,354	2,490
Gross carrying amount as at Dec 31 2020	**2,625**	**16,140**	**4,144**	**7,777**	**30,685**
Cumulative depreciation as at Jan 1 2020	**23**	**1,562**	**115**	**2,807**	**4,507**
Increase, including:	**37**	**2,725**	**184**	**1,591**	**4,536**
depreciation	37	2,725	184	1,591	4,536
Decrease, including:	**-**	**-**	**-**	**1,382**	**1,382**
modification of contracts	-	-	-	1,382	1,382
Cumulative depreciation as at Dec 31 2020	**59**	**4,287**	**299**	**3,016**	**7,661**
Exchange differences	**-**	**625**	**-**	**-**	**624**
Net carrying amount as at Dec 31 2020	**2,565**	**12,478**	**3,845**	**4,761**	**23,649**

Note 10. INTANGIBLE ASSETS

Changes in intangible assets (by type) in the period January 1st–December 31st 2021

Item	*Patents and licences, software*	*Development costs*	*Other intangible assets*	*Total*
Gross carrying amount as at Jan 1 2021	**15,924**	**45,029**	**5,093**	**66,045**
Increase, including:	**1,396**	**3,672**	-	**5,068**
acquisitions	1,394	3,624	-	5,017
other	2	48	-	50
Decrease, including:	**179**	**18**	**-**	**197**
retirement	158	-	-	158
reclassification	21	18	-	**39**
Gross carrying amount as at Dec 31 2021	**17,140**	**48,683**	**5,093**	**70,917**
Cumulative amortisation as at Jan 1 2021	**9,760**	**6,704**	**4,151**	**20,616**
Increase, including:	**1,157**	**1,736**	**267**	**3,160**
amortisation	1,157	1,736	267	3,160
Decrease, including:	**158**	**-**	**-**	**158**
other	-	-	-	**-**
Cumulative amortisation as at Dec 31 2021	**10,760**	**8,440**	**4,418**	**23,617**

Impairment losses as at Jan 1 2021	-	-	-	-
Impairment losses as at Dec 31 2021	-	-	-	-
Net exchange differences on translating financial statements into presentation currency	-61	10	-	-51
Net carrying amount as at Dec 31 2021	**6,320**	**40,253**	**675**	**47,248**

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

Item	*Patents and licences, software*	*Development costs*	*Other intangible assets*	*Total*
Gross carrying amount as at Jan 1 2020	**15,260**	**42,449**	**5,093**	**62,801**
Increase, including:	**1,217**	**2,580**	**-**	**3,797**
acquisitions	1,075	2,580	-	3,655
other	142	-	-	142
Decrease, including:	**553**	**-**	**-**	**553**
other	553	-	-	**553**
Gross carrying amount as at Dec 31 2020	**15,924**	**45,029**	**5,093**	**66,045**
Cumulative amortisation as at Jan 1 2020	**8,334**	**5,615**	**3,859**	**17,809**
Increase, including:	**1,430**	**1,266**	**292**	**2,988**
amortisation	1,430	1,266	292	2,988
other	-	**-**	**-**	-
Decrease, including:	**4**	**177**	**-**	**181**
other	4	177	-	**181**
Cumulative amortisation as at Dec 31 2020	**9,760**	**6,704**	**4,151**	**20,616**
Impairment losses as at Jan 1 2020	-	-	-	-
Impairment losses as at Dec 31 2020	-	-	-	-
Net exchange differences on translating financial statements into presentation currency	-1	10	-	9
Net carrying amount as at Dec 31 2020	**6,162**	**38,336**	**942**	**45,440**

No intangible assets are pledged as security for liabilities.
As at December 31st 2021 and December 31st 2020, the Group had no intangible assets held for sale.
In 2021, the research costs recognised in the statement of comprehensive income were PLN 2,827 thousand (2020: PLN 1,831 thousand).
As at December 31st 2021, PLN 28,531 thousand of costs of completed development work and PLN 11,722 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 18,549 thousand allocated to the vacuum furnace segments;
- PLN 997 thousand allocated to the atmosphere furnace segments;
- PLN 3,088 thousand allocated to the aluminium furnace segments;
- PLN 4,976 thousand allocated to the melting furnace segments;
- PLN 921 thousand in other costs.

Costs of ongoing development work include:

- PLN 7,135 thousand allocated to the vacuum furnace segments;
- PLN 3,447 thousand allocated to the atmosphere furnace segments;
- PLN 479 thousand allocated to the aluminium furnace segments;
- PLN 10 thousand allocated to the melting furnace segments;
- PLN 651 thousand in other costs.

The Group distinguishes between research work and development work for its projects irrespective of the segment in which the work is carried out, in accordance with internal determinations already at the beginning of work on a new project envisaged in the budget. Any project that does not meet the criteria for recognition as intangible assets is treated as a project carried out as part of research work. The Group's criteria that allow capitalisation of expenditure on development projects are consistent with IAS 38, and all research and development expenditure which does not meet the criteria is recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised under assets in the next period.

Expenditure on ongoing development work was tested for impairment. The tests are conducted within identified cash-generating units. Capitalised development costs are tested at the level of a group of cash-generating units together with corporate assets.

The total recoverable amount of the individual cash-generating units was determined by reference to their value in use calculated on the basis of cash flow projections based on five-year financial budgets approved by the senior management, additionally taking into account the residual value after the end of the five-year period considering the expected long-term use of the technologies being developed based on the Group's existing experience.

Kay assumptions for the calculation of value in use

In order to calculate the value in use of individual cash-generating units, the following is taken into account:

- The sales level of a group of units;
- The gross margin based on the average percentage margins generated by the unit;
- The average annual EBITDA growth in the forecast period and a long-term growth rate after the forecast period;
- Discount rates estimated based on the risk level for each unit.

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. GOODWILL

Consolidation goodwill	Dec 31 2021	Dec 31 2020 restated
Retech Systems LLC	30,081	30,081
SW Germany	1,667	1,667
Total goodwill at end of period	**31,748**	**31,748**

In 2021, no increase/decrease in goodwill was recognised.

The Management Board analyses business performance by vertically integrated units within the Group. The Group operates in many markets around the globe, selling metal heat treatment furnaces manufactured using three main technologies. The Group's main production centres are situated in Poland, US and China. Sales, handled by the individual Group companies, are made by the companies in global markets, usually related to their place of registration, although in practice there are often deviations from this allocation, especially if the company also has customers outside its country of registration.

Cash-generating units were recognised at the Group in accordance with the geographical criteria as cash inflows may be identified according to the Group's product markets.

In principle, separate flows are generated from deliveries to the Chinese market (related to production by the plant in China and independent assets in China). The Chinese market is also a separate point of reference for the Group's operations and it is possible to allocate cash inflows to assets in that market. Therefore, the first cash-generating unit is "Production and distribution – China".

The assets of this unit are all production and distribution assets in the Chinese companies.

The smallest asset group to which the remaining inflows may be allocated is all other production and distribution assets of the Group. Apart from China, production and sales are global and are carried out based on the same assets – the assets of all the other Group companies. For these reasons, the second cash-generating unit is "Production and Distribution – Rest of the World".

At the level of a group of units, impairment tests are conducted with respect to corporate assets and intangible assets resulting from internal and acquired development work in the area of furnace construction technologies.

As at the reporting date, the Group did not identify any indications of impairment of the above units. However, a test for the "Rest of the World" unit was required due to the recognition of goodwill as one of the assets of that unit.

The recoverable amount of all cash-generating units was determined based on the calculations of value in use. The calculations are based on post-tax cash flow projections adopted in financial models approved by the Management Board for a period of five years. Cash flows beyond five years are extrapolated using the estimated growth rates set out below. The growth rate after the forecast period is the weighted average of expected growth rates until the end of the period covered by the financial model and expected inflation rates after that period.

The key assumptions used in the calculations of value in use as at December 31st 2021 are as follows:

	Production and distribution – Rest of the World
Average annual revenue growth in the forecast period	6.70%
Long-term growth rate after the forecast period	2%
Discount rate	11.46%
Recoverable amount of the unit	214,224
Excess over the unit's recoverable amount	100,549

Sensitivity to changes in assumptions: a simulation of the recoverable amount was made with changed discount rates for 2022–2026 for each company covered by the impairment test:

Discount rates assumed in the test

+1/-1% change in discount rate	-21,231	25,613
+10/-10% change in average revenue growth rate	39,088	-28,365
+1/-1% change in growth rate after forecast period	17,452	-14,115

As a key assumption, for each cash-generating unit the Management Board adopted a forecast revenue growth rate resulting from the Group's financial plan for the forecast period, and a long-term revenue growth rate after the forecast period. The sales volume and the selling price of products for each period are the principal revenue drivers. The cost assumptions are based on estimated costs of materials and labour for volumes required to generate revenue. The cumulative annual volume growth rate is based on the Management Board's expectations as to market growth and limited by the maximum production capacity of the plants. The applied long-term growth rates are consistent with forecasts presented in industry reports. 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.

No impairment at the level of a group of units was identified.

Note 12. EQUITY-ACCOUNTED INVESTEES

OOO SCT

The Group holds 50% of ordinary shares in OOO SCT (a company operating under Russian law), representing 50% of total voting rights in the company. The Russian shareholder holds the other 50% of the voting rights. The investment in OOO SCT is measured with the equity method in accordance with IAS 28.

Carrying amount of investment

As at Dec 31 2020	**-**
Share of loss of jointly controlled entity 2021	-242
Exchange differences on translating foreign operations	133
Impairment losses	109
As at Dec 31 2021	**-**

Following an impairment test, impairment losses were recognised for the full amount of the investment in jointly controlled entity.

As prescribed by IAS 12.44, the Group recognises deferred tax for temporary differences arising from investments in associates only to the extent it is probable that the temporary difference will reverse in the foreseeable future.
The Parent's Management Board considers the investment in OOO SCT to be a long-term investment (currently there are no plans to sell the shares). Therefore, in accordance with IAS 12.44, no deferred tax was recognised in respect of the temporary differences arising from investments in associates.

Note 13. INVENTORIES

Item	Dec 31 2021	Dec 31 2020
Materials	30,713	25,340
Semi-finished products and work in progress	28,695	30,457
Finished goods	2,733	5,151
Merchandise	650	606
Total inventories (carrying amount)	**62,790**	**61,555**
Inventory write-downs	10,855	8,010
Gross inventories	**73,645**	**69,564**

CHANGE IN WRITE-DOWNS

WRITE-DOWNS	Materials	Semi-finished products and work in progress	Finished goods	Merchandise	Total
Jan 1 2020	**2,058**	**5,652**	**-**	**5**	**7,714**
Increase, including:	**911**	**450**	**733**	**-**	**2,094**
- write-downs recognised in correspondence with other expenses	911	450	733	-	2,094
Decrease, including:	**1,783**	**17**	**-**	**-**	**1,800**
- use	1,783	-	-	-	1,783
Net exchange differences on translating financial statements into presentation currency	-	17	-	-	17
Dec 31 2020	**1,187**	**6,085**	**733**	**5**	**8,009**
Increase, including:	**2,275**	**588**	-	-	**2,863**
- write-downs recognised in correspondence with other expenses	2,275	588	-	-	**2,863**
Decrease, including:	**-**	**17**	**-**	**-**	**17**
Net exchange differences on translating financial statements into presentation currency	-	17	-	-	17
Dec 31 2021	**3,462**	**6,656**	**733**	**5**	**10,855**

Based on an analysis of the value of inventories as at December 31st 2021 and December 31st 2020, inventory was revalued by recognising write-downs on inventories which got damaged or became partly or entirely useless, or in the case of which selling prices fell and estimated costs of preparation for sale or costs to sell increased.

Due to the use within the Group of inventories which had been written down, in the period in which the inventories were used the impairment write-down was reversed in correspondence with the other expenses account.

Note 14. CONTRACT ASSETS/LIABILITIES

Contract assets

Contract assets reflect the amounts payable by customers in connection with provision of services or delivery of equipment.

In view of the performance of large contracts for individual customers, the Group believes that there is a concentration of credit risk with respect to contract assets and receivables. Therefore, in order to determine impairment losses the Group analyses balances on a case-by-case basis. The Group'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 2021 were as follows:

	2021	2020
Opening balance	**66,583**	**101,984**
Increase	379,545	292,818
Invoiced amounts transferred to trade receivables	-369,198	-328,622
Exchange differences	1,504	403
Closing balance	**78,434**	**66,583**

Contract liabilities

The balance of contract liabilities of approximately PLN 105,241 thousand as at January 1st 2021 was recognised as revenue generated in the 12 months ended December 31st 2021.
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 2021, the transaction price allocated to unsatisfied performance obligations under contracts with customers was PLN 88,029 thousand. The following table shows the time periods during which the Group expects to satisfy those performance obligations and recognise related revenue.

	Dec 31 2021	Dec 31 2020
Up to 1 year	78,917	112,237
1–2 years	1,357	598
From 2 to 3 years	-	-
From 3 to 4 years	-	-
From 4 to 5 years	-	-
In more than 5 years	-	-
Total unsatisfied performance obligations	**80,274**	**112,835**

Note 15. TRADE AND OTHER RECEIVABLES

Item	Dec 31 2021	Dec 31 2020
Trade receivables		
from other entities	-	-
Other receivables		
from other entities	1,456	677
Total long-term receivables	1,456	677

Item	Dec 31 2021	Dec 31 2020
Trade receivables	**83,570**	**88,994**
- trade receivables, with maturities of up to 12 months	83,570	88,994
Total other short-term receivables	**18,317**	**13,221**
- taxes, customs duties, social security	10,561	4,576
- sale of S/W Brasil shares	328	1,518
- prepayments	5,629	3,879
- other receivables	1,799	3,248
Total net trade and other receivables	**101,888**	**102,215**
Impairment losses (positive value)	15,501	14,497
Total gross trade and other receivables	**117,388**	**116,711**

As at December 31st 2021, trade receivables of PLN 15,501 thousand PLN (2020: PLN 14,497 thousand) were classified as uncollectible and an impairment loss was recognised. Impairment losses recognised following an individual analysis of balances amounted to PLN 8,745 thousand. Expected credit losses recognised for all receivables stood at PLN 5,384 thousand.

Changes in impairment losses on receivables were as follows:

Item	Dec 31 2021	Dec 31 2020
At beginning of period	**14,497**	**15,174**
Increase	2,028	503
Reversal (-)	-546	-1,140
Net exchange differences on translating financial statements into presentation currency	-478	-41
At end of period	**15,501**	**14,497**

Trade receivables (gross) by maturity as of the reporting date:

Item	Dec 31 2021	Dec 31 2020
up to 1 month	41,160	45,302
more than 1 month, up to 6 months	27,978	21,733
more than 6 months, up to 1 year	9,386	16,881
more than 1 year	3,599	120
past due	2,903	1,483
Total (net) trade receivables	**85,026**	**85,519**
Long-term receivables	1,456	677
Short-term receivables	83,570	84,842

Impairment losses on trade receivables	15,501	14,497
Total (gross) trade receivables	**100,526**	**100,016**

Income tax assets

As at December 31st 2021, income tax assets amounted to PLN 280 thousand (PLN 481 thousand as at December 31st 2020).

Note 16. OTHER FINANCIAL ASSETS AND LIABILITIES

Other financial assets

Item	Dec 31 2021	Dec 31 2020
Shares in other entities	3	3
Derivative financial instruments	35	345
Total financial assets, including:	**38**	**348**
- long-term	3	3
- short-term	35	345

Other financial liabilities

Item	Dec 31 2021	Dec 31 2020
Bank borrowings	49,792	32,013
Other financial liabilities	22,411	24,639
- derivative financial instruments	3,872	3,033
- lease liabilities	18,539	21,555
- other	-	51
Total financial liabilities, including:	**72,204**	**56,652**
- long-term	26,627	28,000
- short-term	45,577	28,650

	Dec 31 2021		Dec 31 2020	
	Assets	Liabilities	Assets	Liabilities
Derivative financial instruments	38	3,872	348	3,033
Total financial assets and liabilities at fair value through profit or loss				
- non-current	-	-	-	-
- short-term	-	-	-	-
Total hedging instruments				
- non-current	3	90	3	177
- short-term	35	3,782	345	2,856

Disclosures of derivative financial instruments which qualify for hedge accounting

In 2021, SECO/WARWICK S.A. used currency forwards to hedge on average 55% of its export cash flows denominated in EUR, 66% of its cash flows denominated in USD, and 30% 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 IFRS 9 paragraph 6.4.1 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 Group hedges the currency risks of future cash flows. The Group determines its net position for future cash flows in specific time ranges. This position is hedged by forward contracts for a given currency. The hedging strategy envisages hedging the entire net position. The strategy also provides for rollovers of derivatives in cases where actual settlement dates for net positions are delayed for reasons beyond the Group’s control.

The net position is determined based on highly probable future cash flows. This high probability is verified by hedging only future cash flows resulting from existing supply contracts. The hedging policy in place helps mitigate the risk of exchange rate fluctuations resulting from the Group’s inflows in currencies other than its functional currency. The hedges are for periods ranging from several months to several years. Forward contracts for cash flows denominated in foreign currencies remove uncertainty as to the amount of net proceeds from sale of products to customers.
The economic relationship between the hedged item and the hedging instrument is determined at three levels:

- the hedging contract is denominated in the currency of the hedged transaction,
- the term of the derivative contract corresponds to the period of execution of the hedged transaction to an accuracy of one month of execution,
- the amount of the derivative instrument corresponds to the net position of the cash flows scheduled for a given month.

For foreign currency purchase hedges, the Group enters into hedging relationships in which the key terms of the hedging instrument correspond exactly to the terms of the hedged item.

The Group believes that the main sources of ineffectiveness that may affect the hedging relationship are:
- impact of the credit risk of the bank providing the derivative instrument;
- time differences in the settlement of hedged transactions;
- changes in expected transactions occurring at a different point in time in relation to initial estimates;
- accepting the entire forward contract value as a hedging instrument.

As at December 31st 2021 and December 31st 2020 the Group has not identified any sources of ineffectiveness other than those mentioned above.

In 2021 and 2020, there was no significant hedge ineffectiveness.

As part of cash flow hedges, the Group does not intend to execute a transaction for which hedge accounting was used in the previous period, but which is no longer expected to occur.

As at December 31st 2021 and December 31st 2020 the Group held the following instruments to hedge its exposure to foreign currency fluctuations:

As at Dec 31 2021

Currency risk	Maturity of up to 1 year	Maturity between 1 and 3 years	Maturity of more than 3 years
Currency forwards (PLN '000)	126,273	1,997	-
EUR – forward exchange rate*	4.5820	4.6441	-
USD – forward exchange rate*	3.8632	-	-
GBP – forward exchange rate*	5.3890	-	-
GBP – forward exchange rate	-	-	-

As at Dec 31 2020

Currency risk	Maturity of up to 1 year	Maturity between 1 and 3 years	Maturity of more than 3 years
Currency forwards (PLN '000)	83,290	12,064	-
EUR – forward exchange rate*	4.4145	4.4914	-
USD – forward exchange rate*	3.7664	-	-
GBP – forward exchange rate*	5.0084	-	-
GBP – forward exchange rate	-	-	-

The table below presents total values of hedging relationships open as at December 31st 2021.

Dec 31 2021	Notional amount of contract (EUR '000)	Initial notional amount of hedging instrument	Outstanding notional amount of hedging instrument as at Dec 31 2021	Fair value of instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date of final settlement of hedging instrument
TOTAL	**65,408**	**29,901**	**21,115**	**-1,677**	**-974**	**-703**	**Jan 31 2022 – Apr 13 2023**
Dec 31 2021	Notional amount of contract (USD '000)	Initial notional amount of hedging instrument	Outstanding notional amount of hedging instrument as at Dec 31 2021	Fair value of instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date of final settlement of hedging instrument
TOTAL	**12,463**	**8,119**	**7,859**	**-2,128**	**-563**	**-1,565**	**Jan 31 2021 – Dec 30 2022**
Dec 31 2021	Notional amount of contract (GBP '000)	Initial notional amount of hedging instrument	Outstanding notional amount of hedging instrument as at Dec 31 2021	Fair value of instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date of final settlement of hedging instrument
TOTAL	**210**	**210**	**210**	**-31**	**-2**	**-29**	**Jun 30 2022 – Jun 30 2022**
			TOTAL	**-3,836**	**-1,539**	**-2,297**	

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 (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 (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 (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 (PLN '000)	Amount recognised in equity (PLN '000)	Date of final settlement of hedging instrument
TOTAL	**1,275**	**830**	**580**	**-45**	**-**	**-45**	**Jun 30 2021 – Nov 30 2021**
			TOTAL	**-2,738**	**-857**	**-1,881**	

Impact of hedge accounting on financial position and results:

Instrument type	Unit	Notional amount Dec 31 2021	Assets Dec 31 2021	Liabilities Dec 31 2021	Statement of financial position item that includes the hedging instrument	Changes in fair value of the hedged item (as a basis for determining the ineffective portion in the period)	Hedging gains or losses for the reporting period, recognised in other comprehensive income	Hedge ineffectiveness amount taken to profit or loss	Amount reclassified from cash flow hedge reserve to profit or loss as reclassification adjustment	Item of statement of comprehensive income (statement of profit or loss) in which reclassification adjustment is included
Forward – sale of currency	**EUR**	21,116	35	1,712	Other financial assets/liabilities	68	540	-	-974	finance costs
Forward – sale of currency	**USD**	7,859	-	2,128	Other financial assets/liabilities	-	-	-	-563	finance costs
Forward – sale of currency	**GBP**	210	-	31	Other financial assets/liabilities	-	-	-	-2	finance costs

Instrument type	Unit	Notional amount Dec 31 2020	Assets Dec 31 2020	Liabilities Dec 31 2020	Statement of financial position item that includes the hedging instrument	Changes in fair value of the hedged item (as a basis for determining the ineffective portion in the period)	Hedging gains or losses for the reporting period, recognised in other comprehensive income	Hedge ineffectiveness amount taken to profit or loss	Amount reclassified from cash flow hedge reserve to profit or loss as reclassification adjustment	Item of statement of comprehensive income (statement of profit or loss) in which reclassification adjustment is included
Forward – sale of currency	**EUR**	15,852	23	2,832	Other financial assets/liabilities	-840	-547	-	-1,066	finance costs
Forward – sale of currency	**USD**	5,579	322	207	Other financial assets/liabilities	225	-11	-	209	finance costs
Forward – sale of currency	**GBP**	830	-	45	Other financial assets/liabilities	-	-	-	-	finance costs

Balance of cash flow hedge reserve for continuing hedges	Dec 31 2021	Dec 31 2020
	Currency risk	
Net position (EUR)	-703	-1,743
Net position (USD)	-1,565	-94
Net position (GBP)	-29	-45

Note 17. OTHER NON-FINANCIAL ASSETS

Item	Dec 31 2021	Dec 31 2020
Prepayments and accrued income	2,620	3,181
Total other non-financial assets	**2,620**	**3,181**

The main items of prepayments and accrued income are insurance and software.

Note 18. CASH AND CASH EQUIVALENTS

Item	Dec 31 2021	Dec 31 2020
Cash at banks and cash in hand	52,352	52,176
Short-term deposits	1,873	382
Total cash and cash equivalents	**54,225**	**52,558**

Note 19. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY

Share capital

Item	Dec 31 2021	Dec 31 2020
Number of shares	10,298,554	10,298,554
Par value of shares	0.2	0.2
Share capital	2,059	2,059
Restatement due to hyperinflationary conditions	1,557	1,557
Share capital at end of period	**3,616**	**3,616**

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

Shareholding structure:

Shareholders as at Dec 31 2021	Share preference	Type of limitation on rights to shares	Number of shares	Ownership interest (%)
SW Holding	None	-	3,387,139	**32.89%**
Spruce Holding Limited Liability Company (USA)	None	-	1,091,952	**10.60%**
Nationale-Nederlanden Otwarty Fundusz Emerytalny	None	-	600,000	**5.83%**
SECO/WARWICK S.A.	None	-	1,802,189	**17.50%**
Metlife OFE	None	-	577,470	**5.61%**
Other	None	-	2,839,804	**27.57%**
TOTAL			**10,298,554**	**100%**

Shareholders as at Dec 31 2020	Share preference	Type of limitation on rights to shares	Number of shares	Ownership interest (%)
SW Holding	None	-	3,387,139	**32.89%**
Spruce Holding Limited Liability Company (USA)	None	-	1,091,952	**10.60%**
Bleauhard Holdings LLC	None	-	594,973	**5.78%**
Nationale-Nederlanden Otwarty Fundusz Emerytalny	None	-	600,000	**5.83%**
SECO/WARWICK S.A.	None	-	1,308,904	**12.71%**
Metlife OFE	None	-	577,470	**5.61%**
Other	None	-	2,738,116	**26.59%**
TOTAL			**10,298,554**	**100%**

Other components of equity:	Share-based payment reserve	Share buyback reserve	Hedging reserve	Actuarial gains/(losses)	Translation reserve	Total other components of equity
Other components of equity as at Jan 1 2021	**7,973**	**29,765**	**-1,524**	**-142**	**13,795**	**49,866**
Valuation of management stock option plan	648	-	-	-	-	**648**
Award of management stock options	-2,555	-	-	-	-	**-2,555**
Repurchase of shares		13,000	-	-	-	**13,000**
Sale of treasury shares under the incentive scheme	153	-	-	-	-	**153**
Translation reserve	-	-	-	-	3,845	**3,845**
Other comprehensive income	-	-	-336	-	-	**-336**
Other components of equity as at Dec 31 2021	**6,219**	**42,765**	**-1,861**	**-142**	**17,640**	**64,621**
Other components of equity as at Jan 1 2020	**7,910**	**15,150**	**-161**	**-142**	**14,358**	**37,115**
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**
Translation reserve	-	-	-	-	-563	**-563**
Sale of treasury shares under the incentive scheme	83	-	-	-	-	**83**
Other comprehensive income	-	-	-1,364	-	-	**-1,364**
Other components of equity as at Dec 31 2020	**7,973**	**29,765**	**-1,524**	**-142**	**13,795**	**49,866**

The share buyback reserve was transferred from statutory reserve funds by way of resolution of the Extraordinary General Meeting on October 30th 2014 to purchase own shares.

Hedging reserve

The Group's hedging reserve is related to the following financial instruments:

	Cash flow hedge reserve – fair value of a forward contract
As at Jan 1 2020	**-161**
Plus: change in fair value of hedging instruments recognised in other comprehensive income	68
Minus: reclassification from other comprehensive income to profit or loss	-1,751
Minus: Deferred income tax	320
As at Dec 31 2020	**-1,524**
Plus: change in fair value of hedging instruments recognised in other comprehensive income	-37
Minus: reclassification from other comprehensive income to profit or loss	-378
Minus: Deferred income tax	79
As at Dec 31 2021	**-1,861**

Share buyback reserve and treasury shares

The acquisition of treasury shares by the Group and its purpose are disclosed in Section I *General information*, Section 6 *Major holdings of shares.* As at December 31st 2021, the Group held 1,802,189 treasury shares, representing 17.50% of the share capital, and as at December 31st 2020 – 1,308,904 treasury shares, representing 12.71% of the share capital. In 2021, the Group acquired 595,488 treasury shares worth PLN 8,750 thousand. 102,203 treasury shares worth PLN 2,555 thousand were issued under the incentive scheme.

The Group presents the acquired treasury shares in accordance with IAS 1 as a separate item of equity, deducting their value from equity. As at December 31st 2021, the amount was PLN -28,533 thousand (PLN -22,338 thousand as at December 31st 2020). The acquisition, sale, issue or retirement of treasury shares does not result in the recognition of any gains or losses in the entity's profit or loss.

The treasury shares are shares in SECO/WARWICK S.A. held by Biuro Maklerskie mBanku (mBank Brokerage Office) for the purpose of issuing shares under an agreement for the purchase of treasury shares with participants of the Incentive Scheme, as discussed in more detail in Note 33 *Management stock options.*

The share buyback reserve is used to recognise fair value as at the date of allotment of shares issued in connection with the Incentive Scheme.

Share premium reserve
As at December 31st 2021 and December 31st 2020, the share premium reserve, created as a result of issue of Company shares, stood at PLN 78,666 thousand.

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 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 2021, the total amount drawn under the facility was PLN 10,472 thousand. As at December 31st 2020, the total amount drawn under the facility was PLN 13,694 thousand.

On October 5th 2021, SECO/WARWICK S.A. executed a PLN 10,400 thousand investment credit facility agreement with mBank S.A. of Warsaw. The facility was contracted to finance the repurchase of up to 850,000 Company shares under the share buyback programme established pursuant to Resolution No. 5 of the Company's Extraordinary General Meeting of October 7th 2021. As at the date of signing Annex 1, i.e., November 26th 2021, the amount drawn under the facility was PLN 6,908 thousand. As at December 31st 2021, the total amount drawn under the facility was PLN 6,562 thousand.

The facilities are secured by a contractual mortgage over a property comprising the following plots of land held in perpetual usufruct:

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

Bank borrowings as at December 31st 2021:

Lender	Amount		Currency	Limit/amount as per agreement	Repayment date	Security	Interest rate	Type
	PLN '000	In foreign currency ('000)						
Huntington National Bank	109	27	USD	32	Jan 31 2026		*fixed*	Overdraft facility
Volkswagen Credit	87	21	USD	26	Sep 30 2026		*fixed*	Overdraft facility
SANTANDER	1,103	-	PLN	2,000	Feb 28 2022	-	variable	Overdraft facility
mBank	41	-	PLN	-	-	-	-	Credit card limit
mBank	12	3	EUR	-	-	-	-	Credit card limit
mBank	46	-	PLN	-	-	-	promissory note	Credit card limit
mBank	2	1	USD	-	-	-	promissory note	Credit card limit
mBank	101	22	EUR	-	-	-	promissory note	Credit card limit
HSBC Bank	2,639	650	USD	650	Dec 31 2022		variable	Overdraft facility
BNP Paribas	14,082	-	PLN	20,000	Sep 30 2022	representation on voluntary submission to enforcement under Art. 777.1 of the Code of Civil Procedure	variable	Overdraft facility
PEKAO	-	-	PLN	25,000	Aug 31 2022	representation on voluntary submission to enforcement under Art. 777.1 of the Code of Civil Procedure	variable	Overdraft facility
mBank	6,562		PLN	6,908	Sep 30 2026	mortgage, surety provided by SWE, hold on securities account	variable	Investment facility
mBank	10,472	-	PLN	14,500	Mar 31 2025	mortgage, surety provided by SWE, hold on securities account	variable	Investment facility
Santander	14,535	-	PLN	19,000	Feb 28 2022	representation on voluntary submission to enforcement under Art. 777.1 of the Code of Civil Procedure	variable	Overdraft facility
Total	**49,792**							

Bank borrowings as at December 31st 2020:

Lender	Amount		Currency	Limit/amount as per agreement	Repayment date	Security	Interest rate	Type
	PLN '000	In foreign currency ('000)						
HSBC Bank	577	1,004	CNY	CNY 1,004	Mar 15 2021	SBLC	*fixed*	Overdraft facility
Huntington National Bank	121	32	USD	32 USD	Jan 31 2026		*fixed*	Overdraft facility
Volkswagen Credit	97	26	USD	26 USD	Sep 30 2026		*fixed*	Overdraft facility
SANTANDER	1,077	-	PLN	2,000	Jan 31 2020	-	variable	Overdraft facility
mBank	35	-	PLN	-	-	-	-	Credit card limit
mBank	20	4	EUR	-	-	-	-	Credit card limit
mBank	30	-	PLN	-	-	-	promissory note	Credit card limit
mBank	-		USD	-	-	-	promissory note	Credit card limit
mBank	42	9	EUR	-	-	-	promissory note	Credit card limit
BNP Paribas	4,827	-	PLN	20,000	Sep 30 2021	representation on voluntary submission to enforcement under Art. 777.1 of the Code of Civil Procedure	variable	Overdraft facility
PEKAO	-	-	PLN	25,000	Aug 31 2021	representation on voluntary submission to enforcement under Art. 777.1 of the Code of Civil Procedure	variable	Overdraft facility
mBank	13,694	-	PLN	14,500	Mar 31 2025	mortgage, surety provided by SWE, hold on securities account	variable	Investment facility
Santander	11,492	-	PLN	19,000	Feb 28 2021	representation on voluntary submission to enforcement under Art. 777.1 of the Code of Civil Procedure	variable	Overdraft facility
Total	**32,011**							

Borrowings by maturity:

Item	Dec 31 2021	Dec 31 2020
Short-term borrowings	37,207	21,321
Long-term borrowings	12,585	10,690
- repayable in more than 1 year, up to 3 years	9,362	9,884
- repayable in more than 3 years, up to 5 years	3,223	806
Total borrowings	**49,792**	**32,011**

Borrowings by currency:

Item	Dec 31 2021		Dec 31 2020	
	amount in foreign currency	amount in PLN	amount in foreign currency	amount in PLN
PLN		46,842		31,154
EUR	25	114	13	62
USD	699	2,837	58	218
CNY	-	-	1,004	577
Total borrowings		**49,792**		**32,011**

Note 21. LEASES

The Group as a lessee

The Group 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 Group also has lease contracts for equipment or vehicles with lease terms of 12 months or less, and lease contracts for low-value assets. The Group uses the exemption for short-term leases and leases of low-value assets.
The Group's lease liabilities are secured with the lessor's ownership title to the leased assets. As a general rule, the Group 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.
Below are presented the carrying amounts of lease liabilities and their changes in the reporting period.

Item	2021	2020
As at Jan 1	21,556	13,939
Increase (new leases)	2,319	12,741
Amendments to lease contracts	-941	-1,051
Payment of interest	705	753
Payments	-5,099	-4,826
As at Dec 31	**18,540**	**21,556**
Short-term	4,589	4,648
Long-term	13,950	16,908

The largest item contributing to the increase in leases as at the end of 2020, i.e., PLN 8,999 thousand, is a new office complex of Retech Systems in Buffalo, Pennsylvania (US).

For information on the maturities of the lease liabilities, see Note 32.3. *Liquidity risk*.
The table below presents amounts of income, expenses, gains and losses under leases recognised in the statement of profit or loss.

Item	2021	2020
Depreciation of right-of-use assets	4,315	4,536
Interest expense on lease liabilities	705	753
Cost of short-term leases (included in cost of products and services sold)	324	2,805
Cost of leases of low-value assets (included in administrative expenses)	69	69
Total amount recognised in the statement of profit or loss/ statement of comprehensive income	5,413	8,163

Receivables under operating leases – the Group as a lessor

The lease income recognised by the Group under other income amounted to PLN 897 thousand in 2021. As at December 31st 2021 and December 31st 2020, the maturities of lease payments were as follows (at undiscounted amounts):

Item	Dec 31 2021	Dec 31 2020
In the 1st year	897	886
In the 2nd year	574	599
In the 3rd year	563	587
In the 4th year	563	587
In the 5th year	563	587
In more than 5 years	281	373
Total	**3,441**	**3,619**

The Group mainly leases out its premises to cooperating entities where the terms of cooperation require location in close proximity.

Note 22. TRADE AND OTHER PAYABLES

Item	Dec 31 2021	Dec 31 2020
short-term	62,382	50,653
long-term	-	-
Total	**62,382**	**50,653**

SHORT-TERM TRADE AND OTHER PAYABLES

Item	Dec 31 2021	Dec 31 2020
Trade payables		
To other entities	52,016	42,961
Total	**52,016**	**42,961**
Taxes, customs duties, social security and other charges payable	8,912	5,523
Income tax payable	120	117
Other liabilities	1,334	2,053
Total other payables	**10,366**	**7,693**
Total trade and other payables	**62,382**	**50,654**

Contingent liabilities

Contingent liabilities under guarantees and sureties issued were PLN 9,250 thousand as at the end of 2021, and PLN 7,272 thousand as at the end of 2020. The following guarantees were issued:

Item	Dec 31 2021	Dec 31 2020
bid bond payment guarantee	-	166
performance bond	5,440	1,961
bid bond	3,810	5,145
Total	**9,250**	**7,272**

As at December 31st 2021, there were no material expected credit losses under financial guarantees issued.

Social assets and liabilities of the Company Social Benefits Fund (Polish companies)

The Act on Company Social Benefits Fund of March 4th 1994 (as amended) stipulates that an employer is required to create a Company Social Benefits Fund if it has more than 50 full-time employees. The Group has set up such a fund and makes periodic contributions to it at the basic rate/the amount 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 Group set off the fund’s assets against its liabilities towards the fund because the fund’s assets are not separate from the Group’s assets.

The table below presents analytic data on the fund’s assets, liabilities and expenses, as well as the fund’s net balance.

Item	Dec 31 2021	Dec 31 2020
Loans to employees	32	12
Cash	169	441
Liabilities to the fund	207	441
Net balance	-6	12
Contributions to the fund during the year	-	565

Capital commitments

As at December 31st 2021, the Group had commitments of PLN 300 thousand to incur capital expenditure on property, plant and equipment.

Note 23. EMPLOYEE BENEFITS

Retirement benefits and other post-employment benefits

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

Provision for retirement bonuses and similar benefits

LONG-TERM PROVISION FOR EMPLOYEE BENEFIT OBLIGATIONS	Jan 1 – Dec 31 2021	Jan 1 – Dec 31 2020
at beginning of period	**2,173**	**2,503**
increase	83	122
recognition	83	122
use	166	31
reversal	947	421
at end of period	**1,143**	**2,173**

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

Item	Dec 31 2021	Dec 31 2020
Discount rate (%)	3.60%	1.25%
Expected inflation rate (%)	5%	3%
Expected rate of growth of salaries and wages (%)	5%	5%

SHORT-TERM PROVISION FOR EMPLOYEE BENEFIT OBLIGATIONS/ ACCRUED HOLIDAY ENTITLEMENTS, ETC.	Jan 1 – Dec 31 2021	Jan 1 – Dec 31 2020
1. Accrued holiday entitlements		
at beginning of period	**3,389**	**3,845**
- recognition	6,793	6,383
- use	6,502	6,839
at end of period	**3,679**	**3,389**
2. Accrued bonuses		

at beginning of period	**5,577**	**5,419**
- recognition	7,837	2,689
- use	4,991	2,531
at end of period	**8,423**	**5,577**
3. Employee benefit obligations		
at beginning of period	**12**	**23**
- recognition	32	-
- use	-	10
at end of period	**44**	**12**
4. Current salaries and wages	**6,983**	**5,346**
Total employee benefit obligations	**19,130**	**14,325**

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

Item	Dec 31 2021	Dec 31 2020
Discount rate (%)	2.46%	2.01%
Expected rate of return on assets (%)	6.00%	6.00%

RETIREMENT BENEFIT PLANS (SECO/WARWICK CORP.)

Item	2021	2020
Change in plan's obligation		
Obligation as at beginning of period	**16,226**	**15,524**
Administration costs	-	-
Interest expense	326	445
Actuarial gain/(loss)	- 930	1,593
Contributions paid	- 1,116	-1,140
Effect of currency translation on presentation currency	1,220	-196
Obligation as at end of period	**15,726**	**16,226**
Change in plan's assets		
Fair value of plan's assets at beginning of period	**16,280**	**15,006**
Interest income/(loss) on plan's assets	324	429
Additional gain/(loss) on plan's assets	2,484	2,198
Benefits paid	-1,116	-1,140
Effect of currency translation on presentation currency	1,389	-212
Fair value of plan's assets at end of period	**19,362**	**16,280**

Future actuarial measurements may differ significantly from current measurements used by the actuary to calculate the pension benefit obligation of SECO/WARWICK Corp. due to factors such as:

- changes in underlying economic or demographic assumptions;
- economic developments;
- increases or decreases which can be expected to result naturally from the methodology used for these measurements, such as changes in estimated asset depreciation/amortisation periods, amendments of the terms of the plan or to applicable laws or regulations.

The table below presents the sensitivity analysis for material assumptions (discount rate). The methods and other assumptions are the same as those disclosed by the actuary as at the reporting date to calculate the amount of the pension benefits obligation.

Amount of the obligation with the discount rates applied by the actuary	**15,726**	
+1/-1% change in discount rate	-1,427	1,693

In 2021, two changes in assumptions were made relative to the previous year:

- The mortality table was updated from Scale MP-2020 to Scale MP-2021, the latest Mortality Scale published by the Society of Actuaries (SOA). The scale is updated on an annual basis.
- The discount rate was updated from 2.01% to 2.46% to reflect current bond rates.

In 2020, for the purpose of calculating the pension benefits obligation, the discount rate was revised from 2.89% to 2.01% to reflect current yields on high quality corporate bonds. In addition, mortality rates based on the Mortality Improvement Scale were changed from MP-2019 to MP-2020 to reflect the latest tables published by the Society of Actuaries (SOA).

Disaggregation of the fair value of the assets of the Seco/Warwick Corp. pension plan into asset classes:

As at Dec 31 2021:

	Market value	Percentage of market value	Estimated annual income	Current profitability
Current investments	376	1.96%	0.07	0.02%
Fixed income assets	2,673	13.90%	73.23	2.88%
Equity investments	10,863	56.50%	128.24	1.24%
Trust funds	5,314	27.64%	100.61	1.99%
Total	**19,226**	**100.00%**	**302.15**	**1.65%**

As at Dec 31 2020

	Market value	Percentage of market value	Estimated annual income	Current profitability
Current investments	138	0.86%	0.03	0.02%
Fixed income assets	2,539	15.65%	69.06	2.62%
Equity investments	8,921	55.01%	118.40	1.28%
Trust funds	4,619	28.48%	97.30	2.03%
Total	**16,218**	**100.00%**	**284.79**	**1.69%**

Note 24. OTHER PROVISIONS

Item	***Provision for warranty repairs and returns***	***Provision for contractual penalties***	***Provision for loss-making contracts***	***Other provisions – contingent liability***	***Total***
As at Jan 1 2020	**9,788**	**986**	**172**	**-**	**10,946**
Provisions recognised during the financial year	2,436	87	407	-	2,930
Increase	**2,436**	**87**	**407**	**-**	**2,930**
Provisions used	-5,044	-45	-	-	-5,089
Provisions reversed	-	-730	-	-	-730
Decrease	**-5,044**	**-775**	-	-	**-5,819**
As at Dec 31 2020	**7,179**	**298**	**579**	**-**	**8,056**
Provisions recognised during the financial year	6,581	-	912	-	7,493
Increase	**6,581**	-	**912**	**-**	**7,493**
Provisions used	-4,803	-	-816	-	-5,619
Provisions reversed	-	-	-164	-	-164
Decrease	**-4,803**	-	**-980**	**-**	**-5,783**
As at Dec 31 2021	**8,957**	**298**	**511**	**-**	**9,766**

The Group reviews its provisions as at the end of each reporting period and adjusts them 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. Accordingly, all other provisions are recognised as current provisions as in each case they will be used or settled within the next 12 months.

Provision for warranty repairs

The provision for warranty repairs is calculated on a case-by-case basis for each contract and reflects the contractual obligations towards the Customer during the warranty period. The amount of the provision is planned in accordance with internal guidance for each technology. On average, it ranges from 1.5% to 2% of the contract value. The assumptions adopted for the current period are consistent with those applied in the previous year. The Group calculates the provision for warranty repairs based on planned costs updated for the purpose of calculating the warranty provisions, less the costs of warranties, taking into account the stage of completion measured by reference to contract costs incurred.
Recognising the provision for warranties, the Group considers the percentage of contract completion (pro rata to revenue recognition), planning the costs of complaints until the contract is 100% complete (the final acceptance report is signed). As warranty costs arise or at the start of the warranty period, the provision is gradually reduced by the costs of warranty repairs incurred or by the amounts stated by the entity performing the contract if it determines that the claims for which the provision was recognised will not occur in the future. The provision is fully reversed at the end of the warranty period or once all outstanding warranty repairs have been completed.

As at December 31st 2021, the carrying amount of the provision was PLN 8,957 (December 31st 2020: PLN 7,179 thousand).

A 10% difference in the cost of warranty claims relative to management estimates would result in an increase or decrease in the provision for warranty costs of approximately PLN 895.7 thousand (as at December 31st 2020 – an increase or decrease by PLN 717.9 thousand).

Provision for penalties
A provision for penalties is recognised if contractual penalties are highly likely to be paid in the future under ongoing contracts.
The provision for penalties did not change during the financial year.

Provision for loss-making contracts

The provision for loss-making contracts is calculated on a case-by-case basis for each contract. It is recognised if the difference between planned revenue and planned costs under the contract is lower than the difference in revenue and expenses recognised in the period.

As at December 31st 2021, the carrying amount of the provision was PLN 511 thousand (December 31st 2020: PLN 579 thousand).

Note 25. EXPLANATORY INFORMATION TO THE STATEMENT OF CASH FLOWS

Item	Dec 31 2021	Dec 31 2020
On-balance sheet cash and cash equivalents	54,225	52,558
Total cash and cash equivalents in the statement of cash flows	**54,225**	**52,558**

Item	Dec 31 2021	Dec 31 2020
Depreciation and amortisation:	**12,894**	**12,999**
Amortisation of intangible assets	3,245	2,988
Depreciation of right-of-use assets	4,314	4,535
Depreciation of property, plant and equipment	5,311	5,451
Depreciation of investment property	24	24
Change in provisions (excluding elimination of income tax liabilities) results from the following items:	**7,800**	**-3,999**
Net change in provisions	7,063	-624
Elimination of change in deferred tax liabilities	-1,577	-1,929
Exchange differences	-1,101	-881
Provisions for employee benefits	3,415	-565
Change in inventories results from the following items:	**283**	**3,789**
Net change in inventories	-1,236	2,847
Exchange differences	1,519	942
Change in receivables (excluding elimination of income tax receivable) results from the following items:	**135**	**-27,973**
Net change in receivables	-251	-27,269
Elimination of income tax receivable	-201	95
Exchange differences	587	-799
Change in liabilities (excluding financial liabilities) results from the following items:	**7,452**	**-4,754**
Net change in liabilities	9,502	4,682
Change in investment commitments	-295	825
Exchange differences	-967	-566
Change in lease liabilities	-	-7,617
Valuation of derivative instruments	-788	-2,078
Change in contract assets and liabilities results from the following items:	**-42,409**	**42,044**
net change in contract assets and liabilities	-45,125	37,887
Exchange differences	2,716	4,157

Note 26. RELATED ENTITIES

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

Note 27. REMUNERATION OF KEY PERSONNEL

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

Remuneration of the Management Board

Name and surname	Remuneration in the period	Other benefits	Accrued incentive scheme costs	Total remuneration in the period
Dec 31 2021	**PLN '000**	**PLN '000**	**PLN '000**	**PLN '000**
Sławomir Woźniak	480	365	262	1,107
Jarosław Talerzak (1)	130	43	-	173
Piotr Walasek	360	250	87	697
Earl Good	1,162	-	87	1,249
Bartosz Klinowski	360	215	87	662
Total	**2,492**	**873**	**524**	**3,888**
Dec 31 2020				
Sławomir Woźniak	448	441	379	1,268
Jarosław Talerzak	364	143	16	522
Piotr Walasek	336	180	118	634
Earl Good	1,124	-	123	1,247
Bartosz Klinowski	336	136	306	778
Total	**2,608**	**899**	**942**	**4,449**

(1) The remuneration amount relates to the term of office on the Management Board: from January 1st 2021 to April 27th 2021.

Remuneration of the Supervisory Board:

Name and surname	Total remuneration	
	Dec 31 2021	**Dec 31 2020**
Andrzej Zawistowski, including:	325	211
- for his service as Chairman of the Supervisory Board	205	147
- under contract for advisory services[1]	120	64
Jeffrey Boswell, including:	169	135
- under employment contract[2]	169	135
Henryk Pilarski	54	51
Marcin Murawski	45	40
Jacek Tucharz	42	39
Total	**635**	**477**

Remuneration of the SUPERVISORY BOARD

[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 2021
		Dec 31 2021	Dec 31 2020	
Financial assets				
Loans advanced	At amortised cost	-	-	-
Trade and other receivables	At amortised cost	102,167	98,545	102,167
Long-term receivables	At amortised cost	1,457	677	1,457
Hedging instruments	At fair value	35	345	35
Cash and cash equivalents	At amortised cost	54,225	52,558	54,225
Financial liabilities				
short-term				
Short-term bank borrowings	At amortised cost	33,370	21,321	-
Lease liabilities	At amortised cost	4,589	4,647	-
Trade and other liabilities	At amortised cost	56,690	47,411	-
Hedging instruments	At fair value	3,782	3,084	-
long-term				
Long-term bank borrowings	At amortised cost	12,585	10,690	-
Hedging instruments	At fair value	90	402	-
Lease liabilities	At amortised cost	13,950	16,908	-

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 instrument

2021

	Other interest income/(expense)	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	89	-	-29	-	-	-
Trade and other receivables	87	765	127	-537	-	-
Long-term receivables	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-219	383	-
Cash and cash equivalents	113	414	-	-385	-	-
TOTAL	**289**	**1,179**	**98**	**-1,140**	**383**	**-**

	Other interest income/(expense)	Foreign exchange gains/(losses)	Impairment losses reversed/(recognised)	Valuation gains/(losses)	Gains/(losses) on settlement of financial instruments	
Financial liabilities						
short-term						
Short-term bank borrowings	-874	-	-	-3	-	-
Lease liabilities	-691	-	-	-	-	-
Trade and other liabilities	-166	-360	-	541	-	-
Hedging instruments	-	-	-	-512	-3,028	-
long-term	-	-	-	-	-	-
Long-term bank borrowings	-	-	-	-	-	-
Lease liabilities	-	-	-	-	-	-
Hedging instruments	-	-	-	48	-	-
TOTAL	**-1,731**	**-360**	**-**	**77**	**-3,028**	

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

2020

	Other interest income/(expense)	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	135	841	-1,424	1,200	-	-
Long-term receivables	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-82	265	-
Cash and cash equivalents	102	1,086	-	391	-	-
TOTAL	**335**	**1,927**	**-1,453**	**1,510**	**265**	**-**

	Other interest income/(expense)	Foreign exchange gains/(losses)	Impairment losses reversed/(recognised)	Valuation gains/(losses)	Gains/(losses) on settlement of financial instruments	
Financial liabilities						
short-term						
Short-term bank borrowings	-913	-2	-	-7	-	-
Lease liabilities	-753	-	-	-	-	-
Trade and other liabilities	-152	409	-	-697	-	-
Hedging instruments	-	-	-	-507	-3,157	-
long-term	-	-	-	-	-	-
Long-term bank borrowings	-	-	-	-	-	-
Lease liabilities	-	-	-	-	-	-
Hedging instruments	-	-	-	-73	-	-
TOTAL	**-1,818**	**407**	**-**	**-1,277**	**-3,157**	

Changes in liabilities arising from financing activities

2021

	Jan 1 2021	changes resulting from cash flows from financing activities	increase under leases	effect of changes in foreign exchange rates	effect of valuation of hedging instruments	Dec 31 2021
Interest-bearing borrowings (long-term)	10,690	1,895	-	-	-	12,585
Lease liabilities (long-term)	16,908	-3,532	906	-330	-	13,952
Interest-bearing borrowings (short-term)	21,321	15,723	-	163	-	37,207
Lease liabilities (short-term)	4,647	-259	200	-	-	4,589
Derivative financial instruments	3,084	-	-	-	788	3,872
Total liabilities arising from financing activities	56,650	13,828	1,106	-168	788	72,204

2020

	Jan 1 2020	changes resulting from cash flows from financing activities	increase under leases	effect of changes in foreign exchange rates	effect of valuation of hedging instruments	Dec 31 2020
Interest-bearing borrowings (long-term)	155	10,536	-	-	-	10,690
Lease liabilities (long-term)	9,926	-1,491	8,473	-	-	16,908
Interest-bearing borrowings (short-term)	32,858	-11,055	-	-482	-	21,321
Lease liabilities (short-term)	4,012	-2,262	2,897	-	-	4,647
Derivative financial instruments	719	-	-	-	1,963	2,682
Total liabilities arising from financing activities	47,669	-4,272	11,370	-482	1,963	56,248

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

This Note explains the judgements and estimates made in the determination of the fair value of financial assets recognised and measured at fair value in financial statements. In order to clarify the reliability of the inputs used to calculate the fair value, the Group has classified its financial assets and liabilities into three levels as specified by the accounting standards. An explanation of each level follows under the table.

	2021		
	Level 1	Level 2	Level 3
	PLN '000	PLN '000	PLN '000
Financial assets			
Derivative financial instruments	-	35	-
- *Currency forwards*	-	35	-
Total	-	35	-
Financial liabilities			
current			
Currency forwards	-	3,782	-
Total	-	3,782	-

	2020		
	Level 1	Level 2	Level 3
	PLN '000	PLN '000	PLN '000
Financial assets			
Derivative financial instruments	-	345	-
- *Currency forwards*	-	345	-
Total	-	345	-
Financial liabilities			
current			
Currency forwards	-	2,682	-
Total	-	2,682	-

There were no transfers during the financial year between fair value levels 1, 2 and 3 for recurring fair value measurements.
The Group follows the principle of recognising transfers between fair value hierarchy levels at the end of the reporting period.

Level 1: The fair value of financial instruments traded on active markets (such as listed financial derivatives and equity securities) results from their prices at the end of the reporting period. The market price used to measure financial assets held by the Group is the current purchase price. Such instruments are classified as Level 1.
Level 2: The fair value of financial instruments which are not traded on active markets (such as OTC derivatives) is determined based on appropriate measurement techniques which use observable inputs as much as possible, minimising the use of estimates made by the entity. If all relevant inputs necessary for the fair value measurement of an instrument are actually observable, the instrument is classified as Level 2.
Level 3: If at least one type of significant inputs is not observable market data, the instrument is classified as Level 3. Unlisted equity securities are Level 3 instruments.

The techniques used to measure financial instruments include:

- use of market prices or broker prices for similar instruments,
- for interest rate swaps: the present value of estimated future cash flows based on observable yield curves,
- for currency forwards: the present value of future cash flows based on forward exchange rates as at the reporting date,
- for foreign exchange options: option valuation models (such as the Black-Scholes model),
- for other financial instruments: analysis of discounted cash flows.

All fair value estimates thus calculated are classified as Level 2, except for unlisted equity securities, contingent consideration receivables and certain derivative contracts whose fair value was determined on the basis of their present value, and discount rates have been adjusted for counterparty risk and own credit risk.

Note 29. EMPLOYMENT STRUCTURE

Item	Dec 31 2021	Dec 31 2020
Production and product unit employees	566	555
White-collar employees	185	198
Employees on parental leaves	3	1
Total	**754**	**754**

Note 30. DISCONTINUED OPERATIONS

No operations were discontinued in 2021.

Note 31. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to maintain good credit rating and safe capital ratios, in order to support the Group's operations and increase the shareholder value.
The Group 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 2021, no changes were introduced to the objectives, principles and processes applicable in this area.
The Group monitors its equity using a gearing ratio, which is calculated as the ratio of net debt to total equity plus net debt. The Group's net debt includes interest-bearing borrowings and finance lease liabilities, less cash and cash equivalents.
The gearing ratio at end of the respective years was as follows:

	As at Dec 31 2021 PLN '000	As at Dec 31 2020 PLN '000
Debt	68,331	53,566
Cash and cash equivalents	-54,225	-52,558
Net debt	14,106	1,008
Equity	193,502	189,216
Net debt to equity	**7.29%**	**0.53%**

The level of the net debt to equity ratio is a result of the Management Board's conservative approach to debt. Accumulated cash is used to finance the Group's operating activities. The ratio increased as a result of the investment facility contracted in 2021, as described in Note 20.

Note 32. OBJECTIVES AND POLICY OF FINANCIAL RISK MANAGEMENT

As part of its operating and financial activities, the Group 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 Group 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.

32.1. Currency risk

Due to its active and extensive presence on foreign markets, the Group enters into certain sales and purchase transactions denominated in foreign currencies. The Group enters into forward transactions, hedging its contract exchange rates in the budget. The Group also has borrowings and other financial liabilities denominated in foreign currencies. This exposes the Group to the risk of exchange rate fluctuations.

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

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

	As at Dec 31 2021 in foreign currency	As at Dec 31 2021 in PLN	As at Dec 31 2020 in foreign currency	As at Dec 31 2020 in PLN
Liabilities				
EUR	6,397	29,423	4,442	20,497
USD	5,076	20,608	1,833	6,889
Assets				
EUR	28,068	129,097	26,755	123,467
USD	13,807	56,056	31,013	116,558
Notional amount of the hedging instrument – for currency sale transactions				
EUR	21,115	97,116	15,542	71,723
USD	7,859	31,908	6,340	23,828
Goodwill				
EUR	406	1,867	367	1,693
USD	9,860	40,031	9,133	34,325

Presented below is a sensitivity analysis for financial assets and liabilities, showing the effect of movements in the EUR/PLN and USD/PLN exchange rates on the Group's profit or loss and other comprehensive income.
Assumptions:
- exchange rate at reporting date Dec 31 2021
- 10% increase in exchange rate
- 10% decrease in exchange rate

Exchange rate at Dec 31 2021	Exchange rate	10% increase in exchange rate	10% decrease in exchange rate
USD	4.0600	0.406	-0.406
EUR	4.5994	0.460	-0.460

Exchange rate at Dec 31 2020	Exchange rate	10% increase in exchange rate	10% decrease in exchange rate
USD	3.7584	0.376	-0.376
EUR	4.6148	0.461	-0.461

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

Effect on equity		Effect of USD	Effect of USD	Effect of EUR	Effect of EUR
		Period ended	Period ended	Period ended	Period ended
		Dec 31 2021	Dec 31 2020	Dec 31 2021	Dec 31 2020
ASSETS					
Increase in exchange rate	10%	9,609	15,088	13,096	12,516
Decrease in exchange rate	-10%	-9,609	-15,088	-13,096	-12,516
LIABILITIES AND BANK BORROWINGS					
Increase in exchange rate	10%	-5,252	-3,072	-12,654	-9,222
Decrease in exchange rate	-10%	5,252	3,072	12,654	9,222
TOTAL					
Increase in exchange rate	10%	4,357	12,017	442	3,294
Decrease in exchange rate	-10%	-4,357	-12,017	-442	-3,294

Effect on profit/loss		Effect of USD	Effect of USD	Effect of EUR	Effect of EUR
		Period ended	Period ended	Period ended	Period ended
		Dec 31 2021	Dec 31 2020	Dec 31 2021	Dec 31 2020
ASSETS					
Increase in exchange rate	10%	5,606	11,656	12,910	12,347
Decrease in exchange rate	-10%	-5,606	-11,656	-12,910	-12,347
LIABILITIES AND BANK BORROWINGS					
Increase in exchange rate	10%	-5,252	-3,072	-12,654	-9,222
Decrease in exchange rate	-10%	5,252	3,072	12,654	9,222
TOTAL					
Increase in exchange rate	10%	354	8,584	256	3,125
Decrease in exchange rate	-10%	-354	-8,584	-256	-3,125

32.2. Interest rate risk

The Group companies use interest-bearing credit facilities. Credit facilities with a value equivalent to PLN 49,792 thousand and lease liabilities of PLN 6,325 thousand bear interest at floating rates, while lease liabilities of PLN 12,264 thousand bear interest at fixed rates. Accordingly, the Group is exposed to interest rate risk. The risk is estimated on the basis of interest rate increase/decrease by 1%.

	Effect on profit/loss before tax	Effect on profit/loss before tax
	+ 1%/- 1%	+ 1%/- 1%
	Year ended Dec 31 2021	**Year ended Dec 31 2020**
Lease liabilities	+/- 63	+/- 216
Other financial liabilities at amortised cost	+/- 491	+/- 320

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

32.3. Liquidity risk

Liquidity risk is the risk that the Group may face difficulties in meeting financial liabilities. The liquidity risk management process at the Group 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 Group also manages liquidity risk by maintaining open and undrawn credit facilities Which serve as a liquidity reserve and secure solvency and financial flexibility. The Group recognises bank borrowings as financial instruments which may potentially cause concentration of liquidity risk as the Group maintains relationships with selected financial institutions only. As at December 31st 2021, bank borrowings represented 17% of total current liabilities (December 31st 2020: 10%).

The table below presents the Group's financial liabilities by maturity as at December 31st 2021 and December 31st 2020, based on contractual payments.

The Company has undrawn credit facilities of PLN 36,280 thousand; for summary information see Note 20 to these financial statements.

Dec 31 2021	**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**
Trade payables	62,382	90	-	-	-	-	**62,382**
Leases	4,589	3,501	2,480	2,658	1,197	10,412	**24,837**
Derivatives	3,731	90	-	-	-	-	**3,821**
Interest-bearing borrowings	37,207	5,335	3,222	3,222	806	-	**49,792**
Other liabilities	51	-	-	-	-	-	**51**
TOTAL	**107,960**	**9,016**	**5,702**	**5,880**	**2,003**	**10,412**	**140,883**

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 2019
Trade payables	53,051	402	-	-	-	-	**53,051**
Lease liabilities	4,647	6,457	2,480	2,658	1,197	10,412	**27,851**
Derivative financial instruments	2,631	402	-	-	-	-	**3,033**
Borrowings	21,321	3,440	3,222	3,222	806	-	**32,011**
Other current liabilities	51	-	-	-	-	-	**51**
TOTAL	**81,701**	**10,701**	**5,702**	**5,880**	**2,003**	**10,412**	**115,996**

32.4. Credit risk

The Group 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 Group's exposure to the risk of unrecoverable receivables is insignificant.
With respect to the Group’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.

The Group 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 Group uses a provision matrix estimated based on historical data on payments of amounts due from customers. The Group 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.

Impairment loss rates for each past due category of trade receivables were calculated based on a two-year historical reference period. A matrix was created with quarterly movement rates between past due categories for eight consecutive historical quarters. For the longest past due period considered (more than 180 days), the cure rate, reflecting recovered amounts of receivables previously considered uncollectible, was also taken into account. The average of the rates was then calculated and, on this basis, the final parameters of impairment losses were calculated for each quarterly past due category, ranging from 1.13% for non-delinquent receivables to 59.78% for receivables past due over 180 days.

In the reporting period, the Group did not adjust its calculated rates for expected future changes in collectability of receivables (forward looking adjustments) as, in the Management Board’s opinion, the calculation based on the last eight quarters adequately reflects the expected levels of credit losses on the Group’s receivables portfolio.

Note 33. MANAGEMENT STOCK OPTIONS

Adoption of the Incentive Scheme for members of the SECO/WARWICK Group's management staff for 2018–2020

SECO/WARWICK S.A. Incentive Scheme

On December 12th 2019, by Resolution No. 01/2019 the Supervisory Board defined the individual targets for 2020 for the participants of the 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 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.

The cost of option vesting recognised in the 2021 was PLN 648 thousand.
On December 16th 2021, the Supervisory Board passed a resolution defining the individual targets for the participants of the 2022 Incentive Scheme, announced in Current Report No. 21/2021 of December 17th 2021.

Note 34. LITIGATION

Seco/Warwick Corporation (SWC), a subsidiary of the Company, with its registered office in Pennsylvania, USA, along with a third party which is not associated with SECO/WARWICK (the "Third Party"), are parties to a court dispute with Liberty Mutual Insurance (LMI), in which they claim from LMI additional insurance limits for continued product liability insurance coverage under insurance policies issued to the Third Party in 1982–1986. SWC and the Third Party are seeking coverage for the claims being raised against SWC and the Third Party in connection with product liability personal injury lawsuits filed by individuals alleging injury from asbestos as a result of their exposure to the Third Party's products manufactured by legal predecessors of SWC and the Third Party in 1958-1984 (the "Asbestos Claims"). SWC was established in 1984 and was not part of the SECO/WARWICK Group until 2006.
SWC and the Third Party have alleged in court that the insurance policy contract entered into by LMI extends additional coverage to include the Asbestos Claims, including the costs of settlements entered into with the injured parties and the legal costs incurred to verify the legitimacy of such claims and negotiate the settlements. LMI claims that the policy limits have been exhausted, citing certain special provisions of the insurance policy. SWC and the Third Party disagree with LMI's interpretation of the contract provisions.
To the best of the Group's knowledge, by the date of these financial statements, 859 Asbestos Claims had been filed against SWC, of which 327 Claims were dismissed, 56 Claims ended in settlement with the insurers for a total amount of USD 4,755 thousand, and with respect to 476 Claims verification procedures are under way or the terms of potential settlement with the injured parties are being negotiated.
If no agreement is reached with LMI on continued insurance coverage for SWC or if the lawsuit against LMI is dismissed, there arises the risk that SWC will be forced to bear the costs relating to the Asbestos Claims while SWC and the Third Party pursue the excess carriers to take over the asbestos product liability claims.
To the best of the Group's knowledge, the risk of SWC being forced to bear further costs relating to the Asbestos Claims is not significant, as the Third Party holds other excess insurance policies contracted with other insurance providers, which policies can, according to the information obtained from SWC, cover the Asbestos Claims.
As at the date of these financial statements, the Group's Management Board is not in a position to make a reliable estimate of the total amount of the Group's contingent liability related to the claims described above. The Group will disclose further material information on this event to the public.

Note 35. TAX SETTLEMENTS

Tax settlements and other regulated areas of activity (e.g., customs or foreign exchange control) are subject to inspection by competent administrative authorities, which are authorised to impose high penalties and sanctions. Lack of reference to well-established legal regulation in Poland results in ambiguities and inconsistencies in the applicable laws and regulations. Frequent differences in opinions as to the legal interpretation of tax regulations, both between governmental bodies and between governmental bodies and businesses, create areas of uncertainty and conflict. Therefore, the tax risk in Poland is significantly higher than that usually existing in countries with more developed tax systems.

Tax settlements may be subject to tax inspection for a period of five years from the end of the year in which the tax was paid. As a result of such inspections, the Group's current tax settlements may be increased by additional tax liabilities.

In the opinion of the Management Board, as at December 31st 2020, there was no need to recognise provisions for known and quantifiable tax risk. The Company pays its tax liabilities when due.

Note 36. EVENTS SUBSEQUENT TO THE REPORTING DATE

On February 21st 2022, an annex to an overdraft facility agreement with Santander Bank Polska Spółka Akcyjna was signed, with the facility repayment deadline falling on February 28th 2023. The overdraft facility of PLN 19m is intended for the financing of day-to-day operations.

On February 24th 2022, the armed forces of the Russian Federation invaded Ukraine. For a detailed description of the impact of the conflict in Ukraine on the Group’s operations, see Section III of these financial statements.

Date: April 21st 2022

President of the Management Board

Sławomir Woźniak

Member of the Management Board

Bartosz Klinowski

Member of the Management Board

Earl Good

Member of the Management Board

Piotr Walasek