FINANCIAL STATEMENT OF WORK SERVICE Spółka Akcyjna

for the period from 1 January 2018 to 31 December 2018

Wrocław, 30 April 2019

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ADDITIONAL INFORMATION ON ACCOUNTING POLICIES ADOPTED

1. Company identification data.

Company name, address of the registered office and telecommunication numbers:

Company name	Work Service S.A.
Legal form	Joint stock company (Spółka Akcyjna)
Address	53-413 Wrocław ul. Gwiaździsta 66
Phone	+48 (071) 37 10 900
Fax	+48 (071) 37 10 938
E-mail	work@workservice.pl
Website	www.workservice.pl

The company was established by notarial deed dated 12 December 2000 prepared in a Notary Office in Oleśnica (Repertory A No 7712/2000). The company is registered in the National Court Register, in Register of Entrepreneurs kept by the District Court for Wroclaw–Fabryczna in Wroclaw, 6th Commercial Division of the National Court Register, under the number KRS 0000083941. The Company was entered into the register of Entrepreneurs of the National Court Register on 28 January 2002. Work Service Spółka Akcyjna is the successor of Work Service Spółka z ograniczoną odpowiedzialnością. Work Service SA operates under Polish law. The Company operates primarily on the basis of the Commercial Companies Code and regulations of the General Meeting, Supervisory Board and Management Board. Work Service SA is an employment agency specialising in employment services, in modern human resource solutions, providing services in the area of recruitment, the provision of skilled workers to clients, consulting and human resource management.

The core business of Work Service SA includes:

1) temporary work — offering work for temporary employees;
2) merchandising and promotions — professional services related to the sales process;
3) recruitment of employees;
4) personnel counselling;
5) personnel and payroll services;
6) outsourcing.

As at the balance sheet date of 31 December 2018, the Management Board of Work Service SA was composed of the following persons:

- Maciej Witucki - President
- Paul Andrew Christodoulou - Vice President
- Tomasz Ślęzak - Vice President
- Iwona Szmitkowska - Vice President

On 23 May 2018, the Issuer received document containing the resignation of Mr. Krzysztof Rewers from the position of the Vice President of the Management Board of Work Service S.A. with effect on 23 May 2018. Mr. Krzysztof Rewers indicated that the resignation was caused by personal reasons.

On 23 May 2018 the Supervisory Board of the Issuer, acting pursuant to § 16(2) of the Company's Articles of Association and § 14(2)(b) of the Bye-laws of the Supervisory Board, appointed Mr. Piotr Ambrozowicz to perform the duties of Vice-President of the Management Board of Work Service S.A.

On 15 October 2018, the Issuer received document containing the resignation of Mr. Piotr Ambrozowicz from the position of the Vice President of the Management Board of Work Service S.A. with effect on 16 October 2018. Mr. Piotr Ambrozowicz did not indicate reasons of the resignation.

On 24 January 2019, the Issuer received document containing the resignation of Mr. Maciej Witucki from the position of the President of the Management Board of Work Service S.A. with effect on 28 February 2019. Mr. Maciej Witucki did not indicate reasons of the resignation.

On 24 January 2019, the Issuer received document containing the resignation of Mr. Tomasz Ślęzak from the position of the Vice President of the Management Board of Work Service S.A. with effect on 24 January 2019. Mr. Tomasz Ślęzak did not indicate reasons of the resignation.

On 22 February 2019 the Supervisory Board of the Issuer, acting pursuant to § 16(2) of the Company's Articles of Association and § 14(2)(b) of the Bye-laws of the Supervisory Board, dismissed Mrs. Iwona Szmitkowska from her position of the Vice President of the Management Board and appointed Mrs. Iwona Szmitkowska to perform the duties of President of the Management Board of Work Service S.A.

On 22 February 2019 the Supervisory Board of the Issuer, acting pursuant to § 16(2) of the Company's Articles of Association and § 14(2)(b) of the Bye-laws of the Supervisory Board, appointed Mr. Jarosław Dymitruk to perform the duties of Vice-President of the Management Board of Work Service S.A.

As at 31 December 2018, the Supervisory Board of Work Service SA was composed of the following persons:

- Panagiotis Sofianos — Chairman of Supervisory Board
- Tomasz Misiak — Vice-Chairman of the Supervisory Board
- Krzysztof Kaczmarczyk — Member of the Supervisory Board
- Everett Kamin — Member of the Supervisory Board
- Pierre Mellinger — Member of the Supervisory Board
- Piotr Maciej Kamiński — Member of the Supervisory Board
- Robert Ługowski — Member of the Supervisory Board
- Tomasz Hanczarek — Member of the Supervisory Board
- John Leone — Member of the Supervisory Board

In 2018, there were no changes in the composition of the Supervisory Board of Work Service SA.

Work Service SA is the parent company and prepares consolidated financial statements for the following Companies.

As on 31 December 2018 the Work Service Capital Group comprised of the following economic entities:

Companies with share capital of Work Service SA- direct					
Name of the Company	Registered office	Date of acquisition of control	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Finance Care Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	29.12.2005	100,00%	100,00%	Full
Industry Personnel Services Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	30.11.2003	100.00%	100.00%	Full
Antal Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	30.04.2007	100.00%	100.00%	Full
Work Service International Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	06.07.2006	100.00%	100.00%	Full
WS Support Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	19.02.2010	100.00%	100.00%	Full
Sellpro Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	20.03.2009	100.00%	100.00%	Full
Virtual Cinema Studio Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	20.12.2002	50.00%	50.00%	Not subject to consolidation
Krajowe Centrum Pracy Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	16.05.2011	75.00%	75.00%	Full
Prohuman 2004 Kft.	H-1146 Budapest,Hungaria korut 140-144.	21.12.2013	80.22%	80.22%	Full
Work Express Sp. z o.o.	40-265 Katowice, ul. Murckowska 14	02.01.2014	100.00%	100.00%	Full
Work Service SPV Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	29.01.2014	77.72%	77.72%	Full
Work Service Czech s.r.o.	Londýnská 730/59, Vinohrady, 120 00 Praha 2	30.01.2004	100.00%	100.00%	Full
Work Service East Lcc	Charków, ul. Sumska 50, rejon charkowski, województwo charkowskie,Ukraina	03.02.2017	100.00%	100.00%	Full
Work Service Investment Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	11.01.2018	100.00%	100.00%	Full

Companies related by Work Service International Sp. z o. o.					
Name of the Company	Registered office	Date of acquisition of control	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Work Service Slovakia s.r.o.	831 03 Bratysława, Škultétyho 1	04.09.2007	53,5%	53,5%	Full
WorkPort24 Gmbh	An den Treptowers 1 D-12435 Berlin	19.08.2011	100.00%	100.00%	Not Subject to consolidation

Companies related by Work Service Czech s.r.o.					
Name of the Company	Registered office	Date of acquisition of control	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Antal International s.r.o.	Anglicka 140/20, Vinohrady, 120 00 Praha 2	19.09.2014	100.00%	100.00%	Full
Enloyd Kft.	H-1146 Budapest, Hungaria korut 140-144	16.02.2015	100.00%	100.00%	Full

Companies related by Industry Personnel Services Sp. z o.o.					
Name of the Company	Registered office	Date of acquisition of control	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Work Service Slovakia s.r.o.	831 03 Bratysława, Škultétyho 1	05.05.2011	46,50%	46,50%	Full
Krajowe Centrum Pracy Sp. z o.o.	53-413 Wrocław, Gwiaździsta 66	28.03.2013	25.00%	25.00%	Full

Companies related by Work Service Slovakia s.r.o.					
Name of the Company	Registered office	Date of acquisition of control	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Work Service Outsorcing Slovakia s.r.o.	831 03 Bratysława, Škultétyho 1	05.09.2011	100.00%	100.00%	Full
Work Service SK s.r.o.	831 03 Bratysława, Škultétyho 1	01.06.2016	100.00%	100.00%	Full
Antal International s.r.o.	831 03 Bratysława, Škultétyho 1	01.04.2016	100.00%	100.00%	Full

Companies related by Prohuman 2004 Kft					
Company name	Registered office	Control acquisition date	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Prohuman Outsourcing Kft.	H-1146 Budapest,Hungaria korut 140-144	21.12.2013	100.00%	100.00%	Full
Human Existence Kft.	3525 Miskole, Arany Janos ter.1. mfsz 18.	08.07.2014	100.00%	100.00%	Full
Naton kadrovsko svetovanje d.o.o.	Ljubljana, Cesta 24. Junija 25, 1231 Ljubljana-Crnuce	03.12.2015	100.00%	100.00%	Full
HR Rent Kft	H-7624 Pecs, Ferencesek utcoja 52	10.12.2015	100.00%	100.00%	Full
Finance Sales Hungary Kft (Profield 2008 Kft)	2724 Újlengyel, Ady Endre utca 41	17.12.2015	100.00%	100.00%	Full
APT Resources&Services s.r.l.	67 Constantin Dobrogeanu Gherea Street, attic floor, office no. 1, 1st District, Bucharest, Romania	28.02.2017	80.00%	80.00%	Full
APT Human Resources s.r.l.	67 Constantin Dobrogeanu Gherea Street, attic floor, office no. 1, 1st District, Bucharest, Romania	28.02.2017	80.00%	80.00%	Full
APT Broker s.r.l.	67 Constantin Dobrogeanu Gherea Street, attic floor, office no. 1, 1st District, Bucharest, Romania	28.02.2017	80.00%	80.00%	Full
APT Finance Broker s.r.l.	67 Constantin Dobrogeanu Gherea Street, attic floor, office no. 1, 1st District, Bucharest, Romania	28.02.2017	80.00%	80.00%	Full

Companies related by Naton kadrovsko svetovanje d.o.o.					
Company name	Registered office	Control acquisition date	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Naton Ljudski potencial d.o.o.	Zvonimirova 2/III, 100000 Zagreb, Croatia	03.12.2015	100.00%	100.00%	Full

Companies related by Work Express Sp. z o.o.					
Name of the Company	Registered office	Date of acquisition of control	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Outsorcing Solutions Partner Sp. z o.o.	ul. Murckowska 14, 40-265 Katowice	02.01.2014	100.00%	100.00%	Full

Companies related by Work Express Sp. z o.o.					
Clean24h Sp. z o.o.	ul. Bankowa 20, 42-320 Niegowa	02.01.2014	100.00%	100.00%	Full
LogistykaPL Sp. z o.o.	ul. Warszawska 1, 42-350 Koziegłowy	02.01.2014	100.00%	100.00%	Full
Workbus Sp. z o.o.	Batalionów Chłopskich 8, 42-425 Kroczyce	02.01.2014	100.00%	100.00%	Full

Companies related by Work Service Gmbh & Co.KG					
Name of the Company	Registered office	Date of acquisition of control	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
IT Kontrakt Gmbh	An den Treptowers 1 D-12435 Berlin	05.04.2012	100.00%	100.00%	Full
Work Service 24 Gmbh	An den Treptowers 1 D-12435 Berlin	23.08.2011	100.00%	100.00%	Full
Work Service Deutschland Gmbh	Mainzer Strasse 178, 67547 Worms	26.06.2014	100.00%	100.00%	Full
Work Service Outsorcing Deutschland Gmbh	Domhof 8, 48268 Greven	26.06.2014	100.00%	100.00%	Full
Work Service GP Gmbh	Gauermanngasse 2 1010 Wiedeń	24.03.2014	100.00%	100.00%	Full
Enloyd GmbH	Berlin, An den Treptowers 1, 12435	21.11.2014	100.00%	100.00%	Full

Companies related by Work Service SPV Sp. z o.o.					
Name of the Company	Registered office	Date of acquisition of control	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Work Service Gmbh & Co.KG	c/o CMS Hasche Sigle, Breite Str. 3, 40213 Düsseldorf	26.06.2014	100.00%	100.00%	Full

Companies related by Work Service Deutschland GmbH					
Name of the Company	Registered office	Date of acquisition of control	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Work Service Fahrschule Gmbh	Domhof 8, 48268 Greven	29.07.2015	100.00%	100.00%	Full

Companies related by Krajowe Centrum Pracy Sp. z o.o.					
Name of the Company	Registered office	Date of acquisition of control	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Kariera.pl Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	03.11.2016	49,00%	49,00%	Full

Companies related by Profield 2008 Kft					
Name of the Company	Registered office	Date of acquisition of control	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Finance Care Hungary Pénzügyi Tanácsadó Kft	H-1146 Budapest, Hungária krt. 140-144, HU25790722	08.11.2016	100,00%	100,00%	Full

Related entities of the Parent Company are the entities included in the consolidated financial statements, i.e. all Capital Group companies except for Virtual Cinema Studio sp. z o.o and WorkPort24 Gmbh.

Due to the fact that Work Service SA does not have control over Virtual Cinema Studio sp. z o.o., understood in accordance with § 19 of IFRS 3, as "the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities", it is not consolidated by applying the purchase method.On the other hand, the application of the principle of materiality referred to § 31 of IAS 1 disables this company from consolidation under the equity method as a related entity.

The exclusion of the abovementioned company from consolidation does not affect the economic decisions taken by users on the basis of the financial statements.

In the case of the company WorkPort24 Gmbh the application of the principle of significance mentioned in § 31 IAS 1 results in exclusion of this company from consolidation with the equity method as a dependent entity.

2. Information about the reporting currency and level of rounding used

The financial statements were prepared in Polish zloty.

Average exchange rates of PLN vs EUR set by the National Bank of Poland (NBP) in the periods covered by the financial statements and the comparative data, in particular:

1. Exchange rate as at the last day of each period.
2. Average exchange rate for each period, calculated as an arithmetic average of rates prevailing on the last day of each month in a period, and where justified, calculated as an arithmetic average of rates prevailing on the last day of the preceding period.
3. The highest and lowest exchange rate in each period.
   a) exchange rate as at the last day of each period:
      - 31 December 2017 — exchange rate announced by the NBP — PLN 4.1709
      - 31 December 2018 — exchange rate announced by the NBP — PLN 4.3000
   b) average exchange rate in the period calculated as an arithmetic average of rates prevailing on the last day of each month in a period:
      - 2017 — PLN 4.2447
      - 2018 — PLN 4.2669

4.The following exchange rates were used for balance sheet valuation purposes:

Currency	31 December 2018	31 December 2017
GBP	4.7895	4.7001
CZK	0.1673	0.1632
RON	0.9229	0.8953
RUB	0.0541	0.0604
EUR	4.3000	4.1709
USD	3.7597	3.4813

3. Duration of the Company.

The Company's duration is unlimited.

4. Indication of the period covered by the financial statements and principles of their presentation.

The financial year of Work Service SA is the calendar year.

The financial statements cover the period from 1 January to 31 December 2018.

The financial statements containing comparative data were prepared for the period from 1 January to 31 December 2017.

5. Indication that the financial statements contain combined data, if the entity includes internal organisational units compiling their own financial statements.

The Company has no internal organisational units compiling their own financial statements.

6. Information about the Company's going concern.

STRATEGIC DESCRIPTION

The individual report of the dominant company has been drawn up assuming the going concern principle, business operations being continued by the dominant Company and companies from the Group of Companies for a minimum period of 12 months from the date of the financial statement.

I. Important factors having effect on the Company's operations in 2018.

In 2018, a number of factors had effect on the operations and evaluation of the Company's financial and capital situation, which include the following:

In terms of financial and investment operations:

1) ***Finishing the transaction of selling Exact group and repayment of 49% of the bank debt;***

On 31 October 2018, the company sold all the shares owned in the Company Exact Systems S.A. and all the shares in the Company Exact Systems GmbH. The Company's total remuneration under this transaction amounted to PLN 155,260,000. The Company purchased a majority package in Exact Systems in 2007 for the amount of approx. PLN 9 000 000.

In addition, on 6 December 2018 the Company concluded with the buyer of Exact group an annex, based on which the parties agreed that the postponed part of the price for the shares in Exact Systems S.A. which was to be paid after 9 months from the date of closing the transaction, will be paid in two tranches, the first one in the amount of PLN 10 000 000 no later than until 7 December 2018, and the other one, in the amount of PLN 700 000 until 14 January 2019, subject to the Company's maintained provision of specific services for Exact Systems S.A. before 14 January 2019. Simultaneously, the parties agreed that the amount of the postponed part of the price for the shares in the Company would be reduced from the amount of PLN 13 000 000 to the amount of PLN 10 700 000.

The proceeds from the transaction in the amount of PLN 104 000 000 were spent by the Company to repay a significant part of the debt (49%) towards the consortium of banks financing the Company. The sale of Exact Systems was a continuation of the strategy adopted by the Company's Management Board to adjust the Group's financing structure and gradually reduce its debt by selling assets.

2) ***Agreement being concluded with the Bondholders and annex no. 4 being signed with the banks;***

On 6 December 2018 the Company and its selected subsidiaries concluded a contingent agreement with all the institutional bondholders of T series, W series, and Y series bonds issued by the Company. On 10 December 2018 the Company fully performed the contingent agreement concluded on 6 December 2018 and ended the process of bond restructuring and refinancing.

Within the provisions regarding the terms of bond issuance, the Company committed to take restructuring actions, including among others:

- maintenance, for the Company and the Company's Polish subsidiaries, of active factoring limits with the total amount of at least PLN 55 000 000;
- conversion of the obligations of Work Service Czech s.r.o., Work Service Slovakia, s.r.o., Work Service SK, s.r.o., Work Service Outsourcing Slovakia s.r.o. towards other companies from the Group to capital;
- beginning of the process of selling Work Service Czech s.r.o., Work Service Slovakia, s.r.o., Work Service SK, s.r.o., Work Service Outsourcing Slovakia s.r.o. within a specified schedule.

The proceeds from sale of the aforementioned companies are to protect buyout of all bonds issued by the Company.

On 10 December 2018 all the requirements of annex no. 4 concluded on 5 December 2018 were fulfilled, to the credit agreement of 18 November 2015, with bank BGŻ BNP Paribas S.A., Bank Millennium S.A., Santander Bank Polska S.A. and Powszechna Kasa Oszczędności Bank Polski S.A.

Conclusion of an annex on 5 December 2018 put an end to the complex negotiations of changes of the most essential terms of the credit agreement.

The effective date of the annex was subject to fulfillment of a number of conditions, including, first of all:

- the Company's transfer to creditors of confirmations from factors, confirming or making it probable that the total amount of factoring limits provided to the Polish entities from the Group of Companies immediately after the effective date of the Annex would not be lower than PLN 55 000 000; and
- ending the process of restructuring or refinancing the bonds issued by the Company as described above.

As a result of annex no. 4 to the credit agreement entering into force, a series of significant changes in the Credit Agreement, favorable for the Company, took effect, including among others:

- the date of repayment was prolonged from 10 December 2018 until 3 March 2020;

- in the period until the date of loan repayment, the Company is not obliged to conduct any scheduled depreciation of the loans;
- in the whole period of financing, the Company can use the operating credit limits under the Credit Agreement up to the amount of PLN 110 350 000 (namely all the credit limits left after the completed repayment of PLN 104 000 000 in loans from the funds from selling Exact Systems S.A.);
- interest on the loan was reduced to WIBOR 1M increased by profit margin in the amount of 100 bps annually, payable on the current basis, and additional 100 bps profit margin, payable not earlier than on the date of final repayment;
- all obligations were removed, applying to maintenance of the financial indicators on specific levels and the previous financial indicators will be reported exclusively for information purposes;
- the lenders agreed that, until a possible statement about termination of the credit agreement is submitted towards the Borrower, any cases of violation will not allow the creditors to reduce, block or cancel the operating loans made available;
- the lenders unconditionally and irrevocably repealed the previous cases of violation of the credit agreement as specified in the annex, renounced their rights on the grounds of the Credit Agreement resulting from the occurrence of any such previous cases of violation, including concerning the financial indicators as defined in the Credit Agreement;

Simultaneously, the Company committed in annex no. 4 to the credit agreement to take a number of restructuring actions, including e.g. sale of Group Prohuman 2004 Kft within a specified schedule.

In the opinion of the Company's Management Board, the proceeds from selling this entity should fully protect repayment of the existing bank debt.

3) ***Beginning of negotiations with Social Security (ZUS) in 2018;***

After annex no. 4 to the credit agreement as described above entered into force, the Company started negotiations related to repayment of overdue public-legal liabilities to ZUS (Social Security).

The negotiations ended successfully and on 28 February 2019 the Company concluded the instalment agreement with ZUS (Social Security) concerning overdue social insurance premium liabilities for the amount of PLN 59 170 317.43. According to the agreement, the premium liabilities will be fully repaid in 10 instalments between March and December 2019.

4) ***Change of entities delivering factoring services in the fourth quarter of 2018;***

On 30 November, agreements were signed with Santander Factoring Sp. z o.o. about termination of Factoring Agreements and settlement of the Company's and the Company's subsidiaries' whole debt towards Santander Factoring Sp. z o.o. under Factoring agreements of 23 November 2015.

On 4 December 2018 the Company and the Company's subsidiaries signed factoring agreements with Bibby Financial Services Sp. with for indefinite time in the total limit amount of PLN 14 000 000.

As a consequence of this agreement, in December 2018 the Company was granted factoring limits exceeding the amount of PLN 55 000 000 required in annex no. 4 to the credit agreement.

<u>In terms of revenues and results on the Company's operations:</u>

1) ***Drop in sales revenue;***

In 2018 the Company recorded 1.4% turnover drop as compared to the previous year, which resulted, to a significant extent, from debt restructuring and a higher concentration of actions of the Company and its key employees on financial and investment operations in the 4th quarter of 2018 than on developing operations.

2) ***Reporting a number of untypical events in the annual result on the Company's operations.***

Simultaneously, the Company's Management Board draws attention that the Company's results on operations are charged with a number of single events and write-downs. In consequence, the results on operations after correction with these events can present a different financial image of the Company.

Information about unusual events identified in profit/loss, related to the Company's operations, are presented in note 36 of this report ("Significant changes in the Company's financial and economic situation").

II. Assessment of the Company's financial and equity situation

The factors and events as described in this chapter have allowed to significantly reduce the Company's debt and continue its operations on the promising personnel services market.

In spite of the restructuring actions completed in the 4th quarter, in the opinion of the Management Board, the Company is still in a difficult situation, until full repayment of all existing public-legal liabilities related to the agreement concluded with Social Security (ZUS), the existing credit and bond liabilities.

In connection with the above, in the nearest quarters the Company continues implementation of the adopted restructuring strategy currently based on four basic elements:

1) ***Completion of the transaction of selling Group Prohuman 2004 kft and Czech and Slovak companies and, as a consequence, total elimination of the existing credit and bond debt;***

Simultaneously, the company prepares, together with minority shareholder Prohuman 2004 kft, the process of organized sale of Hungarian assets with the intended purpose of the funds earned as a result of the transaction to reduce the bank debt and liabilities towards Prohuman 2004 kft minority shareholder.

The Company also started preparations to sell Czech and Slovak companies the proceeds from which are to satisfy liabilities under the issued bonds. By way of a competition of bids, Blackwood became the advisor in the process of selling Czech and Slovak assets.

2) ***Review of strategic options and acquisition of financing to improve the Company's working capital;***

On 2 March 2019 the Company made the decision to commence a review of the strategic options in order to select the most advantageous method of pursuing the long-term strategy of Work Service Group of Companies.

Within the strategy update, the Company plans analysis in the following areas:

- investment operations, in particular further disinvestments and potential new investments consolidating the strategy implementation,
- the Company's debt, including repayment or refinancing of bank loans and the Company's bond debt,
- alternative financing sources for Work Service Group of Companies, in particular issues of stocks, warrants, bonds, share convertible bonds, or other capital instruments.

In order to professionally handle the debt restructuring process and review the strategic options, and then acquire financing, the Company's Management Board continues cooperation, on the basis of the contract concluded in 2018, with the financial advisor, who supports the Management Board e.g. in conversations, negotiations with creditors as well as institutions and entities interested in granting different forms of financing to the Company. The Company also plans to establish cooperation with a brokerage house.

Acquisition of additional financing in 2019 would improve the working capital and, as a consequence, offer a further opportunity to increase sales revenue.

3) ***Use of the promising personnel services market, given the increasingly lower level of reduced fixed costs;***

In connection with stabilized situation in the area of credit and bond debt, the Company's Management Board and its key employees are able, to a much larger extent, to concentrate their attention on the basic operations.

The intent of the Company's Management Board is to use the operational leverage effect in 2019 (turnover growth not causing any increase in fixed costs), also thanks to a reduced fixed costs base after the completed disinvestment and restructuring processes, effectively conducted in the fourth quarter of 2018 and operating process automation in the Company's basic operations profile.

In addition, the Company's Management Board pays attention to the following positive market factors, possibly significantly affecting the Company's operations in the future quarters:

- Continuously high demand for personnel services, in particular customers' demand for employees,
- Surplus of demand over supply in each operational segment of Work Service, being reflected in possible profitability improvement,
- Growing wages and in consequence full personnel costs, directly affecting the Company's revenue being a derivative of these costs,
- Growing demand for high-margin services of cross-border employee exchange in Central and Eastern Europe.

4) *Factoring limits being supplemented with growing turnover;*

Along with growing sales, the Company's Management Board will be forced to start negotiations with new financial institutions in order to acquire additional factoring limits. Due to the high level of cash involved in the working capital in the industry where the Company is operating, factoring is one of the most important financial instruments that make it possible for entities operating on the personnel services market to increase turnover.

In the opinion of the Management Board, the described factors and the implemented strategy create a real opportunity to: i) fully eliminate the Company's debt over the next several quarters, ii) acquire new financing in 2019 with the intended purpose of improvement in the working capital, and iii) gradually improve the Company's financial results.

The Management Board makes any effort to ensure that the presented strategy could be fully implemented, and the Company's debt restructuring started in 2018 could be completed effectively. Simultaneously, the Management Board is aware that not all factors having effect on the success Company's debt restructuring process depend on the efforts and decisions of the Management Board.

7. Description of adopted accounting principles (policy) including methods of measurement of assets, equity and liabilities, calculation of financial profit or loss and manner of preparation of the financial statements — to the extent in which the act gives the entity the right to choose.

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Union ("EU"), and in the scope not regulated by the above standards — in accordance with requirements of the Accounting act of 29 September 1994 and secondary regulations issued based thereon.

The financial statements for 2018 comprise:

1) additional information on accounting policies adopted;
2) statement of financial position;
3) statement of comprehensive income;
4) statement of changes in equity;
5) statement of cash flows;
6) additional notes and explanations.

Preparation of the financial statements is a responsibility of the Management Board.

b) Accounting principles

The financial statements are prepared under the historical cost convention. The most significant accounting principles applied by the Company are presented below.

Property, plant and equipment

Property, plant and equipment are presented at acquisition cost/cost of development less accumulated depreciation and impairment losses (write-downs). The initial value of a fixed asset comprises its purchase price and any directly attributable costs related to the purchase and of bringing the asset to working condition for its intended use.

The cost comprises also the cost of replacement of components of plant and equipment when incurred if the recognition criteria are met. Costs incurred on an asset already in use, such as costs of maintenance and repairs, are expensed when incurred.

Fixed assets, except for land, are depreciated on a straight line basis over their estimated useful life. The Company has adopted the following depreciation rates:

- Buildings and structures: depreciation rates: 2.5%–10%
- Machinery and equipment: 10%–50%
- Vehicles 20%–33%
- Other fixed assets 20%–30%

If in the process of preparation of financial statements, any circumstances indicating that the carrying amount of property, plant and equipment may not be recoverable are identified, an impairment test is performed for these assets. If impairment loss indicators are identified and assets' carrying amounts exceed their recoverable amounts, then the value of the assets or of the cash generating units to which the assets belong is reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. In determining the value in use, future cash flows are discounted to their present value using the pre-tax discount rate which reflects current market assessments of the time value of money and risks associated with these assets.

Where the given asset does not generate cash flows which are largely independent, then the recoverable amount is determined for the cash generating unit to which the asset belongs.

The Company assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset is necessary, or whether it should be reduced.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its further use. Any gain or loss arising on de-recognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the income statement for the period in which de-recognition took place.

Assets under construction (construction in progress) include assets in the process of construction or assembly and are recognized at acquisition cost or cost of development. Assets under construction are not depreciated until completed and brought into use.

The residual value, useful life and method of depreciation of an asset is verified and, when necessary, adjusted at the end of each financial year.

Borrowing costs

Borrowing costs directly attributable to acquisition or construction of assets which are assets that necessarily take a substantial period of time to become ready for their intended use are capitalised at part of cost of the asset until such assets are ready for use or sale.

Borrowing costs comprise interest and FX gains or losses up to the amount corresponding to the adjustment to the interest expense. Other borrowing costs are expensed when incurred.

Leases

In the case of a finance lease agreement, which transfers substantially all of the risks and rewards of ownership of an asset to the Company, the leased asset is recognized under assets at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term. Lease payments are apportioned between finance charges and repayment of principal instalments (taking into account fixed interest rate on the liability). Finance charges are recorded directly in the income statement. Assets leased under finance leases are depreciated using the methods applied for own assets. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Intangible assets

Upon initial recognition, intangible assets acquired separately are measured at cost. Cost of intangible assets acquired in a business combination is equal to their fair value as at the date of the business combination. Following initial recognition, intangible assets are measured at cost less accumulated amortisation and/or accumulated impairment losses.

With the exception of capitalised expenditure on development, expenditure on intangible assets produced by the Company is not capitalised and is charged to expenses in the period in which it was incurred.

The useful lives of intangible assets are assessed by the Company to be either finite or indefinite. Intangible assets with finite useful lives are amortised over their useful lives and tested for impairment each time impairment indicators have been identified. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. Amortisation charges on intangible assets with finite useful life are recognized in the income statement in the category reflecting the function of the underlying asset.

Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment on an annual basis in relation to individual assets or at the level of the cash-generating unit. Other intangible assets are reviewed each year to assess whether there are any indicators of their impairment.

Research costs are expensed in the income statement as incurred. Development expenditure incurred on an individual project is carried forward to the next period, when its future recoverability may be regarded as assured. Following the initial recognition of development expenditure, the historical cost model is applied, which requires the asset to be carried at acquisition cost less any accumulated amortisation and accumulated impairment losses (write-downs).Any expenditure carried forward is amortised over the period of expected future sales from the related project.

Development costs are reviewed for impairment annually when the asset is not yet in use, or more frequently when an indication of impairment is identified during the reporting period, which may suggest that the carrying amount may not be recoverable.

Fixed assets intended for sale

Fixed assets and disposal groups are classified as intended for sale when their carrying value is recovered rather by means of a sale transaction than through their continuous use. This condition is regarded as met only when the sale transaction is highly probable, and the asset (or a disposal group) is available for immediate sale in its present condition. The classification of the assets as intended for sale assumes the intention of the company’s management board to conduct the sale transaction within one year from the date of reclassification.

The fixed assets (and disposal groups) classified as intended for sale are measured at the lower of two values: the initial carrying value or fair value reduced by the sale-related costs.

In the financial situation statement, the assets intended for sale (or a disposal group) are presented in a separate item of current assets. If there are liabilities related to the disposal group that will be transferred in the sale transaction together with the disposal group, these liabilities are presented as a separate item of short-term liabilities.

Financial instruments

A financial instrument is any agreement that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Company classifies financial instruments in a hierarchical manner, in line with the three main levels of measurement at fair value, which reflect the basis for the measurement of each of the instruments. The fair value hierarchy is as follows:

Level 1 - quoted market prices in active markets for identical assets and liabilities (such as quoted shares and bonds);

Level 2 - prices in active markets, but other than quoted market prices — determined directly (by comparison with actual transactions) or indirectly (through valuation techniques based on actual transactions) — e.g. majority of derivatives;

Level 3 - prices not originating from active markets.

The position of a financial instrument in the fair value hierarchy depends on the lowest measurement basis affecting the determination of the fair value.

The Company's financial assets are classified into the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- financial assets held to maturity;
- financial assets available for sale.

Financial liabilities are divided into:

- financial liabilities at fair value through profit or loss;
- financial liabilities measured at amortised cost.

The purpose of the acquisition of financial assets and their nature is the basis for classification. The Company determines the classification of its financial assets at initial recognition and then verifies the classification at each reporting date.

Financial assets

Financial assets and liabilities are reported according to the principles presented below.

Financial assets (rules binding until 31 December 2017)

Financial assets are measured upon their recognition in the books at the fair value. The initial measurement is increased by transaction costs except for financial assets classified as measured at fair value through profit or loss. The transaction costs of a possible disposal of an asset are not taken into account in the subsequent measurement of financial assets. A financial asset is recognised in the balance sheet when the Company becomes a party to an agreement (contract), from which such a financial asset follows.

An assessment is made at each balance sheet date in order to determine whether there is any evidence that a financial asset or a group of financial assets may be impaired. In the case of instruments classified as available for sale, in determining whether an impairment has taken place the significant or extended decrease of the fair value of a security below cost is taken into consideration.

Shares and holdings in subsidiaries, affiliates and joint ventures

Shares and holdings in subsidiaries, affiliates and joint ventures are recorded at historical cost reduced by a possible impairment. If there were any circumstances while drawing up the financial statement which indicate that the carrying value of shares may not be recoverable, the shares are analysed for the possible impairment. If the carrying value exceeds the estimated recoverable value, then the value of these shares is reduced to the recoverable value level. When determining the recoverable value, the estimated future cash flows are discounted to the present value using a gross discount rate reflecting the current market estimates of the value of money over time and the risk associated with a given asset. The possible impairment losses are included in the profit and loss account in the item of financial costs.

Financial assets at fair value through profit or loss

This category includes two groups of assets: financial assets held for trading and financial assets which, upon their initial recognition, are measured at the fair value through profit or loss. A financial asset is classified in the category of assets held for trading if it was acquired for the purpose of selling it in the near term, is a part of a portfolio generating short-term profits or is a derivative instrument with a positive fair value.

In the Company, this category includes primarily derivative instruments (the Company does not apply hedge accounting) and debt or equity instruments acquired for resale in the near term.

Assets classified as financial assets at fair value through profit or loss are measured at each reporting date at fair value and any gains or losses are recognised in finance income or expenses. Derivative instruments are measured at the fair value as at the balance sheet date and at the end of each reporting period on the basis of valuations performed by banks effecting the transactions. Other financial assets measured at fair value through profit or loss are measured with the use of stock exchange quotations and, if there are none, with appropriate valuation techniques which comprise: the use of the prices from recent transactions or of bid prices, a comparison with similar instruments, and option valuation models. The fair value of debt instruments represents future cash flows discounted at the current market interest rate for similar instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Depending on their maturity date, they are classified as non-current assets (maturity does not exceed 1 year from the reporting date) or current assets (maturity exceeds 1 year from the reporting date). Loans and receivables are measured as at the balance sheet date at amortised cost. The following assets are classified by the Company as loans and receivables: bank deposits and other cash, as well as loans and acquired, unquoted debt instruments, not classified as other financial assets.

Financial assets held to maturity

Financial assets held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Company has the positive intention and ability to hold until maturity. The Company includes in this category only quoted debt instruments if not previously classified as financial assets at fair value through profit or loss or as financial assets available for sale. Financial assets held to maturity are measured as at each reporting date at the amortised cost with the application of the effective interest rate.

Financial assets available for sale

Financial assets available for sale are those non-derivative financial instruments that are designated as “available for sale” or are not classified to any of the remaining categories. The Company includes in assets available for sale mainly debt instruments acquired to invest cash surpluses, if those instruments were not classified as financial assets at fair value through profit or loss in view of the Company's intention to hold them for a short time.

Moreover, the Company classifies equity investments not covered by the consolidation obligation into this category.

Financial assets available for sale are classified as non-current assets if there is no intention to dispose of investments within 1 year from the balance sheet date or otherwise as current assets. Financial assets available for sale are measured at fair value as at each reporting date, and gains or losses (except impairment losses) are recognised in equity.

Financial liabilities

Financial liabilities are measured upon their recognition in the books at the fair value. The initial measurement includes transaction costs except for financial liabilities classified as financial liabilities at fair value through profit or loss. The transaction costs of a disposal of a liability are not taken into account in the subsequent measurement of these liabilities. A financial liability is recognised in the balance sheet when the Company becomes a party to an agreement (contract), from which such a financial liability follows.

Financial liabilities at fair value through profit or loss

This category includes two groups of liabilities: financial liabilities held for trading and financial liabilities elected upon their initial capture as ones carried at fair value through profit or loss. Financial liabilities held for trading include liabilities which have been incurred primarily for sale or repurchase in the near future, or are part of a portfolio of specified financial instruments which are managed jointly and for which generation of short-term profits can be confirmed, or which constitute derivative instruments.

In the Company, financial liabilities at fair value through profit or loss include primarily derivative instruments (the Company does not use hedge accounting) with a negative fair value Liabilities classified as financial liabilities at fair value are measured at each reporting date at fair value and any gains or losses are recognised in finance income or expenses. Derivative instruments are measured at the fair value as at the balance sheet date and at the end of each reporting period on the basis of valuations performed by banks effecting the transactions. The fair value of debt instruments represents future cash flows discounted at the current market interest rate for similar instruments.

Financial liabilities measured at amortised cost

Other financial liabilities not classified as financial liabilities at fair value through profit or loss are classified as financial liabilities carried at amortized cost. In this category, the Company includes loans taken and debt securities.

Derivative instruments

Derivatives are carried at fair value as at the date of concluding the contract and then revalued to fair value as at each balance sheet day. The resulting gain or loss is recognised in the income statement immediately unless a derivative instrument fulfils the function of a hedging. In such case, the moment of recognising a gain or loss depends on the nature of the hedging relationship. The Company defines particular derivatives as hedging of fair value of the indicated assets or liabilities or highly probable future liabilities (fair value hedging), hedging of the highly possible forecast transactions, hedging against FX differences of highly probable future liabilities (hedge of cash flows) or as hedging of net investment in entities operating abroad. The instruments are presented as non-current assets or long-term liabilities if the period remaining to maturity of the instrument exceeds 12 months and it is not expected that it will be realized or settled within the next 12 months. Other derivatives are shown as current assets or short-term liabilities.

Embedded derivatives

Embedded derivatives are separated from contracts and treated as derivatives, if all of the following criteria are met:

- the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract,
- a separate instrument with the same terms as embedded derivative would meet the definition of a derivative,
- the hybrid (compound) instrument is not recorded at fair value and changes in its fair value are not taken to profit or loss.
- embedded derivatives are recognized in a similar manner to that of separate derivative instruments, which have not been designated as hedging instruments.

The extent to which, in accordance with IAS 39, the economic characteristics and risks of foreign currency embedded derivatives are closely related to those of the host (main) contract covers circumstances where the currency of the host contract is also the common currency of purchase or sale of non-financial items on the market of a given transaction.

Financial assets (principles binding from 1 January 2018)

As of the date of purchase, the Company reports financial assets at fair value, namely usually according to the fair value of the payment made. The Company includes transaction costs into the initial value of all financial assets apart from the category of assets measured at fair value in the result. An exception from this principle are trade receivables which the Group reports at the transaction price as defined by IFRS 15, but this is not applicable to those trade receivables items the payment term of which is longer than a year and which contain a significant financing component , according to the definition from IFRS 15.

For the purposes of measurement after the initial recognition, the Company classifies any financial assets other than security derivatives with breakdown into:

- financial assets measured in depreciated cost,
- financial assets measured at fair value in other comprehensive income,
- financial assets measured at fair value in the financial result and
- capital instruments measured at fair value in other comprehensive income.

These categories are determined by the principles of valuation as at the balance sheet date and the recognition of profits or losses under revaluation in the financial result or in other comprehensive income. The Company performs classification of financial assets on the basis of the business model operating in the Company in the scope of financial assets management and cash flows resulting from the agreement, typical of the financial asset concerned.

Financial assets are measured at depreciated cost, if both of the following requirements are met (and have not been determined at the moment of the initial recognition for valuation at fair value in the result):

- the financial asset concerned is maintained according to the business model the aim of which is to maintain financial assets to obtain cash flows resulting from the agreement,
- the terms of the agreement regarding the financial asset concerned cause cash flows being formed on specific dates which are only repayment of the principal and interest on the outstanding nominal value.

The Group includes the following into the category of financial assets measured at depreciated cost:

- loans,
- trade receivables and other receivables (except for those which IFRS 9 principles are not applied for),
- debt securities,

Valuation of short-term receivables is made at the amount due for payment, due to insignificant discounting effects.

Profits and losses on financial assets reported in the result, including exchange rate differences, are presented as financial revenue or costs.

Financial assets are measured at fair value in other comprehensive income, if both of the following requirements are met:
- the financial asset concerned is maintained according to the business model the aim of which is both to receive cash flows resulting from the agreement and sell financial assets components,
- the terms of the agreement regarding the financial asset concerned cause cash flows being formed on specific dates which are only repayment of the principal and interest on the outstanding nominal value.

Interest revenue, profits and losses under impairment and exchange rate differences related to these assets are calculated and reported in the financial result in the same manner as in the case of the financial assets measured at depreciated cost. The other changes in fair value of these assets are reported in other comprehensive income. At the moment of ceasing to recognize a component of financial assets measured at fair value in other comprehensive income, any accumulated profits or losses earlier recognized in other comprehensive income are subject to re-classification from equity to result.
In the reporting period, the Company did not have any financial assets eligible to be included in this valuation category.

A financial asset is measured at fair value in the result, if it does not meet the criteria for measurement at depreciated cost or at fair value in other comprehensive income and is not a capital instrument determined at the moment of the initial recognition for valuation at fair value in other comprehensive income. In addition, in this category the Company includes financial assets designated at the initial recognition for valuation at fair value in the result due to fulfillment of the criteria specified in IFRS 9.
This category includes:
- all derivatives reported the report on the financial situation in a separate item "Derivative financial instruments", except for derivative security instruments reported according to hedge accounting,
- stocks and shares in other companies than subsidiaries and affiliates.

Instruments included in this category are reported at fair value, and the effects of valuation are reported in the result, respectively in item "Financial revenue" or "Financial costs". Profits and losses under revaluation of financial assets are specified by change of fair value determined on the basis of the active market prices binding as at the balance sheet date or on the basis of valuation techniques, if no active market exists.

Capital instruments measured at fair value in other comprehensive income include investments in capital instruments not being financial assets intended for sale or contingent payment under a combination of businesses, in relation to which, at the moment of the initial recognition, the Company made an irrevocable selection concerning presentation in other comprehensive income of subsequent changes in these instruments' fair value. The Group makes this selection individually and separately with reference to particular capital instruments.
Any accumulated profits or losses under valuation at fair value, earlier recognized in other comprehensive income, are not subject to re-classification to the result under any circumstances, including the fact of ceasing to recognize these assets. Dividends from capital instruments included in this category are reported in the result in item "Financial revenue" after fulfilment of the terms for recognition of revenue under dividends as specified in IFRS 9, unless these dividends naturally account for recovery of some investment costs.

Financial assets included in the category measured at depreciated cost and measured at fair value in other comprehensive income, due to the business model and the nature of the related revenue, are subject to evaluation as of each balance sheet day in order to recognize the expected credit losses , regardless of whether the premises for impairment occurred or not. The method of performing this evaluation and estimating write-offs under the expected credit losses differs for particular classes of financial assets:
- For trade receivables, the Company applies a simplified approach, assuming a calculation of write-offs under the expected credit losses for the instrument's whole life. Write-off estimates are made on the collective principle and the receivables have been grouped according to past due status. A write-off estimate is first of all based on the historically formed past due status and a linkage between the past due status and the actual repayment.
- For the other asset classes, in the case of instruments for which credit risk growth after the first recognition was not significant or the risk is low, the Company, in the first place, assumes recognition of credit losses from failure to meet obligations for the period of subsequent 12 months. When the credit risk growth after the moment of the initial recognition has been significant, losses are reported as appropriate for the whole life of the instrument. The Company has assumed that a significant risk growth happens when overdue payments exceed 90 days, and failure to fulfil the obligations is when the past due status is 180 days.

Financial liabilities

Financial liabilities other than security derivatives are reported in the following items of the statement of the financial situation:

- Credits and loans,
- Liabilities under issuance of debt securities,
- Other financial liabilities
- commercial obligations
- other liabilities.

As of the date of purchase, the Company reports any financial liabilities at fair value, namely usually according at fair value of the amount received. The Company includes transaction costs in the initial value of all financial liabilities, apart from the category of liabilities measured at fair value in the result.

After the initial recognition, financial liabilities are reported at depreciated cost with the application of the effective interest rate method, except for financial liabilities intended for sale, or designated as measured at fair value in the financial result. In the category of financial liabilities measured at fair value in the financial result, the Company includes derivatives other than security instruments. Short-term trade liabilities are reported at the amount due for payment, due to insignificant discounting effects. Profits and losses under revaluation of financial liabilities are reported in the financial result, under financial operations.

Inventories

Tangible current assets are measured by the Company at least at the balance sheet date at purchase price or cost of manufacture. Materials are measured at purchase price and released as required. As at the balance sheet day, the Company recognises under “work in progress” the actually incurred costs directly related to revenue generated. The accompanying revenue are recognised in the income statement in the subsequent month.

Short-term and long-term receivables

Trade receivables are recognised initially at nominal value and measured at the balance sheet date at amounts due. Receivables are subject to the revaluation taking into account the probability of their collection through a revaluation write-down. Impairment losses are recognised if objective evidence exists that the Company will not be able to recover all amounts due under the original terms and conditions applicable to such receivables. An assessment whether objective evidence of impairment of receivables exists is performed on an ongoing basis, on receipt of information on the occurrence of objective evidence, which may determine impairment, at least as at the balance sheet date. Probability of impairment is determined through estimations based on historical data. The amount of revaluation write-downs may be reduced should the Management Board hold reliable documents proving the receivables to be adequately secured and their payment being highly probable.

In particular, whenever impairment is considered highly probable, a revaluation write-down is made at 100% for the following receivables:

- from debtors put in liquidation or bankruptcy, up to the amount of not covered by a guarantee or otherwise secured,
- from debtors, after dismissing a bankruptcy petition, if the estate in bankruptcy is not satisfactory to pay full costs of the bankruptcy proceeding up to the total claim value,
- questioned by debtors, and with payments due, up to the amount not covered by guarantees or other collaterals, if the assessment of the economic and financial situation of the debtor indicates that the payment of liability at the agreed amount is not possible in the coming 6 months,
- equivalent to the amounts increasing the receivables, for which a revaluation write-down was made at the same amounts, until they are received or written off,
- overdue, or not overdue which most probably would not be collected, at a reliably estimated amount of write-down against bad debt.

Revaluation write-downs of receivables are recognised as other operating costs. Reversal of revaluation write-downs is recognised as other operating income if impairment decreased over consecutive periods, and the financial asset’s increase in value may be attributed to events taking place after the write-down was made. As a result of the write-down reversal, the carrying amount of financial assets may not exceed the amount of the depreciated cost, which would be determined without the impairment write-downs made. Reversal of a write-down is recognised in the income statement as other operating income.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Cash and cash equivalents are measured at value as at the end of the period in PLN. Cash inflows and cash outflows are recorded using the average exchange rate announced by the National Bank of Poland at the last working day before the transaction day.

Prepayments and deferred costs

The company recognises prepaid costs if the refer to future reporting periods. Prepayments occur when incurred costs refer to more than one reporting period (taking into account the principles of materiality and prudence). The most important criterion for deferment of costs is satisfaction of the definition of assets i.e. resources whose value can be measured reliably, recognised as a result of past events and from which future economic benefits are expected to flow to the company.

Equity

Equity is disclosed in accounting books by type and in accordance with the rules stipulated by applicable laws and the Company's Articles of Association.

The share capital is recognised in the amount specified in the Articles of Association and entered in the National Court Register. Declared but unpaid capital contributions are recognised as due contributions to the capital. Treasury shares and called-up share capital not paid reduce the Company's equity.

Share premium — the surplus of the issue proceeds over the par value of shares less costs of issue.

Other reserves is the revaluation reserve from the measurement to fair value of financial assets classified as available for sale.

Retained earnings comprise: supplementary capital and reserves from profit for subsequent years, retained profit or uncovered loss of previous years (accumulated profits/losses from previous years), financial result for the current financial year.

Interest-bearing bank loans and debt securities

All bank loans and debt securities are initially recognised at purchase price which corresponds to the fair value of cash received, net of transaction costs associated with the bank loan.

Following the initial recognition, interest-bearing bank loans and debt securities are measured at the amortised cost. Amortised cost is calculated by taking into account any transaction costs, and any discount or premium granted upon settlement of the liability.

Trade and other liabilities

Liabilities are a present obligation of the Company resulting from past events whose fulfilment is expected to cause an outflow of resources embodying economic benefits.

Liabilities not classified as financial liabilities are measured at amounts due.

Provisions for liabilities

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, if it is certain or highly probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions for liabilities include, among other items: deferred tax liability, provision for unused leaves, provision for severance pays.

Deferred income tax

The entity recognises deferred tax liability and deferred tax assets in respect of temporary differences between the book value of assets and liabilities and their tax values, and the tax loss recoverable in the future. Deferred tax assets are determined in the amount that is anticipated to be deducted from the income tax in connection with deductible temporary differences and in the amount of carry-forward of unused tax losses, taking account of the prudence principle. Deferred tax liabilities are recognised in respect of taxable temporary differences in the amount of income tax to be paid in the future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realized or the liability is settled, (based on tax laws applicable as at the balance sheet day).

Accruals

Accruals are recognised at the amount of likely liabilities which relate to the current reporting period.

Revenue

Revenue (principles binding until 31 December 2017) is recognized to the extent to which it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Revenue is recognised at the fair value of the consideration received, net of the Value Added Tax (VAT) and discounts. The following specific recognition criteria must also be met when revenue is recognised:

- Sales of goods and products
  Sales of goods and products are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and where the amount of sales revenue can be determined in a reliable manner. The exception here is revenue from services recognised by reference to the stage of completion of the transaction.
- Interest
  Revenue is recognised as interest accrues to the net carrying amount of the financial asset.
- Dividends
  Dividends are recognised when the shareholder's right to receive payment is established.
- Other operating income and expenses, finance income and expenses
  Other operating income and expenses are income and expenses not related directly to operating activities. Other finance income and costs relate to the Company's financing activities and include, among other items: interest related to granted and utilised loans and borrowings, late payment interest paid and received, FX differences, commissions paid and received, gains and losses from the sale of securities, released and recognised provisions charged to operating expenses.

Sales revenue (principles binding from 1 January 2018)

Sales revenue includes only revenue under agreements with clients covered by the scope of IFRS 15. The method of recognizing sales revenue in the Group's financial statement, including both the value and the moment of revenue recognition, is described by the five-level model including the following steps:

- identification of the agreement with the client,
- identification of the obligations to provide a consideration,
- determination of the transaction price,
- assignment of the transaction price to the obligations to provide a consideration,
- recognition of revenue when fulfilling the obligations to provide a consideration or after they have been fulfilled.

Identification of the agreement with the client

The company reports the agreement with the client only when all of the following criteria are met:

- the parties to the agreement have concluded an agreement (in writing, orally or according to other customary trade practices) and are obliged to perform their obligations;
- The company is able to identify the rights of each of the parties concerning the goods or services that are to be provided;
- The company is able to identify the terms of payment for the goods or services that are to be provided;
- the agreement has economic content (i.e. it can be expected that, as a result of the agreement, the risk, distribution in time, or the amount of the Company's future cash flows is changed); and
- it is likely that the Company is paid remuneration that it is entitled to in exchange for the goods or services that are to be transferred to the client.

Identification of the obligations to provide a consideration

At the moment when the agreement is concluded, the Company makes an evaluation of the goods or services promised in the agreement with the client and identifies, as a commitment to provide a consideration, each promise to transfer to the client any goods or services (or a package of goods or services) that can be identified, or a group of separate goods or services, which are generally the same and transferred to the client in the same way.

A good or service are separate, if they meet both of the following criteria:

- the client can refer the benefits from the good or service either directly or by a linkage to other resources that are easily accessible for them and
- the Company's requirement to transfer the good or service to the client can be separated from among the other obligations specified in the agreement.

The dominating revenue stream is delivery of temporary employees. The company meets its obligation when providing the service to the client - the client simultaneously receives and derives benefits resulting from the Company's services as they are being performed.

Determination of the transaction price

In order to determine the transaction price, the Company takes account of the terms of the agreement and the customary trade practices it applies. The transaction price is the amount of remuneration which, according to the Company's expectation, it will be entitled to in exchange for transfer of the promised goods or services to the client, except for any amounts collected on behalf of third parties. The remuneration as specified in the agreement with the client mostly includes fixed amounts.

Agreements with clients do not contain significant financial components and the obligations to return remuneration. The typically applied payment terms are from 30 days to 90 days, the Company does not offer guarantee for the services sold.

Assignment of the transaction price to the obligations to perform a consideration

The Company assigns the transaction price to each commitment to provide a consideration in the amount which reflects the amount of remuneration that – according to the Company's expectation – it is entitled to in exchange for transfer of the promised goods or services to the client.

Recognition of revenue when fulfilling the obligations to provide a consideration or after they have been fulfilled

The Company reports revenue when fulfilling *the commitment to provide a consideration* as in the service of delivering temporary employees the customer simultaneously receives and derives benefits resulting from the Company's services as they are being performed

The Company has not identified significant costs of ensuring that the agreement is concluded.

Taxes

Current tax liability is calculated based on the taxable profit/loss for the financial year. Net profit (loss) for tax purposes differs from net profit (loss) for accounting purposes due to the exclusion of non-taxable income and expenses which are tax-deductible in subsequent years, as well as expenses and revenue which will never be accounted for in tax settlements. Tax charges are calculated based on the tax rates effective for a given financial year.

The financial statements were prepared based on accounting records maintained in a given financial year, in accordance with the documentation concerning the adopted accounting principles and accounting policy established and implemented under applicable regulations.

c) effect of application of new accounting standards and changes in accounting policies

The accounting principles (policies) applied in the preparation of these separate financial statements for the financial year ended 31 December 2018 are consistent with those applied in preparing the separate financial statements for the financial year ended 31 December 2017. The same principles were applied for the current and comparative period, unless the applicable standard or interpretation required exclusively prospective application.

Changes resulting from amendments to IFRS

The following new or amended standards and interpretations issued by the International Accounting Standards Board or the International Accounting Standards Committee (IASC):

IFRS - Standards and interpretations binding in the reports
for the annual periods starting on 1 January 2018 or later
(status according to the European Commission's regulations as of: 14 January 2019)

Standard/interpretation	Effective date	Description of changes in the standard/interpretation
new IFRS 9 "Financial instruments"	annual periods starting on 1 January 2018 or later standard accepted by the European Commission	The new standard concerning valuation and recognition of financial instruments, intended to replace the present IAS 39. The changes introduced by the standard in financial instruments accounting include: • other financial asset categories which the asset valuation method depends on; allocation of assets to the category is made depending on the business model related to the given asset and the nature of flows, • new security accounting principles reflecting risk management to a greater extent, • new financial asset impairment model based on the anticipated losses and causing the need for faster recognition of costs in the financial result.
New IFRS 15 "Revenue from agreements with clients"	annual periods starting on 1 January 2018 or later standard accepted by the European Commission	The new standard will replace the existing IAS 11 and IAS 18, providing one coherent model for revenue recognition. The new 5-level model will link recognition of revenue to the client obtaining control of the good or service. In addition, the standard introduces additional information disclosure requirements and guidelines concerning several detailed matters. The new standard can change the moment and the amounts of revenue recognized in enterprises in many industries.
Changed IFRS 15 "Revenue from agreements with clients"	annual periods starting on 1 January 2018 or later changes accepted by the European Commission	In order to prevent incoherent application of the new standard, the IAS Board (IASB) has detailed the principles related to the following matters: • identification of the obligation (explained how to apply the concept of "separate" good or service) • identification of the principal - agent relationship, • transfer of license at the given moment or over time, In addition, facilities were added to the transitional provisions.
Changed IFRS 2 "Share-based payments"	annual periods starting on 1 January 2018 or later changes accepted by the European Commission	The IAS Board (IASB) has regulated three matters: • the method of recognizing in the valuation of the program paid in cash of the terms other than the terms of purchasing rights • classification of payments in stocks in the event that the entity is not obliged to collect tax from the employee • modification of the program which results in change from a program settled in cash to a program settled in capital instruments.

Standard/interpretation	Effective date	Description of changes in the standard/interpretation
Changed IFRS 4 "Insurance agreements"	at the moment of applying IFRS 9 changes accepted by the European Commission	In connection with the new standard concerning financial instruments entering into force in 2019 (IFRS 9), the IAS Board (IASB) has introduced transitional (until entry into force of the new standard concerning insurance) principles of applying new accounting principles of the instruments in the financial statements of insurers. Otherwise, their results would be exposed to significant variability. Two alternative approaches have been proposed: • correction of variability caused by IFRS 9 for some assets by a separate item in the statement on the result and other comprehensive income • exemption from the application of IFRS 9 until entry into force of the new standard concerning insurance (or the year 2021)
Changed IFRS 1, IAS 28	annual periods starting on 1 January 2018 or changes accepted by the European Commission	Minor corrections to the standards, introduced under annual changes in the standards (cycle 2014 - 2016): • IFRS 1: some short-term exemptions were removed, which had been used when transferring to IFRS, owing to the fact that they were concerned with the periods that already elapsed and their application was not possible anymore. • IAS 28: it was made specific that in the situations when IAS 28 allows investment valuation either by the equity method or at fair value (by organizations managing high risk capital, mutual funds etc. or shares in investment entities) this selection can be made separately for each of such investments.
Change in IAS 40 "Investment real estate"	annual periods starting on 1 January 2018 or later changes accepted by the European Commission	The change makes specific the principles according to which a real estate is reclassified to or from the category of investment real estate from or to fixed assets or inventory. First of all, the change in classification happens when the use pattern changes and this change must be proved. The standard says directly that change of intention of the management itself is not sufficient. The change in the standard must be applied to all changes in use patterns that happen after the effective date of the change in the standard and to all investment real estate held on the day of entry into force of the standard change.

Standard/interpretation	Effective date	Description of changes in the standard/interpretation
New IFRIC 22 "Currency transactions and advance payments"	annual periods starting on 1 January 2018 or later interpretation accepted by the European Commission	The interpretation specifies what rate should be applied for sale or purchase in another currency, which is preceded by receipt or payment of an advance payment in this currency. According to the new interpretation, as of payment the advance should be reported at the rate valid on this day. Then, at the moment of recognition in the profit and loss account of revenue earned in the currency or cost or purchased asset, they must be reported at the rate as of the date of recognition of the advance payment and not at the rate from the date when revenue or cost or asset was reported.

** - the effective date was determined by the IAS Board; in the EU the effective date takes place at a different moment*

Except for IFRS9 and MSSF15, the effect of which is described below, the other changes were not related to the Company's operations.

In 2018, the Company implemented changed IFRS 9 "Financial instruments" which, as expected, did not significantly affect the statement of financial situation and the equity, except for the effects of applying IFRS 9 with regard to impairment. The Company has included in the statement all increases in impairment write-downs, with a negative effect on equity.

IFRS 9 Financial instruments introduces two methods for measuring financial instruments:

- at amortised cost,
- at fair value, through profit and loss or through other comprehensive income, depending on the IFRS 9 requirements met.

Assets

- Shares in subsidiaries and shares in joint ventures – no impact on the financial statements. The Company still uses purchase price for valuation, less any impairment writedowns, which is consistent with IAS 27 Section 10a.
- Short-term shares in subsidiaries intended for sale are measured at fair value. Those shares will be sold in Q1 2018. The IFRS 9 does not impact this item.
- Long-term receivables due to loans granted are measured at amortised cost. The IFRS 9 does not impact this item.
- Short-term receivables due to loans granted are measured at amortised cost, which is consistent with IFRS 9. The standard does not impact the financial statements in this respect.

Expected credit losses

Valuation:

Receivables are valued using actual interest rate

- short-term receivables - the Company analysed expected credit losses based on the simplified method that is stipulated for by IFRS 9 in Section B5.5.35. With respect to short-term receivables for supplies and services, the expected loss due to additional expected credit loss writedowns amounts to PLN 4.261 tpln as of 31 December 2018.

Equity and liabilities

- Loans and long-term liabilities - no impact on the financial statements. Those have been measured at amortised cost, which is consistent with IFRS 9, in 2018, as well as previous years for which the financial statements have been drafted.
- Bonds - no impact on the financial statements. The Company is already measuring them at amortised cost.

- Liabilities for supply and services and other short-term liabilities – no impact on the financial statements. They are also measured at amortised cost.

Hedge accounting

The Company does not apply hedge accounting.

To summarise, the Company expects that the implementation of IFRS 9 will have the following impact:

Impact on equity (increase/decrease) as of 31 December 2018

	Adjustments	*in thousand PLN*
Assets		
Receivables for supplies and services	Revaluation write downs	-10 206
Total assets		-10 206
Liabilities		
Equity		-10 206
Total equity and liabilities		-10 206

The Management Board of the dominant company made the decision that the application of IFRS 9 with regard to classification and valuation will take place retrospectively without adjustment of comparative data due to the fact that this would not be possible without utilization of knowledge obtained post factum. The effects of introducing the standard have been included as change in the opening balance sheet of retained profits as of 1 January 2018.
The effects of the changes have been described above.

So far, the Company has held only assets qualified to the category "loans and amounts due". According to the new standard, all of them have been qualified as measured at depreciated cost, because the analysis performed by the Group as of the first application of the standard demonstrated that they are maintained in order to obtain cash flows resulting from the agreement, and these flows are only repayment of the nominal value and interest. Change of the category has not affected the value of the Group's assets and its financial result. The categories of financial liabilities have not changed.

In the event of all classes of financial assets and liabilities, change of the valuation category in connection with the first application of IFRS 9 on 1 January 2018 took effect without changing the carrying value, except for the effects of the application of a new model for estimating expected credit losses.

The Group's financial statement was significantly affected by changes in the method of estimating credit losses under credit risk concerning the amounts due that, according to IAS 39, were categorized as "receivables and loans" and, under IFRS 9, are measured at depreciated cost, and assets under the agreement. The Company has built a model used to estimate the expected losses under the receivables portfolio and assets under the agreement. For trade receivables and assets under the agreement, a simplified version of the model has been applied, assuming calculation of loss for the whole life of the instrument. The model concerning the remaining assets assumes, for the instruments for which credit risk growth after the first recognition was not significant or the risk is low, in the first place recognition of losses under failure to meet the obligation for the period of subsequent 12 months.

As at 31st December 2017 trade receivables write-down (category of financial assets measured at depreciated cost according to IFRS 9 and credits and amounts due according to IAS 39) amounted to 75 400.0 thousand Polish zlotys. The correction introduced to the amount of receivables and retained profits as of 1 January 2018 amounted to 10 206.4 thousand Polish zlotys, resulting in impairment write-down being increased to the amount of 85 606.4 thousand Polish zlotys. As at 31 December 2018, receivable write-downs were lower by 51 355.5 thousand Polish zlotys than as if made according to the previous principles.

Financial assets class	IAS 39		IFRS 9	
	Category	Carrying value 1.01.2018	Category	Carrying value 1.01.2018
Fixed assets:		568 246 561,62		568 246 561,62
Receivables and loans	loans and amounts due	60 000 000,00	measured at depreciated cost	60 000 000,00
Other long-term financial assets	measured at fair value in the result	487 023 544,67	capital instruments measured at fair value in other comprehensive income	487 023 544,67
Current assets:		155 957 650,75		145 751 283,43
Trade receivables and other receivables	loans and amounts due	52 305 862,44	measured at depreciated cost	42 099 495,12
the loans	loans and amounts due	103 113 003,81	measured at depreciated cost	103 113 003,81
Cash funds and equivalents	Cash funds and equivalents	536 784,50	measured at depreciated cost	536 784,50

Financial liabilities class	IAS 39		IFRS 9	
	Category	Carrying value 1.01.2018	Category	Carrying value 1.01.2018
Long-term liabilities:				
Credits, loans, other debt instruments	measured at depreciated cost	0,00	measured at depreciated cost	0,00
Other liabilities	measured at depreciated cost	3 959 831,67	measured at depreciated cost	3 959 831,67
Short-term liabilities:				
Trade liabilities and other liabilities	measured at depreciated cost	219 813 321,19	measured at depreciated cost	219 813 321,19
Credits, loans, other debt instruments	measured at depreciated cost	404 304 750,59	measured at depreciated cost	404 304 750,59

In the event of all classes of financial assets and liabilities, change of the valuation category in connection with the first application of IFRS 9 on 1 January 2018 took effect without changing the carrying value, except for the effects of the application of a new model for estimating expected credit losses.

The Group's financial statement was significantly affected by changes in the method of estimating credit losses under credit risk concerning the amounts due that, according to IAS 39, were categorized as "receivables and loans" and, under IFRS 9, are measured at depreciated cost, and assets under the agreement. The Company has built a model used to estimate the expected losses under the receivables portfolio and assets under the agreement. For trade receivables and assets under the agreement, a simplified version of the model has been applied, assuming calculation of loss for the whole life of the instrument. The model concerning the remaining assets assumes, for the instruments for which credit risk growth after the first recognition was not significant or the risk is low, in the first place recognition of losses under failure to meet the obligation for the period of subsequent 12 months.

As of 31st December 2017, the trade receivables write-down (category of financial assets measured at depreciated cost according to IFRS 9 and credits and amounts due according to IAS 39) amounted to 7 463 thousand Polish zlotys. The correction introduced to the amount of receivables and retained profits as of 1 January 2018 amounted to _10 206 thousand Polish zlotys, resulting in impairment write-down being increased to the amount of 17 669 thousand Polish zlotys.

IFRS - Standards and interpretations still not binding in the reports

for the annual periods starting on 1 January 2018 or later

(status according to the European Commission's regulations as of: 14 January 2019)

Standard/interpretation	Effective date	Description of changes in the standard/interpretation
changed IFRS 10 "Consolidated financial statements" and IAS 28 "Investment in subsidiaries and joint ventures"	no effective date - voluntary application acceptance process by the European Commission suspended	The so far binding principles governing settlement of loss of control over a subsidiary assumed that profit or loss are reported as of this moment. On the other hand, the principles of applying the equity method stated that the result on the transaction with entities measured using the equity method is reported only up to the amount of the share of the remaining shareholders in these entities. When the parent company sells or makes a contribution of shares in the subsidiary company to an entity measured by the equity method so that it loses control over it, the above cited regulations would be contradictory. Changed IFRS 10 and IAS 28 eliminate this collision as follows: • if the entity over which control has been lost is a company (business), the effect on the transaction is reported entirely, • if the entity over which control has been lost is not a company, the result is reported only up to the amount of the other investors' share.
IFRS 16 "Leasing"	annual periods starting on 1 January 2019 or later standard accepted by the European Commission	The new standard governing lease contracts (including rent and lease agreements) contains a new definition of lease. Significant changes apply to lessees: the standard requires recognition in the balance sheet for each lease agreement of "the right to use an asset" and the corresponding financial liability. The right to use assets is then depreciated, and the liability measured at depreciated cost. Simplified regulations have been provided for short-term agreements (up to 12 months) and low value assets. The accounting approach to leases on the part of the lessor is similar to the rules specified in present IAS 17.
New IFRS 17 "Insurance Contracts"	annual periods starting on 1 January 2021 standard not accepted by the European Commission	The new standard governing recognition, valuation, presentation and disclosures concerning insurance and reinsurance agreements. The standard replaces previous IFRS 4.

Standard/interpretation	Effective date	Description of changes in the standard/interpretation
New IFRIC 23 "Uncertainty over income tax treatments"	annual periods starting on 1 January 2019 standard not accepted by the European Commission	The interpretation to IAS 12 "Income tax" resolves the approach to the situation when the interpretation of the regulations on income tax is not unambiguous and it cannot be ultimately assumed which solution will be adopted by tax authorities, including courts. The management should evaluate which approach will be adopted by the authorities using the most probable value or expected value method. The Company should evaluate any possible changes in facts and circumstances affecting the fixed value. When the value is corrected, it is treated as change of estimate according to IAS 8.
Changed IFRS 9 "Financial instruments"	annual periods starting on 1 January 2019 change accepted by the European Commission	The change consists in qualification, to the category of assets measured at depreciated cost, of such instruments that, in the case of earlier payback, result in the entity receiving an amount smaller than the total of capital and interest charged (the so-called negative remuneration). In addition, the Board clarified Substantiation for the Conclusions so that, for modifications of financial liabilities not resulting in them being removed from the balance sheet, they must be measured again, reporting the difference in the financial result (this change is introduced as of IFRS 9 entering into force).
Change in IAS 28 "Investment in subsidiaries and joint ventures"	annual periods starting on 1 January 2019 change not accepted by the European Commission	The change in the standard makes specific that IFRS 9 should be applied for financial instruments other than measured using the equity method, in subsidiaries and joint ventures, even when these instruments form an element of net investment in such entity.

Standard/interpretation	Effective date	Description of changes in the standard/interpretation
Changes in IAS 12, IAS 23, IFRS 3, IFRS 11	annual periods starting on 1 January 2019 or later changes not accepted by the European Commission	Minor corrections to the standards, introduced under annual changes in the standards (cycle 2015 – 2017): • IAS 12: The IAS Board (IASB) clarified the method of recognizing income tax being a consequence of dividends. Tax is reported at the moment of recognition of the obligation to pay dividend as the amount charging the result or other comprehensive income or capitals, depending on where the past transactions that generated the result are reported. • IAS 23: It was clarified that the debt originally intended to finance an asset that has been already finished, is reported as general debt the cost of which may be later capitalized in the value of other assets. • IFRS 3: The IAS Board (IASB) clarified that the principles related to settlement of a merger performed in stages, including the need to measure shares, apply also to any earlier held shares in joint ventures. • IFRS 11: The Board clarified that a joint venture partner, not having joint control, when they obtain joint control over the joint venture being a venture, should not measure the shares in this joint venture again.
Change in IAS 19 "Employee benefits"	annual periods starting on 1 January 2019 change not accepted by the European Commission	According to the introduced change, when an asset or net liability under a program of specified benefits are measured again as a result of changes, limitation or settlement, the entity should: • determine the costs of current employment and net interest for the period after the revaluation using the assumptions applied at the revaluation and • determine net interest for the remaining period on the basis of the revalued asset or net liability.

Standard/interpretation	Effective date	Description of changes in the standard/interpretation
Changed IFRS 3 "Business combinations"	is in force for mergers for which the date of takeover is within the first annual reporting period beginning on 1 January 2020 or later and for asset purchase transactions taking place in this reporting period or later change not accepted by the European Commission	The change applies to the definition of venture and includes first of all the following matters: • clarifies that the combination being taken over of assets and actions necessary to be treated as a venture must also include a contribution and significant processes that will together significantly contribute to earning the return, • narrows down the definition of return, and thereby also a venture, focusing on goods and services delivered to buyers, removing from the definition the reference to return in the form of cost reduction, • adds guidelines and examples in order to facilitate assessment whether a significant process has been taken over under the merger, • ignores the assessment whether it is possible to substitute the missing contribution or process and continue venture operations in order to earn return and • adds an optional possibility to conduct a simplified assessment with the purpose of excluding that the combination being taken over of operations and assets is a venture.
Change in IAS 1 "Presentation of financial statements" and IAS 8 "Accounting principles (policy), changes in estimate values and correction of errors"	annual periods starting on 1 January 2019 change not accepted by the European Commission	The change consists in introducing a new definition of the term "significant" (with regard to omission or distortion in the financial statement). The previous definition included in IAS 1 and IAS 8 differed from the one included in the Conceptual Financial Reporting Assumptions which could result in difficulties in making judgements by the entities drawing up financial statements. The change will result in the definition being harmonized in all binding IAS and IFRS.

** - the effective date was determined by the IAS Board; in the EU the effective date takes place at a different moment*

Non-binding standards (new standards and interpretations)

In this financial statement the Group has not decided to earlier apply the published standards or interpretations prior to their effective date.

IFRS 16 "Leasing"

IFRS 16 "Leasing" which will be binding as from 1 January 2019, will have effect on individual and consolidated financial statements of the company Work Service S.A. IFRS 16 "Leasing" the standard requires recognition in the balance sheet for each lease agreement of "the right to use an asset" and the corresponding financial liability. The right to use assets is then depreciated, and the liability measured at depreciated cost. Simplified regulations have been provided for short-term agreements (up to 12 months) and low value assets.

The Company plans to apply IFRS 16 as from the standard entering into force, without transforming comparative data.

The performed analysis of rent agreements revealed the need to make disclosure of the following data in the accounting books

	Corrections	in thousand PLN
Assets		
Right to use assets		14 194
Deferred tax reserve		2697
Total assets		16 897
Liabilities		
Long-term liabilities		14 194
Deferred tax asset		2 697
Total liabilities		16 891

The Company will apply all the standards which will have effect on its operations as from 1 January 2019

8. Estimation of the fair value and the important estimates and assumptions

The preparation of financial statements in accordance with IFRS required the use of certain critical accounting estimates and the application by the Management Board own judgements. Areas where estimates and judgements are important for the presented financial statements refer to:

- provisions for unused annual leave - are determined based on the number of unused leave days on a given day and the average salary of an employee falling for one day, increased by social contributions of the employer;
- estimates of write-downs on receivables - the level of value write-downs of receivables is established taking into account the expected risk associated with receivables and collateral made that affect the effectiveness of the recovery, despite the fact that the assumptions are based on best knowledge, actual results may differ from expected;
- estimates of write-downs on receivables - the level of value write-downs of receivables is established taking into account the expected risk associated with receivables and collateral made that affect the effectiveness of the recovery, despite the fact that the assumptions are based on best knowledge, actual results may differ from expected;
- fair value of derivatives and other financial instruments - the company presents the models and assumptions used to determine fair value;
- write-downs of goodwill – are estimated based on assumptions of the management board regarding the determination of the recoverable amount. The Company shall disclose the major indications of impairment, the applied models, discount rates and growth rates;
- evaluation of the potential costs associated with pending against the company fiscal and court proceedings –during the preparation of financial statements, the opportunities and risks associated with such proceedings are always analysed and according to the results and outcomes of such analysis the reserves for potential losses are created – however, one cannot exclude the risk that a court or a tax authority will issue a judgement or a decision different from the expectations of entity and established reserves may not be sufficient.

Estimates and judgements are subject to the Company's periodic verification.

Information on the estimated values relating to reserves, liabilities, assets and deferred income tax assets and write-downs on assets the of Capital Group is presented in notes 7.1, 20, 20.1 and 20.2 of this financial statements.

Managers programme

On 27 June 2013 The Annual General Meeting of the Company Work Service SA by Resolution No. 24/2013 adopted the Incentive Program addressed at executives, including members of the Management Board and key employees Capital Group Work Service. The program is based on the subscription warrants – its objective is:

- to motivate Key managers to increase the scale and profitability of the business in the long term and
- to ensure stability of the management by the permanent binding with the Capital Group.

The Incentive Programme will be implemented in years 2013-2017.

The managerial program was ended in the year 2018. At the moment, the Management Board is working on the assumptions for a different motivation program.

Statement of financial position of Work Service Spółka Akcyjna

ASSETS	Note	as at 31.12.2018	as at 31.12.2017
NON-CURRENT ASSETS		579 730 413,80	611 949 308,99
Intangible assets	8	34 057 152,60	39 450 632,65
Property, plant and equipment	9,10	6 195 939,03	11 053 239,92
Investment properties		2 495 938,00	2 495 938,00
Other financial assets	11	504 337 984,67	487 023 544,67
Other non-current assets		0,00	674 420,08
Other long-term financial assets		0,00	60 000 000,00
Deferred tax assets	7.1	32 643 399,50	11 122 033,02
Prepayments and deferred costs		0,00	129 500,65
CURRENT ASSETS		188 839 274,60	247 718 494,17
Inventories	12	704 789,85	6 607 556,70
Trade and other receivables	13	87 197 199,96	113 749 802,02
Other financial assets	14a	99 949 542,18	103 113 003,81
Other current assets	14b	0,00	945 601,09
Cash and cash equivalents	14c	301 214,19	536 784,50
Prepayments and deferred costs	15	686 528,42	1 542 729,1
Assets for sale	26		21 223 016,95
TOTAL ASSETS		*768 569 688,40*	859 667 803,16

EQUITY AND LIABILITIES			
EQUITY		228 673 835,22	227 959 174,20
Share capital	16	6 509 482,30	6 509 482,30
Supplementary capital	18	283 163 767,96	283 163 767,97
Reserve capital		5 664 115,29	5 207 713,65
Previous years' profit (loss)		(79 136 302,17)	(2 692 650,75)
Net profit (loss)		12 472 771,84	(64 229 138,96)
LIABILITIES AND PROVISIONS			
Provisions for liabilities	20	24 803 586,63	3 611 171,36
Deferred tax liability	20.1	3 792 972,93	1 187 349,53
Provision for pensions and similar benefits		617 796,51	1 011 049,60
Other current provisions		20 392 817,19	1 412 772,23
Long-term liabilities	21	164 248 042,85	3 959 831,67
1. To related entities		7 750 000,00	0,00
2. To other entities		156 498 042,85	3 959 831,67
Long-term loans and borrowings		108 256 275,59	0,00
Issue of debt securities		43 988 109,50	0,00
Other financial liabilities		4 253 657,76	3 959 831,67
Other liabilities		0,00	0,00
Short-term liabilities	22	340 636 771,91	624 118 071,78
1. To related entities		122 379 119,05	176 651 724,21
2. To other entities		218 257 652,86	447 466 347,57
Issue of debt securities		0,00	44 285 509,42
Other financial liabilities		1 776 418,88	5 227 443,50
Loans and borrowings	23	1 500 000,00	216 560 390,34
Trade liabilities		15 533 216,04	10 128 851,11
Liabilities in respect of taxes, customs duties, insurance and other benefits		105 504 494,49	64 787 926,99
Payroll liabilities		15 705 183,74	21 550 129,43
Other liabilities		80 026 974,25	84 926 096,78
3. Special funds		0,00	0,00
Accruals and deferred income		10 207 451,79	19 554,15
TOTAL EQUITY AND LIABILITIES		768 569 688,40	859 667 803,16

Statement of comprehensive income of Work Service Spółka Akcyjna

	Note	01.01.2018-31.12.2018	01.01.2017-31.12.2017
Revenue		580 944 657,18	588 976 118,76
Net revenue from sales of products		581 340 217,58	594 204 483,50
Change in the balance of products		395 560,40	(5 228 364,74)
Manufacturing cost of products for internal purposes			0,00
Net revenues from sales of goods and materials			0,00
Operating expenses		612 415 442,17	607 696 319,46
Amortisation and depreciation		6 443 137,47	5 758 972,48
Consumption of materials and energy		1 612 058,02	2 368 197,75
External services		115 216 072,73	123 792 553,63
Taxes and charges		1 041 318,89	1 010 632,20
Payroll		403 802 353,40	393 058 105,80
Social security and other benefits		80 305 631,95	76 655 604,53
Other costs by type		3 994 869,71	5 052 253,07
Value of goods and materials sold			-
Profit (loss) on sales		*(31 470 784,99)*	*(18 720 200,70)*
Other operating income		10 385 368,19	16 851 366,05
Other operating expenses		57565 567,90	16 213 910,18
Operating profit (loss)		*(78 650 984,70)*	*(22 602 241,60)*
Finance income		118 607 448,13	67 497 552,82
Finance costs		46 399 434,67	35 111 606,91
Gross profit (loss)		*(6 442 971,24)*	*(63 986 381,41)*
Income tax		(18 915 743,08)	242 757,55
Net profit (loss)		*12 472 771,84*	*(64 229 138,96)*

Statement of cash flows of Work Service Spółka Akcyjna

	01.01.2018-31.12.2018	01.01.2017-31.12.2017
A. Cash flows from operating activities		
I. Net profit / (loss)	12 47 2771,84	-64 229 138,96
II. Total adjustments	23 4544 80,3	38 021 173,91
1. Amortisation and depreciation	6 443 137,47	5 758 972,48
2. Foreign exchange gains (losses)		(1 063 426,72)
3. Interest and shares in profits (dividends)	20 464 746,00	(35 631 074,14)
4. Profit (loss) on investing activities	(91 816 765,72)	(5 431 796,13)
5. Change in provisions	21 192 415,26	(273 641,23)
6. Change in inventories	6 890 780,26	7 958 411,09
7. Change in receivables	27 184 609,82	(788 778,55)
8. Change in short-term liabilities, except for loans and borrowings	43 443 324,80	101 750 888,52
9. Change in prepayments, accruals and deferred income	(10 347 767,51)	1 401 099,97
10. Other adjustments	-	(35 659 481,38)
III. Net cash flows from operating activities (I+II)	*35 927 252,23*	*(26 207 965,35)*
B. Cash flows from investing activities		
I. Inflows	169 716 672,85	502 740 785,94
1. Disposal of intangible assets and property, plant and equipment		0,00
2. Disposal of investments in real property and intangible assets		0,00
3. From financial assets, including:	169 716 672,85	502 740 785,94
a) in related entities	73 373 830,25	399 757 666,82
b) in other entities	96 342 842,60	102 983 119,12
- disposal of financial assets	96 342 842,60	0,00
- dividends and profit sharing		0,00
- repayment of long-term borrowings granted		102 955 960,00
- interest		27 159,12
- other inflows from financial assets		0,00
4. Other investment inflows		0,00
II. Outflows	24 109 435,14	28 967 525,28
1. Purchase of intangible assets and property, plant and equipment	2 164 711,49	7 807 625,28
2. Investments in real property and intangible assets		0,00
3. For financial assets, including:	20 301 791,67	21 159 900,00
a) in related entities	7 000 000,00	21 159 900,00
b) in other entities	13 301 791,67	0,00
- purchase of financial assets	3 091 423,05	0,00
- long-term borrowings granted	10 210 368,62	0,00
4. Other investment outflows	1 642 931,98	0,00
III. Net cash flows from investing activities (I-II)	*145 607 237,71*	*473 773 260,66*
C. Cash flows from financing activities		
I. Inflows	20 826 430,33	533 051 094,83
1. Net inflows from issue of shares and other equity instruments and additional contributions to equity		0,00
2. Loans and borrowings		501 051 094,83
3. Issue of debt securities	13 373 830,25	32 000 000,00
4. Other financial inflows	7 452 600,08	0,00
II. Outflows	202 596 490,58	1 014 770 991,48
1. Purchase of treasury shares		0,00
2. Dividends and other payments to shareholders		0,00
3. Outflows in respect of appropriation of profit other than payments to shareholders	0,00	0,00
4. Repayment of loans and borrowings	4 388 629,93	898 598 398,81
5. Redemption of debt securities	174 585 916,12	100 000 000,00
6. Due to other financial liabilities		0,00
7. Payments of liabilities under finance lease agreements	3 157 198,53	0,00
8. Interest	20 464 746,00	16 156 630,56
9. Other financial outflows		15 962,11
III. Net cash flows from financing activities (I-II)	(181 770 060,25)	(481 719 896,65)
D. Total net cash flows (A.III.+B.III+C.III)	(235 570,31)	375 764,94
E. Balance sheet change in cash, including:	(235 570,31)	375 764,94
- change in cash due to exchange differences		0,00
F. Cash as at the beginning of the period	536 784,50	161 019,56
G. Cash as at the end of the period (F+D), including	301 214,19	*536 784,50*

In 2018 year the company didn't pay the income tax.

In position Other adjustment Company presents:

OTHER ADJUSTMENTS:	2018	2017
Managers programme	456 401,00	912 803,28
Write off for shares in ProService Worldwide (Cyprus) Ltd	-	34 435 015,65
Non-cach changes in shares values in related entities	-	-71 007 300,31
TOTAL		**-35 659 481,38**

Statement of changes in equity of Work Service Spółka Akcyjna

01.01.2018-31.12.2018	Kapitał akcyjny	Kapitał zapasowy	Kapitał rezerwowy	Zysk/strata z lat ubiegłych	Zysk/starta netto	Kapitał własny
Stan na 1 stycznia 2018	**6 509 482,30**	**283 163 767,97**	**5 207 713,65**	**(2 692 650,75)**	**-(64 229 138,96)**	**227 959 174,20**
Net profit (loss) for the financial year	-	-		-		-
Capital increase	-	-		-		-
Managers programme	-	-	456 401,00	-		456 401,64
Previous years' profit/loss adjustment	-	-		(12 214 512,46)		(12 214 512,46)
Distribution of result for 2017	-	-		(64 229 138,96)	- 64 229 138,96	0,00
Current financial result	-	-		-	12 472 771,84	12 472 771,84
Stan na 31 grudnia 2018	**6 509 482,30**	**283 163 767,97**	**5 664 115,29**	**(79 136 302,17)**	**12 472 771,84**	**228 673 835,22**

01.01.2017–31.12.2017	Share capital	Other capital / supplementary capital	Retained earnings	Equity
As at 1 January 2017	**6 509 482,30**	**287 458 678,33**	**-2 692 650,75**	**291 275 509,88**
Net profit (loss) for the financial year	0,00	0,00	-64 229 138,96	-64 229 138,96
Capital increase	0,00	0,00	0,00	0,00
Managers programme	0,00	912 803,28	0,00	912 803,28
Distribution of result for 2016	0,00	-2 692 650,75	2 692 650,75	0,00
payment of dividend	0,00	0,00	0,00	0,00
As at 31 December 2017	**6 509 482,30**	**285 678 830,86**	**-64 229 138,96**	**227 959 174,20**

The Company manages its equity in order to preserve its ability to continue operations, accounting for capital needs resulting from planned and ongoing investment projects, so as to generate the expected rate of return for shareholders. In accordance with market practice, the Company manages its equity structure by adapting it to changes in market conditions. Managing equity structure of the Company is done by tools such as dividend policy, issue of shares, bonds, changes in the use of external sources of financing. Moreover, the Company monitors equity on the basis of the equity ratio, ratio of loans, borrowings and other external financing sources to EBITDA, as well as the DSCR ratio. The equity ratio is calculated as the ratio of total net assets to equity.

In 2018 reserve capital and previous years' losses were separated, to increase legibility of the information presented.

Specification	31.12.2017	31.12.2018
Equity	227 959 174,20	228 673 835,22
Balance sheet total	859 667 803,16	768 569 688,40
Equity ratio	0,27	0,30

Key economic data of Work Service SA

SPECIFICATION	01.01.2018-31.12.2018	01.01.2017-31.12.2017	01.01.2018-31.12.2018	01.01.2017-31.12.2017
Work Service SA	w tys.PLN	w tys.PLN	w tys.EUR	w tys.EUR
Sales revenue	581 340	594 204	136 244	139 987
EBITDA (operating profit + depreciation and amortisation)	-71 072	-16 843	-16 657	-3 968
Profit on sales	-31 471	-18 720	-7 376	-4 410
Operating profit (EBIT)	-78 651	-22 602	-18 167	-5 325
Gross profit (loss)	-6 443	-63 986	-1 510	-15 074
Net profit (loss)	12 473	-64 229	2 923	-15 132
Net cash flows from operating activities	35 927	-26 208	8 420	-6 174
Net cash flows from investing activities	145 607	473 733	34 125	-113 487
Net cash flows from financing activities	-181 770	-481 720	-42 600	-115 495
Total net cash flows	-236	376	-55	89
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Assets	768 570	859 668	178 737	206 111
Liabilities and provisions for liabilities	539 896	631 709	125 557	151 456
Long-term liabilities	164 248	3 960	38 197	949
Short-term liabilities	340 637	624 118	79 218	149 536
Equity	228 674	227 959	53 180	54 655
Share capital	6 509	6 509	1 514	1 561
Supplementary capital	283 164	285 679	42 596	68 493

Selected financial data were presented in EUR according to the Regulation of the Minister of Finance of 29 March 2018 on current and periodical information provided by issuers of securities and the terms of recognizing as equivalent the information required by the regulations of the law of a state not being a member state (Journal of Laws from 2018 item 757) for conversion of balance sheet items the rate from the last day was applied, and for items from the profit and loss account and the cash flow statement, the average rate in the period was applied.

	Average EUR exchange rate in the period	EUR exchange rate as at the last day of the period
01.01-31.12.2018	4,2669	4,3
01.01-31.12.2017	4,2447	4,1709

ADDITIONAL NOTES AND EXPLANATIONS

1. Operating segments

An operating segment is a component of an entity:

a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
c) for which discrete financial information is available.

IFRS 8 stipulates that operating segments should be identified based on internal reports on those elements which are regularly reviewed by persons allocating funds to the individual segments and evaluating their financial results.

Due to the fact that the Company's business is homogeneous in terms of types of services provided, key customers and legal environment, the Company has defined all of its operations as the temporary work segment (accounting for 94% of all services provided). Therefore, the Company does not identify reporting segments that would meet the above requirements stipulated by IFRS 8.

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Net revenue from sales of services (by type)		
	31.12.2018	31.12.2017
Sales of services	581 340 217,58	594 204 483,50
- including: from related parties	53 594 438,50	77 311 587,10
Total revenue from sales of services	**580 944 657,18**	**594 204 483,50**
Net revenue from sales of services (by territory)	**31.12.2018**	**31.12.2017**
a) domestic	580 970 637,38	586 308 366,92
b) export	369 580,20	7 896 116,58
Net revenue from sales of services	**581 340 217,58**	**594 204 483,50**

In 2018, sales revenue recorded approximately 2% drop as compared to the year 2017. The highest drop was recorded in export sales (95.5%). This drop was caused by transfer of this part of operations to the Group's other companies.

Note 2. Costs by type		
	31.12.2018	31.12.2017
a) amortisation and depreciation	6 443 137,47	5 758 972,48
b) consumption of materials and energy	1 612 058,02	2 368 197,75
c) external services	115 216 072,73	123 792 553,63
d) taxes and charges	1 041 318,89	1 010 632,20
e) payroll	403 802 353,40	393 058 105,80
f) social security and other benefits	80 305 631,95	76 655 604,53
g) other costs by type	3 994 869,71	5 052 253,07
Total costs by type	**612 415 442,17**	**607 696 319,46**
Balance of inventories, products, prepayments and accruals	395 560,40	(5 228 364,74)
Cost of products sold	564 529 183,99	554 867 938,75
Selling expenses (negative value)	6 683 542,40	11 383 163,39
General and administrative costs (negative value)	41 598 276,18	46 673 582,06

In 2018, a small growth in total costs incurred was recorded (1%), above all remuneration (2.7%), which was caused by change in the regulations regarding minimum wage, first of all for contractors.

Note 3. Other operating income		
	31.12.2018	31.12.2017
a) gain on disposal of non-financial non-current assets, of which:	0,00	0,00
- fixed assets and fixed assets under construction	0,00	0,00
b) subsidies	0,00	800,00
c) other, including:	10 385 368,19	16 850 566,05
- penalties, compensations	89 977,28	307 044,14
- reimbursement of costs of court proceedings	17 518,00	5 978,19
- reinvoices	4 915 828,81	6 486 767,17
- other	5 592 489,37	10 050 776,55
Total other operating income.	**10 385 368,19**	**16 851 366,05**

In 2018 other operating revenue fell by almost 40% as compared to 2017. It is related to changes in the Group and no dissolution of impairment write-downs.

Note 4. Other operating expenses

	31.12.2018	31.12.2017
a) loss on disposal of non-financial non-current assets	332 353,26	1 550 529,70
- fixed assets and fixed assets under construction	147 028,26	0,00
- intangible assets	185 325,00	0,00
b) revaluation of non-financial assets	12 936 258,94	7 168 963,77
c) other, including:	44 296 955,70	12 013 913,48
- penalties, criminal fines and compensations	158 886,77	58 175,63
- costs of court proceedings	9 971 441,42	532 311,01
- reinvoices	4 272 275,40	6 262 907,36
- other	29 894 352,11	5 160 519,78
Total other operating expenses	57 565 567,90	20 733 407,25

A significant increase in other operating costs in 2018 (177%) is caused by the need to apply IFRS 9, and established considerable provisions for future costs and the risk related to debt restructuring operations as implemented this year.

Note 5. Finance income

	31.12.2018	31.12.2017
a) interest, including:	6 867 342,34	8 170 550,43
- from related entities	4 843 264,63	7 408 938,46
- from other entities	2 020 552,92	761 479,54
- bank interest	3 524,79	132,43
b) income on disposal of investments	111 733 605,59	26 355 879,07
c) dividends and shares in profits	0,00	47 892 872,68
d) other income	6 500,20	13 213 292,00
- net currency exchange gains	0,00	13 213 127,46
- released provisions	0,00	0,00
- other	6 500,20	164,54
Total finance income	118 607 448,13	95 632 594,18

In 2018 the Company did not receive any dividend.

In item Profit on sale of investment the Company presents result from the following transactions:

- sale of 49% of shares in the company Proservice Worldwide (Cyprus) Ltd - (4 890 204.54)
- Profit on sale of the company Exact Systems S.A 116 623 810.13

Total profit on sale of investment: 111 733 605,59

Above transactions have been described in detailes in Note 11 – Change in long-term investment.

Note 6. Finance costs

	31.12.2018	31.12.2017
a) Interest, including:	27 332 088,34	22 933 953,42
- interest for related companies	6 534 406,32	8 379 353,60
- interest for other counterparties	20 797 682,02	151 890,41
- budgetary interest	7 761 071,61	940 420,10
- bank interest	-	9 172 124,55
- interest on bonds	2 649 403,93	4 035 533,50
- other interest	866 682,29	254 631,26
- loan interest	706 344,71	-
- credit interest	8 814 179,48	-

Note 6. Finance costs

b) value of disposed investments	4 597 124,93	101 905 127,08
c) other finance costs	14 470 221,40	12 177 653,49
- net currency exchange losses	5 566 909,44	0,00
- commissions on bonds, factoring	7 998 008,46	6 324 725,94
- other	8 903 311,96	5 852 927,55
Total finance costs	**46 399 434,67**	**35 111 606,91**

The item “other finance costs” includes costs of factoring, bonds and bank commissions.

Nota 6a. Profits/Losses from financial instruments

	31.12.2018	31.12.2017
a) Accrued interests, incl:	27 332 088,34	21 993 533,32
- from payables measured at amortised cost	27 332 088,34	21 993 533,32
b) Interests received, incl	7 971 752,42	8 165 477,43
-from loans and receivebles	7 971 752,42	8 165 477,43
c) Foreign exchange gains	12 171 103,05	42 507 359,54
- from loans and receivebles	4 469 826,48	25 849 053,72
- from payables measured at amortised cost	7 701 276,57	16 658 305,82
d) Foreign exchange losses	(17 738 012,49)	(33 445 013,77)
- from loans and receivebles	(8 041 602,51)	(23 150 120,79)
- from payables measured at amortised cost	(9 696 409,98)	(10 294 892,98)
Total loss from financial instruments:	**29 736 931,32**	**(4 765 710,12)**

Note 7. Income tax

	2018	2017
Gross profit	(6 442 971,24)	(63 986 381,41)
current income tax	0,00	0,00
deferred income tax	18 915 743,08	242 757,55
Income tax cfc	-	0,00
Total income tax	18 915 743,08	242 757,55
Net profit	**12 472 771,84**	**(64 229 138,96)**

7.1. CHANGE IN DEFERRED TAX ASSETS	31.12.2018	31.12.2017
1. Balance of deferred tax assets as at the beginning of the period, of which:	**11 122 033,02**	**12 065 856,14**
a) recognised in profit or loss	4 373 379,82	5 317 202,94
- provisions for future costs	0,00	-
- revaluation write-downs on receivables	0,00	-
- provision for social security contributions and remuneration	4 153 356,83	5 300 258,68
- other	220 022,99	16 944,26
b) recognised in profit or loss for the period in relation to tax loss	6 748 653,20	6 748 653,20
2. Increases	32 048 529,47	203 078,73
a) recognised in profit or loss in relation to deductible temporary differences	22 283 388,55	203 078,73
- provisions for future costs	5 158 402,21	-
- revaluation write-downs on receivables	5 151 465,45	-
- provision for social security contributions and remuneration	8 979 873,28	-
- other	2 993 647,62	203 078,73
b) recognised in profit or loss for the period in relation to tax loss	9 765 140,91	-
c) recognised in equity in relation to deductible temporary differences	-	-

7.1. CHANGE IN DEFERRED TAX ASSETS	31.12.2018	31.12.2017
d) recognised in equity in relation to tax loss	-	-
e) recognised in goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost in relation to deductible temporary differences		-
3. Decreases	-	1 146 901,85
a) recognised in profit or loss in relation to deductible temporary differences	10 527 162,99	1 146 901,85
- provisions for future costs	4 373 379,82	-
- revaluation write-downs on receivables		-
- provision for social security contributions and remuneration		1 146 901,85
- other	4 153 356,83	-
b) recognised in profit or loss for the period in relation to tax loss	220 022,99	-
c) recognised in equity in relation to deductible temporary differences	6 153 783,17	-
d) recognised in equity in relation to tax loss	-	-
e) recognised in goodwill in relation to deductible temporary differences	-	-
4. Balance of total deferred tax assets as at the end of the period, of which:		**11 122 033,02**
a) recognised in profit or loss	32 643 399,50 zł	4 373 379,82
- provisions for future costs	22 283 388,55 zł	0,00
- revaluation write-downs on receivables	5 158 402,21	0,00
- provision for social security contributions and remuneration	5 151 465,45	4 153 356,83
- other	8 979 873,28	220 022,99
b) recognised in profit or loss for the period in relation to tax loss	2 993 647,62	6 748 653,20

Deadlines for possible utilisation of assets resulting from tax losses are presented in the following table:

2019	2020	2021	TOTAL
6 100 000,00	4 260 010,95	-	12 176 966,71

Tax settlements and other regulated areas of activity are subject to inspection by competent administration authorities, which are authorised to impose high penalties and sanctions. As the legal regulations regarding these issues in Poland are relatively new, they are often ambiguous and inconsistent. Differences in the interpretation of tax legislation are frequent, both within governmental authorities and between those authorities and businesses, leading to uncertainty and conflicts. Consequently, the tax risk in Poland is significantly higher than in other countries where tax systems are more developed.

Tax settlements may be subject to tax inspection for a period of five years from the end of the year in which the tax payment was made. As a result of such inspections, additional tax liabilities may be assessed with respect to the tax settlements made by the Company. In the Company's opinion, appropriate provisions for the identified and quantifiable tax risk were recognised as at 31 December 2018.

Note 8. Changes in intangible assets

8.1. Changes in intangible assets in 2018	Development costs	Goodwill	Concessions, patents and licences	Computer software	Other	Total
Gross value as at the beginning of the period	**0,00**	**0,00**	**0,00**	**15 271 498,43**	**33 811 539,11**	**49 083 037,54**
Increases, including:	0,00	0,00	0,00	487 749,33	2 131 281,80	2 619 031,13
- acquisition	0,00	0,00	0,00	0,00	2 131 281,80	2 131 281,80
- internal transfer	0,00	0,00	0,00	487 749,33	0,00	487 749,33
- other	0,00	0,00	0,00	0,00	0,00	0,00
Decreases	0,00	0,00	0,00	0,00	4 507 310,08	4 507 310,08
- liquidation	0,00	0,00	0,00	0,00	4 019 560,75	4 019 560,75
- revaluation	0,00	0,00	0,00	0,00	0,00	0,00
- sale	0,00	0,00	0,00	0,00	0,00	0,00
- internal transfer	0,00	0,00	0,00	0,00	487 749,33	487 749,33
- other	0,00	0,00	0,00	0,00	0,00	0,00
Gross value as at the end of the period	0,00	0,00	0,00	15 759 247,76	31 435 510,83	47 194 758,59
Accumulated amortisation as at the beginning of period	0,00	0,00	0,00	1 788 607,34	7 157 445,40	9 632 404,89
Current amortisation — increases	0,00	0,00	0,00	2 092 133,40	1 413 067,70	3 505 201,10
Accumulated amortisation — decreases	0,00	0,00	0,00	0,00	0,00	0,00
- liquidation	0,00	0,00	0,00	0,00	0,00	0,00
- sale	0,00	0,00	0,00	0,00	0,00	0,00
- internal transfer	0,00	0,00	0,00	0,00	0,00	0,00
- other	0,00	0,00	0,00	0,00	0,00	0,00
Total amortisation as at the end of the period	0,00	0,00	0,00	4 567 092,89	8 570 513,10	13 137 605,99
Net book value as at the end of period	**0,00**	**0,00**	**0,00**	**11 192 154,87**	**22 864 997,73**	**34 057 152,60**

No significant changes occurred in intangible assets in 2018. As at the balance sheet date 31.12.2018 Intangible assets under construction amount to PLN 5 077 526.45.

8.2. Changes in intangible assets in 2017	Development costs	Goodwill	Concessions, patents and licences	Computer software	Other	Total
Gross value as at the beginning of the period	**0,00**	**0,00**	**0,00**	**5 134 907,78**	**38 355 958,92**	**43 490 866,70**
Increases, including:	0,00	0,00	0,00	10 155 122,98	2 270 530,44	12 425 653,42
- acquisition	0,00	0,00	0,00	0,00	2 270 530,44	2 270 530,44
- internal transfer	0,00	0,00	0,00	10 155 122,98	0,00	10 155 122,98
- other	0,00	0,00	0,00	0,00	0,00	0,00
Decreases	0,00	0,00	0,00	18 532,33	6 814 950,25	6 833 482,58
- liquidation	0,00	0,00	0,00	0,00	0,00	0,00
- revaluation	0,00	0,00	0,00	0,00	0,00	0,00
- sale	0,00	0,00	0,00	0,00	0,00	0,00
- internal transfer	0,00	0,00	0,00	0,00	6 807 708,25	6 807 708,25
- other	0,00	0,00	0,00	0,00	7 242,00	25 774,33
Gross value as at the end of the period	**0,00**	**0,00**	**0,00**	**15 271 498,43**	**33 811 539,11**	**49 083 037,54**
Accumulated amortisation as at the beginning of period	**0,00**	**0,00**	**0,00**	**1 788 607,34**	**5 472 230,99**	**7 260 838,33**
Current amortisation — increases	0,00	0,00	0,00	686 352,15	1 694 114,82	2 380 466,97
Accumulated amortisation — decreases	0,00	0,00	0,00	0,00	8 900,41	8 900,41
- liquidation	0,00	0,00	0,00	0,00	0,00	0,00
- sale	0,00	0,00	0,00	0,00	0,00	0,00
- internal transfer	0,00	0,00	0,00	0,00	0,00	0,00
- other	0,00	0,00	0,00	0,00	8 900,41	8 900,41

Total amortisation as at the end of the period	0,00	0,00	0,00	2 474 959,49	7 157 445,40	9 632 404,89
Net book value as at the end of period	**0,00**	**0,00**	**0,00**	**12 796 538,94**	**26 654 093,71**	**39 450 632,65**

Note 9. Changes in fixed assets

9.1. Changes in fixed assets in 2018	Own land	Right of perpetual usufruct of land	Buildings and structures	Plant and machinery	Vehicles	Other fixed assets	Total
Gross value as at the beginning of the period	**0,00**	**0,00**	8 331 737,48	10 092 566,18	6 079 407,11	2 408 509,76	681 588,72
Increases, including:	0,00	0,00	0,00	18 384,61	0,00	0,00	18 384,61
- acquisition	0,00	0,00	0,00		0,00	0,00	0,00
- internal transfer	0,00	0,00	0,00	18 384,61	0,00	0,00	0,00
- other	0,00	0,00	0,00	0,00	0,00	0,00	18 384,61
Decreases, including:	0,00	0,00	159 118,67	0,00	3 825 894,96	146 331,14	491 088,86
- liquidation	0,00	0,00	159 118,67	0,00	3 825 894,96	146 331,14	472 704,25
- revaluation	0,00	0,00	0,00	0,00	0,00	0,00	
- sale	0,00	0,00	0,00	0,00	0,00	0,00	
- internal transfer	0,00	0,00	0,00	0,00	0,00	0,00	18 384,61
- other	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Gross value as at the end of the period	**0,00**	**0,00**	8 172 618,81	10 110 950,79	2 253 512,15	2 262 178,62	208 884,47
Accumulated depreciation as at the beginning of period	0,00	0,00	2 434 065,24	8 862 105,74	3 390 833,71	1 853 564,64	0,00
Current depreciation — increases	0,00	0,00	808 675,74	878 684,17	908 416,76	342 159,70	0,00
Decreases, including:	0,00	0,00	39 779,70	0,00	2 498 828,22	127 691,97	0,00
- liquidation	0,00	0,00	39 779,70	0,00	2 498 828,22	127 691,97	0,00
- sale	0,00	0,00	0,00	0,00	0,00	0,00	0,00
- internal transfer	0,00	0,00	0,00	0,00	0,00	0,00	0,00
- other	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Accumulated depreciation as at the end of the period	0,00	0,00	3 202 961,28	9 740 789,91	1 800 422,25	2 068 032,37	0,00
Net book value	**0,00**	**0,00**	**4 969 657,53**	**370 160,88**	**453 089,90**	**194 146,25**	**208 884,47**

The table presents changes in fixed assets by aggregation groups, together with opening and closing balances, with depreciation and net value as at the end of 2018.

New lease agreements were not signed in 2018.

Tangible assets used of leasing agreement are depreciated in balance sheet,. The subject of leasing are mainly cars and IT tools.

9.2. Changes in fixed assets in 2017	Own land	Right of perpetual usufruct of land	Buildings and structures	Plant and machinery	Vehicles	Other fixed assets	Total
Gross value as at the beginning of the period	**0,00**	**0,00**	8 331 737,48	10 069 993,18	4 082 605,27	2 396 009,76	518 871,85
Increases, including:	1 546 316,00	0,00	2 504 872,00	22 573,00	1 996 801,84	12 500,00	9 593 208,37
- acquisition	0,00	0,00	0,00	0,00	0,00	0,00	9 593 208,37
- internal transfer	1 546 316,00	0,00	2 504 872,00	22 573,00	1 996 801,84	12 500,00	0,00
- other	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Decreases, including:	1 546 316,00	0,00	2 504 872,00	0,00	0,00	0,00	9 430 491,50
- liquidation	0,00	0,00	0,00	0,00	0,00	0,00	
- revaluation	0,00	0,00	0,00	0,00	0,00	0,00	
- sale	0,00	0,00	0,00	0,00	0,00	0,00	
- internal transfer	0,00	0,00	0,00	0,00	0,00	0,00	9 430 477,57
- other	1 546 316,00	0,00	2 504 872,00	0,00	0,00	0,00	13,93

Gross value as at the end of the period	**0,00**	**0,00**	8 331 737,48	10 092 566,18	6 079 407,11	2 408 509,76	681 588,72
Accumulated depreciation as at the beginning of period	0,00	0,00	1 633 129,50	7 567 091,86	2 609 685,41	1 364 119,37	0,00
Current depreciation — increases	0,00	0,00	805 656,04	1 295 013,88	781 148,30	489 445,27	0,00
Decreases, including:	0,00	0,00	4 720,30	0,00	0,00	0,00	0,00
- liquidation	0,00	0,00	0,00	0,00	0,00	0,00	0,00
- sale	0,00	0,00	4 720,30	0,00	0,00	0,00	0,00
- internal transfer	0,00	0,00	0,00	0,00	0,00	0,00	0,00
- other	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Accumulated depreciation as at the end of the period	0,00	0,00	2 434 065,24	8 862 105,74	3 390 833,71	1 853 564,64	0,00
Net book value	**0,00**	**0,00**	**5 897 672,24**	**1 230 460,44**	**2 688 573,40**	**554 945,12**	**681 588,72**

Note 10. Property, plant and equipment

	31.12.2018	31.12.2017
a) fixed assets, including:	5 987 054,56	10 371 651,2
- land (including right to perpetual usufruct of land)	0,00	0,00
- Buildings, premises and civil engineering structures	4 969 657,53	5 897 672,24
- plant and machinery	370 160,88	1 230 460,44
- vehicles	453 089,90	2 688 573,40
- other fixed assets	194 146,25	554 945,12
b) fixed assets under construction	208 884,47	681 588,72
c) prepayments for fixed assets under construction	0,00	0,00
Total property, plant and equipment	**6 195 939,03**	**11 053 239,92**

In fixed assets under construction item we have included information about unfinished investment projects in local offices of Work Service S.A.

Note 11. Changes in long-term investments

11.1.Changes in long-term investments in 2018	Real property, intangible assets	Long-term financial assets	a) in related entities, of which:			b) in other entities, of which:		
			Total	Shares or equities	Other long-term financial assets	Shares or equities	Other long-term financial assets	Total long-term investments
Opening balance	2 495 938,00	561 246 561,62	561 236 561,62	501 236 561,62	60 000 000,00	10 000,00	0,00	563 742 499,62
at purchase price	2 495 938,00	0,00	0,00	0,00	0,00	10 000,00	0,00	2 505 938,00
Increases of which:	0,00	32 911 680,00	32 911 680,00	32 911 680,00	0,00	0,00	0,00	32 911 680,00
- acquisition	0,00	32 911 680,00	32 911 680,00	32 911 680,00	0,00	0,00	0,00	32 911 680,00
- revaluation adjustments	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
- internal transfer	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
- increase in capital	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
-other	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Decreases	0,00	89 820 256,95	89 820 256,95	29 820 256,95	60 000 000,00	0,00	0,00	89 820 256,95
- sale	0,00	29 820 256,95	29 820 256,95	29 820 256,95	0,00	0,00	0,00	29 820 256,95
- revaluation adjustments	0,00	0,00	0,00	0,00	0,00	0,00	0,00	-
- internal transfer	0,00	60 000 000,00	60 000 000,00	0,00	60 000 000,00	0,00	0,00	60 000 000,00
- other	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00

Note 11. Changes in long-term investments

Closing balance	2 495 938,00	504 337 984,67	504 327 984,67	504 327 984,67	0,00	10 000,00	0,00	506 833 922,67
at purchase price	2 495 938,00	0,00	0,00	0,00	0,00	10 000,00	0,00	2 505 938,00

11.2.Changes in long-term investments in 2017	Real property, intangible assets	Long-term financial assets	a) in related entities, of which:			b) in other entities, of which:		Total long-term investments
			Total	Shares or equities	Other long-term financial assets	Shares or equities	Other long-term financial assets	
Opening balance	0,00	541 915 964,25	541 905 964,25	538 830 964,25	3 075 000,00	10 000,00	0,00	541 915 964,25
at purchase price	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Increases of which:	2 495 938,00	240 613 362,60	240 613 362,60	117 646 362,60	122 967 000,00	0,00	0,00	243 109 300,60
- acquisition	2 495 938,00	240 613 362,60	240 613 362,60	117 646 362,60	122 967 000,00	0,00	0,00	243 109 300,60
- revaluation adjustments	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
- internal transfer	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
- increase in capital	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
-other	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Decreases	0,00	221 282 765,23	221 282 765,23	155 240 765,23	66 042 000,00	0,00	0,00	221 282 765,23
- sale	0,00	176 772 749,58	176 772 749,58	113 805 749,58	62 967 000,00	0,00	0,00	176 772 749,58
- revaluation adjustments	0,00	34 435 015,65	34 435 015,65	34 435 015,65	0,00	0,00	0,00	34 435 015,65
- internal transfer	0,00	3 075 000,00	3 075 000,00	0,00	3 075 000,00	0,00	0,00	3 075 000,00
- other	0,00	21 223 016,95	21 223 016,95	21 223 016,95	0,00	0,00	0,00	21 223 016,95
Closing balance	2 495 938,00	547 023 544,67	547 013 544,67	487 013 544,67	60 000 000,00	10 000,00	0,00	549 519 482,67
at purchase price	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00

In 2018 the following events took place, resulting in changes in the structure of the Group of Companies.

Merger of companies Naton Ljudski potencial d.o.o and HR Global d.o.o.

The merger of the companies Naton Ljudski potencial d.o.o and HR Global d.o.o.took effect on 01.01.2018

Concluding the share purchase agreement regarding the shares in Exact Systems S.A.

On 16 August 2018 the Issuer received confirmation about submission, by the special purpose vehicle – Remango Investments Sp. z o.o., whose shares are held by Mr. Paweł Gos, Mr. Lesław Walaszczyk and the fund co-managed by CVI Dom Maklerski Sp. z o.o. with the seat in Warsaw, to the Office for Protection of Competition and Consumers, of the notification of the intended concentration by the SPV purchasing all the Issuer's shares in Exact Systems S.A. with the seat in Częstochowa.

On 20 September 2018, the Issuer received decision no. DKK-167/2018 of President of the Office for Protection of Competition and Consumers of 17 September 2018. about consent to the concentration.

The sale of shares in Exact Systems S.A. was effected on 31st October.

The selling price for all the Issuer's shares in the Company amounted to PLN 139 760 000, of which a part of the price in the amount of PLN 13 000 000 was to be paid within 9 months after the date of closing the Transaction. After selling 100% of the shares in Exact Systems GmbH, the Issuer's cumulative remuneration will be PLN 155 260 000.

Moreover on 6 December 2018 the issuer concluded an annex with the purchaser of the Company pursuant to which, the Parties agreed that the differed part of the purchase price for Issuer's shares in the Company, which was due within 9 months from the completion of the transaction will be paid in two tranches, first, in the amount of PLN 10 000 000 no later than by 7 December 2018, and second, in the amount of PLN 700 000 until 14 January 2019 provided that the Issuer sustains provision of certain services to the Company. Additionally, the Parties agreed that the deferred part of the purchase price for the Issuer's shares in the Company will be decreased from PLN 13,000,000 to PLN 10,700,000.

The proceeds from the Transaction, in the amount of PLN 104 000 000, were spent by the Issuer to repay part of the debt towards the consortium of banks financing the Issuer.

Selling of Exact Systems S.A. shares by the Issuer is a consequence of decided by the Management Board strategic options in the range of the future of subsidiary Exact Systems and execution of adopted Development and Restructuring Strategy for the Work Service Group for years 2018-2020. Based on adopted Strategy, the Issuer reduces acquisition liabilities towards subsidiaries' minority shareholders and plans to allocate the funds acquired from selling the shares in Exact Systems S.A. mostly to further adjust the Group's financing structure by a gradual reduction of its debt.

Conclusion of an annex to the agreement for the purchase of 100% shares of QLS.

On 15 March 2018, Exact Systems S.A. with its seat in Częstochowa ("Exact Systems") concluded an Annex to the Agreement for the purchase of 100% of shares in the Portuguese limited liability company under the business name QLS AUTOMOTIVE - SERVIÇOS DE CONTROLO DE QUALIDADE, LDA dated 1 February 2017 ("Portuguese Company") ("Shares") ("Agreement"). The Agreement was concluded with two foreign companies ("Sellers"). The Annex concerns the change of the date of payment for the Shares and the date of their acquisition by Exact Systems, as well as the establishment of a collateral.

The total purchase price of shares will be EUR 9,650,000.00 and shall be paid as follows:

- an advance payment in the amount of EUR 500,000.00 is payable on 16 March 2018. After the payment of the advance payment plus amounts of previous advance payments, in the total amount EUR 2,120,000.00, Exact Systems will own 10% of shares in the Portuguese Company.

- the remaining 90% of shares in the Portuguese Company shall be acquired by Exact Systems after the payment of the remaining amount of EUR 7,030,000.00. The payment of the remaining price for the shares shall be made on 28 June 2018.

As the collateral to the Agreement, Exact Systems has committed to establish two pledges on 10% of shares in the Portuguese Company acquired on 16 March 2018 in favour of the Sellers: one up to the amount of EUR 1,834,000.00 and the other up to the amount of EUR 786,000.00.

If payment of the price for the remaining 90% of shares in the Portuguese Company is not made on 28 June 2018 due to the reasons attributable to Exact Systems, the Sellers may terminate the agreement and satisfy with established pledges.

If payment of the price for the remaining 90% of shares in the Portuguese Company is not made on 28 June 2018 due to the reasons attributable to the Sellers, Exact Systems may terminate the agreement. The termination of the Agreement in this manner shall result in the exercise of call options for 10% of shares acquired by Exact Systems in the Portuguese Company.

Shall the Agreement be infringed (as defined in the agreement for the sale of shares) until 28 June 2018 which will result in the loss of over 20% of the value of shares in the Portuguese Company, each Party may terminate the Agreement. The termination of the Agreement in this manner shall result in the exercise of call options for 10% of shares acquired by Exact Systems in the Portuguese Company.

The Sellers may also terminate the Agreement in case of failure of Exact Systems to deliver the original signed power of attorney for the establishment of shares referred to in above on behalf of the Exact Systems within 15 working days from the date of signing of the Agreement. In this case, the Sellers shall also have the right to hold the amount paid by the Exact Systems for 10% of Shares in the Portuguese Company and to re-transfer 10% of the Shares in the Portuguese Company.

If the payment of the price for the remaining 90% of shares in the Portuguese Company is made on 28 June 2018, the above-mentioned pledges shall expire.

The Agreement provides for the call option for 10% of Shares in the Portuguese Company which may be exercised by the Sellers within ten working days from termination of the Agreement upon payment of EUR 500,000.00 for Exact Systems. The ownership of 10% of Shares in the Portuguese Company shall be transferred to the Sellers upon crediting of the payment on the bank account of Exact Systems. In case the Sellers do not exercise the call options (each one individually) within ten working days from the termination of the Agreement, the above-mentioned pledges shall expire.

Until the Issuer's sale of the company Exact Systems S.A. the transaction had not been finalized.

Purchase of the company Antal International s.r.o.

On 15 May 2018, the company Antal Sp. z o.o. (100% subsidiary of Work Service S.A.) purchased, from the company Work Service Czech. s.r.o. (100% subsidiary of Work Servcie S.A.) 100% of the shares in the share capital of the company Antal International s.r.o.

Conclusion of an annex to the purchase agreement of shares in Prohuman 2004 Kft

On 29 June 2018, the Issuer, as the buyer, concluded, with Profólió Projekt Tanácsadó Kft. ("the Seller"), with the seat in Budapest, Hungary, an annex to the Purchase agreement of the remaining shares in the share capital of Prohuman 2004 Kft. ("Prohuman"), with the seat in Budapest, Hungary, of 23 October 2017 ("Shares") ("Agreement"). The Issuer informed about concluding the Agreement in current report 80/2017 of 23 October 2017.

The Annex is concerned with postponement of the payment deadline of the Second and Third Tranche under purchase of the remaining 19.78% of the shares in the share capital of Prohuman.

The Issuer, due to postponement of the payment deadline of the Second and Third Tranche, committed to pay to the Seller a compensation in the amount of PLN 5 000 000 in two installments: first installment will be payable on 29 June 2018, in the amount of PLN 2 000 000 and the second one on 16 August 2018 in the remaining amount.

In connection with the conclusion of the Annex, until 30 September 2018, the provisions of the Agreement concerning delay interest were not effective.

Sale of 2% of the shares in the company Kariera.pl

On 23 April 2018 an agreement was signed, under which Krajowe Centrum Pracy Sp. z o.o. (100% subsidiary of Work Service S.A.) sold 40 shares in the share capital of the company Kariera.pl, accounting for 2% of all the shares in this Company's share capital for the price of PLN 57 120.00.

The purchase of shares in the company Work Service SPV Sp. z o.o.

On 21 June 2018 Work Service S.A. purchased from the company Work Service International Sp. z o.o. (100% subsidiary of Work Service S.A.) 15.29% shares in the company Work Service SPV Sp. z o.o. for the price of PLN 5 360 000.00.

Sale of Proservice Group

On July 31 2018 the issuer concluded with PROLOGICS (UK) LLP with its registered office in London, registered under no. OC314997 ("Buyer") an Annex to the Share Purchase Agreement for ProService WorldWide (Cyprus) Limited company - established under the laws of the Republic of Cyprus registered under no. HE 209802, with its registered office in Nicosia.

Pursuant to the Annex, the following amendments have been introduced:

- the sale of the Second Tranche of shares, i.e. 3,750 shares representing 51% of the ProService share capital shall take place on 1 August 2018,

- the date of payment of the share purchase price was postponed to 30 July 2019,

- the pledge for the Security Agreement will be established after expiry of the pledge on the Shares, established in favour of the consortium of banks BANK BGŻ BNP PARIBAS SA, BANK MILLENNIUM SA, BANK ZACHODNI WBK SA, RAIFFEISEN BANK POLSKA SA, POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI S.A. under a pledge agreement of 18 November 2015, annexed on 13 April 2017, securing a credit facility with the Issuer as its beneficiary.

The remaining provisions of the Contract shall remain unchanged.

On 1 August 2018, hereby informs that, in the performance of the Share Purchase Agreement for ProService WorldWide (Cyprus) Limited company (“ProService”) of 30 July 2017 and the Addendum to the Contract of 31 July 2018, The Issuer transferred ownership of 51% of shares in ProService, to PROLOGICS (UK) LLP with its registered office in London, registered under no. OC314997.

Purchase of own shares for redemption

On 28 August 2018, the Issuer concluded with its subsidiary i.e. Exact Systems S.A. with the seat in Częstochowa and Mr. Tomasz Misiak, Mr. Tomasz Hanczarek, Mr. Marta Pawłowicz, Mr. Joanna Paprocka-Gajek, Mr. Joanna Kotylak, company Ala Moana Partners LLC, company Profi Investments S.A., Mr. Wojciech Skrzydeł, Mr. Wojciech Mora, company Tri Star Investments Sp. z o.o. S.K.A. and Mr. Paweł Gos and Mr. Lesław Walaszczyk ("Shareholders" and together with the Company and the Issuer – "Parties") the agreement of buying shares for redemption ("Agreement").

Under the agreement, the Shareholders sold to the Company their shares in the Company, series B, BA, BB, BC, BD, BE, BF, BG, BH, C, CA, CB, CC, CD, CE, CF, CG, CH ("Shares") for the total price of PLN 33 275 023.35. The shares were purchased by the Company for redemption.

According to the Agreement, the payment for the Shares will be effected on the date of selling the shares in Exact Systems S.A. held by the Issuer to Remango Investments Sp. z o.o. based in Warsaw ("SPV"). The Agreement grants the right to withdraw, which can be realized until 30 November 2018, if the promised sale contract for the shares in the Company held by the Issuer for the benefit of SPV is not concluded on 1 November 2018.

All these transactions took place on the dates as stipulated.

Based on the Agreement, the investment agreements of 5 August 2016 and of 24 November 2016 concluded between the Parties were dissolved. If the Parties withdraw from the Agreement, the aforementioned investment agreements will become valid and enforceable again.

The purchase of shares in the company Work Service GmbH & Co.KG

On the basis of the partnership interest purchase and transfer agreement dated 29 October 2018 Work Service SPV sp. z o.o. purchased from Fiege Logistik Stiftung & Co.KG a partnership interest of 26% in Work Service GmbH & Co.KG, whereby the partnership interest is held in trust by Work Service International sp. z o.o. The partnership interest was transferred to Work Service International sp. z o.o. on 1 November 2018. The price for the acquired partnership interest is equal to EUR 4,513,600 and is payable in the following four instalments: (i) EUR 2,100,000 until 9 November 2018 (paid), (ii) EUR 500,000 (together with accrued interest) until 31 March 2019 (paid), (iii) EUR 500,000 (together with accrued interest) until 30 June 2019 and (iv) EUR 1,413,600 (together with accrued interest) until 30 September 2019.

As a result of that transaction companies from the Work Service group hold 100% of interest in Work Service GmbH & Co.KG.

Note 12. Inventories

	31.12.2018	31.12.2017
a) materials	103 168,85	19 935,21
b) semi-finished goods and work in progress	601 621,00	6 402 296,42
c) goods	0,00	185 325,00
Total inventories	**704 789,85**	**6 607 556,63**

“Semi-finished products and work in progress” comprise mainly capitalised costs of implementation of agreements invoiced in the subsequent period.

Note 13. Trade and other receivables

	31.12.2018	31.12.2017
a) from related entities	3 269 728,16	29 770 609,67
- trade receivables, due within 12 months	2 211 001,48	21 198 922,93
- other	1 058 726,68	8 571 686,74
b) receivables from other entities	83 927 471,80	84 611 200,11
- trade receivables, due within 12 months	68 481 200,91	31 106 939,51
- in respect of taxes, subsidies, customs duties, social security, health insurance and other benefits	-	760 429,07
- other	15 446 270,89	52 111 823,77

Note 13. Trade and other receivables		
- claimed at court	-	0,00
Total net current receivables	87 197 199,96	113 749 802,02

As at the balance sheet date 31 December 2018, the amount of trade receivables from affiliated entities and other is PLN 86 479 981.19. Receivable revaluation write-downs were created according to the best knowledge and experience of the Company by way of a detailed analysis of the risk of repayment of these amounts and, as at the balance sheet date, amounted to PLN 22 630 967.46. Costs and revenue related to establishing and dissolution of the impairment write-downs are recognized in the profit and loss account under other operations.

Note 14. Other financial assets

14.1. Other financial assets	31.12.2018	31.12.2017
in subsidiaries	59 787 734,90	73 161 565,15
in other entities	40 161 807,28	29 951 438,66
Total other financial assets	**99 949 542,18**	**110 113 003,81**

As other financial assets Company presents loans granted for othedr related and not related entities.

14.2. Cash Other short-term assets	31.12.2018	31.12.2017
Cash and other monetary assets	301 214,19	536 784,50
- cash in hand and at bank	246 886,12	523 508,60
- other cash	-	-
- other monetary assets	54 328,07	13 275,90
Total cash and other monetary assets	**301 214,19**	**536 784,50**

Note 15. Prepayments

	31.12.2018	31.12.2017
- property insurance	135 993,51	99 489,46
- IT services	84 178,03	94 953,54
- trainings	134,87	2 253,50
- advisory	129 500,65	180 593,34
- rental	172 837,42	-
- healthcare services	-	22 518,06
- advertising	20 666,57	37 975,69
- other	78 274,96	235 464,61
- acquisitions	-	817 879,69
- capital acquisition	16 640,00	-
- materials	4 705,04	16 670,14
- prepaid finance costs	43 597,37	34 931,07
Total prepayments	**686 528,42**	**1 542 729,10**

Note 16. Share capital structure

16.1. Share capital (structure) as at 31 December 2018

Series / emission	type of share	Type of preference of shares	Restrictions on shares	No. of shares	Value of series issued at nominal value	Coverage of capital	Date of registration	Right to dividend (since)
A	bearer shares	ordinary	-	750 000	75 000	cash	14.12.2000	14.12.2000
B	bearer shares	ordinary	-	5 115 000	511 500	cash	14.11.2002	01.01.2003
C	bearer shares	ordinary	-	16 655 000	1 665 500	cash	20.11.2006	20.11.2006

Note 16. Share capital structure

D	bearer shares	ordinary	-	100 000	10 000	cash	06.09.2007	06.09.2007
E	bearer shares	ordinary	-	100 000	10 000	cash	21.11.2007	21.11.2007
F	bearer shares	ordinary	-	7 406 860	740 686	compensation	20.05.2008	20.05.2008
G	bearer shares	ordinary	-	2 258 990	225 899	cash	26.06.2009	26.06.2009
H	bearer shares	ordinary	-	9 316 000	931 600	cash	13.01.2010	13.01.2010
K	bearer shares	ordinary	-	1 128 265	112 827,5	cash	26.01.2011	31.12.2011
L	bearer shares	ordinary	-	5 117 881	511 788,1	cash	26.04.2012	26.04.2012
N	bearer shares	ordinary	-	12 000 000	1 200 000	cash	30.04.2013	30.04.2013
P	bearer shares	ordinary	-	91 511	9 151,1	cash	14.10.2014	14.10.2014
S	bearer shares	ordinary	-	5 000 000	500 000	cash	28.11.2014	28.11.2014
T	bearer shares	ordinary	-	55 316	5 532	cash	06.08.2015	Starting from dividend for 2015
Total number of shares					65 094 823			
Total share capital in PLN						6.509.482,30		
The nominal value of one share in PLN					0.1			

16.2. Share capital (structure) as at 31 December 2017								
Series / issue	Type of shares	Type of preference	Type of limitations of rights to shares	Number of shares	Value of series / issue at nominal value	Method of capital coverage	Registration date	Dividend right (as of)
A	bearer shares	Ordinary	-	750 000	75 000	cash	14.12.2000	14.12.2000
B	bearer shares	Ordinary	-	5 115 000	511 500	cash	14.11.2002	01.01.2003
C	bearer shares	Ordinary	-	16 655 000	1 665 500	cash	20.11.2006	20.11.2006
D	bearer shares	Ordinary	-	100 000	10 000	cash	06.09.2007	06.09.2007
E	bearer shares	Ordinary	-	100 000	10 000	cash	21.11.2007	21.11.2007
F	bearer shares	Ordinary	-	7 406 860	740 686	compensation	20.05.2008	20.05.2008
G	bearer shares	Ordinary	-	2 258 990	225 899	cash	26.06.2009	26.06.2009
H	bearer shares	Ordinary	-	9 316 000	931 600	cash	13.01.2010	13.01.2010
K	bearer shares	Ordinary	-	1 128 265	112 827,5	cash	26.01.2011	31.12.2011
L	bearer shares	Ordinary	-	5 117 881	511 788,1	cash	26.04.2012	26.04.2012
N	bearer shares	Ordinary	-	12 000 000	1 200 000	cash	30.04.2013	30.04.2013
P	bearer shares	Ordinary	-	91 511	9 151,1	cash	14.10.2014	14.10.2014
S	bearer shares	Ordinary	-	5 000 000	500 000	cash	28.11.2014	28.11.2014
T	bearer shares	Ordinary	-	55 316	5 532	cash	06.08.2015	Starting from dividend for 2015
Total number of shares					65,094,823			
Total share capital in PLN						6.509.482,30		
Nominal value of one share in PLN					0.1			

Share capital in 2018

In 2018, there were no changes in the share capital of Work Service S.A.

Share capital in 2017

In 2017, there were no changes in the share capital of Work Service S.A.

Note 17. Major shareholders

As at the date of drawing up these statements, Work Service SA has not issued any preference shares, neither as to voting rights, nor as to the dividend. All shares in the Company are ordinary bearer shares. The share capital of Work Service SA amounts to PLN 6,509,482.30 and is divided into:

- 750,000 series A shares with the nominal value of 10 grosz each,
- 5,115,000 series B shares with the nominal value of 10 grosz each,
- 16,655,000 series C shares with the nominal value of 10 grosz each,
- 100,000 series D shares with the nominal value of 10 grosz each,

- 100,000 series E shares with the nominal value of 10 grosz each,
- 7,406,860 series F shares with the nominal value of 10 grosz each,
- 2,258,990 series G shares with the nominal value of 10 grosz each,
- 9,316,000 series H shares with the nominal value of 10 grosz each,
- 1,128,265 series K shares with the nominal value of 10 grosz each,
- 5,117,881 series L shares with the nominal value of 10 grosz each,
- 12,000,000 series N shares with the nominal value of 10 grosz each,
- 91,511 series P shares with the nominal value of 10 grosz each,
- 5,000,000 series S shares with the nominal value of 10 grosz each,
- 55,316 series T shares with the nominal value of 10 grosz each.

The following table presents the shareholding structure as at the date of drawing up these statements, taking into account all notifications received by Work Service SA pursuant to Article 69 section 1 item 1 of the Act on Public Offering and the Terms and Conditions of Introducing Financial Instruments to an Organised System of Trading and on Public Companies.

Shareholder	Number of shares	Share in the share capital	Number of votes	Share in the total number of votes
WorkSource Investments S.a.r.l.	13 714 286	21,07%	13 714 286	21,07%
ProLogics (UK) LLP London	10 466 200	16,08%	10 466 200	16,08%
Central Fund of Immovables Sp. z o.o.	9 641 500	14,81%	9 641 500	14,81%
Tomasz Misiak	9 553 961	14,68%	9 553 961	14,68%
Tomasz Hanczarek	3 336 420	5,12%	3 336 420	5,12%
MetLife PTE S.A.	3 254 743	5,00%	3 254 743	5,00%
Others	12 743 205	23,24%	12 743 205	23,24%
Total	65 094 823	100%	65 094 823	100%

Note 18. Other capital

	31.12.2018	31.12.2017
a) supplementary capital	283 163 767,96	285 678 830,86
b) other reserves	5 664 115,29	5 207 713,65
c) foreign exchange differences	-	-
Total other capital	**288 827 883,25**	**285 678 830,86**

18.1. Supplementary capital	31.12.2018	31.12.2017
Supplementary capital as at the beginning of the period	288 371 481,61	287 458 678,33
a) share premium	234 578 304,34	234 578 304,34
- share premium	234 578 304,34	234 578 304,34
- costs of issue	-	-
b) statutory capital from acquisition of companies	-	-
c) established according to statute/articles of association, above the statutory (minimum) value		-
d) from additional contribution of shareholders/partners		-
e) from profit	53 793 177,27	(2 692 650,75)
f) from redemption of shares	-	-
g) managers programme	-	-
h) other	(5 207 713,65)	-
Total supplementary capital	**283 163 767,96**	**285 678 830,86**

Note 19. Retained earnings

	31.12.2018	31.12.2017
Retained earnings (IFRS adjustment)	(10 206 367,32)	-
Correction of previous years' financial result	(2 008 145,14)	
Retained earnings	**(79 136 302,17)**	**(66 921 789,71)**

As at 31 December 2018 and 31 December 2017, shares in Work Service SA were not held by subordinated entities.

In 2018, the final settlement was made of the transaction of selling Group IT Kontrakt sp. z o.o. under the sale agreement in 2017, the Company committed that, in the case of additional losses, incurred by IT Kontrakt sp. z o.o., resulting from transactions started before the date of sale, it would cover them in full. On 31.12.2018 an agreement was signed on coverage of additional losses sustained by IT Kontrakt sp. z o.o. and previous years' result was charged with the amount of PLN 2 008 145.14.

Nota 20. Provisions for other liabilities and other charges

	31.12.2018	31.12.2017
a) short-term portion, of which:	**2 423 821,83**	**2 423 821,83**
- provision for not-mature liabilities towards the State Treasury	-	-
- provision for remuneration costs	-	-
- provision for unused leaves	617 796,51	1 011 049,60
- other	-	1 412 772,23
b) long-term portion, of which:	**0,00**	**0,00**
- accruals, of which:	0,00	0,00
- other provisions	0,00	0,00
Total provisions for other liabilities and other charges	**20 392 817,19**	**2 423 821,83**
Deferred tax liabilities	**3 792 972,93**	**1 187 349,53**
Total provisions for liabilities	**24 803 586,63**	**3 611 171,36**

20.1. Change in provisions	31.12.2017	Increase	Utilisation	Reversal	31.12.2018
1. Deferred tax liabilities	1 187 349,53	2 605 623,40	-	-	3 792 972,93
2. Provision for unused leaves	1 011 049,60	-	393 253,09	-	617 796,51
3. Other provisions	1 412 772,23	-	-	1 412 772,23	-
Total	**3 611 171,36**	**397 834,26**	**393 253,09**	**1 412 772,23**	**2 202 980,30**

20.2. CHANGE IN DEFERRED INCOME TAX LIABILITIES	31.12.2018	31.12.2017
1. Deferred tax liabilities as at the beginning of the period, of which:	1 187 349,53	**1 888 415,10**
a) recognised in profit or loss	1 187 349,53	1 888 415,10
- unrealised interest on borrowings	1 042 868,00	1 724 236,51
- difference in the value of fixed assets	-	-
- other	144 481,53	164 178,59
b) recognised in equity	-	-
c) recognised in goodwill	-	-
2. Increases	2 750 104,93	-
a) recognised in profit or loss	2 750 104,93	-
- unrealised interest on borrowings	1 313 121,86	-
- difference in the value of fixed assets	-	-
- other	1 436 983,07	-
b) recognised in equity	2 750 104,93	-
c) recognised in goodwill	2 750 104,93	-
3. Decreases	-	701 065,57
a) recognised in profit or loss	-	701 065,57
- unrealised interest on borrowings	-	681 368,51

- difference in the value of fixed assets	-	0,00
- other	144 481,53	19 697,06
b) recognised in equity	-	-
c) recognised in goodwill	-	-
4. Deferred tax liabilities as at the end of the period, of which:	3 792 972,93	**1 187 349,53**
a) recognised in profit or loss	3 792 972,93	1 187 349,53
- unrealised interest on borrowings	2 355 989,86	1 042 868,00
- difference in the value of fixed assets		-
- other	1 436 983,07	144 481,53
b) recognised in equity	-	-
c) recognised in goodwill	-	-

Note 21. Other long-term liabilities

	31.12.2018	31.12.2017
a) to subsidiaries	7 750 000,00	-
b) to other entities	156 498 042,85	3 959 831,67
- loans and borrowings	104 166 256,76	-
- due to issue of debt securities	43 988 109,50	-
- other financial liabilities	4 253 657,76	3 959 831,67
- other long-term liabilities	-	-
Total long-term liabilities	**164 248 042,85**	**3 959 831,67**

Other financial liabilities comprise the long-term portion of lease liabilities.

Note 22. Short-term liabilities

	31.12.2018	31.12.2017
a) to subsidiaries	122 379 119,05	176 651 724,21
b) to other entities	218 257 652,86	447 466 347,57
- loans and borrowings	1 500 000,00	216 560 390,34
- due to issue of debt securities	-	44 285 509,42
- other financial liabilities	1 776 418,88	5 227 443,50
- trade liabilities, due within 12 months	15 533 216,04	10 128 851,11
- in respect of taxes, customs duties, insurance and other benefits	105 215 859,95	64 787 926,99
- payroll liabilities	15 705 183,74	21 550 129,43
- other	80 026 974,25	84 926 096,78
c) special funds (by title)	-	-
Total trade and other liabilities	**340 636 771,91**	**264 098 830,61**
Loans and borrowings	**-**	**360 019 241,17**
Total short-term liabilities	**340 636 771,91**	**624 118 071,78**

In 2018, the Company's debt was restructured, and a change took place in credit agreements and financial liabilities, as a result, in consequence of the concluded annexes) debt items under issuance of debt securities and credits were re-qualified as long-term ones.

On 28 the Company concluded the installment agreement with Social Security (ZUS) concerning repayment of the debt of PLN 59 170 317.43. At the moment the Company pays any due Social Security premiums and repays the installment agreement on the current basis.

22.1. Nominal lease liabilities	31.12.2018	31.12.2017
Up to 1 year	504 901,56	3 015 300,42
1–5 years	4 253 657,76	4 132 669,09
More than 5 years	-	-
Total	**4 758 559,32**	**7 147 969,51**

Liabilities due to bonds
The table below presents data on the amount of liabilities arising from the issue of bonds in the value of the adjusted purchase price and the nominal value as on 31.12.2018.

External investors:

Series	Number	Interest rate	Nominal price	Date of purchase	The nominal value of the bonds in PLN	Earlier purchase / purchase	The value of liabilities resulting from the adjusted purchase price
X	12 850	variable(*)	1 000	2020-05-29	12 850 000	call option of the Issuer	12 891 327,71
W	20 000	variable(*)	1 000	2020-05-29	20 000 000	call option of the Issuer	20 064 323,29
Z	2 400	variable(*)	1 000	2020-05-29	2 400 000	call option of the Issuer	2 407 718,79
SHB	8 600	5%	1 000	2020-05-29	8 600 000	call option of the Issuer	8 624 739,73
			balance as on 31.12.2018 (net)		**43 850 000**	**TOTAL, including:**	**43 850 000**
						short-term	0,00
						long-term	43 850 000
						adjusted purchase price	43 988 109,50

variable interest rate (*) = WIBOR 3M + interest margin at 3.87 pp

The table below presents data concerning the amount of liabilities under intra-group issuance of bonds in the amount according to the adjusted selling price and at the nominal value as of 31.12.2018.
Intra-group investors:

Series	Number	Interest rate	Nominal price	Date of purchase	The nominal value of the bonds in PLN	Earlier purchase / purchase	The value of liabilities resulting from the adjusted purchase price
ICO	7 750	variable (*)	1 000	2020-12-31	7 750 000**		7 750 000,00
			balance as on 31.12.2018 (net)		7 750 000	TOTAL, including:	**7 750 000,00**
						short-term	0,00
						long-term	7 750 000,00

variable interest rate (*) = WIBOR 3M + interest margin at 3.87 pp

** - bonds purchased by an affiliated company – reported as a long-term liability from affiliated entities

Note 23. Loans and borrowings

	31.12.2018	31.12.2017
a) loans	104 256 275,76	216 560 390,34
including: short-term loans	90 019,00	216 560 390,34
b) borrowings from other and related parties	81 267 068,29	143 458 850,83
including: short-term borrowings	75 677 049,46	143 458 850,83
Total loans and borrowings	**185 433 325,05**	**360 019 241,17**
Total long-term loans and borrowings	**109 756 275,59**	**0.00**
Total short-term loans and borrowings	**75 677 049,46**	**360 019 241,17**

Note 24. Loans by maturity

	31.12.2018	31.12.2017
Up to 1 year	-	216 560 390,34
Total loans, of which:	**104 256 275,76**	**216 560 390,34**
- long-term	104 166 256,76	-
- short-term	90 019,00	216 560 390,34

In 2018, a significant amount of maturing bank loans was paid off. The remaining undischarged part, as a result of signing an agreement with the financing banks, has a postponed maturity deadline above one year.

Note 25. Earnings per share

	31.12.2018	31.12.2017
Calculation of basic earnings per share		
Earnings		
(A) Profit attributable to the shareholders of the Company	12 472 771,84	(64 229 138,96)
Number of shares		
(B) Number of ordinary shares of the Company for the purposes of calculating earnings per share	65 061 785	65 061 785
Basic earnings per share in PLN = (A)/(B)	**0,19**	**-0,98**
Book value		
(C) Shareholders' equity	228 673 835,22	227 959 174,20
Book value per share in PLN = (C)/(B)	**3,51**	**3,50**
(D) Number of diluted shares	65 836 829,00	65 836 829,00
Diluted earnings per share in PLN =(A)/(D)	**0,19**	**-0,97**

The book value per share is calculated by dividing the shareholders' equity by the number of shares as at the balance sheet date.

Diluted profit per one share is calculated by dividing net profit for the period per ordinary shareholders (after deducting interest on redeemable preferred shares, convertible to ordinary shares) by the mean weighed number of the issued ordinary shares present within the period (adjusted by the effect of diluting options and diluting redeemable preferred shares convertible to ordinary shares).

Note 26. Long-term financial assets of Work Service SA

The table below presents shares held by Work Service SA in subsidiaries as at 31 December 2018 and 31 December 2017. Acquisitions made in 2018 are described in Note 11 of these financial statements.

	31.12.2018		31.12.2017	
Company name	Value of shares held	Percentage of share capital held	Value of shares held	Percentage of share capital held
Finance Care Sp. z o.o.	5 107 331,00	100%	1 607 331,00	100,0%
Industry Personnel Services Sp. z o.o.	40 001 490,00	100%	34 042 490,00	100,0%
Exact Systems S.A.	0,00	0%	0,00	0,00%
Antal Sp. z o.o.	21 461 964,29	100%	21 461 964,30	100,0%
Virtual Cinema Studio Sp. z o.o.	25 000,00	50,0%	25 000,00	50,0%
Work Service International Sp. z o.o.	22 660 328,80	100%	22 660 328,80	100,0%
Sellpro Sp. z o.o.	57 599 597,2	100%	57 599 597,20	100,0%
Proservice Worldwide (Cyprus) Ltd	0,00	0,0%	0	49,0%
WS Support Sp. z o.o. (Clean Staff Sp. z o.o.)	17 477 500,00	100%	17 477 500,00	100,0%
Krajowe Centrum Pracy Sp. z o.o.	2 799 915,20	75,0%	2 799 915,20	75,0%
WS East	4 316,60	100%	4 316,60	100,0%
Work Service IP Cyprus Ltd	0,0	0%	4 560,00	100,0%
Work Express Group	67 604 819,00	100%	67 604 819,00	100,0%
Prohuman 2004 Kft	222 832 253,29	80,22%	222 832 253,29	80,22%

	31.12.2018		31.12.2017	
Work Service SPV Sp. z o.o.	40 198 455,60	100%	32 338 455,60	76,9%
Work Service Czech Republic s.r.o.	6 550 013,69	100%	6 550 013,69	100,0%
Work Service Investment Sp.z o.o.	5 000,00	100%	5 000,00	100,0%
Fundacja Work Service	10 000,00	100%	10 000,00	100,0%
TOTAL	**504 337 984,67**			

Note 26. Assets intended for sale

In item Assets intended for sale in 2017 the Company presented shares in the company EXACT SYSTEMS S.A. in the amount of PLN 14 223 016.95 and in Proservice Ltd in the amount of PLN 7 000 000, which, under the contracts concluded, are to be sold in 2018. These transactions were realized in 2018.

As intended for sale classified are only assets available for immediate sale in the current condition, the sale of which is highly probable, i.e. a decision has been made about selling a given asset, an active program has been started of finding a buyer and ending the sale plan. In addition, such an asset is being offered for sale at a price that is rational in relation to its current fair value and it is expected that the sale will be reported as sale completed within the period of one year following classification of the asset to this category.

At the moment, the Management Board has not started an active program of finding a buyer, in view of the above, in the statement as of 31.12.2018, no assets intended for sale have been reported.

Note 27. Risk associated with financial instruments and method for managing the risk

The Company's business is exposed to various financial risks — credit risk, liquidity risk and market risk, including to exchange rates and interest rates fluctuations. The Company manages all elements of financial risks described below that may have a significant impact on its business in the future, with the greatest focus on the management of market risks, including particularly the exchange rate risk.

Credit risk

Assets that are mostly exposed to credit risk are, primarily, receivables for services rendered. These receivables are characterised by a relatively high concentration, which results from the nature of the portfolio of customers. The Management Board of the Company reduces the credit risk by entering into collaboration with partners of a renowned position and good financial standing. This risk is further limited by the use of credit risk management instruments such as factoring or insurance of receivables. The Management Board believes that credit risk faced by the company have been properly assessed. It was reflected in the books by making appropriate write-downs.

	Assets under agreement	Trade receivables				
		Current	0 – 30 days	31 – 90 days	91 – 180 days	above 180 days
Balance as at 31.12.2018						
Write-down index	4,8%	4,8%	2,7%	4,9%	70,00%	100,0%

Liquidity risk

The Company manages liquidity risk by maintaining appropriate cash balances, as well as ensuring access to funds in the form of credit lines and other external sources of financing. Planning the level of necessary cash is carried out by the development, by the Finance Department in cooperation with the Operational Controlling Department, of current and periodic statements of expected cash flows (inflows and outflows), which are then reported to the Company’s Management Board. The Company's objective is to ensure optimal adjustment of the level of inflows to the level of outflows, as well as providing the level of funding that is adequate to the scale of operations.

Financial Resources Management of the Company and the Capital Group Work Service is subject to achievement of core business aims of the Group, which consists of:

- Constant increase in value of Work Service Capital Group through consistent and effective implementation of the strategy,
- Optimisation of operating costs,
- Ensuring optimal financing conditions, enabling the implementation of the development plans of Capital Group.
- Constant access to diverse sources of funding
- Gradual improvement of the debt ratio of the Group, owing to the adopted strategy

The Group manages the available loan financing by diversifying its source, optimising its costs and choosing the source according to the purpose.

Consequently, the Group uses different sources, such as:

- overdrafts
- investment loan
- bonds
- factoring

As at the balance-sheet date, the Group's debt resulting from loans and bonds was classified as a long-term liability due to the contractual date of maturity in the 4th quarter of 2019.

Similarly to the previous years, in the year of maturity of debt, the Group has conducted detailed negotiations with financial institutions on debt roll-over for subsequent multiannual periods.

Still, the success of the transaction depends on the positive decision of the financial institutions. Otherwise, the realisation of the Group's selected plans for the coming years may be hampered. For this reason, the Company has undertaken negotiations with many partners to diminish the risk and ensure the realisation of the objective before the date of maturity of the existing loan agreements and bonds.

Moreover, in order to facilitate the prospective positive outcome of negotiations and the debt roll-over, in 2017 and 2018 the Group undertook a number of activities with the aim of diminishing the Group's financial needs in future. These include the sales of shares in IT Kontrakt concluded in 2017 and the sales of shares in Exact Systems S.A. and Proservice, that were ended successfully in 2018.

On 21 March 2019 the Company made the decision to commence a review of the strategic options in order to select the most advantageous method of pursuing the long-term strategy of Work Service Group of Companies.

Within the strategy update, the Company plans analysis in the following areas:

- investment operations, in particular further disinvestments and potential new investments consolidating the strategy implementation,
- the Company's debt, including repayment or refinancing of bank loans and bond debt of the Issuer,
- alternative financing sources for Work Service Group of Companies, in particular issues of stocks, warrants, bonds, share convertible bonds or other capital instruments

In order to professionally handle the debt restructuring process and review the strategic options, and then acquire financing, the Company's Management Board continues cooperation, on the basis of the contract concluded in 2018, with the financial advisor, who supports the Management Board e.g. in conversations, negotiations with creditors as well as institutions and entities interested in granting different forms of financing to the Company. The Company also plans to establish cooperation with a brokerage house.

Acquisition of additional financing in 2019 would improve the working capital and, as a consequence, offer a further opportunity to increase sales revenue.

The Group aims to achieve the full roll-over of the existing financial debt of the Company, following the conclusion of the transaction (and the consequent diminishing of needs for external financing sources).

	Short-term:		Long-term			Total flows before discount
	up to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	over 5 years	
Balance as at 31.12.2018 in thousand PLN						
Lines in credit account	-	-	104 256	-	-	104 256
Lines in current account	-	-	-	-	-	-

	Short-term:		Long-term			Total flows before discount
	up to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	over 5 years	
Loans	-	77 177	4 090	-	-	85 357
Debt securities	-	-	51 600	-	-	51 600
DiU liabilities and other	-	261 684	-	-	-	261 684
Financial liabilities	-	1 776	4 254	-	-	6 030
Exposure to liquidity risk total	-	340 637	164 200	-	-	504 837

Other market risks

In the context of other market risks, the Management Board of the Company identifies and monitors the following:

- risk of increased costs of employment,
- risk of entering into agreements with dishonest/unreliable client,
- economic risk resulting from the application of provisions of the Law on Temporary Employment Agencies.

Foreign exchange/currency risk

Foreign exchange risk is defined as the possibility of an increase or decrease in the market value of equity due to changes in foreign exchange rates. These risks include:

- The risk of conversion (currency conversion risk), which occurs at the time of conversion and consolidation of financial statements of foreign subsidiaries. Foreign exchange conversion risk is defined as the difference between the total value of foreign currency denominated assets and the total value of foreign currency denominated liabilities. The following items are particularly exposed to this risk:
  - o foreign receivables and liabilities,
  - o cash denominated in foreign currencies,
  - o securities denominated in foreign currencies.

  The risk of conversion is of a “paper” nature, which means that it does not affect the cash flows unless the items exposed to the risk are realized.
- Economic risks relating to changes in exchange rates, which may permanently affect the competitiveness and market value of the company through an increase in the cost or decrease in the planned income from foreign commercial operations. Economic risk is equated with the long-term risk, very difficult to quantify and forecast.
- The transaction risk, also called contractual risk, is a result of breach of contractual obligations by the transaction participants as well as a result of circumstances beyond their control, having the nature of force majeure events. Basic transaction risks, which do not belong to the circumstances of force majeure, are expressed primarily in choosing dishonest partner (counterparty), or one who, for reasons largely beyond its control, fails to comply with the agreement. Consequence of the choice of such a partner may include the lack of or incomplete payment for a service, or delay in settling payments. Contractual risk may also arise from differences of interpretation in relation to individual contract data. To reduce the risk, conclusion of the contract is preceded by obtaining relevant information about a counterparty and its financial condition, as well as an analysis of contractual clauses to prevent the possibility of their different interpretation. The contract risk level specifies the size of the capital employed, both direct and indirect, associated with the possibility of incurring losses due to non-performance or improper performance of obligations of the counterparty. The risk management in the Company comes down to not admitting to enter into contracts with counterparties whose financial condition does not guarantee the repayment of capital employed in the execution of the contract, or, e.g. implemented policy on insuring trade receivables.
- Foreign currency risk occurs when there is an imbalance between the amount of assets and liabilities denominated in the same foreign currency and with the same maturity (open currency position). Depending on which side prevails (assets or liabilities) we are talking about a long or short position in the currency. Where:
  a) assets denominated in foreign currency = liabilities denominated in foreign currency —> closed currency position,
  b) assets denominated in foreign currency > liabilities denominated in foreign currency —>open long foreign currency position,
  c) assets denominated in foreign currency < liabilities denominated in foreign currency —> open short currency position.

In order to hedge against the currency risk, the Company uses internal instruments, i.e. natural hedging, such as:

- settlement of foreign payments in national currency,
- accelerating or delaying payments,

- deposit and lending operations,
- combining several smaller transactions into a larger one,
- adjustment clauses.

Interest rate risk

The Company has financial assets in bank accounts, receivables from borrowings granted, as well as liabilities under factoring, leasing, bank credit and bonds issued. Interest rate risk is related to interest payments resulting from financial instruments for which interest rate is based on a variable interest rate. Short-term trade receivables and liabilities are not exposed to interest rate risk because the revenues and expenses of these titles are irrelevant. At the reporting date, the Company used the tools of hedging against changes in interest rates, as described in item "Interest rate risks as at 31 December 2017". All assets and great majority of financial liabilities bear interest determined for PLN.

Interest rate risk as at 31 December 2018

Financial instruments by maturities as at 31 December 2018

27.1. Specification	< 1 year	1-5 years	>5 years	Total
Variable interest rate				
- cash and cash equivalents	301 214,19	0,00	0,00	301 214,19
- borrowings granted	99 949 542,18	0,00	0,00	99 949 542,18
- borrowings received	77 177 049,46	4 090 018,83	0,00	81 267 068,29
- loans taken	0,00	104 166 256,76	0,00	104 166 256,76
- bonds	0,00	51 738 109,50	0,00	51 738 109,50

Financial risk management

Financial risk factors

Activities of the Company are associated with certain financial risks, which include market risk (including the risk of changes in cash flows due to changes in interest rates), credit risk and liquidity risk. As regards risk management, Work Service focuses on minimising potential adverse effects of these risks on its financial performance.

Market risk

The Company is exposed to risk of changes in cash flows as a result of changes in interest rates, which applies mainly to financial liabilities. In its ongoing operations, the Company uses external sources of financing, primarily in the form of working capital loans which bear interest at variable interest rate based on WIBOR 1M and 3M plus a bank margin, therefore a change in the above interest rates results in cash flow fluctuations. Moreover, the Company uses a non-revolving long-term loan and bonds issued — both the loan and bonds bear variable interest rates.

The Company manages interest costs by aiming at ensuring that a significant part of its interest-bearing liabilities bear fixed interest rate. To ensure that the solutions adopted by the Company are economically effective, the Company enters into interest rate swap contracts

Credit risk

Credit risk can be defined as the possibility of default by the other party of the contract, which means that the party exposed to the risk will not receive the payment in the expected term, specified by the provisions of the contract. In other words, it is the ability to decrease or increase the market value of equity of the company as a result of changes in the creditworthiness, in particular the transition to the insolvency or bankruptcy of debtors. A reflection of the maximum exposure of the Company to credit risk is the value of trade receivables, loans and deposits held. In terms of credit risk associated with trade receivables — in order to minimise this risk, and in order to maintain the lowest level of working capital, the Company implemented procedures for granting trade credit limit and specific forms of collateral for these limits. Receivables from counterparties are monitored regularly by the financial services, and in case of even minor delinquency the recovery procedure is started. Credit risk is further limited by the use of such instruments of credit risk management as insurance of a substantial part of claims of the Company. In addition, due to the nature of the services provided by the Company, the recipients pay particular attention to timely meeting of their obligations, hence the relatively low proportion of trade receivables which are subject to collection activities of the Company's financial services.

Moreover, as regards short-term financing, the Company also uses the tool which is non-recourse factoring. Non-recourse factoring (factoring with the acquisition of risk, factoring without recourse) consists in financing short-term receivables prior to maturity and the acquisition by the factor of risk of insolvency of the debtor (the recipient). Following the signing of the non-recourse factoring contract, the factor is able to assert claims against the debtor only, so if the debtor fails to comply with the payment obligation, the factor has no right to require payment from the factorer. The exception to this general rule is when the debtor does not pay, because it questions the existence of debt — because the factorer is responsible for the existence of debt. Non-recourse factoring enables the inflow of funds to the account of factorer up to 2 days after the transfer of information about an invoice, transfer of debtor's insolvency risk (the recipient's insolvency risk), obtaining current information about the status of receivables, which in turn helps to increase liquidity, hedge against the risk of non-payment by the recipient (the debtor), and also allows for verification of the customer (debtor) and executed transactions.

The Management Board believes that the risk of non-performing receivables is reflected by write-downs — information regarding the amount of write-downs, recognised in the income statement, is provided in notes describing these assets.

Liquidity risk

The Company is exposed to liquidity risk arising from the ratio of current liabilities to current assets. Liquidity risk of the Company may result from the mismatch of payment terms of short-term receivables and liabilities. The purpose of the Management Board of the Company in terms of liquidity risk management is to maintain a balance between continuity and flexibility of financing through the management of short-term receivables and liabilities and the use of diversified sources of financing (non-recourse factoring, revolving loan). In order to correlate the planned inflows with planned outflows, payment terms are always negotiated before signing the contract. Diversification of the supplier and customer portfolios is also of significant importance for protection against liquidity risk.

In addition, on 28 February 2019 The Company concluded the instalment agreement with ZUS (Social Security) concerning overdue social insurance premium liabilities for the amount of PLN 59 170 317.43. According to the agreement, the premium liabilities will be fully repaid in 10 instalments between March and December 2019. The Management Board draws attention that, with absence of the ensured necessary working capital level, the Company can be additionally exposed to the liquidity loss risk.

The following table presents main financial instruments used by the Company in the years 2018-2017

27.1.1. Categories of financial instruments:	31.12.2018	31.12.2017
Financial assets	**186 730 737,56**	**278 031 598,09**
cash and cash equivalents	301 214,19	536 784,50
trade and other receivables	86 479 981,19	114 381 809,78
borrowings granted.	99 949 542,18	163 113 003,81
Financial liabilities	**499 402 341,88**	**628 077 903,45**
bank loans	104 166 256,76	213 549 315,42
loan liabilities	81 267 068,29	146 469 925,75
bonds	51 738 109,50	44 285 509,42
factoring	1 271 517,32	2 282 686,61
leasing liabilities	4 758 559,32	7 147 969,51
trade and other liabilities	256 100 830,71	214 342 496,74

27.1.2.	Contracted cash flows 2018				
Financial assets	Present value	Total	up to 1 year	1–5 years	>5 years
Measured at fair value through profit or loss	301 214,19	301 214,19	301 214,19	-	-
Measured at amortised cost	186 429 523,37	186 429 523,37	186 429 523,37	-	-

27.1.3.	Contracted cash flows 2018				
Financial liabilities	Present value	Total	up to 1 year	1–5 years	>5 years
Measured at fair value through profit or loss	-	-	-	-	-
Measured at amortised cost	499 402 341,88	499 402 341,88	379 142 408,53	120 259 933,35	-

27.1.4.	Contracted cash flows 2017				
Financial assets	Present value	Total	up to 1 year	1–5 years	>5 years
Measured at fair value through profit or loss	536 784,50	536 784,50	536 784,50	0,00	0,00

27.1.4.		Contracted cash flows 2017			
Measured at amortised cost	277 494 813,59	277 494 813,59	191 574 853,96	60 000 000,00	0,00

27.1.5.		Contracted cash flows 2017			
Financial liabilities	Present value	Total	up to 1 year	1–5 years	>5 years
Measured at fair value through profit or loss	0,00	0,00	0,00	0,00	0,00
Measured at amortised cost	628 077 903,45	628 077 903,45	624 118 071,78	3 959 831,67	0,00

27.1. Liabilities due to loans as at 31 December 2018

Entity business name	Amount of loan/borrowing according to the agreement		Outstanding amount of loan/borrowing		Interest rate conditions	Maturity date	Collaterals
Loans:	PLN	currency	PLN	currency			
Santander Bank Polska S.A.	22 070 000,00	PLN	20 070 354,97	PLN	WIBOR 1M + bank margin		Guarantee, pledge on bank accounts, assignment of rights under insurance policy, contractual pledges on assets, contractual pledges on shares, mortgage, declaration on submission to enforcement
Bank Millennium S.A.	22 070 000,00	PLN	21 965 077,22	PLN	WIBOR 1M + bank margin		as above
Bank BGŹ BNP Paribas S.A.	22 070 000,00	PLN	18 392 642,07	PLN	WIBOR 1M + bank margin		as above
Raiffeisen Bank Polska S.A	22 070 000,00	PLN	21 722 552,48	PLN	WIBOR 1M + bank margin		as above
Powszechna Kasa Oszczędności Bank Polski S.A.	22 070 000,00	PLN	21 961 894,84	PLN	WIBOR 1M + bank margin		as above
Other banks	-	PLN	11 150,59	PLN			
Credit cards liabilities	-	PLN	42 584,59	PLN			
TOTAL LOANS							
TOTAL LOANS			104 166 256,73	PLN			
TOTAL LOANS			-	PLN			
ADJUSTMENT TO ADJUSTED ACQUISITION PRICE			104 166 256,73	PLN			

27.1. Liabilities due to loans as at 31 December 2017							
Entity business name	Amount of loan/borrowing according to the agreement		Outstanding amount of loan/borrowing		Interest rate conditions	Maturity date	Collaterals
Loans:	PLN	currency	PLN	currency			
Bank Zachodni WBK S.A.	32 000 000,00	PLN	32 003 935,97	PLN	WIBOR 1M + bank margin	18.11.2018	Guarantee, pledge on bank accounts, assignment of rights under insurance policy, contractual pledges on assets, contractual pledges on shares, mortgage, declaration on submission to enforcement
Bank Millennium S.A.	32 000 000,00	PLN	31 996 631,98	PLN	WIBOR 1M + bank margin	18.11.2018	as above
BGŹ BNP Paribas S.A.	32 000 000,00	PLN	31 982 712,39	PLN	WIBOR 1M + bank margin	18.11.2018	as above
Raiffeisen Bank Polska S.A	32 000 000,00	PLN	32 003 704,79	PLN	WIBOR 1M + bank margin	18.11.2018	as above
Bank Zachodni WBK S.A.	14 250 000,00	PLN	7 837 500,00	PLN	WIBOR 3M + bank margin	25.11.2018	Guarantee, pledge on bank accounts, assignment of rights under insurance policy, contractual pledges on assets, contractual pledges on shares, mortgage, declaration on submission to enforcement
Bank Millennium S.A.	14 250 000,00	PLN	12 112 500,00	PLN	WIBOR 3M + bank margin	25.11.2018	as above
Raiffeisen Bank Polska S.A	14 250 000,00	PLN	12 112 500,00	PLN	WIBOR 3M + bank margin	25.11.2018	as above
BGŻ BNP Paribas S.A.	14 250 000,00	PLN	7 837 500,00	PLN	WIBOR 3M + bank margin	25.11.2018	as above
Powszechna Kasa Oszczędności Bank Polski S.A.	55 000 000,00	PLN	0,00	PLN	WIBOR 1M + bank margin	30.08.2019	Pledge on shares in the Hungarian company, statement of submission to enforcement proceedings
Credit cards liabilities	94 451,83	PLN	94 451,83	PLN			
TOTAL LOANS							
TOTAL LOANS			214 431 436,96	PLN			
ADJUSTMENT TO ADJUSTED ACQUISITION PRICE			-882 121,54	PLN			
TOTAL LOANS			213 549 315,42	PLN			

Note 28 Transactions with related entities

	FC	IPS	ANT	WSI	czWS	skWS	EXT	rumEXT	AAS	cyPRO
Revenue	1 474 391,14	3 469 053,76	4 031 859,10	1 176 125,76	1 855 408,30	311 327,55	1 810 666,00	0,00	8 562 761,82	183 569,44
Costs	70 742,48	43 513 493,76	213 846,66	2 789 761,41	3 655 902,04	705 299,45	17 285 750,73	786,34	0,00	192 888,34
Receivables	1 746 026,24	0,00	0,00	0,00	2 368 011,59	542 945,13	0,00	0,00	0,00	0,00
Long-term liabilities	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Short-term liabilities	35 737,53	31 207 706,76	2 198 829,83	4 982 162,16	669 336,62	8 647,34	0,00	0,00	0,00	0,00
Borrowings granted	2 618 647,00	0,00	0,00	0,00	5 446 179,91	1 621 012,92	0,00	0,00	0,00	0,00

	zaoPRO	czEXT	SEL	gerEXT	CLEAN	KCP	ger24WS	presWS	presBUS	presLOG
Revenue	951 294,06	0,00	40 738 659,86	1 509,31	317 279,20	1 369 091,47	399,99	1 660 178,27	2 377,94	270 356,54
Costs	954 538,56	59 145,60	4 446 048,11	15 596 411,72	7 204 687,93	4 864 760,74	113 749,94	591 320,23	0,00	1 000 393,77
Receivables	0,00	0,00	0,00	0,00	268 665,75	24 498,41	288 840,92	13 980,83	2 140,20	55 948,18
Long-term liabilities	0,00	0,00	7 750 000,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Short-term liabilities	0,00	0,00	17 029 464,51	0,00	8 702 673,16	0,00	41 942,58	7 936 670,80	0,00	357 506,48
Borrowings granted	0,00	0,00	0,00	0,00	1 262 025,41	9 243 375,66	22 436,02	2 183 500,00	0,00	0,00

	presOSP	humPRO	fiegSPV	fiegWS	fiegOUT	fiegKG	antCZ	antGER	antSK	antHU
Revenue	620 623,94	500,00	927 645,59	86 303,00	0,00	200 303,79	500,00	0,00	0,00	500,00
Costs	256,20	2 850 882,54	74 856,70	127 892,55	12 600,00	154 609,87	1 000,00	22 073,56	6 975,22	0,00
Receivables	328 643,64	4 700,00	9 157 280,68	90 503,00	4 200,00	10 563,90	500,00	4 949,98	500,00	500,00
Long-term liabilities	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Short-term liabilities	29 761,08	48 292 827,99	0,00	11 991,53	8 400,00	8 090 484,85	0,00	8 400,00	0,00	0,00
Borrowings granted	0,00	0,00	29 977 677,97	0,00	0,00	3 076 792,91	0,00	0,00	0,00	0,00

	crsPEXT	natSLV	humHR	skWSK	KAR	ukr2WS	WSInv	gerP24WS	total
Revenue	89 344,32	0,00	0,00	723 349,57	208 000,87	148,52	25 679,12	0,00	70 993 163,88
Costs	3 091 788,66	8 342,40	8 400,00	1 459 146,35	62 739,46	45 900,00	0,00	0,00	111 283 208,93
Receivables	0,00	0,00	0,00	1 286 394,15	209 718,58	148,52	20 067,36	127 626,39	16 554 551,01
Long-term liabilities	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	7 750 000,00
Short-term liabilities	0,00	0,00	0,00	0,00	0,00	8 670,00	0,00	0,00	129 621 213,22
Borrowings granted	0,00	0,00	0,00	0,00	3 817 081,08	0,00	335 850,46	122 464,61	59 727 043,95

Glossary — Work Service Capital Group Companies

ABBREVIATION	NAME
WSSA	Work Service S.A.
IPS	I Industry Personnel Services Sp. z o.o.
ANT	ANTAL Sp.z o.o.
FC	Finance Care Sp. z o.o.
WSI	Work Service International Sp. z o.o.
SEL	Sellpro Sp. z o.o.
CLEAN	Clean Sp.z o.o.
KCP	Krajowe Centrum Pracy Sp.z o.o.
EXT	Exact Systems S.A.
AAS	Automotive Assembly Systems Sp. z o.o.
skEXT	Exact Systems S owacja s.r.o.
czEXT	Exact Systems Czech Republic s.r.o.
gerEXT	Exact Systems GmbH
ruEXT	Zao Exact Systems
rumEXT	Exact Systems s.r.l.
turEXT	Exact Systems Kalite Kontrol Ltd. Sti.
skWS	Work Service Slovakia s.r.o.
skoutWS	Work Service Slovakia Outsourcing s.r.o.
czWS	Work Service Czech s.r.o.
ger24WS	Work Service 24 GmbH
cyPRO	Proservice Worldwide Limited
bviPRO	Proservice Worldwide Limited (BVI)
zaoPRO	ZAO Work Service Russia
itKON	IT Kontrakt
gerKON	IT Kontrakt Gmbh
sterKON	Stermedia sp. z o.o.
cyLEXT	Exact Systems Ltd
presWS	WorkExpress Sp.z o.o.
ukEXT	Exact Systems Ltd (UK)
presBUS	Workbus Sp.z o.o.
presLOG	LogistykaPL Sp.z o.o.
presCL	Clean24h Sp.z o.o.
presOSP	Outsourcing Solutions Partner Sp.o.o.
humPRO	Prohuman 2004 Kft

ABBREVIATION	NAME
humOUT	Prohuman Outsourcing Kft
fiegSPV	Work Service SPV Sp.z o.o.
fiegGP	Work Service GP GmbH
fiegWS	Work Service Deutschland GmbH
fiegOUT	Work Service Outsourcing Deutschland GmbH
fiegKG	Workservice GmbH & Co.KG
humEXI	Human Existence Kft
swissKON	IT Kontrakt AG
antGER	Enloyd GmbH
antCZ	Antal International s.r.o.(Czechy)
antSK	Antal International s.r.o. (S owacja)
antHU	Enloyd Kft
mgtPRO	OOO EMG-Management
leasPRO	OOO EMG-Leasing
hunEXT	Exact Systems Hungary Kft
trKON	IT Service Sp. z o. o
janePRO	Janeever
fiegWSF	Work Service Fahrschuhe QC GmbH
crsPEXT	Control+Rework Service Sp. z o. o.
crsBEXT	Control+Rework Service NV
natHR	HR Global d.o.o.
natSLV	Naton kadrovsko-svetanoje d.o.o.
humHR	HR-Rent Kft
humFIE	Profield 2008 rt kes t s T mogat Kft.
itkPRO	IT Kontrakt OOO
chnEXT	Exact Systems China Limited
skWSK	Work Service SK s.r.o.
malKON	It Kontrakt Services Sendirian Berhad
KAR	Kariera.pl Sp.zo.o.
humFC	Finance Care Hungar Kft

Note 28.1. Transactions with personally related entities

2018	Maciej Witucki	Paul Christodoulou	PROLOGICS UK	Tomasz Ślęzak	Iwona Szmitkowska	LTI
Revenue	0,01		27 671 607,51	0,01		54 528,89
Costs	2 057 565,49		96 900,00	8 364,34	16 380,03	105 000,00
Receivables	2 500,99	655 994,05	28 627 085,97			2 335 244,69
Liabilities	8 947,09	24 086,27	318 862,02	2 532,61	1 309,90	33 422,79

2018	Piotr Ambrozowicz	Panos N. Sofianos	Tomasz Misiak K002480	Tomasz Wojciech Misiak P0012675	Ewa Maria Misiak	Tomasz Hanczarek
Revenue		63 001,88	296 651,75			0,01
Costs	253,62		195 095,80	215 465,11	32 768,62	32 560,23
Receivables			240 000,00	33 519,35		299 856,20
Liabilities			25 424,61			45,41

2018	Tomasz Hanczarek Doradztwo	Piotr Maciej Kamiński	Everett Kamin	Suma
Revenue	3 976,70			28 089 766,76
Costs	109 072,96			2 869 426,20
Receivables	32 248,09	161,99	33 569,18	32 260 180,51
Liabilities				414 630,70

2017	PROLOGICS UK	Everett Kamin	Christodoulos G. Vassiliades And Co LLC	Panos N. Sofianos	Hanna Witucka	Tomasz Hanczarek
Revenue	145 156,89	1 310,23	4 495,18		214,08	
Costs	660 000,00	9 641,40	14 474,00		38 347,00	230 825,22
Receivables	727 908,73	20 477,61	145 575,33			340 019,38
Liabilities				63 001,88		459,03

2017	Ewa Maria Misiak	Tomasz Wojciech Misiak P0012675	Tomasz Misiak K002480	Tomasz Ślęzak	Robert Knights	Maciej Witucki
Revenue			150 502,76			
Costs	191 155,24	1 128 484,95	698 839,07	75 301,04	54765,32	92 018,31
Receivables	31 159,48	11 542,33	301 177,16		-	
Liabilities				423,33		

2017	Paul Christodoulou	Tomasz Hanczarek Doradztwo	LTI	Krzysztof Rewers	Iwona Szmitkowska	Piotr Maciej Kamiński	Suma
Revenue		40,80	109 297,05				411 016,99
Costs	105 996,55	522 095,41	270 000,00	372 399,97			4 464 343,48
Receivables	534 057,80	-	3 823 324,77		-	161,99	5 935 404,58
Liabilities		30 000,00	33 422,79	331,73	4 490,77		132 129,53

Note 29. Explanation of differences between data disclosed in financial statements and previously prepared and published data

No differences.

Note 30. List of off-balance sheet liabilities

30.1. Contingent liabilities			
Title of contingent liability	Type of collateral	31.12.2018	31.12.2017
Loan collateral	surety	360 000 000,00	82 880 000,00
	bank enforcement title	66.210.000,00	216 000 000,00
	registered pledge on assets	277.500.000,00	-
Lease collateral	blank promissory note with a blank promissory note agreement	4 621 782,30	6 917 928,40
Bond collateral	blank promissory note with a blank promissory note agreement	120% nonretired bonds	120% nonretired bonds
Performance guarantee	guarantee	1 354 370,88	9 294 100,46
Factoring collateral	mortgage	39 105 000,00	-

On 30 March 2018 the Company concluded with Bank BGŻ BNP Paribas S.A., Raiffeisen Bank S.A., Bank Zachodni WBK S.A., Bank Millennium S.A. and Bank PKO BP Bank Polski (the banks hereinafter jointly: Creditors or Parties) an annex (hereinafter: Annex no. 2) to the credit agreement of 18 November 2015.

Under the annex concluded, PKO BP SA committed to complete utilization of Operating Credit 5 at once in the amount of PLN 55 000 000, within 2 working days from the date of concluding Annex no. 2. Operating Credit 5 will be used by PKO BP SA making a bank transfer from Operating Credit Account 5 directly to the account where the debt under the PKO BP Credit Agreement is recorded (internal reclassification).

The Borrower and PKO BP SA jointly decided that, as a consequence offer total repayment of the financial debt under the PKO BP Credit Agreement, the PKO BP Credit Agreement is terminated upon total repayment of the financial debt under the PKO BP Credit Agreement. The Borrower shall not be entitled to use the funds again on the basis of the PKO BP Credit Agreement.

A consequence of the above was full repayment of the financial debt under the PKO BP Credit Agreement together with the interest under the PKO BP Credit Agreement due to Borrower 5.

The Parties to the Agreement confirmed that all the Collateral established based on the Financial Documents, including in particular Securities Documents, concluded in connection with Annex no. 1, are fully valid and binding, regardless of changes in the Credit Agreement made with the Annex. Additionally, new collateral was established, as listed in current report number 7/2018 of 30 March 2018.

In 2019, a contractual mortgage was entered to the land and mortgage register to secure claims of the factor and the crediting banks up to the amount of PLN 39 105 000.00.

Creditor	Liabilities under the working capital loan
Bank BGŻ BNP Paribas S.A	18 396 068,78 PLN
Bank Millennium S.A.	21 965 325,99 PLN
Santander Bank S.A.	20 070 354,48 PLN
Raiffeisen Bank Polska S.A.	21 722 552,48 PLN
Powszechna Kasa Oszczędności Bank Polski S.A.	21 961 894,84 PLN
TOTAL	104 116 196,57 PLN

Data on off-balance sheet positions, especially on contingent liabilities, including on guarantees and sureties granted by the Capital Group

No.	Surety on behalf of	Promissory note beneficiary	Surety subject	Agreement date	Agreement expiry date	Amount covered by the surety (gross)
1.	Sellpro Sp. z o.o.	BNP PARIBAS Factor Sp. z o.o.	Amount receivable under a factoring agreement	Annex extending the term of the limit of 19.10.2015	Indefinite period	14 300 000.00
2.	Finance Care Sp.z o.o.	BNP PARIBAS Factor Sp. z o.o.	Amount receivable under a factoring agreement	Annex extending the term of the limit of 19.10.2015	Indefinite period	14 300 000.00
3.	Industry Personnel Services Sp. z o.o.	BNP PARIBAS Factor Sp. z o.o.	Amount receivable under a factoring agreement	Annex extending the term of the limit of 19.10.2015	Indefinite period	14 300 000.00
4.	Work Service International	BNP PARIBAS Factor Sp. z o.o.	Amount receivable under a factoring agreement	Annex extending the term of the limit of 19.10.2015	Indefinite period	14 300 000.00
5.	Work Express	BNP PARIBAS Factor Sp. z o.o.	Amount receivable under a factoring agreement	Annex increasing the limit of 19.10.2015	Indefinite period	14 300 000.00
6.	Outsourcing Solutions Partner Sp. z o.o.	BNP PARIBAS Factor Sp. z o.o.	Amount receivable under a factoring agreement	Annex to the agreement of 7.11.2016	Indefinite period	14 300 000.00
7.	Industry Personnel Services Sp. z o.o.	Bibby Financial Services Sp. z o.o.	Amount receivable under a factoring agreement	The factoring agreement of 04.12.2018	Indefinite period	14 000 000.00
8.	Sellpro Sp. z o.o.	Bibby Financial Services Sp. z o.o.	Amount receivable under a factoring agreement	The factoring agreement of 04.12.2018	Indefinite period	14 000 000.00
9.	Finance Care Sp.z o.o.	Bibby Financial Services Sp. z o.o.	Amount receivable under a factoring agreement	The factoring agreement of 04.12.2018	Indefinite period	14 000 000.00
10	Industry Personnel Services Sp. z o.o.	Bank Millennium S.A.	Amount receivable under a factoring agreement	Annex extending the term of the limit of 22.06.2018	Indefinite period	5 000 000.00
11	Sellpro Sp. z o.o.	Bank Millennium S.A.	Amount receivable under a factoring agreement	Annex extending the term of the limit of 22.06.2018	Indefinite period	5 000 000.00
12	Finance Care	Bank Millennium S.A.	Amount receivable under a factoring agreement	Annex extending the term of the limit of 22.06.2018	Indefinite period	5 000 000.00
13	Support and Care	Bank Millennium S.A.	Amount receivable under a factoring agreement	Annex extending the term of the limit of 22.06.2018	Indefinite period	5 000 000.00
14	Outsourcing Solutions Partner Sp. z o.o.	Bank Millennium S.A.	Amount receivable under a factoring agreement	Annex extending the term of the limit of 22.06.2018	Indefinite period	5 000 000.00
15	Work Express	Bank Millennium S.A.	Amount receivable under a factoring agreement	Annex extending the term of the limit of 22.06.2018	Indefinite period	5 000 000.00
16	Work Express	Raiffeisen Bank Polska SA	Amount receivable under a factoring agreement	Annex extending the term of the limit of 27.06.2018	Indefinite period	5 200 000.00

Note 31. Information on average employment by occupational group.

Average employment in each year	2018	2017
White collar employees	225	371
Blue-collar workers	0	0
Total	**225**	**371**

Note 32. Total value of remuneration and awards (in cash and in kind) paid or payable separately to managerial and supervisory staff of the Company and for performing functions in the entity's bodies (separately for each group).

Remuneration	2018	2017
- Management Board	2 916 056,23	5 220 429,68
- Supervisory Board	286 211,43	846 132,75
Total	**3 202 277,66**	**6 066 562,43**

In the period covered by the financial statements, the Company did not pay any benefits for the key management personnel in the form of:

- other long-term benefits,
- payments in the form of own shares.

In the period covered by the financial statements, the Company paid benefits for the key management personnel in the form of:

- termination benefits (non-competition compensations, disclosed in the table above),
- short-term employee benefits (remuneration with contributions, disclosed in the above table),
- post-employment benefits (discretionary bonus, disclosed in the above table).

Note 33. Material court cases as at 31 December 2018

Claimant/ Creditor	Defendant/ Debtor	Subject matter of the dispute/ Value of the subject of the dispute	Anticipated costs of court proceedings	Current status of proceedings
Work Service SA	Dominik U. Maciej C. Lechosław O.	PLN 366,029.98	Court fee and prepayment for the execution, there may be more prepayments for the execution.	Executive proceedings are conducted by Marek Przywecki, Bailiff with the District Court for Poznań-Grunwald and Jeżyce, against Maciej C., Dominik U. and Lechosław O., so far ineffective.
Work Service SA	Pielle Sp. z o. o.	PLN 122,465.49	Court fee.	Executive stage, two foreclosures. It is difficult to calculate the odds of satisfaction.
Elżbieta N.	Work Service SA	PLN 50,000.00	As of now, the proceedings have not generated any costs.	Case in progress, currently at the stage of preparation of the opinion by court experts.
Haitong Bank SA	Work Service SA	PLN 796,136.00	As of now, the proceedings have not generated any costs.	Suit brought in court on 28.06.2017 On 24.11.2017 Work Service SA filed a response to the suit. Next hearing date set at 23.05.2019.
Work Service SA	Neo Group Sp. z o.o.	PLN 342,727.81	As of now, the proceedings have not generated any costs.	The claim for payment is fully justified. The defendant has not paid the remuneration due to the claimant, in spite of not questioning the quality and the quantity of the services performed. The case was won, by a final and binding sentence, by Work Service SA and forwarded to the debt collector.
BCT – Bałtycki Terminal Kontenerowy Sp. z o.o.	Work Service SA	PLN 122,000.00	A cassation complaint was submitted in the case- the amount payable to the plaintiff was paid in connection with the case being lost in both instances.	The case was defeated. On 31 January 2018 the Court of Appeal rejected the appeal of Work Service SA. The amount payable was paid to BCT – Bałtycki Terminal Kontenerowy Sp. z o.o. On 25 July 2018 the company Work Service SA submitted a cassation complaint to the Supreme Court.
Work Service SA	PAYPRO SA Intercash Polska Sp. z o.o.	PLN 97,821.73	As of now, the proceedings have not generated any costs.	The case at the stage of court procedure. The claim for payment is fully justified. The defendant has not paid the remuneration due to the claimant, in spite of not questioning the quality and the quantity of the services performed.

Note 33. Material court cases as at 31 December 2018

Work Service SA	Vision Group Sp. z o.o.	PLN 99,455.00	As of now, the proceedings have not generated any costs.	The case at the stage of court procedure. Subsequent date of the hearing 26.06.2019 The defendant Vision Group Sp. z o.o. in the course of the cooperation, did not report overtime hours, which resulted in the need to pay the related fees to the employees. The amounts due to the employees have been confirmed by legal sentences of labor courts, which the plaintiff- Work Service SA has paid in full.
Work Service SA	Matras SA	PLN 114,940.58	As of now, the proceedings have not generated any costs.	The case at the stage of the bankruptcy procedure
Work Service SA	Agencja Ochrony Mienia Inter-Pol Security Sp. z o.o.	PLN 130,099.87	As of now, the proceedings have not generated any costs.	The case at the stage of court procedure. The claim for payment is fully justified. The defendant has not paid the remuneration due to the claimant, in spite of not questioning the quality and the quantity of the services performed.
Work Service SA	Conbelts Bytom SA	PLN 153,822.37	As of now, the proceedings have not generated any costs.	The case at the stage of the self-cleaning procedure. The claim for payment is fully justified. The defendant has not paid the remuneration due to the claimant, in spite of not questioning the quality and the quantity of the services performed.
Work Service SA	Wioletta K. Karolina K.	PLN 81,079.32	As of now, the proceedings have not generated any costs.	The case at the stage of court procedure. The claim for payment is fully justified.
Konrad M.	Work Service SA	PLN 85,950.00	As of now, the proceedings have not generated any costs.	The case at the stage of the court procedure – the application for summoning the parties to attempt settlement of 08.11.2018 The Company questions the grounds for the claims of Mr. Konrad M.

Note 34. Significant events after the balance sheet date.

On 24 January 2019, the Issuer received document containing the resignation of Mr. Maciej Witucki from the position of the President of the Management Board of Work Service S.A. with effect on 28 February 2019. Mr. Maciej Witucki did not indicate reasons of the resignation.

On 24 January 2019, the Issuer received document containing the resignation of Mr. Tomasz Ślęzak from the position of the Vice President of the Management Board of Work Service S.A. with effect on 24 January 2019. Mr. Tomasz Ślęzak did not indicate reasons of the resignation.

On 30 January 2019 additional collateral was established for the following factoring agreements:

1.concluded e.g. between the Company and BANK BGŻ BNP PARIBAS S.A. with the seat in Warsaw

2.concluded with e.g. with the Company and BGŻ BNP PARIBAS FAKTORING SP. Z O.O. based in Warsaw.

Additional collateral for the above factoring is the following:

1. Guarantor – company Industry Personnel Services sp. z o.o. will establish a registered lien and financial lien on the held 3 650 shares in Krajowe Centrum Pracy Sp. z o.o. for the benefit of BANK BGŻ BNP PARIBAS S.A. to the amount of PLN 7 800 000,

2. Company's Shareholders established registered liens and civil liens on the held shares in the Company for the benefit of BGŻ BNP PARIBAS FAKTORING SP. Z O.O. (3 Shareholders) as well as for the benefit of BGŻ BNP PARIBAS S.A. (1 Shareholder),

3. the Company will establish a mortgage on the real estate being property of the Company, up to the amount PLN 2 190 000, for the benefit of BGŻ BNP PARIBAS FAKTORING SP. Z O.O.,

4. the Company will establish a mortgage on the real estate being property of the Company, up to the amount PLN 810 000 for the benefit of BGŻ BNP PARIBAS S.A.,

5. the Company will establish a registered lien and a financial lien on the held 12 118 shares in Krajowe Centrum Pracy Sp. z o.o. for the benefit of BANK BGŻ BNP PARIBAS S.A. to the amount of PLN 7 800 000,

6. the Company t will establish a registered lien and a financial lien on the held 42 631 shares in Krajowe Centrum Pracy Sp. z o.o. for the benefit of BGŻ BNP PARIBAS FAKTORING SP. Z O.O. up to the amount of PLN 21 450 000,

7. Surety under the civil law up to the amount of PLN 21 450 000 (amount of surety of each of the guarantors) granted by the Company and the subsidiaries: Krajowe Centrum Pracy Sp z o.o., Finance Care Sp. z o.o., Industry Personnel Services Sp. z o.o., Sellpro Sp. z o.o., Work Express Sp. z o.o. and Outsourcing Solutions Partner Sp z o.o. for the benefit of BGŻ BNP PARIBAS FAKTORING SP. Z O.O.,

8. Surety under the civil law up to the amount of PLN 7 800 000 (amount of surety of each of the guarantors) granted by the Company and the subsidiaries: Krajowe Centrum Pracy Sp. z o.o. and Work Express Sp. z o.o. for the benefit of BANK BGŻ BNP PARIBAS S.A.,

9. Guarantor - Krajowe Centrum Pracy Sp. z o.o., in connection with the granted surety referred to the item 7 above, submitted a statement about voluntary submission to enforcement under Article 777 § 1 item 5 of the Code of Civil Procedure for the benefit of BGŻ BNP PARIBAS FAKTORING SP. Z O.O. up to the amount of PLN 21 450 000

10. Guarantor - Krajowe Centrum Pracy Sp. z o.o., in connection with the granted surety referred to the item 8 above, submitted a statement about voluntary submission to enforcement under Article 777 § 1 item 5 of the Code of Civil Procedure for the benefit of BGŻ BNP PARIBAS S.A. up to the amount of PLN 7 800 000.

Other collateral was not changed. Moreover, the Management Board hereby informs that similar collateral was also established for Bank Millennium S.A. under the provided factoring line.

On 30 January 2019 a mortgage was established for the following entities:

1) a contractual mortgage up to the amount of PLN 66 210 000.00 for the benefit of BANK BGŻ BNP PARIBAS S.A., to secure claims of the lender towards the Company for repayment of any receivables of the lender towards the Company resulting from the credit agreement of 18 November 2015 as later amended.

2) a contractual mortgage up to the amount of PLN 33 105 000 00 for the benefit of BANK MILLENNIUM S.A., to secure claims of the lender towards the Company for repayment of any receivables of the lender towards the Company resulting from the credit agreement of 18 November 2015 as later amended.

3) a contractual mortgage up to the amount of PLN 33 105 000.00 for the benefit of SANTANDER BANK POLSKA S.A, to secure claims of the lender towards the Company for repayment of any receivables of the lender towards the Company resulting from the credit agreement of 18 November 2015 as further amended.

4) a contractual mortgage up to the amount of PLN 33 105 000.00 for the benefit of POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI S.A to secure claims of the lender towards the Company for repayment of any receivables of the lender towards the Company resulting from the credit agreement of 18 November 2015 as further amended. The above mortgages will have equal priority in satisfaction.

On 31 January 2019 the Management Board of Work Service S.A., referring to the agreements with the bondholders, commenced the selling process of Work Service Czech s.r.o., Work Service Slovakia s.r.o., Work Service SK, s.r.o., Work Service Outsourcing Slovakia s.r.o. The selling process of the foreign Companies is being conducted in cooperation with the advisor Blackwood Capital Group.

On 18 February 2019 the Management Board received a notice about signing, under which the subsidiary – Krajowe Centrum Pracy sp. z o.o. with the seat in Wrocław, acceded as an Additional Guarantor to the credit agreement of 18 November 2015 as amended, between the Company as the lender, Bank BGŻ BNP Paribas S.A., Bank Millennium S.A., Santander Bank Polska S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. as the creditors, and other specific Obliged Entities. As a result of the accession, the list of guarantors under the Credit Agreement was extended with Krajowe Centrum Pracy Sp. z o.o .

The above described accession resulted from Krajowe Centrum Pracy Sp. z o.o. fulfilling the terms of accession determined in the Credit Agreement which were fulfilled as a result of Krajowe Centrum Pracy Sp. z o.o. acquiring in December 2018 a new project, for the amount of PLN 25 055 181.47 and the associated granting by the Company of the surety for the obligations of Krajowe Centrum Pracy sp. z o.o. resulting from the agreement with the Ministry of Family, Labor, and Social Policy. This project is one of those performed by Krajowe Centrum Pracy sp. z o.o., projects financed by European funds, the thematic scope of which includes e.g. professional activation of persons at risk of social exclusion, social inclusion, promotion of entrepreneurship and improvement in the quality of personnel employed in enterprises. As a result of the concluded contracts, the Company is a guarantor for the obligations of Krajowe Centrum Pracy sp. z o.o. with the Ministry of Family, Labor, and Social Policy, and Krajowe Centrum Pracy sp. z o.o. has become a guarantor for the obligations of the Company resulting from the credit agreement. Krajowe Centrum Pracy Sp. z o.o., in the accession document, has made a commitment to subject to enforcement pursuant to Article 777 §1 item 5 of the Code of Civil Procedure for the benefit of the banks.

On 22 February 2019 the Supervisory Board of the Issuer, acting pursuant to § 16(2) of the Company's Articles of Association and § 14(2)(b) of the Bye-laws of the Supervisory Board, dismissed Mrs. Iwona Szmitkowska from her position of the Vice

President of the Management Board and appointed Mrs. Iwona Szmitkowska to perform the duties of President of the Management Board of Work Service S.A.

On 22 February 2019 the Supervisory Board of the Issuer, acting pursuant to § 16(2) of the Company's Articles of Association and § 14(2)(b) of the Bye-laws of the Supervisory Board, appointed Mr. Jarosław Dymitruk to perform the duties of Vice-President of the Management Board of Work Service S.A.

Conclusion of the instalment arrangement with the Social Insurance Institution (ZUS)

On February 28th 2019 the Issuer and the Issuer's subsidiary Industry Personnel Services Sp. z o.o. entered into instalment arrangement with the Social Insurance Institution (ZUS) concerning outstanding social security contributions of PLN 59 170 317,43 and PLN 9 783 855,10, respectively. Under the arrangement, the contribution liabilities will be paid in 10 instalments between March and December 2019. The Issuer and Industry Personnel Services plan to repay the arrangement in instalments from current cash flows. The conclusion of the arrangements was possible, inter alia, due to the earlier signing of annex no. 4 to the credit agreement. One of the conditions of the arrangement is to pay current payments to ZUS without any delays.

On 21 March 2019, the Management Board made the decision to commence a review of the strategic options in order to select the most advantageous method of pursuing the long-term strategy of Work Service Group of Companies

Work Service Group of Companies plans to concentrate their operations on the domestic personnel services market and cross-border exchange of employees to and from Poland. Within the strategy update, the Company plans analysis in the following areas:

- investment operations, in particular further disinvestments and potential new investments consolidating the strategy implementation,

- the Company's debt, including repayment or refinancing of bank loans and the Company's bond debt,

- alternative financing sources for Work Service Group of Companies, in particular issues of stocks, warrants, bonds share convertible bonds or other capital and debt instruments.

The review of strategic options is to select the most advantageous method of strategy implementation for long-term growth in the Company's value by strengthening the Company's leading market position in the personnel services industry in Poland.

In the process of reviewing strategic options, the Management Board cooperates with a financial advisor and plans to establish cooperation with a brokerage house.

At the same time, the Management Board informs that has not made any binding decisions related to the choice of strategic options and does not declare whether and when such decisions will be made.

Note 35. Financial statements adjusted for inflation rate

There was no need to adjust the financial statements of Work Service SA for inflation rate.

Note 36. Significant changes in financial and economic position of the Company — a description of any significant change in the financial or economic position of the company which has occurred since the end of the last reporting period for which either audited financial information or interim financial information have been published, or provision of an appropriate negative statement.

Important factors having effect on the Company's operations in 2018

- sale of Exact systems closed on 31st October with the amount of PLN 155 m, PLN 104 m of which has reduced the bank loan to 49% of the existing debt

- 6 December agreement with the bondholders prolonging the period for repayment of institutional investors' bonds until the end of May 2020 from the proceeds from selling the Czech and Slovak companies

- 10 December effective date of the annex to the credit agreement of 18 November 2015 under which e.g. the final date of repayment of the whole loan was postponed until 3 March 2020, to be covered by the proceeds from selling Group ProHuman 2004 kft.

- change in the factoring financing structure and acquisition of new factors for the Group

Assessment of the Company's financial and equity situation 2019.

The Company plans to pay off the total debt under bank and bond loans using the funds earned from selling Hungarian, Czech and Slovak assets. The Company plans to pay off the outstanding public-legal liabilities, distributed into instalments according to the instalment agreement with Social Security (ZUS) of 28 February 2019 until the end of November 2019. In order to guarantee repayment and make further development on the promising Polish market possible, the Management Board commenced a review of strategic options in order to acquire alternative financing sources.

List of untypical or one-time events and corrections of profit on operations in the Company in 2018.

In the result on operations, the Company identifies a number of unusual events in the total amount equal to PLN 73 338 767, including:

- Established provisions (related e.g. related to running restructuring, agreements with subcontractors) in the amount of PLN 14 494 686
- Penalty owed to the minority shareholder in connection with delay for the failure to purchase on time the minority shares in Prohuman 2004 kft: PLN 5 000 000
- Revaluations of assets in the balance sheet resulting from the review of strategic options by the Management Board PLN 13 687 091.
- Costs of financial and transaction consulting, legal consulting associated with disinvestment activities and restructuring, costs of members of the Management Board who did not work in the Company in 2018, other restructuring consulting costs: PLN 12 170 423.
- Revaluation of the receivables portfolio resulting from the implementation of IFRS 9 (as described in note 13) PLN 17 755 683
- Revaluation of revenue in 2018 PLN 9 711 803
- Other PLN 519 080

Note 37. Changes in accounting principles (policy) applied and in the method of preparation of financial statements, made as compared with the previous financial year

The accounting principles (policies) applied in the preparation of these separate financial statements for the financial year ended 31 December 2018 are consistent with those applied in preparing the separate financial statements for the financial year ended 31 December 2017. The same principles were applied for the current and comparative period, unless the applicable standard or interpretation required exclusively prospective application.

Note 38. Remuneration of the statutory auditor or entity entitled to audit financial statements, paid or due for the audit of financial statements for the financial year 2017.

Specification	Net value in 2018
Statutory audit of the separate annual financial statements and interim review of the separate financial statements	195 036,50
Other assurance services	0,00
Tax advisory services	0,00
Other services	0,00
Total	**195 036,50**

SIGNATURES:

1.	Iwona Szmitkowska	President of the Management Board	………………………….…………………………
2.	Paul Christodoulou	Vice-President of the Management Board	………………………….…………………………
3.	Jarosław Dymitruk	Vice-President of the Management Board	………………………….…………………………

Wrocław, 30 April 2019