# Capital Group
# WORK SERVICE

# CONSOLIDATED FINANCIAL STATEMENTS

for the year ended as on 31 December 2016

Wrocław, 24 April 2017

## SELECTED CONSOLIDATED FINANCIAL DATA

| SPECIFICATION | 01.01.-31.12.2016 | 01.01.-31.12.2015 | 01.01.-31.12.2016 | 01.01.-31.12.2015 |
|---|---|---|---|---|
| **Work Service Capital Group** | **in thousands PLN** | **in thousands PLN** | **in thousands EUR** | **in thousands EUR** |
| Revenues from sales | 2 479 746 | 2 136 717 | 566 712 | 510 594 |
| EBITDA (operating profit + depreciation) | 79 195 | 104 216 | 18 099 | 24 904 |
| Profit from the sale | 64 261 | 77 544 | 14 686 | 18 530 |
| Profit on operating activities (EBIT) | 63 049 | 91 524 | 14 409 | 21 871 |
| Gross profit (loss) | 30 900 | 65 623 | 7 062 | 15 681 |
| Net profit (loss) | 15 501 | 41 426 | 3 543 | 9 899 |
| Net cash flows from operating activities | 83 786 | 26 731 | 19 148 | 6 388 |
| Net cash flows from investing activities | -28 151 | -176 720 | -6 434 | -42 229 |
| Net cash flows from financing activities | -8 925 | 135 405 | -2 040 | 32 357 |
| Total net cash flow | 46 711 | -14 584 | 10 675 | -3 485 |
| Number of ordinary shares of the Company for the purposes of calculating earnings per share in pieces | 65 094 823 | 65 061 785 | 65 094 823 | 65 061 785 |
| Earnings per share | 0.04 | 0.42 | 0.01 | 0.10 |
| Number of shares diluted for the purpose of calculating diluted earnings per share in pieces | 65 836 829 | 65 767 885 | 65 836 829 | 65 767 885 |
| Diluted earnings per share | 0.04 | 0.42 | 0.01 | 0.10 |
| | **31.12.2016** | **31.12.2015** | **31.12.2016** | **31.12.2015** |
| Assets | 1 300 887 | 1 120 510 | 294 052 | 262 938 |
| Liabilities and liability reserves | 943 590 | 791 352 | 213 289 | 185 698 |
| Long-term liabilities | 342 551 | 291 504 | 77 430 | 68 404 |
| Short-term liabilities | 601 039 | 499 849 | 135 859 | 117 294 |
| Equity (Fund) | 357 297 | 329 158 | 80 763 | 77 240 |
| Share capital (Fund) | 6 509 | 6 509 | 1 471 | 1 528 |
| Supplementary capital (Fund) | 330 652 | 312 423 | 74 741 | 73 313 |

# CAPITAL GROUP CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated Statement of financial position of the Capital Group as on 31 December 2016 and comparable financial data as on 31 December 2015

| ASSETS | Note | as on 31.12.2016 | as on 31.12.2015 |
|---|---|---|---|
| **FIXED ASSETS** | | **669 785 900.39** | **588 600 196.16** |
| Intangible assets | 1 | 61 125 772.37 | 64 595 513.82 |
| Goodwill | 2 | 549 644 468.78 | 466 898 696.63 |
| Tangible fixed assets | 3 | 31 206 729.05 | 32 989 464.85 |
| Investment real estates | 4 | 1 614 844.06 | 1 606 674.99 |
| Other financial assets | 5 | 25 000.00 | 25 000.00 |
| Other long-term assets | | 4 309 062.91 | 4 604 944.37 |
| Other long-term financial assets | | 2 892 510.29 | 3 329 889.83 |
| Deferred income tax assets | 6 | 18 156 629.28 | 11 793 859.41 |
| Accruals | | 810 883.65 | 2 756 152.26 |
| **CURRENT ASSETS** | | **631 100 874.41** | **531 910 253.19** |
| Inventory | 7 | 28 342 462.32 | 17 243 487.17 |
| Trade and other receivables | 8 | 432 902 983.22 | 407 958 635.67 |
| Other financial assets | 9 | 29 236 323.28 | 16 046 061.93 |
| Other short-term assets | | 9 351 436.26 | 8 932 013.95 |
| Cash and cash equivalents | 10 | 104 614 790.71 | 57 904 049.27 |
| Prepayments | 11 | 26 652 878.62 | 23 826 005.20 |
| ***TOTAL ASSETS*** | | **1 300 886 774.80** | ***1 120 510 449.35*** |
| **LIABILITIES** | | | |
| **EQUITY** | | **357 297 068.85** | **329 157 999.52** |
| Share capital | 12 | 6 509 482.30 | 6 509 482.30 |
| Supplementary capital (Fund) | 13 | 330 652 018,76 | 312 423 026.32 |
| Capital from option valuation | | - 53 773 718,65 | -35 131 379.85 |
| Net profit (loss) | | 2 417 610.83 | 27 616 454.29 |
| Foreign exchange differences | | -5 277 227.57 | -25 785 799.10 |
| Equity attributable to non-controlling shareholders | 14 | 76 768 903.18 | 43 526 215.56 |
| **LIABILITIES** | | **943 589 705.95** | **791 352 449.83** |
| **Long-term liabilities** | | **342 550 843.29** | **291 503 758.62** |
| Long-term loans and credits | 20 | 125 543 041.61 | 147 725 148.61 |
| Deferred income tax liabilities | 15 | 3 033 436.01 | 3 296 062.62 |
| Liabilities for pension benefits | 16 | 0.00 | 0.00 |
| Provisions for other liabilities and charges | 21 | 1 762 321.65 | 1 475 360.17 |
| other liabilities | 17 | 212 212 044.02 | 139 007 187.22 |
| **Short-term liabilities** | | **601 038 862.66** | **499 848 691.21** |
| Trade and other liabilities | 18 | 472 498 015.89 | 387 300 396.36 |
| Short-term loans and credits | 20 | 96 183 204.57 | 84 030 550.96 |
| Provisions for other liabilities and charges | 21 | 32 357 642.20 | 28 517 743.89 |
| ***TOTAL LIABILITIES*** | | **1 300 886 774.80** | ***1 120 510 449.35*** |

## Consolidated Statement of comprehensive income of the Capital Group for the year ended on 31 December 2016 and the comparable data for the year ended on 31 December 2015

| | Note | 01.01.2016-31.12.2016 | 01.01.2015-31.12.2015 |
|---|---|---|---|
| **Revenues** | 30 | **2 479 746 043.25** | **2 136 717 165.29** |
| Net revenues from sales of products | | 2 479 725 019.16 | 2 136 717 165.29 |
| Net income on sale of goods and materials | | 21 024.09 | 0.00 |
| **Cost of sales** | 31 | **2 217 390 191.46** | **1 899 104 506.37** |
| Manufacturing cost of products sold | | 2 217 390 191.46 | 1 899 104 506.37 |
| Value of sold goods and materials | | 0.00 | 0.00 |
| **Gross profit (loss) on sales** | | **262 355 851.79** | **237 612 658.92** |
| Cost of sales | 31 | 43 104 748.48 | 49 505 162.16 |
| General and administrative expenses | 31 | 154 989 658.41 | 110 563 402.10 |
| ***Profit (loss) on sales*** | | ***64 261 444.90*** | ***77 544 094.66*** |
| **Other operating incomes** | 32 | **22 194 859.74** | **31 692 748.25** |
| **Other operating costs** | 33 | **23 407 131.74** | **17 712 876.09** |
| ***Profit (loss) on operating activities*** | | ***63 049 172.90*** | ***91 523 966.82*** |
| **Financial incomes** | 34 | **2 922 568.16** | **2 631 944.05** |
| **Financial costs** | 35 | **35 071 925.83** | **28 532 639.39** |
| ***Profit*** | | ***30 899 815.23*** | ***65 623 271.48*** |
| Income tax | 36 | 15 398 498.52 | 24 197 048.30 |
| Net profit (loss) | | ***15 501 316.71*** | 41 426 223.18 |
| Valuation of shares using the equity method | | 0 | 0 |
| Minority profit (loss) | | 13 083 705.88 | 13 809 768.89 |
| Equity attributable to shareholders of parent company | | 2 417 610.83 | 27 616 454.29 |
| | | | |
| Net profit | | 15 501 316.71 | 41 426 223.18 |
| Exchange differences on conversion of foreign entities | | 20 508 571.54 | 9 406 836.32 |
| Total revenue for the period | | 36 009 888.25 | 50 833 059.49 |
| - Including attributable to minority capital | | 30 393 726.90 | 16 945 614.39 |
| - including attributable to shareholders of parent company | | 5 616 161.35 | 33 887 445.10 |

## Consolidated Statement of comprehensive income of the Capital Group

| | 01.01.2016-31.12.2016 | 01.01.2015-31.12.2015 |
|---|---|---|
| **Net profit** | 15 501 316.71 | 41 426 223.18 |
| **Other comprehensive income** | | |
| Items not to be reclassified to the income statement in future periods: | | |
| - none | | |
| Items that may be reclassified to the income statement in future periods: | | |
| - Foreign exchange differences from translation of foreign operation | 20 508 571.54 | 9 406 836.32 |
| **Other comprehensive income in total** | 20 508 571.54 | 9 406 836.32 |
| Comprehensive income for the period | 36 009 888.25 | 50 833 059.49 |
| - of which attributable to minority interest in equity | 30 393 726.90 | 16 945 614.39 |
| - of which attributable to shareholders of the parent entity | 5 616 161.35 | 33 887 445.10 |
| **Profit per share from continuing and discontinued operations attributable to shareholders of the parent entity during the year (in PLN)** | | |
| From continuing operations: | | |
| - basic | 0.04 | 0.42 |
| - diluted | 0.04 | 0.42 |
| From discontinued operations: | | |
| - basic | 0.00 | 0.00 |
| - diluted | 0.00 | 0.00 |

## Consolidated Statement of cash flows of the Capital Group for the year ended on 31 December 2016 and the comparable data for the year ended on 31 December 2015

| | 01.01.2016-31.12.2016 | 01.01.2015-31.12.2015 |
|---|---|---|
| **Net profit (loss)** | **2 417 610.83** | **27 616 454.29** |
| **Total adjustment** | **81 368 726.83** | **-885 562.40** |
| Depreciation | 16 145 358.86 | 12 691 533.67 |
| (Profit) loss on foreign exchange differences | 0.00 | 0.00 |
| Interest and participation in profits (dividends) | 20 071 204.45 | 15 393 873.49 |
| (Profit) loss on investing activities | -253 711.47 | -2 406 660.20 |
| Change in reserves | 2 254 890.26 | 281 467.32 |
| Change in inventory | -11 098 975.15 | -6 587 542.99 |
| Change of receivables with the exception of receivables from income tax | -26 244 347.55 | -59 917 438.68 |
| Change in short-term liabilities excluding credits and loans and income tax from legal persons | 91 267 901.20 | 49 577 086.34 |
| Change in accruals | -6 369 981.77 | -5 395 398.81 |
| Other adjustments | -12 863 456.11 | -22 987 858.81 |
| Income tax on profit before tax | 15 398 498.52 | 24 197 048.30 |
| Income tax paid | -6 938 654.40 | -5 731 672.03 |
| ***Net cash flows from operating activities*** | ***83 786 337.66*** | ***26 730 891.89*** |
| **Cash flow on investment activity** | | |
| **Incomes** | **2 302 444.83** | **13 781 763.89** |
| Disposal of intangible and tangible fixed assets | 768 182.82 | 2 766 413.52 |
| Sale of investment property and intangible assets | 0.00 | 0.00 |
| From financial assets, including: | 1 534 262.01 | 963 812.88 |
| a) in related entities | 0.00 | 0.00 |
| Interest | 0.00 | 0.00 |
| b) in other entities | 1 534 262.01 | 963 812.88 |
| Interest | 1 534 262.01 | 963 520.87 |
| acquisition of financial assets | 0.00 | 292.01 |
| Other investment income | 0.00 | 10 051 537.49 |
| **Expenditures** | **30 453 447.36** | **190 501 870.86** |
| Purchase of intangible and tangible fixed assets | 11 379 882.79 | 27 861 327.69 |
| Investments in real estate and intangible assets | 0.00 | 0.00 |
| For financial assets, including: | 6 320 682.76 | 156 043 534.06 |
| a) in related entities | 6 320 682.76 | 156 043 534.06 |
| acquisition of financial assets | 6 320 682.76 | 156 043 534.06 |
| b) in other entities | 0.00 | 0.00 |
| acquisition of financial assets | 0.00 | 0.00 |
| Other investment expenses | 12 752 881.82 | 6 597 009.11 |
| ***Cash flow on investment activity*** | ***-28 151 002.53*** | ***-176 720 106.97*** |

| | | |
|---|---|---|
| **Cash flow on financial activity** | | |
| **Incomes** | **110 000 000.00** | **170 963 693.89** |
| Credits and loans | 0.00 | 139 356 456.75 |
| Issuance of debt securities | 80 000 000.00 | 31 601 705.54 |
| Net income from issuance of shares | 0.00 | 5 531.60 |
| Other financial income | 30 000 000.00 | 0.00 |
| **Expenditures** | **118 924 593.69** | **35 558 261.72** |
| Dividends and other expenses for owners | 0.00 | 10 406 321.12 |
| Other than payments for owners, expenses related to profit distribution | 4 177 650.10 | 2 134 467.98 |
| Credits and loans repayments | 10 025 158.08 | 0.00 |
| Redemption of debt securities | 80 000 000.00 | 0.00 |
| Due to other financial liabilities | 0.00 | 0.00 |
| Payment of liabilities on account of financial leasing contracts | 3 063 990.57 | 2 931 225.26 |
| Interest | 21 605 466.46 | 16 357 394.52 |
| Other financial expenses | 52 328.48 | 3 728 852.84 |
| ***Net cash flows from financing activities*** | ***-8 924 593.69*** | ***135 405 432.17*** |
| Total net cash flow | 46 710 741.44 | -14 583 782.90 |
| Balance sheet change in cash and cash equivalents, including: | 46 710 741.44 | -14 583 782.90 |
| change of cash resources due to exchange rate differences | 0.00 | 0.00 |
| Cash resources at the beginning of period | 57 904 049.27 | 72 487 832.17 |
| ***Cash and cash equivalents at end of period*** | ***104 614 790.71*** | ***57 904 049.27*** |

| **Position 'other adjustments' includes** | | |
|---|---|---|
| change of differences from conversion | 5 941 429.88 | 9 406 836.32 |
| changes in shares attributable to non-controlling shareholders | 14 231 205.88 | 13 423 265.46 |
| Option valuation in Exact Systems S.A. | -35 132 578.30 | 0.00 |
| other changes in equity | 0.00 | 160 094.00 |
| managers programme | 1 599 897.24 | 1 078 005.25 |
| postings related to Fiege option | -1 173 907.70 | -35 131 379.85 |
| change in other assets in the balance sheet | 1 176 459.15 | 0.00 |
| change in goodwill due to valuation and de-consolidation of WS Acquisitions Ltd | 870 979.86 | -12 985 350.99 |
| company liquidation | 0.00 | 540 605.17 |
| other | -376 942.13 | 520 065.83 |
| | **-12 863 456.11** | **-22 987 858.81** |

## Consolidated statement of changes in equity

| 01.01.2016-31.12.2016 | Share capital | Other capital/supplementary capital | Capital from option valuation | Other capital/exchange rate differences on conversion of subsidiaries | Net result | Equity attributable to shareholders of parent company | Equity attributable to non-controlling shareholders | Equity with a capital of minority shareholders |
|---|---|---|---|---|---|---|---|---|
| **As on 31 December 2015** | **6 509 482.30** | **312 423 026.32** | **-35 131 379.85** | **-25 785 799.10** | **27 616 454.29** | **285 631 783.95** | **43 526 215.57** | **329 157 999.52** |
| The capital increase in Exact Systems SA | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | **0.00** | 30 000 000.00 | **30 000 000.00** |
| Net profit (loss) for the financial year | 0.00 | 0.00 | 0.00 | 0.00 | 2 417 610.83 | **2 417 610.83** | 0.00 | **2 417 610.83** |
| Exchange differences on conversion of financial statements of foreign entities | 0.00 | 0.00 | | 20 508 571.54 | 0.00 | **20 508 571.54** | 0.00 | **20 508 571.54** |
| Exercise of Fiege option | | | 16 490 239.50 | 0.00 | 0.00 | **16 490 239.50** | 0.00 | **16 490 239.50** |
| Valuation of the issue of series B and C in Exact Systems SA | | 0.00 | -35 132 578.30 | | | | | |
| Transfer of profit for 2015 to reserve capital | 0.00 | 27 616 454.29 | 0.00 | 0.00 | -27 616 454.29 | **0.00** | 0.00 | **0.00** |
| Purchasing shares from minorities | 0.00 | -10 803 279.03 | 0.00 | 0.00 | 0.00 | **-10 803 279.03** | -5 663 368.17 | **-16 466 647.20** |
| Managers programme | 0.00 | 1 599 897.24 | 0.00 | 0.00 | 0.00 | **1 599 897.24** | 0.00 | **1 599 897.24** |
| Minorities result | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | **0.00** | 13 083 705.88 | **13 083 705.88** |
| Other | 0.00 | -184 080.06 | 0.00 | 0.00 | 0.00 | **-184 080.06** | | **-184 080.06** |
| Payment of dividends | 0.00 | 0.00 | | 0.00 | 0.00 | **0.00** | -4 177 650.10 | **-4 177 650.10** |
| **As on 31 December 2016** | **6 509 482.30** | **330 652 018.76** | **-53 773 718.65** | **-5 277 227.57** | **2 417 610.83** | **280 528 165.67** | **76 768 903.19** | **357 297 068.85** |

## Consolidated statement of changes in equity (comparative data)

| 01.01.2015-31.12.2015 | Share capital | Other capital/supplementary capital | Capital from option valuation | Other capital/exchange rate differences on conversion of subsidiaries | Net result | Equity attributable to shareholders of parent company | Equity attributable to non-controlling shareholders | Equity with a capital of minority shareholders |
|---|---|---|---|---|---|---|---|---|
| **As on 31 December 2014** | **6 503 950.70** | **299 511 274.16** | **0.00** | **-35 192 635.42** | **36 248 167.42** | **307 070 756.86** | **35 708 619.65** | **342 779 376.51** |
| The capital increase | 5 531.60 | 0.00 | 0.00 | 0.00 | 0.00 | **5 531.60** | 0.00 | **5 531.60** |
| Net profit (loss) for the financial year | 0.00 | 0.00 | 0.00 | 0.00 | 27 616 454.29 | **27 616 454.29** | 0.00 | **27 616 454.29** |
| Exchange differences on conversion of financial statements of foreign entities | 0.00 | 0.00 | 0.00 | 9 406 836.32 | 0.00 | **9 406 836.32** | 0.00 | **9 406 836.32** |
| Distribution of profit for 2014, including: | 0.00 | 36 248 167.42 | 0.00 | 0.00 | -36 248 167.42 | **0.00** | 0.00 | **0.00** |
| - Transfer to reserve capital | 0.00 | 25 841 846.30 | 0.00 | 0.00 | 0.00 | **25 841 846.30** | 0.00 | **25 841 846.30** |
| - Payment of dividends | 0.00 | 10 406 321.12 | 0.00 | 0.00 | 0.00 | **10 406 321.12** | -2 134 467.98 | **8 271 853.14** |
| Purchasing shares from minorities | 0.00 | -14 708 798.43 | 0.00 | 0.00 | 0.00 | **-14 708 798.43** | -3 912 478.22 | **-18 621 276.66** |
| Managers programme | 0.00 | 1 078 005.25 | 0.00 | 0.00 | 0.00 | **1 078 005.25** | 0.00 | **1 078 005.25** |
| Minorities result | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | **0.00** | 13 809 768.89 | **13 809 768.89** |
| Other | 0.00 | 700 699.04 | 0.00 | 0.00 | 0.00 | **700 699.04** | 54 773.23 | **755 472.27** |
| Capital from option valuation | 0.00 | 0.00 | -35 131 379.85 | 0.00 | 0.00 | **-35 131 379.85** | 0.00 | **-35 131 379.85** |
| **As on 31 December 2015** | **6 509 482.30** | **312 423 026.32** | **-35 131 379.85** | **-25 785 799.10** | **27 616 454.29** | **285 631 783.95** | **43 526 215.57** | **329 157 999.52** |

# INTRODUCTION TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. Information about the Capital Group.

### 1.1. The Parent Company

The Parent Company of the Capital Group Work Service is a company Work Service Spółka Akcyjna [*joint stock company*]. The registered office of the parent company is located in Wroclaw at Gwiaździsta str. no. 66 The company was established by notarial deed dated 12 December 2000 prepared in a Notary Office in Oleśnica (Files no. 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 National Court Register on 28 January 2002. Work Service S.A is the successor of Work Service Sp. z o.o.

The core business of the Company according to the Polish Classification of Activities (PKD 7820Z) are activities related to recruitment and provision of personnel.

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.

Company name, address and communication numbers:

| | |
|---|---|
| Company name | Work Service S.A. |
| Legal form | Joint stock company |
| address | 53-413 Wrocław, Gwiaździsta str. No. 66 |
| Phone | +48 (071) 37 10 900 |
| Fax | +48 (071) 37 10 938 |
| E-mail | work@workservice.pl |
| Website | www.workservice.pl |

Work Service SA operates under Polish law. The basis of the Company's operations is: Commercial Companies Code and the regulations of the General Meeting, the Supervisory Board and Management Board.

## 1.2. Basic information on the Work Service Capital Group

Introduction to the consolidated financial statements for 2016 years have been prepared on the basis of separate financial statements of the Capital Group and compiled in a way so that the Group constituted a single entity.

The basis for preparation of the consolidated report is the report of parent company, prepared in accordance with International Financial Accounting Standards that have been approved by the European Union and restated financial statements of subsidiaries The consolidated financial statements has been adjusted by the amounts of mutual revenues, expenses, unrealised margins and balances arising from transactions between Group companies. Individual financial statements, constituting the basis for preparation of the consolidated financial statements, have been prepared on assumption of continuation of activities of entities within the Capital Group in the foreseeable future, and the belief that there are no circumstances indicating a threat to the continuation of activities.

The core business of the companies comprising the Capital Group is:

- Temporary work – offering work for temporary employees,
- merchandising and promotions - professional service of the sales process,
- recruitment of employees, personal counselling,
- personnel and payroll services,
- outsourcing.

As on 31 December 2016 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 |
| Exact Systems SA | 42-200 Częstochowa, ul.Focha 53 | 24.09.2007 | 69.09% | 69.09% | Full |
| (Antal Sp. z o.o. (previous name: People Care 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 |
| Proservice Worldwide (Cypr) Ltd. | Nicosia, Agiou Pavlou 15, Ledra House, Agios Andreas P.C.1105 | 04.04.2008 | 100.00% | 100.00% | Full |
| Clean Staff Sp. z o.o. (previous name: Medi Staff 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 |
| IT Kontrakt Sp. z o.o. | 53-413 Wrocław, ul. Gwiaździsta 66 | 05.04.2012 | 84.18% | 84.18% | Full |
| Prohuman 2004 Kft. | 194 Budapest, Kiss János altábornagy utca 32. | 21.12.2013 | 75.00% | 75.00% | 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 | 76.90% | 76.90% | Full |
| Work Service Czech s.r.o. | Londýnská 730/59, Vinohrady, 120 00 Praha 2 | 30.01.2004 | 100.00% | 100.00% | Full |

| 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 |
|---|---|---|---|---|---|
| **Companies related by Proservice Worldwide (Cypr) Ltd.** | | | | | |
| ZAO Work Service Russia | Moskwa, Biuro 45 Olkhovskaya ST, bld.1 105066 | 04.04.2008 | 99.00% | 99.00% | Full |
| ProService Worldwide Limited, British Virgin Islands | British Virgin Islands, Office of Aleman, Cordero,Galindo &Lee Trust (BVI) Limited, skr.poczt.3175,Road Town Tortola | 04.04.2008 | 100.00% | 100.00% | Full |
| Janveer Limited (BVI) | Quijano Chambers, P.O. Box 3159, Road Town, Tortola, BVI | 01.04.2015 | 100.00% | 100.00% | Full |

| | | | | | |
|---|---|---|---|---|---|
| **Companies related by ZAO Work Service Russia** | | | | | |
| EMG Management | 191015,Petersburg, Kałużski pereułok, bud 3A | 10.02.2015 | 100.00% | 100.00% | Full |
| EMG Leasing | 191015,Petersburg, Kałużski pereułok, bud 3 | 10.02.2015 | 100.00% | 100.00% | Full |
| IT Kontrakt o.o.o. | 4th floor, bld. 23, 38 A, 2nd Khutorskaya str., Moscow | 12.02.2015 | 100.00% | 100.00% | Full |

| | | | | | |
|---|---|---|---|---|---|
| **Companies related by Work Service International Sp. z o. o.** | | | | | |
| Work Service Slovakia s.r.o. | 831 03 Bratysława, Škultétyho 1 | 04.09.2007 | 53,5% | 53,5% | Full |
| Work Service SPV Sp. z o.o. | 53-413 Wrocław, ul. Gwiaździsta 66 | 29.01.2014 | 15.29% | 15.29% | Full |
| ZAO Work Service Russia | Moskwa, Biuro 45 Olkhovskaya ST, bld.1 105066 | 20.02.2013 | 1.00% | 1.00% | Full |

| | | | | | |
|---|---|---|---|---|---|
| **Companies related by Work Service Czech s.r.o.** | | | | | |
| Antal International s.r.o. | Anglicka 140/20, Vinohrady, 120 00 Praha 2 | 19.09.2014 | 100.00% | 100.00% | Full |

| 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 |
|---|---|---|---|---|---|
| **Companies related by Exact Systems SA** | | | | | |
| Automotive Assembly Systems Sp.z o. o. | 53-413 Wrocław, ul. Gwiaździsta 66 | 01.03.2007 | 100.00% | 100.00% | Full |
| Exact Systems Czech Republik s.r.o. | Štramberská 2976/25, Ostrava - Vitkovice, PSC 703 00 | 29.01.2007 | 100.00% | 100.00% | Full |
| Exact Systems Slovakia s.r.o. | 010 01 Zilina, Jána Kalinčiaka 22 | 17.10.2006 | 100.00% | 100.00% | Full |
| AO Exact Systems Russia | 24 Surikova Street, 125080 Moscow | 21.03.2011 | 100.00% | 100.00% | Full |
| Exact Systems Kalite Kontrol Ltd. Sti. | Akdeniz Mah. Vali Kazim Dirik Cad. No: 32/32 Konak Izmir | 03.04.2012 | 99.00% | 99.00% | Full |
| Exact Systems s.r.l. Rumunia | Blv. Aviatorilor, No. 18, Floor 1, Apt. 3, Bucharest, Romania | 24.09.2007 | 99.97% | 99.97% | Full |
| Exact Systems Ltd. | Afroditis, 25 Clarion Business Centre 1060 Nicosia Cyprus | 19.12.2012 | 100.00% | 100.00% | Full |
| Exact Systems Ltd. (UK) | Unit 1, Cottesbrook Park, Heartlands Business Park, Daventry, NN118YL, England | 15.11.2013 | 100.00% | 100.00% | Full |
| Work Service SPV Sp. z o.o. | 53-413 Wrocław, ul. Gwiaździsta 66 | 29.01.2014 | 6.99% | 6.99% | Full |
| Exact Systems Hungary LLC | Hungaria krt.140-144, 1146 Budapest | 10.07.2015 | 100.00% | 100.00% | Full |
| Control + Rework Service NV | Hoogstraat 69 3600 Genk Belgia | 15.09.2015 | 100.00% | 100.00% | Full |
| Control + Rework Service Polska Sp. z o.o. | 44-102 Gliwice ul. Portowa 16L | 15.09.2015 | 100.00% | 100.00% | Full |
| Exact Systems China Ltd | 3F Qianjiang Tower, 971 Dong Fang Rd. Pudong District, Shanghai, PR China, 200122 | 19.02.2016 | 100% | 100% | Full |

| | | | | | |
|---|---|---|---|---|---|
| **Companies related by Industry Personnel Services Sp. z o.o.** | | | | | |
| Work Service Slovakia s.r.o. | 831 03 Bratysława, Škultétyho 1 | 05.05.2011 | 46,5% | 46,5% | 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.** | | | | | |
| 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 |

| 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 |
|---|---|---|---|---|---|
| **Companies related by Automotive Assembly Systems Sp. z o.o.** | | | | | |
| Exact Systems Kalite Kontrol Ltd. Sti. | Akdeniz Mah. Vali Kazim Dirik Cad. No: 32/32 Konak Izmir | 03.04.2012 | 1.00% | 1.00% | Full |
| Exact Systems s.r.l. Rumunia | Blv. Aviatorilor, No. 18, Floor 1, Apt. 3, Bucharest, Romania | 24.09.2007 | 0.03% | 0.03% | Full |

| | | | | | |
|---|---|---|---|---|---|
| **Companies related by IT Kontrakt Sp. z o.o.** | | | | | |
| Stermedia Sp. z o.o. | ul. Nowa 6 50-082 Wrocław | 25.07.2012 | 75.40% | 75.40% | Full |
| Work Service SPV Sp. z o.o. | 53-413 Wrocław, ul. Gwiaździsta 66 | 29.01.2014 | 0.82% | 0.82% | Full |
| IT Kontrakt AG | Pfaffikon, Churerstrasse 47, Szwajcaria | 28.10.2014 | 100.00% | 100.00% | Full |
| IT Service Sp. z o.o. | Warszawa, ul. Puławska nr 479, lok. 4 | 30.06.2015 | 70.00% | 70.00% | Full |
| IT Kontrakt Services SDN.BHD | Unit 621,6th floor, Block A, Kelana Centre Point, No.3 Jalan SS7/19 Kelana Jaya 47301 Petaling Jaya Selangor Darul Ehsan | 28.09.2016 | 100% | 100% | Full |

| | | | | | |
|---|---|---|---|---|---|
| **Companies related by Prohuman 2004 Kft** | | | | | |
| Prohuman Outsourcing Kft. | 1194 Budapest, Kiss János altábornagy utca 32. | 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 |
| Enloyd Kft. | 1194 Budapesr, Kiss Janos altabornagy utca 32, Hungary | 16.02.2015 | 100.00% | 100.00% | Full |
| HR GLOBAL d.o.o. | Ljubljana, Cesta 24. Junija 25, 1231 Ljubljana-Crnuce | 03.12.2015 | 100.00% | 100.00% | Full |
| HR Rent Kft | 7743 Romonya, Béke utca 51 | 10.12.2015 | 100.00% | 100.00% | Full |
| Profield 2008 Kft | 2724 Újlengyel, Ady Endre utca 41 | 17.12.2015 | 100.00% | 100.00% | Full |

| 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 |
|---|---|---|---|---|---|
| **Companies related by HR GLOBAL d.o.o.** | | | | | |
| Naton kadrovsko svetovanje d.o.o. | Ljubljana, Cesta 24. Junija 25, 1231 Ljubljana-Crnuce | 03.12.2015 | 100.00% | 100.00% | Full |
| **Companies related by Work Express Sp. z o.o.** | | | | | |
| Outsorcing Solutions Partner Sp. z o.o. | ul. Murckowska 14, 40-265 Katowice | 02.01.2014 | 100.00% | 100.00% | Full |
| 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** | | | | | |
| Exact Systems GmbH Germany | 02826 Gorlitz, Emmerichstr.43 | 12.08.2009 | 100.00% | 100.00% | Full |
| 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.** | | | | | |
| Work Service Gmbh & Co.KG | c/o CMS Hasche Sigle, Breite Str. 3, 40213 Düsseldorf | 26.06.2014 | 74.00% | 74.00% | Full |
| **Companies related by Work Service Deutschland GmbH** | | | | | |
| Work Service Fahrschule Gmbh | Domhof 8, 48268 Greven | 29.07.2015 | 100.00% | 100.00% | Full |

| 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 |
|---|---|---|---|---|---|
| **Companies related by Krajowe Centrum Pracy Sp. z o.o.** | | | | | |
| Kariera.pl Sp. z o.o. | 53-413 Wrocław, ul. Gwiaździsta 66 | 03.11.2016 | 51,00% | 51,00% | Full |

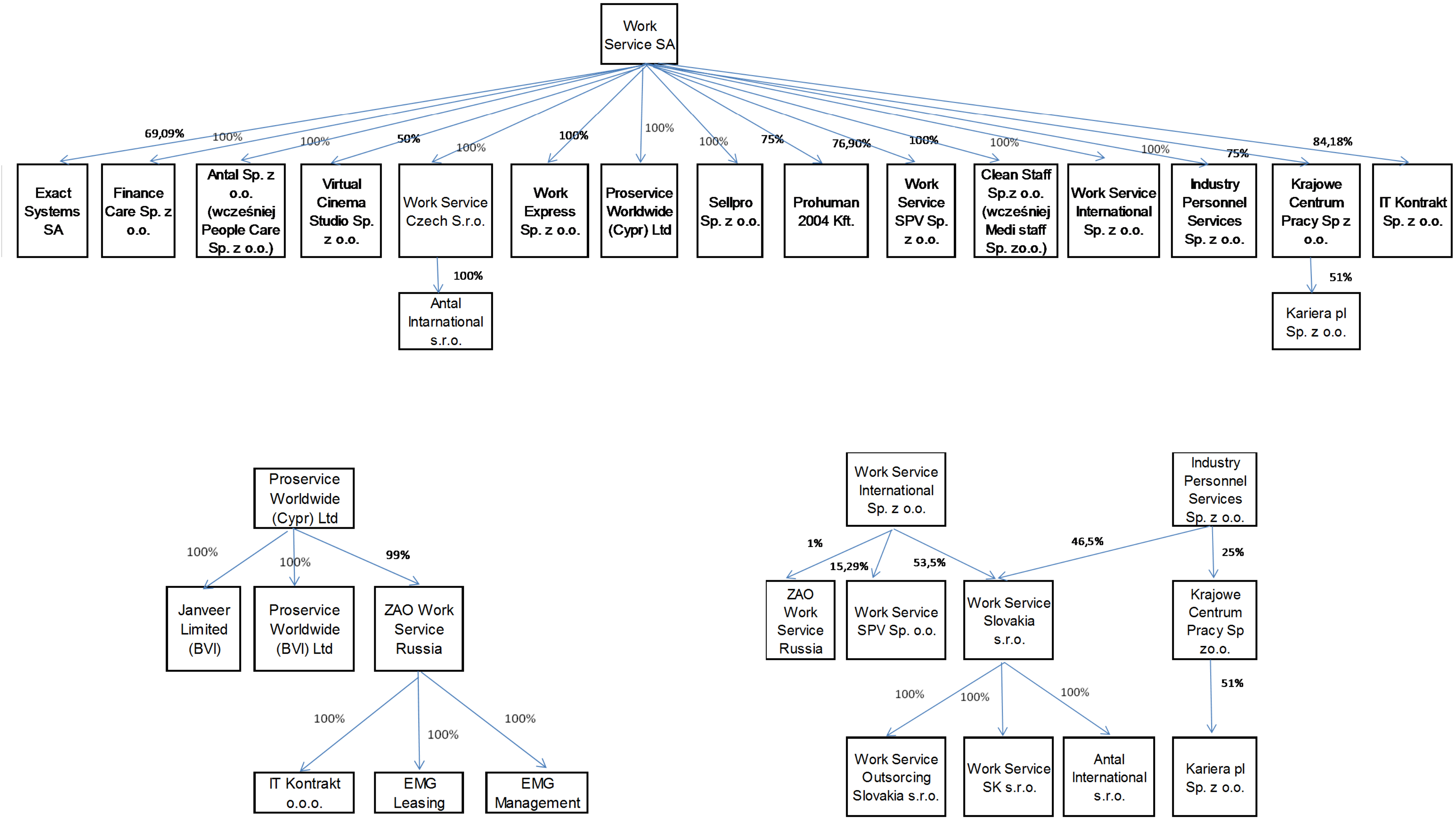
| Name of the Company | Registered office | Date of acquisition of control | Percentage of the subsidiary's share capital | % Share of the subsidiary in the total number of votes at the General Meeting | Method of consolidation |
|---|---|---|---|---|---|
| **Companies related by Profield 2008 Kft**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

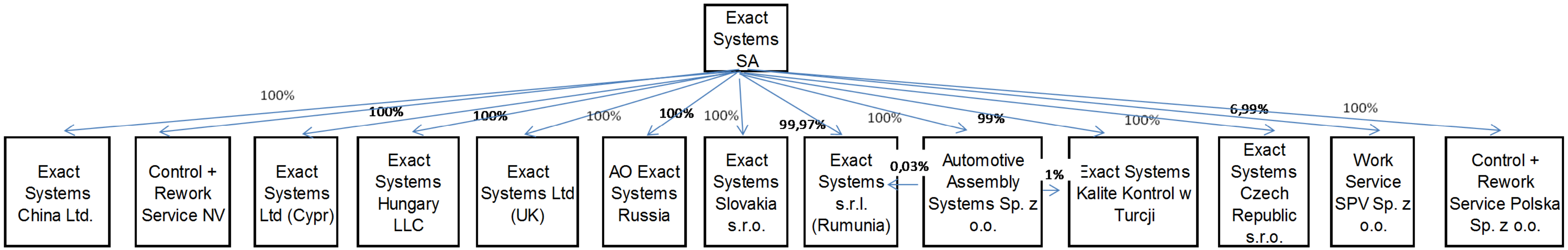
Related entities of the Parent Company are the entities included in the consolidated financial statements, i.e. all Capital Group companies except for the Company Virtual Cinema Studio sp. z o.o

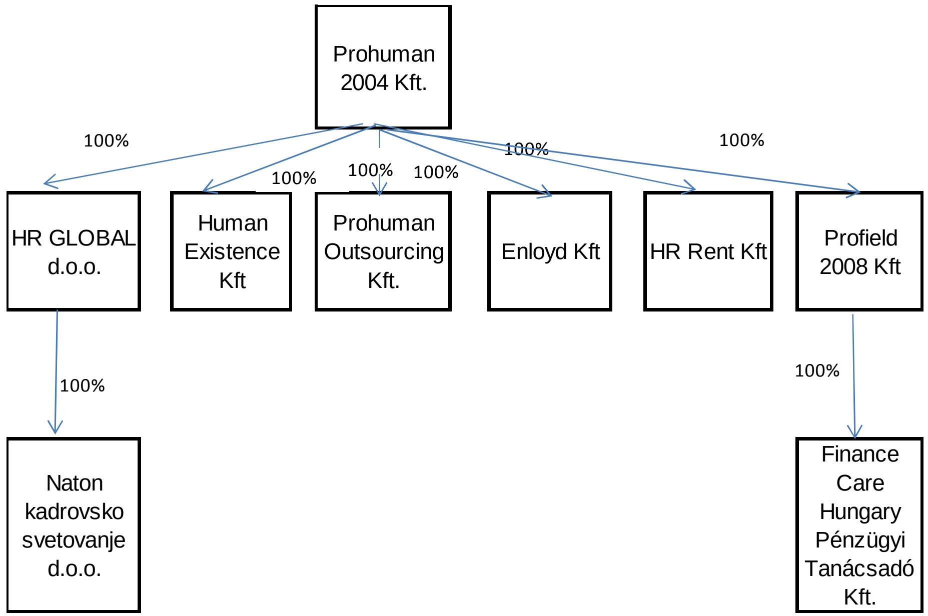
Due to the fact that the Work Service SA does not have the control over the company Virtual Cinema Studio sp. z o.o., understood in accordance with § 19 of IFRS 3, as "the ability to govern the financial and operating policies of an entity or business so as to obtain benefits from its activities", does not consolidate it by method of acquisition. 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.

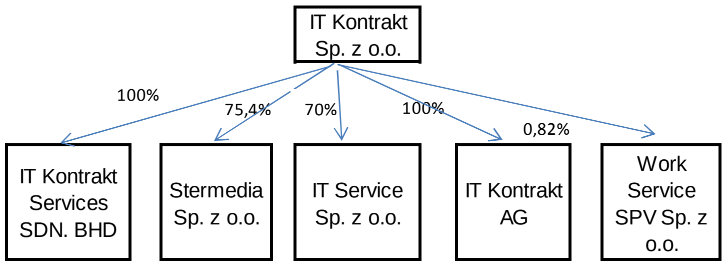
The exclusion of the above mentioned company from consolidation does not affect the economic decisions taken by users on the basis of the financial statements.

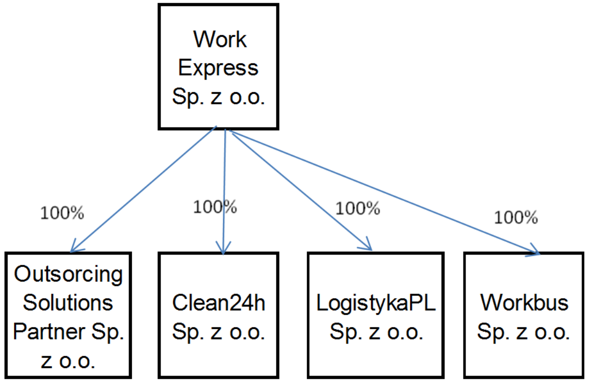
# The structure of Work Service SA Capital Group as on 31.12.2016

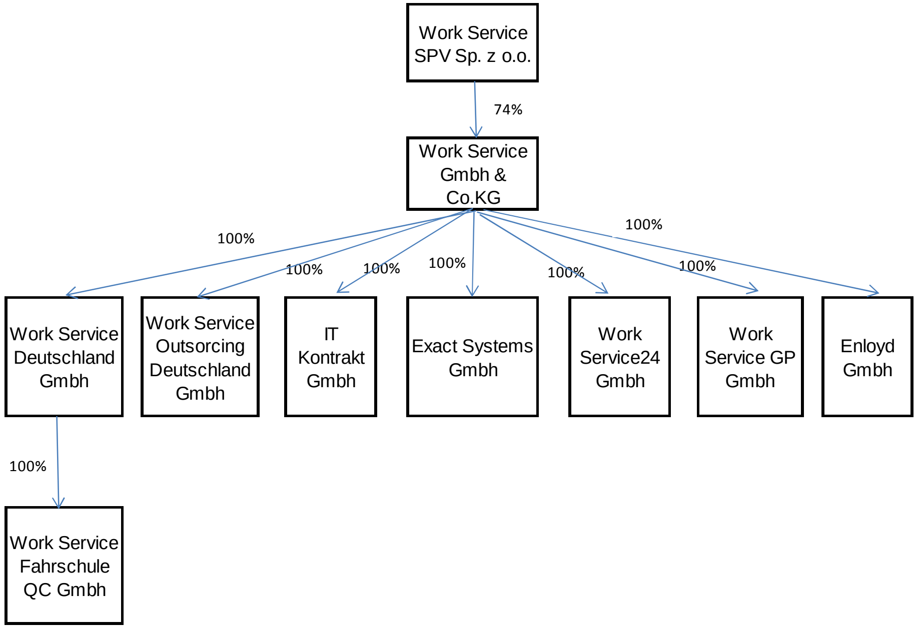



Exact Systems SA
100%
100%
100%
100%
100%
100%
99,97%
100%
99%
100%
6,99%
100%
Exact Systems China Ltd.
Control + Rework Service NV
Exact Systems Ltd (Cypr)
Exact Systems Hungary LLC
Exact Systems Ltd (UK)
AO Exact Systems Russia
Exact Systems Slovakia s.r.o.
Exact Systems s.r.l. (Rumunia)
0,03%
Automotive Assembly Systems Sp. z o.o.
1%
Exact Systems Kalite Kontrol w Turcji
Exact Systems Czech Republic s.r.o.
Work Service SPV Sp. z o.o.
Control + Rework Service Polska Sp. z o.o.


Prohuman 2004 Kft.
100%
100%
100%
100%
100%
100%
HR GLOBAL d.o.o.
Human Existence Kft
Prohuman Outsourcing Kft.
Enloyd Kft
HR Rent Kft
Profield 2008 Kft
100%
100%
Naton kadrovsko svetovanje d.o.o.
Finance Care Hungary Pénzügyi Tanácsadó Kft.


IT Kontrakt Sp. z o.o.
100%
75,4%
70%
100%
0,82%
IT Kontrakt Services SDN. BHD
Stermedia Sp. z o.o.
IT Service Sp. z o.o.
IT Kontrakt AG
Work Service SPV Sp. z o.o.


Work Express Sp. z o.o.
100%
100%
100%
100%
Outsorcing Solutions Partner Sp. z o.o.
Clean24h Sp. z o.o.
LogistykaPL Sp. z o.o.
Workbus Sp. z o.o.


Work Service SPV Sp. z o.o.
74%
Work Service Gmbh & Co.KG
100%
100%
100%
100%
100%
100%
100%
Work Service Deutschland Gmbh
Work Service Outsorcing Deutschland Gmbh
IT Kontrakt Gmbh
Exact Systems Gmbh
Work Service24 Gmbh
Work Service GP Gmbh
Enloyd Gmbh
100%
Work Service Fahrschule QC Gmbh

### 1.3. Scope of activities of companies of Work Service Capital Group

The Work Service Capital Group provides services in the field of human resource management. It specialises in seeking and recruitment of skilled workers, personal consulting, outsourcing functions related to human resources management and auxiliary processes in enterprises and offering solutions based on the use of temporary employment contracts. Capital Group operates throughout the country through regional offices and representative offices as well as abroad, at the territory of Europe and Asia. The business of Work Service Capital Group is based on the ability to integrate the needs of businesses in terms of cost optimisation and structure of employment, with available resources of the labour market, which is the amount of economically active people, with their skills and labour cost.

**Work Service SA –** This is the Parent Company of the Work Service Group. The company's activity is based on the provision of services: temporary employment, HR consulting, recruitment, competency assessment, outplacement, providing personnel and payroll services.

**Antal Sp. z o.o. (previous name: People Care Sp. z o.o.) -** the main business of the company are paramedical services, ranging from services to support pregnant women (such as shopping expert, customising the interior to the needs and safety of young children), through the care of newborns, infants and young children. Offered care services are performed by midwives, nannies and governesses. The company's activity is also personal counselling, particularly in the areas of recruitment, selection and sourcing of employees for specific middle and senior management positions of various industries, in sales and marketing, logistics, IT / computer, production , public relations, legal, human resources, finance and accounting, and banking departments.

**Finance Care Sp. z o.o. –** in cooperation with insurance companies and banks, Care Finance company provides outsourcing services for listed companies.

**Industry Personnel Services Sp. z o.o. -** carries out tasks related to managing the management projects of separated parts or entire production plants.

**Sellpro Sp. z o.o. -** merchandising and promotions - professional service of sales process, also performs services related to recruitment and provision of personnel, business consultancy and management, activities related to databases, market research.

**Clean Staff Sp. z o.o. (previously Medi Staff Sp. z o-o.) -** the Company's business are complex cleaning services of healthcare facilities, other functional buildings and private objects.

**Work Service International Sp. z o.o. –** provides services related to temporary work and recruiting workers on international markets.

**Work Service Czech s.r.o. –** provides services related to temporary work, outsourcing and recruitment of employees in Czech Republic.

**Work Service Slovakia s.r.o. -** indirect subsidiary of Work Service SA, through the company Industry Personnel Services Sp. z o o, which is the majority shareholder and Work Service International Sp. z o.o. (which holds the remaining shares in the Work Service Slovakia s.r.o). The company carries out the range of services analogous to those offered by the Parent Company in the domestic market, but in Slovakia.

**Work Service Outsorcing Slovakia s.r.o. -** share capital of the company in whole is covered by Work Service Slovakia s.r.o. Its core business is, among others, HR consultancy, development and sale of research and analysis of labour markets.

**Work Service24 Gmbh –** indirect subsidiary of Work Service SA, which 100% owner is the Work Service Gmbh & Co. KG. The registered office of the company is Hoppegarten near Berlin. Its core business is employment services in the labour market (including headhunting services, conducting recruitment), hiring employees (temporary work), the development and sale of research and analysis of labour markets.

**Exact Systems S.A. -** the company provides specialised services in the field of control, selection and repair of components and assemblies primarily in the automotive industry, but also ICT sector.

**Exact Systems s.r.l. –** indirect subsidiary of Work Service SA, through the companies Exact Systems S.A. (99.97%) and Automotive Assembly Systems Sp. z o.o. (0.03%). Company dedicated for handling of the Romanian market, providing services in the field of control, selection and repair of components and assemblies primarily in the automotive industry.

**Automotive Assembly Systems Sp. z o.o. -** the company provides services in the field of sub-assembly, which consists of combining two / three components into one unit constituting a module or ready component, which can then be further assembled in the finished product.

**Exact Systems Slovakia s.r.o. -** the company dedicated for handling of the Slovak market, providing services within control, selection and repair of components and assemblies primarily in the automotive industry.

**Exact Systems Czech Republic s.r.o. -** the company dedicated for handling of the Czech market, provides services in the field of control, selection and repair of components and assemblies primarily in the automotive industry.

**Exact Systems Gmbh -** company dedicated for handling of the German market, provides services in the field of control, selection and repair of components and assemblies primarily in the automotive industry.

**Exact Systems Kalite Kontrol Lti Sti. -** 99% of the shares in the company were acquired by the company Exact Systems SA, and 1% of the shares were acquired by Automotive Assembly Systems Sp. z o.o. (100% subsidiary of company Exact Systems S.A.), the Company is dedicated to handle the Turkish market, provides services in the field of control, selection and repair of components and assemblies primarily in the automotive industry.

**AO Exact Systems based in Moscow (Russia) –** indirect subsidiary of Work Service SA, 100% owner of the company is a company Exact Systems S.A. The Company is a provider of solutions for the selection, repair, sorting parts and components and finished products for the automotive companies in the Russian Federation and Ukraine. The recipients of the services provided by the company are, in particular, suppliers and sub-suppliers to the automotive industry and car manufacturers, as well as plants of volume production profile of electronic and household appliances.

**Exact Systems China Ltd.** - the company dedicated for handling of the Chinese market, providing services within control, selection and repair of components and assemblies primarily in the automotive industry

**Exact Systems Limited -** A 100% subsidiary of Exact Systems S.A. The main business of the company is financing of Exact Systems Group companies in the form of loans concluded on market terms. Up to 30 December 2014 the scope of activity of the company also included provision of rights to use intellectual property rights

**Exact Systems Ltd (UK) -** 100% of the shares in the company were acquired by the company Exact Systems S.A. The company is dedicated to handling the market in the UK, providing services for the control, selection and repair of components and assemblies primarily in the automotive industry.

**Proservice Worldwide (Cyprus) Limited –** The statutory objects of the company covers a very wide range of economic activity possible to take within the limits of the requirements arising from the applicable provisions of law, including: commercial activities, management, consulting (including the provision of advisory services to companies belonging to the same group capital), providing support (including financial) to the companies belonging to the same group, business travel and hospitality, as well as conducting and engaging in any other activity and perform any activity deemed advisable by the Management Board for the purposes of the company and that may directly or indirectly increase the company's value or profitability of any business, property or rights of the company. The Company is currently not engaged in operating activities. The Company is currently not engaged in operating activities.

**Proservice Worldwide Limited based in the British Virgin Islands –** the task of the company is to handle outsourcing personnel - key customer of Proservice groups - outside the Russian Federation.

**ZAO Work Service Russia** - company engaged in the area of outsourcing in the Russian Federation, provides services in outsourcing of logistics, industrial merchandising and consulting services.

**IT Kontrakt Sp. z o.o.** . - the company is a leader in outsourcing IT staff in Poland. . It provides the best IT professionals for IT projects implemented in key sectors of the economy. It offers comprehensive services in the field of outsourcing IT projects and quality testing of IT systems. The offer of IT Kontrakt covers four areas of outsourcing: outsourcing of IT staff, outsourcing quality testing of IT systems, outsourcing of IT projects, outsourcing of recruitment for IT positions.

**IT Kontrakt Gmbh –** indirect subsidiary of Work Service SA. The company dedicated to handle the German market in the range analogous to company IT Kontrakt Sp. z o.o.

**IT Kontrakt o.o.o. -** indirect subsidiary of Work Service SA, which is owned in 100% by ZAO Work Service Russia. The company dedicated to handle the Russian market in the range analogous to company IT Kontrakt Sp. z o.o.

**IT Kontrakt AG -** indirect subsidiary of Work Service SA, which is owned in 100% by IT Kontrakt Sp. z o.o. The company dedicated to handle the Switzerland market in the range analogous to company IT Kontrakt Sp. z o.o.

**IT Kontrakt Services SDN. BHD -** the company has its registered office in Malaysia. 100% of shares in the company have been acquired by IT Kontrakt Sp. z o.o. (a direct subsidiary of Work Service SA). The company carries out activities similar to the activities of IT Kontrakt Sp. z o.o.; however, in the territory of Malaysia.

**Stermedia Sp. z o.o. -** is a company being in 75.4% subsidiary of IT Kontrakt Sp. z o.o. .The main activity of the company is to provide professional assistance in creating dedicated web and mobile applications. The company offers: dedicated applications, IT systems, mobile applications and outsourcing, IT nearshoring.

**Krajowe Centrum Pracy Sp. z o.o.** with registered office in Wroclaw - the purpose of establishment of the company is to conduct the business offering to customers specialised solutions in the field of both permanent and temporary recruitment of specialists also in foreign markets, outsourcing of common functions for the raw materials and power generation industry.

**Work Express Sp. z o.o. -** A direct subsidiary of the Parent Company, in which Work Service SA holds 100% of shares. As a temporary work agency it offers comprehensive organisation of the process of temporary workers employment. The second activity of the company are job placement services and human resource consulting. The third area of business are services of process outsourcing. Using their knowledge and experience gained during servicing companies in the TSL industry in the field of temporary work, the company has created innovative solutions for customers in the following industries: IT, consumer electronics, clothing, food, heavy industry, online stores.

**Outsorcing Solutions Partner Sp. z o.o. -** Indirect subsidiaries of Work Service SA 100% owner of the company is a company Work Express Sp. z o.o (in 100% subsidiary of Work Service SA).

**Clean24h Sp. z o.o. -** Indirect subsidiaries of Work Service SA 100% owner of the company is a company Work Express Sp. z o.o (in 100% subsidiary of Work Service SA).

**LogistykaPL Sp. z o.o. -** Indirect subsidiaries of Work Service SA 100% owner of the company is a company Work Express Sp. z o.o (in 100% subsidiary of Work Service SA).

**Workbus Sp. z o.o. -** Indirect subsidiaries of Work Service SA 100% owner of the company is a company Work Express Sp. z o.o (in 100% subsidiary of Work Service SA).

**Prohuman 2004 Kft -** a direct subsidiary of the Parent Company, in which the Work Service SA holds 75% stake. The company is one of the largest recruitment agencies operating on the Hungarian market. Prohuman operates on the Hungarian market of personal services since 2004. The company is a part of the Prohuman Group Capital Group, covering a total of five companies operating in different areas (comprehensive HR services, merchandising, sales promotions, marketing events, telemarketing).

**Prohuman Outsourcing Kft. -** Indirect subsidiaries of Work Service SA 100% owner of the company is a company Prohuman 2004 Kft (75% subsidiary of Work Service SA).

**Work Service SPV Sp. z o.o. -** The company in 97.71% is a subsidiary of Work Service SA (directly WSSA has a 76.90% stake, and indirectly through shares of: Exact Systems SA-4.84%, IT Kontrakt Sp. z o.o. – 0.69%, Work Service International Sp. z o.o. – 15.29%). Its establishment is related to the implementation of the provisions of the agreement with Fiege Logistik Stiftung & Co. KG with its registered office in Greven, Germany.

**Enloyd Gmbh** – the company conducts the activity analogous to the activity of Antal Sp. z o.o. on the German market. The company's capital was fully covered by the company Work Service Gmbh & Co. KG The Company was registered on 23.03.2015.

**Enloyd Kft** – the company conducts the activity analogous to the activity of Antal Sp. z o.o. on the Hungarian market. The share capital of the company was fully covered by Prohuman 2004 Kft, which is a 75% subsidiary of Work Service SA.

**Antal International s.r.o**. (Czech Republic) – the company conducts the activity analogous to the activity of Antal Sp. z o.o. on the Czech market. The share capital of the company was fully covered by Work Service Czech s.r.o, which is a 100% subsidiary of Work Service SA.

**Antal International s.r.o**. (Slovakia) – the company conducts the activity analogous to the activity of Antal Sp. z o.o. on the Slovakian market. The share capital of the company was fully covered by Work Service Slovakia s.r.o, which is a indirect subsidiary of Work Service SA.

**IT Service Sp. Z o.o. -** The company is engaged in IT projects, consulting, IT services, outsourcing of services in Poland. Founded in 2011. The company is 70% subsidiary of IT Kontrakt Sp. Z o.o. (Indirect subsidiaries of Work Service SA)

**EMG Leasing -** the company based in Pittsburgh, 100 % subsidiary of ZAO Work Service Russia (100% subsidiary of Work Service SA). The company provides services of workers leasing in north-west Russia.

**EMG Uprawlienije (EMG Management) -** a company based in Pittsburgh, a 100% subsidiary of OAO Work Service Russia (100% subsidiary of Work Service). The company provides recruitment services of employees in north-west Russia.

**Janveer Limited (BVI) -** the company based in the British Virgin Islands, the 100% subsidiary of Proservice Worldwide Ltd (BVI) (100% subsidiary of Work service SA). The company provides services of employees outsourcing, selection of personnel, personal counselling and temporary work

**Control + Rework Service Polska Sp. Z o.o. –** the company operates in the outsourcing industry and specialises in quality control for the automotive industry on the Polish market

**Control + Rework Service NV –** the company operates in the outsourcing industry and specialises in quality control for the automotive industry on the Belgian market

**Exact Systems Hungary LLC –** the company dedicated to offer services on the Hungarian market, it provides services in terms of control, selection and repair of parts and components mostly in the automotive industry.

**Work Service Fahrschule QC Gmbh (the former name: Fortuncorona Gmbh) –** an indirect subsidiary of Work Service SA. Specialised training of workers in the logistics industry constitutes the main object of the company's operations. The company's operations are aimed at improving workers' qualifications by enabling them to obtain additional licences to operate machinery and devices used in the logistics industry. The company also offers category C+E driving courses to its own employees and external clients.

**Human Existence Kft.- -** Indirect subsidiaries of Work Service SA 100% of company shares is owned by company Prohuman 2004 Kft (75% subsidiary of Work Service SA). Company is engaged in leasing of temporary workers and outsourcing. It operates in the north-eastern Hungary.

**Work Service Gmbh & Co. KG with the seat in Dusseldorf, Germany -** a limited partnership under German law (Holding Company), in which the Work Service SPV Sp. z o.o and Fiege Logistik Stiftung & Co. KG with the seat in Greven, Germany is limited partners, and Work Service GP GmbH based based in Vienna, is the general partner. The share capital of the Holding Company (fixed capital) amounts to 100,000 euros. On the date of registration of the Holding Company (i.e. as at 4 September 2014) Fiege Logistik Stiftung & Co. KG with the seat in Greven, Germany held a participating interest of 77.000 euro i.e. 77% of the capital of Holding Company, and Work Service SPV Sp. z o.o. held a share of 23,000 euros, i.e. 23% of the capital of Holding Company. The company Work Service SPV Sp. z o.o has an equity participation of 74,000 euros, i.e. 74% of capital of Holding Company and the company Fiege Logistik Stiftung & Co. KG, based in Greven, Germany has an equity participation of 26,000 euros, i.e. 26% of the capital of the Holding Company. Work Service GP GmbH, based in Vienna, which is the general partner of Holding Company, has no equity participation in it. The purpose of the Holding Company is the management of shares in other companies.

**Work Service Deutschland GmbH-** Indirect subsidiaries of Work Service SA The company is involved in intermediation on the labour market, hiring employees (temporary work), mainly in the logistics industry. The company combines the logistics know-how with the knowledge of human resources and implements intelligent staffing solutions for the trade and logistics industry. The company operates in the German market.

**Work Service Outsorcing Deutschland GmbH** – Indirect subsidiaries of Work Service SA The company offers services related to the outsourcing of processes, with special adjustment for logistics. The company operates in the German market. The uniqueness of the company is based on training and providing staff development according to customer needs. These trainings are held in more than 100 locations of the company or in cooperation with its partners in Germany.

**Work Service GP Gmbh** – a company established and operating under the laws of Austria. The company is the general partner of Work Service GmbH & Co. KG.

**HR-Rent Kft. -** This company provides temporary employment in Hungary Baranya country and abroad (Austria, Germany).

**Profield 2008 Kft. -** is engaged in the provision of full-scope intermediary services of various financial products, i.e. financial outsourcing services.

**HR Global d.o.o. -** a holding company for the subsidiaries.

**Naton kadrovsko svetovanje d.o.o.-** the oldest HR agency in Slovenia. It holds second to third place according to size and number of agency workers in Slovenia.

**Work Service SK s.r.o.-** indirect subsidiary of Work Service SA, through the company Work Service Slovakia s.r.o. The company carries out the range of services analogous to those offered by the Parent Company in Slovakia.

**Kariera.pl Sp. z o.o.** – a 51% subsidiary of Krajowe Centrum Pracy Sp. z o.o. The Company is the administrator of “kariera.pl” service, dedicated to premium segment candidates (employees and job offers for middle and senior managers and professionals).

**Finance Care Hungary Pénzügyi Tanácsadó Kft.** — as part of cooperation with insurance companies and banks, the company provides outsourcing services for these entities in the Hungarian market.

## 1.4. Information about changes in structure of the business entity, including as a result of a business entity mergers, acquisition or disposal of Capital Group entities, long-term investments, division, restructuring and discontinued operations.

In 2016 the following events resulting in changes in the Capital Group structure took place:

**Loss of control over Work Service Acquisition Ltd.**
On 2 January 2016, an agreement was concluded under which Work Service SA temporarily, until the end of 2016 (with possible extension), resigned from its control over Work Service Acquisition Ltd. Control over said company was transferred to a professional external entity in order to improve its efficiency and profitability.

**Loss of control over Workport24 Gmbh**
On 2 January 2016, an agreement was concluded under which Work Service International Sp. z o.o. temporarily, until the end of 2016 (with possible extension), resigned from its control over Workport24 Gmbh. Control over said company was transferred to a professional external entity in order to improve its efficiency and profitability.

**Loss of control over Naton HR E.O.D.D., Naton Ljudski potencial d.o.o., and Naton zaposljavanje d.o.o.**
On 30 March 2016, an agreement was concluded under which HR Global D.o.o relinquished its control over Naton HR E.O.D.D., Naton Ljudski potencial d.o.o., and Naton zaposljavanje d.o.o.. Control over said companies was transferred to a professional external entity in order to improve their efficiency and profitability. The agreement became effective as of 1 January 2016.

**Closing-down of IP Work Service Cypr. Ltd**
On 31 March 2016, IP Work Service Cypr. Ltd, residing in Cyprus, was closed down.

**Sales of Work Service Czech Agency s.r.o.**
On 31 March 2016, an agreement was concluded under which Work Service International Sp. z o.o. sold 100% of its shares of Work Service Czech Agency s.r.o. for CZK 1,000.

**Acquisition of additional shares of Medi Staff Sp. z o.o. and a change of name to Clean Staff Sp. z o.o.**
On 22 March 2016, an agreement was concluded under which Work Service SA purchased 32 shares of Medi Staff Sp. z o.o., each with a face value of PLN 10,000, for PLN 250,000. As of 31 December 2016, Work Service SA held 100% of the shares of Medi Staff Sp. z o.o. Payment for said shares took place on 6 April 2016.
On 29 April 2016, Medi Staff Sp. z o.o. changed its name to Clean Staff Sp. z o.o.

**Formation of a company in China**
On 19 February 2016, Exact Systems China Ltd was formed. The company’s seat in in Shanghai (China) and it is a 100% subsidiary of Exact Systems S.A.

**Closing-down of WS Cyprus Ltd and ITK Cyprus Ltd**
On 6 April 2016, Cyprus Ltd and ITK Cyprus Ltd, residing in Cyprus, were closed down.

**Acquisition of Baywood and a change of name to Work Service SK s.r.o.**
On 1 June 2016, Work Service Slovakia s.r.o. purchased 100% of shares of Baywood s.r.o. for EUR 7,000. As at the acquisition date, the company was valued at EUR 23,000.
On 14 June 2016, the company changed its name to Work Service SK s.r.o.

**Increasing the capital in Exact Systems S.A.**
On 4 August 2016 the Extraordinary General Meeting of Exact Systems S.A. adopted Resolution no. 04/08/2016 pursuant to which the share capital of Exact Systems S.A. was increased from PLN 100,000.00 to PLN 105,695.00. Shares were acquired by minority shareholders, as a result of which the shareholding of Work Service SA decreased from 76% to 71.91%.

On 24 November 2016 the Extraordinary General Meeting of Exact Systems S.A. adopted Resolution no. 03/11/2016 pursuant to which the share capital of Exact Systems S.A. was increased from PLN 105,695.00 to PLN 110,000.00. Shares were acquired by minority shareholders, as a result of which the shareholding of Work Service SA decreased from 71.91% to 69.09%.

**Establishing IT Kontrakt Services SDN. BHD**
IT Kontrakt Services SDN BHD was established on 28 September 2016. The company has its registered office in Malaysia. 100% of shares in the company have been acquired by IT Kontrakt Sp. z o.o. (a direct subsidiary of Work Service SA).
The company carries out activities similar to the activities of IT Kontrakt Sp. z o.o.; however, in the territory of Malaysia.

**Sale of 5% of shares in IT Service Sp. z o.o.**
On 28 July 2016 IT Kontrakt Sp. z o.o. sold 5% of shares in IT Service Sp. z o.o. for PLN 50,000. At present IT Kontrakt Sp. z o.o. holds 70% of shares in the share capital of IT Service Sp. z o.o.

**Execution of the term sheet for the acquisition transaction by a subsidiary**
On 15 July 2016 the subsidiary of the Issuer, i.e. Exact Systems S.A. with its registered office in Częstochowa ("Subsidiary") signed the "term sheet" document ("Term Sheet"), concerning to the operations relating to the future acquisition transaction, involving acquisition of 100% of the existing shares of the French limited liability company, acquisition of 100% of the existing shares in the Romanian limited liability company, acquisition of 100% of the existing shares in the Turkish limited liability company and acquisition of 100% of the existing shares in the Moroccan limited liability company ("Target Companies"), operating in the outsourcing industry and specializing in quality control for the automotive industry ("Potential Transaction"), while the Potential Transaction assumes - in the first place - the acquisition of 75% of the existing shares in the Target Companies ("First Stage of Potential Transaction"), followed by the acquisition by the Subsidiary, by means of Call Option or by the current shareholders of the Target Companies by means of Put Option under the terms of the Term Sheet, of the remaining 25% of the existing shares in the Target Companies ("Second Stage of Potential Transaction").
Based on the Term Sheet, the parties agreed to conduct negotiations and due diligence examination to agree on the final terms of the Potential Transaction.
The total price of the First Stage of Potential Transaction relating to the Target Companies was established in the amount of EUR 8,000,000 (the "Basic Price of the First Stage of Potential Transaction") with the earn - out mechanism provided for in the Term Sheet which is 75% x 5.15x EBITDA indicator of the Target Companies

for the financial year ending on December 31, 2016 decreased by EUR 8,000,000, while EBITDA is to be defined by the Parties to the Potential Transaction in the preliminary contract of sale of shares.
The Parties to the Potential Transaction envisage also correcting mechanisms to the price of the First Stage of Potential Transaction.

Execution of the Call Option by the Subsidiary, as provided for in the Second Stage of the Potential Transaction will be guaranteed and it will be possible to execute it by December 31, 2021.
Execution of the Put Option provided for in the Second Stage of the Potential Transaction by the current shareholders of the Target Companies it will be possible to execute it in the period between March 1, 2019 - December 31, 2021.
The conclusion of the preliminary agreement of sale of shares in the Target Companies is subject to the following conditions: (i) positive outcome of the financial, tax and legal due diligence examination in the Target Companies, (ii) completion of the negotiations on transaction documentation by the Parties, (iii) consent to carry out the Potential Transaction by the Supervisory Board of the Subsidiary.
The fulfilment of the above conditions does not, however bind any of the parties to execute the Potential Transaction.
The final terms and conditions of the Potential Transaction will be included in the preliminary contract of sale of shares in the Target Companies.
The potential Transaction is an element of the acquisition strategy of the Subsidiary.

**Establishment of Kariera.pl Sp. z o.o.**
On 3 November 2016, a company deed was signed, pursuant to which Kariera.pl Sp. z o.o. was established. 51% of shares in this company was acquired by Krajowe Centrum Pracy Sp. z o.o., a wholly-owned subsidiary of Work Service S.A. The Company will be the administrator of "kariera.pl" service, dedicated to premium segment candidates (employees and job offers for middle and senior managers and professionals).

**Change of the name People Care Sp. z o.o.**
On 16 November 2016, the business name of the company People Care Sp. z o.o. was changed to Antal Sp. z o.o.

**Conclusion of a share purchase agreement**
On 13 December 2016, the Issuer, as the buyer, concluded an agreement with Profólió Projekt Tanácsadó Kft. (the "Seller") with its registered office in Budapest, Hungary, a new, conditional agreement on the purchase of 25% of shares in the share capital of Prohuman 2004 Kft. with its registered office in Budapest, Hungary ("Prohuman") of total value of HUF 6,100,000,000.00 representing 25% votes on meeting of shareholders of Prohuman (the "Shares") ("Agreement") which replaced the existing option agreement concluded between the Issuer and the Seller on 28 March 2014 regarding 25% of shares in the share capital of Prohuman.
The subject of the Agreement is a conditional sale of Shares to Work Service SA, as a result of which the Issuer on the day of completion of the Agreement, i.e. 27 June 2017 (the "Completion Date") will acquire 25% of shares
in the share capital of Prohuman, which together with currently held shares gives 100% in the share capital of Prohuman.
Detailed information on this agreement was announced in CR No 69/2016 on 13 December 2016.

**Merger of Antal Sp. z o.o. and Antal International Sp. z o.o.**

On 30 December 2016, a merger of companies Antal Sp. z o.o. and Antal International Sp. z o.o. took place. Antal Sp. z o.o. acquired all assets, rights and obligations of Antal International Sp. z o.o. and will continue all of its business activities. As a result, Antal International Sp. z o.o. ceased to exist.

**Merger of Finance Care Sp. z o.o. and Work Service Finance Sp. z o.o.**

On 30 December 2016, a merger of companies Finance Care Sp. z o.o. and Work Service Finance Sp. z o.o. took place. The merger was effected by way of acquisition by Finance Care Sp. z o.o. (the Acquirer) of Work Service Finance Sp. z o.o. (the Acquiree). As a result, on 30 December 2016 Work Service Finance Sp. z o.o. (the Acquiree) ceased to exist.

**Merger of IT Kontrakt Sp. z o.o. and IT Kontrakt Centrum Kształcenia Sp. z o.o.**

On 30 December 2016, a merger of companies IT Kontrakt Sp. z o.o. and IT Kontrakt Centrum Kształcenia Sp. z o.o. took place. The merger was effected by way of acquisition by IT Kontrakt Sp. z o.o. (the Acquirer) of IT Kontrakt Centrum Kształcenia Sp. z o.o. (the Acquiree).

**Establishment of Finance Care Hungary Pénzügyi Tanácsadó Kft**.

The company Finance Care Hungary Pénzügyi Tanácsadó Kft. was established on 29 September 2016 and registered on 8 November 2016. The company is a wholly-owned subsidiary of Profield 2008 Kft. The company provides outsourcing services in cooperation with insurance companies and banks in the Hungarian market.

**Final accounting for the acquisition of the HR Global capital group**

On 3 December 2015, the company Prohuman 2004 Kft purchased the company HR Global d.o.o. with its registered office in Slovenia together with its daughter companies: Naton HR d.o.o. with its registered office in Bulgaria, Naton Ljudski potencial d.o.o. with its registered office in Croatia, Naton kadrovsko svetovanje d.o.o. with its registered office in Slovenia and Naton zaposljavanje d.o.o with its registered office in Serbia. The control was acquired on the date of concluding the agreement. The transfer of control was conditioned on the payment of an advance in the amount of EUR 291,000 and granting a loan by Prohuman 2004 Kft to the company HR Global, which was concluded on 3 December 2015.

The remaining part of the price was calculated on the basis of EBIT for the years 2016–2018 and will be payable in the following periods:

1st tranche to be paid in April 2017,

2nd tranche to be paid in April 2018,

3rd tranche to be paid in April 2019.

| Specification | Acquisition price | Net asset value | Fair value of net assets acquired | Purchased goodwill |
|---|---|---|---|---|
| Provisional settlement of the purchase of the Naton group | HUF 1,301,616,550 | PLN -3,684,693.53 | PLN -3,684,693.53 | PLN 23,964,377.84 |

As at 31 December 2016, the Company carried out the final accounting for the acquisition of the HR Global capital group. The calculation is provided in the table below:

| Specification | Acquisition price | Net asset value | Fair value of net assets acquired | Purchased goodwill |
|---|---|---|---|---|
| Final settlement of the purchase of the Naton group | HUF 1,302,863,930 | PLN -3,684,693.53 | PLN -3,684,693.53 | PLN 24,889,765.71 |

**Final accounting for the acquisition of HR Rent Kft**

On 10 December 2015, the company Prohuman 2004 Kft purchased the company HR Rent Kft. with its registered office in Hungary. The control was acquired on the date of concluding the agreement.
The price was calculated as follows: an advance in the amount of HUF 200,000,000 payable in May 2016.
The remaining tranches were calculated on the basis of EBIT for the years 2016–2018 and will be payable in the following periods:
1st tranche to be paid in May 2016,
2nd tranche to be paid in June 2018,
3rd tranche to be paid in June 2019.

| Specification | Acquisition price | Net asset value | Fair value of net assets acquired | Purchased goodwill |
|---|---|---|---|---|
| Provisional settlement of the purchase of the company HR Rent Kft | HUF 1,739,647,000 | HUF 74,320,347.31 | HUF 74,320,347.31 | HUF 1,665,326,652.69 |

As at 31 December 2016, the Company carried out the final accounting for the acquisition of HR Rent Kft. The calculation is provided in the table below:

| Specification | Acquisition price | Net asset value | Fair value of net assets acquired | Purchased goodwill |
|---|---|---|---|---|
| Final settlement of the purchase of the company HR Rent Kft | HUF 5,719,669,294 | HUF 74,320,347.31 | HUF 74,320,347.31 | HUF 5,645,348,946.69 |

**Final accounting for the acquisition of Profield 2008 Kft**

On 17 December 2015, the company Prohuman 2004 Kft purchased the company Profield 2008 Kft. with its registered office in Hungary. The control was acquired on the date of concluding the agreement.
The price was calculated as follows: an advance in the amount of HUF 251,000,000 payable in May 2016.
The remaining tranches were calculated on the basis of EBIT for the years 2016–2018 and will be payable in the following periods:
1st tranche to be paid in May 2017,
2nd tranche to be paid in May 2018,
3rd tranche to be paid if option will be exercised.

| Specification | Acquisition price | Net asset value | Fair value of net assets acquired | Purchased goodwill |
|---|---|---|---|---|
| Provisional settlement of the purchase of the company Profield 2008 Kft | HUF 1,258,230,000 | HUF -291,475,899 | HUF -291,475,899 | 1.549.705.899 HUF |

As at 31 December 2016, the Company carried out the final accounting for the acquisition of Profield 2008 Kft. The calculation is provided in the table below:

| Specification | Acquisition price | Net asset value | Fair value of net assets acquired | Purchased goodwill |
|---|---|---|---|---|
| Final settlement of the purchase of the company Profield 2008 Kft | HUF 2.397.469.609 | HUF -291,475,899 | HUF -291,475,899 | 2,688,945,508 HUF |

**Acquisition of additional shares of Work Service Gmbh & Co.KG**

On 23 December 2016, Fiege Logistik Stiftung & co. KG partially exercised the put option, as a result of which Work Service SPV Sp. z o.o. acquired additional 23% of shares in the share capital of Work Service Gmbh & Co.KG for the price of EUR 3,992,800. At present, Work Service SPV Sp. z o.o. hold 74% of the share capital of Work Service Gmbh & Co.KG. The remaining part of the option was valued as at the balance sheet date in the amount of EUR 4,374,314.29, i.e. PLN 19,351,966.42.

### 1.5. Presented reporting periods

These consolidated financial statements include the data as on 31 December 2016 and for the year ended 31 December 2015. Comparative data are presented as on 31 December 2015, for the consolidated statement of financial position and for the year ended 31 December 2015 on the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity.

### 1.6. The duration of activities of the Capital Group

The duration of activities of the Capital Group is unlimited.

### 1.7. Composition of the Management Board of the Parent Company as on 31 December 2016.

- Maciej Witucki - President
- Piotr Gajek - Vice President
- Robert Knights - Vice President
- Paul Andrew Christodoulou - Vice President
- Tomasz Ślęzak - Vice President
- Iwona Szmitkowska - Vice President

On 13 April 2016 the Management Board of Work Service SA was notified on the resignation of Mr. Hubert Rozpędek from the position of the Vice-President of the Management Board of Work Service S.A. with effect on 30 April 2016. Mr. Hubert Rozpędek indicated that the resignation was caused by personal reasons.

On 13 April 2016 the Management Board of Work Service SA was notified on the resignation of Mr. Dariusz Rochman from the position of the Vice-President of the Management Board of Work Service S.A. with effect on 17 April 2016. Mr. Dariusz Rochman did not indicate reasons of the resignation.

On 13th April the Supervisory Board of the Issuer, acting pursuant to §17(2) of the Company's Articles of Association and §14(2)(b) of the Bye-laws of the Supervisory Board, appointed Mr. Piotr Gajek to perform the duties of Vice-President of the Management Board of Work Service S.A. as of 1 May 2016.

On 13th April 2016 the Supervisory Board of the Issuer, acting pursuant to §17(2) of the Company's Articles of Association and § 14(2)(b) of the Bye-laws of the Supervisory Board, appointed Mr. Adam Pawłowicz to perform the duties of Vice-President of the Management Board of Work Service S.A. as of 18 April 2016.

On 30 December 2016, the Management Board of Work Service S.A. received a letter dated 30 December 2016 containing the resignation of Mr Adam Pawłowicz from the position of the Vice President of the Management Board of Work Service S.A. with effect on 31 December 2016.

### 1.8. Composition of Supervisory Board of Work Service S.A. as on 31 December 2016:

- 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 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

The Supervisory Board of Work Service SA in the co-option mode appointed Mr Tomasz Hanczarek as the Member of Supervisory Board. The Resolution shall come into force on 10 January 2016.
On 18th May 2016 the Extraordinary General Meeting of the Issuer, acting pursuant to §12(2) of the Company's Articles of Association, approved the appointment of the member of the Supervisory Board Tomasz Hanczarek made by the Supervisory Board.

On 13th May 2016 the Management Board of Work Service SA received a letter dated on 20 April 2016 containing the resignation of Mr Piotr Żabski from the position of the Member of the Supervisory Board of Work Service S.A. with effect on 17 May 2016. Mr Piotr Żabski did not indicate reasons of the resignation.

On 18th May 2016 the Management Board of Work Service SA received a letter dated on 18 May 2016 containing the resignation of Mr Wiesław Skrobowski from the position of the Member of the Supervisory Board of Work Service SA with effect on 18 May 2016. Mr Wiesław Skrobowski did not indicate reasons of the resignation.

On 18th May 2016 the Extraordinary General Meeting of the Issuer, acting pursuant to §12(5) of the Company's Articles of Association, appointed Mr Krzysztof Kaczmarczyk to perform the duties of Member of the Supervisory Board of Work Service S.A. as of 18 May 2016.

On 18th May 2016 the Extraordinary General Meeting of the Issuer, acting pursuant to §12(5) of the Company's Articles of Association, appointed Mr Robert Ługowski to perform the duties of Member of the Supervisory Board of Work Service SA as of 18 May 2016.

On 1 December 2016, the Management Board of Work Service S.A. received a letter dated 1 December 2016 containing the resignation of Mr. Geza Szephalmi from the position of the Member of the Supervisory Board of Work Service S.A. with effect on 1 December 2016.

On 1 December 2016 shareholder – WorkSource Investments S.a.r.l. – acting according to § 12 sec. 4 of the Articles of Association of Work Service S.A. appointed Mr John Leone for a member of Supervisory Board of Work Service S.A.

### 1.9. Major shareholders of the Parent Company as at the date of publication of this report

At the date of this report, the company Work Service SA has not issued any preference shares, neither as to voting, nor as to the dividend. All shares of 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 shares of series A of nominal value of 10 grosz each,
- 5.115.000 shares of series B of nominal value of 10 grosz each,
- 16.655.000 shares of series C of nominal value of 10 grosz each,
- 100,000 shares of series D of nominal value of 10 grosz each,
- 100,000 shares of series E of nominal value of 10 grosz each,
- 7.406.860 shares of series F of nominal value of 10 grosz each,
- 2.258.990 shares of series G of nominal value of 10 grosz each,
- 9.316.000 shares of series H of nominal value of 10 grosz each,
- 1.128.265 shares of series K of nominal value of 10 grosz each,
- 5.117.881 shares of series L of nominal value of 10 grosz each,
- 12,000,000 shares of series N of nominal value of 10 grosz each,
- 91.511 shares of series P of nominal value of 10 grosz each,
- 5.000.000 shares of series S of nominal value of 10 grosz each,
- 55.316 shares of series T of nominal value of 10 grosz each.

The shareholding structure as of the date of this report, taking into account all notice that the company Work Service SA received pursuant to art. 69 section 1 item. 1 of the act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies are presented in the table below.

| Shareholder | Number of shares | Percentage of share capital | Number of votes | Share in the total number of votes |
|---|---|---|---|---|
| PROLOGICS UK LLP | 18 514 621 | 28.44% | 18 514 621 | 28.44% |
| WorkSource Investments S.a.r.l. | 13 714 286 | 21.07% | 13 714 286 | 21.07% |
| Tomasz Misiak | 9 534 861 | 14.65% | 9 534 861 | 14.65% |
| Tomasz Hanczarek | 3 255 000 | 5.00% | 3 255 000 | 5.00% |
| MetLife PTE S.A. | 3 254 743 | 5.00% | 3 254 743 | 5.00% |
| Others | 16 821 312 | 25,84% | 16 821 312 | 25,84% |
| **Total** | **65 094 823** | **100.00%** | **65 094 823** | **100.00%** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. Description of relevant accounting policies applied

### 1.1. Basis of preparation of financial statements

The basis of preparation of these annual condensed financial statements is the Minister of Finance Regulation of 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognising as equivalent information required by the laws of a non-member state (Journal of Laws of 2014, pos. 133) and International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and the extent not covered by the above standards in accordance with the requirements of the Act of 29 September 1994 on accounting (Journal of Laws of 2016 pos. 1047) and the implementing regulations issued thereunder.

Certain Group entities maintain their accounting books in accordance with the policies (rules) specified in the Act on accounting of 29 September 1994 (the "Act") as amended and the regulations issued thereunder ("Polish Accounting Standards") or local standards. The consolidated financial statements include adjustments not included in the books of accounts of the Group were made to reconcile their financial statements to comply with IFRS.
Consolidated financial statements at 31 December 2016 have been prepared on the basis of the financial statements of the companies included the Capital Group in accordance with the historical cost principle.

### 1.2. Approval of the financial statements and information relating to the dividend paid

Separate financial statements of Work Service SA for the previous financial year, i.e. year 2015, was approved by Resolution No. 4/2016 at the meeting of the Annual General Meeting of Work Service SA on 27 June 2016. A consolidated financial statement of Work Service SA for the previous financial year, i.e. year 2015, was approved by Resolution No. 7/2016 at the Annual General Meeting of Work Service SA on 27 June 2015.

Pursuant to Resolution No. 5/2016 of the Annual General Meeting, adopted on 27 June 2016 the profit generated by the Company in 2015 in the total amount of PLN 14,869,499.64 was fully allocated to the reserve capital.

These financial statements were approved on 24 April 2017.

### 1.3. Continuation of the activities

The consolidated financial statements of the Work Service Capital Group has been prepared on an assumption of continuation of business activity by Capital Group companies in an unchanged form and scope for a period of at least 12 months from the date of preparation of the financial statements. In the opinion of the Management Board of the Parent Company at the date of approval of these financial statements, there are no reasons and circumstances indicating a threat to the continuation of activities.

### 1.4. Reporting currency

The measurement currency of the Parent Company and other companies included to the consolidated financial statements and the reporting currency of this consolidated financial statements is the Polish zloty. Functional currencies of other entities are: Russian Ruble, Euro, Czech Crown, Romanian Leu, Pound Sterling, Turkish Lira, Forint, Swiss Franc Chinese Yuan, Malaysian Ringgit. Individual statements of foreign companies are converted to the four decimal places. Since the consolidated report is prepared with an accuracy of two decimal places, rounding and discrepancies in the totals may occur, at the level of decimal places.

### 1.5. Basic accounting principles

The Management Board of Work Service SA hereby declares that, to the best of our knowledge, the consolidated financial statements and comparative information have been prepared in accordance with the applicable accounting principles, and that the report give a true and fair view of the financial position of the Work Service Capital Group. Management Board jointly confirms that the report on Work Service Capital Group activity provides a true picture of the development and achievements of it position, including a description of the major threats and risks.
Rules (policies), adopted in these consolidated financial statements, have been applied consistently and in accordance with the accounting principles applied in the last audited annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union for the year ended at 31 December 2015.

#### 1.5.1. Principles of consolidation

These consolidated financial statements include the financial statements of Work Service SA and the financial statements of its subsidiaries each time prepared for the year ended on 31 December 2016. The financial statements of subsidiaries, after adjustments made to ensure compliance with IFRS, are prepared for the same reporting period as the report of the parent company, using consistent accounting policies in accordance with uniform accounting policies for transactions and economic events of similar nature. In order to eliminate any differences in accounting methods, adjustments are made.
All significant balances and transactions between entities in the Group, including unrealised profits arising from intra-group transactions, are eliminated in full. Unrealised losses are eliminated unless they prove impairment.

#### 1.5.2. Investments in subsidiaries

Subsidiaries are subject to consolidation from the date of becoming controlled by the Group and cease to be consolidated from the date that control ceases. The control exercised by the parent company occurs when it holds directly or indirectly through subsidiaries, more than half of the votes in the company, unless it can be clearly demonstrated that such ownership does not constitute control. Control is also exercised when the Company has the power to govern financial and operating policies of the entity.

### 1.5.3. Investments in subsidiaries

Investments in associated companies are accounted for using the equity method. These are entities over which the parent company directly or through its subsidiaries has significant influence and which are neither subsidiaries nor joint ventures. The financial statements of associates are the basis for valuation of the parent company using the equity method. The financial year of the associates and the parent company is the same. Associates apply accounting policies in accordance with the legal provisions relevant to their location. Before calculating the share of net assets of associates, there are the necessary adjustments made in order to bring the financial data of these entities into conformity with IFRS adopted by the Group.
Investments in associated companies are recognised in the balance sheet at purchasing cost plus the subsequent changes share of the parent company in net assets of these entities, less any impairment loss on the value. The share of the profits or losses of associated companies is reflected in the consolidated profit or loss. The adjustment of the balance value may also be necessary due to changes in the proportion of shares in associated company, arising from changes in other comprehensive income of that entity. Evaluation of investments in associated companies for impairment occurs when there are indications that an impairment loss occurred or write-down for impairment recognised in prior years is no longer required.

### 1.5.4. Joint venture shares

Shares in joint ventures in which the Group exercises joint control are recognised using the equity method. Before calculating the share in net assets of the joint venture, appropriate adjustments are made to bring their financial data of these entities into compliance with IFRS as adopted by the Group.
Evaluation of investments in jointly controlled entities for impairment occurs when there are indications that an impairment loss occurred or write-down for impairment recognised in prior years is no longer required.

### 1.5.5. Merger of business entities

Merger of entities and separated parts of business are accounted using the purchase method. The cost of merger of entities are measured at fair value (at the date of payment) of the assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the merger of entities. The acquirer’s identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 "Merger of business entities" are recognised at fair value at the acquisition date, except for non-current assets (or disposal groups) classified as held for sale in accordance with IFRS 5 "Non-current Assets held for Sale and Discontinued Operations", recognised and measured at fair value less costs of sale.

### 1.5.6. Conversion of items expressed in foreign currency

Transactions denominated in currencies other than the Polish zloty are converted into Polish zloty using the exchange rate prevailing on the transaction date.

At the balance sheet date, monetary assets and liabilities denominated in currencies other than the Polish zloty are converted into Polish zloty using the effective at the end of the reporting period average exchange rate for a given currency by the National Bank of Poland. Exchange differences, resulting from conversion, are recognised in financial income (expense) or, in cases of certain accounting principles (policy), capitalised in the value of assets. Non-monetary assets and liabilities, measured at historical cost in a foreign currency, are recorded at the historical exchange rate on the transaction date. Non-monetary assets and liabilities recognised at fair value in a foreign currency are converted at the exchange rate on the day of measurement to fair value.

At the reporting date the assets and liabilities of foreign subsidiaries are converted into the presentation currency of the Group at the exchange rate prevailing at the balance sheet date and their profit and loss accounts are converted at the weighted average exchange rate for the reporting period. Exchange differences arising on the conversion, are recognised directly in equity as a separate component. Individual statements of foreign companies are converted to the four decimal places. Since the consolidated report is prepared with an accuracy of two decimal places, rounding and discrepancies in the totals may occur, at the level of decimal places.
On disposal of a foreign entity, the accumulated deferred exchange differences, recognised in equity relating to that particular foreign operation, are recognised in the profit and loss account.

The following exchange rates were used for valuation purposes:

| Currency | 31 December 2016 | 31 December 2015 |
|---|---|---|
| GBP | 5.1445 | 5.7862 |
| UAH | N/A | 0.1622 |
| CZK | 0.1637 | 0.1577 |
| RON | 0.9749 | 0.9421 |
| RUB | 0.0680 | 0.0528 |
| EUR | 4.4240 | 4.2615 |
| TRY | 1.1867 | 1.3330 |
| HUF | 0.0142 | 0.0136 |
| CHF | 4.1173 | 3.9394 |
| CNY | 0.6015 | N/A |
| MYR | 0.9314 | N/A |

Average of average rates at the end of months for the reporting periods was as follows:

| Currency | 31 December 2016 | 31 December 2015 |
|---|---|---|
| GBP | 5.3355 | 5.7846 |
| UAH | N/A | 0.1722 |
| CZK | 0.1618 | 0.1534 |
| RUB | 0.0598 | 0.0616 |
| RON | 0.9739 | 0.9421 |
| EUR | 4.3757 | 4.1848 |
| TRY | 1.3109 | 1.3818 |
| HUF | 0.0140 | 0.0135 |
| CHF | 4.0133 | 3.9341 |
| CNY | 0.5960 | N/A |
| MYR | 0.9590 | N/A |

Selected financial data in the initial part of the report are presented in EUR in accordance with § 85 of the Regulation of Finance of 19 February 2009 (Journal of Laws 2014 pos. 133) The exchange rate as of the last day was used for balance sheet items and for items from the income statement and statement of cash flows, the average exchange rate during the period was used.

| | Average EUR exchange rate in the period | EUR exchange rate on the last day of the period |
|---|---|---|
| 01.01-31.12.2015 | 4,1848 | 4,2615 |
| 01.01-31.12.2016 | 4.3757 | 4.4240 |

### 1.5.7. Tangible fixed assets

Tangible fixed assets are stated at cost of acquisition / manufacturing cost less accumulated depreciation and any write-downs for impairment. The initial value of fixed assets comprises its purchase price and any costs directly associated with the purchase and bringing the asset to usable condition. The cost also includes the cost of replacing parts of machinery and equipment when incurred, if the recognition criteria are met. Costs incurred after transferring the asset to use, such as maintenance and repair costs, are charged to the profit and loss account, when incurred.

Fixed assets are depreciated by a linear method during the period corresponding to the period of its economic utility. The Company's depreciation rates are as follows:

- Buildings and structures: depreciation rates 2.5% - 10%
- Machinery and equipment: 10% - 50%
- Means of transport: 20% - 33%
- Other fixed assets 20% - 30%

If, during the preparation of the financial statements, the circumstances indicating that the carrying value of tangible fixed assets may not be recoverable will occur, the review of these assets for possible impairment shall be carried out. If there are indications that impairment could occur and the carrying value exceeds the estimated recoverable amount, the value of the asset or cash-generating unit, to which the assets belong, is reduced to its recoverable amount. The recoverable amount is the higher of the following two values: fair value less costs of sale or value in use In determining value in use, the estimated future cash flows are discounted to their present value using a gross discount rate reflecting current market assessments of the value of money at the time and the risk related to the item of the asset. In case of an asset that does not generate cash inflows that are largely independent, the recoverable amount is determined for the cash-generating unit to which the asset belongs. At each balance sheet date, the Group assesses whether there is any indication that the write-down due to loss of value that was recognised in prior periods for an asset is irrelevant or whether it should be reduced.

Given item of tangible fixed assets may be derecognised from the balance sheet upon disposal or when the company does not expect any economic benefits arising from the continuing use of the asset. Any profits or losses arising on derecognition of an asset (calculated as the difference between net sales revenues and the carrying amount of the asset) is recognised in profit and loss account in the period in which such derecognition was carried out.

Investments in progress relate to assets under construction or assembly and are recognised at purchase price or production cost. Fixed assets under construction are not depreciated until completion of construction and transfer of the asset to use.
The residual value, useful life and depreciation method of assets are verified and, if necessary - adjusted at the end of each financial year.

### 1.5.8. Costs of external financing

Costs of external financing directly attributable to the acquisition, construction or production of assets that require a substantial period in order to bring them into use are capitalised as part of the cost of acquisition or production until the assets are ready for use or sale. External financing costs consist of interest and profits or losses from exchange rate differences to the amount of the interest cost.
Other external financing costs are recognised as expenses when incurred.

### 1.5.9. investment real estates

Investment real estates are treated by the Company as a source of rental income or keeps it in possession due to the increase in the value. Such real estate is not used in the ordinary course of business of the entity. Initially, investment real estate is measured at cost of acquisition or production cost, including the cost of the transaction. At balance sheet date investment real estate is measured using the model of purchasing price, according to which all investment real estates are measured at purchase price or production cost less accumulated depreciation and write-downs for impairment.

Fixed assets available for sale and discontinued operations constitute the assets or group of assets classified into this category and are recognised in the financial statements in an amount lower than their carrying value or fair value (less costs of sale). Condition for including assets into this group is actively seeking a buyer by the Company and the high probability of the sale of these assets within one year from the date of classification, but also the availability of these assets for immediate sale.

### 1.5.10. Leasing

Finance leasing contracts which transfer to the Company substantially whole risk and all rewards of ownership of the leased item, are capitalised at the inception of the lease at the lower of the following two values: the fair value of the leased asset or the present value of minimum lease payments.  Lease payments are divided into financial expenses and payment of capital instalments (at a constant rate of interest on the liability). Finance charges are charged directly to the profit and loss account. The financial fixed assets, used under finance leases contracts, are depreciated according to the rules used to own assets. Lease contracts under which the lessor retains whole risk and all rewards of ownership of the asset are classified as operating leases.

### 1.5.11. Goodwill

The goodwill, due to the acquisition of the business entity, is initially recognised according to the purchase price, which constitutes the excess of the cost of merger of business entities over the share of parent company acquiring in the net fair value of the identifiable assets, liabilities and contingent liabilities. After initial recognition, goodwill is recognised at purchase price less any accumulated impairment losses. The impairment test is carried out once a year. The goodwill is not subject to depreciation.

At the acquisition date, the acquired goodwill is allocated to each cash-generating units that can benefit from merger synergies. Impairment is determined by assessing the recoverable amount of the cash generating unit which the goodwill relates. Where the recoverable amount of the cash generating unit is less than its carrying value, write-down for impairment is recognised. If the goodwill forms part of the cash generating unit and there is a sale of part of the business within that unit, when determining the profit or loss from the sale of such business, goodwill associated with the business sold is included in the carrying amount. In such circumstances, sold goodwill is determined on the basis of relative values of the sold business and the remaining part of the cash generating unit.

### 1.5.12. Intangible assets

Intangible assets purchased in separate transactions are initially measured at acquisition or production cost. Purchase cost of intangible assets, acquired in a merger of business entities, is equal to their fair value at the date of the merger. Following initial recognition, intangible assets are recognised at acquisition or production cost less accumulated amortisation and/or write-downs for impairment. Capital expenditure on intangible assets generated internally, excluding capitalised development costs, are not capitalised and are recognised in expenses in the period in which they are incurred.

The Group determines whether the useful life of an intangible asset is finite or indefinite. Intangible assets with finite lives are depreciated over useful economic life and submitted to tests for impairment whenever there are indications of impairment. The amortisation period and the amortisation method for intangible assets with finite lives are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected manner of consumption of future economic benefits embodied in the asset are recognised by changing the depreciation period or method, and treated as changes in accounting estimates. Depreciation charge on intangible assets with finite lives is recognised in the profit and loss statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives and those that are not used are annually tested for possible impairment in respect of individual assets or at the level of the cash generating unit. In case of other intangible assets, there is an assessment made every year, whether there are any circumstances that may indicate impairment in their value.

Research costs are expensed in the profit and loss account as incurred. Expenditures for research and development performed in the framework of the project are transferred to the next period, if it can be assumed that that they will be recovered in the future. After the initial recognition of the development expenditure, the historical cost model is applied requiring the asset to be recognised at purchase price less any accumulated depreciation and accumulated writ-down for impairment. Any expenditure carried forward to another period are depreciated over the expected period of obtaining revenue from the sale of a given project.

Development costs are subject to evaluation for impairment on a yearly basis - if the asset is not yet in use, or more often -when during the reporting period appears evidence of impairment indicating that the carrying amount may not be recoverable.

### 1.5.13. Recoverable value of long term assets

At each balance sheet date, the Group assesses assets for the existence of indications of impairment. In case of any such indication exists, the Group makes a formal estimate of recoverable value. Where the carrying amount of an asset or the cash generating unit exceeds its recoverable amount it is deemed to be impaired Where the carrying amount of an asset or the cash generating unit exceeds its recoverable amount it is deemed to be impaired and the impairment of its value is recognised to the recoverable amount. The recoverable amount is one of two values depending on which of them is higher: fair value less the costs of sale or value in use of an asset or the cash generating unit.

### 1.5.14. Financial Instruments

A financial instrument is any contract that results in creation of a financial asset of one party and a financial liability or equity instrument of another party.

The Group classifies its financial instruments hierarchically according to the three main levels of fair value measurement, reflecting the basis adopted for valuation 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 assessment techniques based on actual transactions) - for example, majority of derivatives;
Level 3**-** price not quoted on active markets.
Position of the financial instrument in fair value hierarchy is determined by the lowest measurement basis affecting the determination of the fair value.

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

- Financial assets measured at fair value by the financial result,
- Loans and receivables,
- financial assets held until their maturity
- Financial assets available for sale.

Financial liabilities are divided into:

- financial liabilities measured at fair value by the financial result,
- financial liabilities measured at depreciated cost.

The basis of classification is an objective of acquisition on financial assets and their nature. The Companies determine the classification of its financial assets at their initial recognition and then verifies the classification at each reporting date.

**Financial assets**

Financial assets are valued at the time of their inclusion in the books at fair value. Initial valuation is increased by transaction costs except for financial assets classified as at fair value by the financial result. The transaction costs of a possible sale of the asset are not included in the subsequent valuation of financial assets. A financial asset is recognised in the balance sheet when the Group becomes a party to the agreement (contract), which this financial asset arises from.

At each balance sheet date, the Companies assess whether there is any indication of impairment of a financial asset (or group of financial assets). In case of instruments classified as available for sale, in determining whether an impairment loss occurred, taking into account, inter alia, a significant or prolonged decrease in the fair value of the security below its cost.

**The financial assets measured at fair value by the financial result**

This category includes two groups of assets: financial assets held for trading and financial assets designated upon initial recognition as measured at fair value by the financial result. A financial asset is classified as held for trading if it was acquired for sale in the short term, if it is part of the portfolio, which generates short-term profits or is a derivative instrument with a positive fair value.

In this category, in the company there are mainly derivatives (Company does not apply hedge accounting) and debt or equity instruments that were purchased for resale in the short term.

Assets classified as financial assets at fair value through profit or loss are measured at each reporting date at fair value and any profits or losses are recognised in financial income or expenses Valuations of derivative instruments at fair value is made at the balance sheet date and at the end of each reporting period based on the valuation performed by the banks realising the transactions. Other financial assets measured at fair value through profit or loss are measured using stock quotes, in the absence of appropriate valuation techniques, which include: using prices of recent transactions or offer prices, comparison to similar instruments and option pricing models. The fair value of debt instruments represent 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 they are classified as fixed assets (assets due above within 1 year from the reporting date) or non-current assets (assets due within 1 year from the reporting date). Loans and receivables are measured at the balance sheet date at depreciated cost. This group includes mainly trade receivables and bank deposits and other funds as well as loans and acquired unlisted debt instruments, not included in other categories of financial assets.

**Financial assets held until their maturity**

Financial assets, held until their maturity, are investments with fixed or determinable payments and fixed maturities for which the Company has the positive intent and ability to hold to maturity. The Company includes in this category only listed debt instruments unless they have been previously classified as financial assets at fair value through profit or loss or financial assets available for sale.  Financial assets held to maturity are measured at each reporting date at depreciated cost using the effective interest rate.

**Financial assets available for sale**

Financial assets available for sale are financial instruments other than derivatives designated as "available for sale" or not included in any of the other categories. . In financial assets available for sale, the Company primarily include debt instruments acquired to invest financial surpluses as far as these instruments are not classified as financial assets at fair value through profit or loss due to the intention of keeping for a short-term in the

Company. In addition, the Company qualifies for this category, equity investments not covered by the obligation of consolidation.
Financial assets available for sale are classified as fixed assets, unless there is no intention to dispose of the investment within one year from balance sheet date or current assets - otherwise financial assets available for sale are measured at each reporting date at fair value and profits and losses (except for losses from impairment losses) are recognised in equity.

**Financial liabilities**
Financial liabilities are measured at the time of their recognition in the books at the fair value. The initial valuation includes transaction costs, except for financial liabilities classified as at fair value through profit or loss. The transaction costs of disposing of financial liabilities are not included in the subsequent valuation of these liabilities. A financial liability is recognised in the balance sheet when the Company becomes a party to the agreement (contract), which this financial liability results from.

**Financial liabilities measured at fair value by the financial result**
This category includes two groups of liabilities: financial liabilities held for trading and financial liabilities designated upon initial recognition as measured at fair value by the financial result. Financial liabilities held for trading are liabilities that: have been incurred mainly for the purpose of selling or repurchasing in the near term or are part of a portfolio of identified financial instruments that are managed together and for which one can confirm the generation of short-term profits, or represent derivatives.
The Company's financial liabilities measured at fair value by the financial result are mainly derivative instruments (Company does not apply hedge accounting) with a negative fair value. Liabilities classified as financial liabilities measured at fair value are measured at each reporting date at fair value and any profits or losses are recognised in financial income or expenses. Valuations of derivative instruments at fair value is made at the balance sheet date and at the end of each reporting period based on the valuation performed by the banks realising the transactions. The fair value of debt instruments represent future cash flows discounted at the current market interest rate for similar instruments.

**Financial liabilities measured at depreciated cost**
Other financial liabilities not classified as financial liabilities measured at fair value by the financial result are classified as financial liabilities measured at amortised cost. In this category the Company includes loans taken and debt securities.

### 1.5.15. Derivative instruments

Derivative instruments are recognised at fair value on the contract date and are subsequently re-measured to fair value at each balance sheet date. The resulting profit or loss is recognised immediately in the income statement, unless the derivative serves as collateral. In this case, the timing of the recognition of profit or loss depends on the nature of the hedge. The Group designates certain derivative instruments as hedges of the fair value of recognised assets and liabilities or probable future liabilities (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of probable future liabilities (cash flow hedges), or hedges of net investments in entities operating abroad. The instruments are presented as fixed assets or long term liabilities if the remaining period to maturity of the instrument exceeds 12 months and is not expected that it will be realised or settled within 12 months. Other derivative instruments are recognised as assets or liabilities.

**Embedded derivative instruments**

Embedded derivative instruments are separated from the host contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the contract in which the instrument is embedded;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative;
- the hybrid (combined) instrument is not measured at fair value and changes in fair value are recognised in the profit and loss account;
- embedded derivative instruments are recognised in the same way as other derivatives that are not designated as hedging instruments.

The extent to which, in accordance with IAS 39, the economic characteristics and risks specific to the embedded derivative in a foreign currency are closely related to the economic characteristics and risks of the host contract (main contract) also covers situations where the currency of the host contract is commonly used in contracts to purchase or the sale of non-financial items in the market for a given transaction.

### 1.5.16. Inventories

Tangible assets are valued by the company not less frequent than at the balance sheet date, at purchase price or production cost.  The materials are valued at purchasing cost and issued pursuant to the requirements. At the balance sheet date, the Company recognises in the position work in progress actually incurred costs directly related to the revenue which the accompanying revenues are recognised in the profit and loss account in the following month.

### 1.5.17. Short-term and long-term receivables

Receivables for deliveries and services are recognised initially at their nominal value and are measured at the balance sheet in the amount due. Value of receivables is updated taking into account the likelihood of their payment through a write-down. Write-down due to impairment on receivables from deliveries and services is established when there is objective evidence that one can not collect all amounts due according to the original terms. The assessment of whether there is objective evidence of impairment is performed on an ongoing basis, after receiving information about the occurrence of objective evidence that may determine an impairment, but not less than the balance sheet date The likelihood of losing receivables established by estimates based on analysis of historical data, the amount of impairment may be reduced it the Management Board have reliable documents which show that the receivables are secured and their payment is highly probable.

The 100% write-down is made, in particular, for receivables: from debtors in bankruptcy or liquidation, to the extent not covered by the guarantee or other collateral, from debtors in case of dismissal of the declaration of bankruptcy, if the mass of the debtor is not sufficient to cover the costs of the bankruptcy proceedings in the full amount of the claim, disputed by the debtor and with the payment which the debtor is in arrears to the extent not covered by the guarantee or other collateral, if the assessment of economic and financial standing of the debtor indicates, that the payment by the contractual amount in the next six months is not possible, equal amounts increasing charges in relation to which a write-down was made in the amount of these amounts until they are received or written off, overdue or not overdue with a significant probability of defaults, in reliably estimated amount of write-down for uncollectible debts.

Write-downs on value of receivables are recognised in other operating expenses. Reversal of write-downs on value receivables is recognised in subsequent periods if the impairment was reduced, and the increase in the value of financial assets can be assigned to events occurring after recognition. As a result of the reversal of write-down the carrying value of financial assets may not exceed the depreciated cost that would have been determined, if the write-down of value was not previously recognised. Reversal of write-down is recognised in the income statement as other operating income.

### 1.5.18. Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and short-term deposits with maturities not exceeding three months. Cash and cash equivalents are valued at the end of the period in Polish zloty. Records of inflows and outflows of cash in foreign currency is converted at the average exchange rate of the Polish National Bank on the last working day preceding the date of the transaction.

### 1.5.19. Prepayments and accruals

The Company makes prepayments of costs if they relate to future reporting periods. Prepayments of costs occur if the costs relate to more than one reporting period (bearing in mind the principles of materiality and precautions). The most important criterion in allocating the cost in time is the fulfilment of requirement of including them into unit's assets i.e. resources with reliably determined value, resulting from past events, which will cause future income of economic benefits to the entity.

### 1.5.20. Equity capital

Equity capital is recognised in the accounting records by type and according to the rules laid down by the law and the Articles of Association of the Company.
Share capital is recognised in the amount recognised in the Articles of Association and the National Court Register. Declared but not paid capital contributions are recognised as outstanding share capital contributions. Own shares and outstanding share capital contributions decrease the value of the Company's equity.
Capital from the issuance of shares above their nominal value - this capital represent surpluses achieved pat issuance, less the costs incurred in connection with issuance of shares.
Other capitals represents capital from fair value measurement of financial assets classified as financial assets available for sale.
Retained earnings are: capital reserve and supplementary capital created from the profit for the following years, retained earnings or accumulated loss from previous years (accumulated profits/losses from previous years), the result of the current financial year.

### 1.5.21. Interest-bearing bank credits and loans

Upon initial recognition, all bank credits and debt securities are recognised at acquisition cost being the fair value of cash received, less the costs of obtaining the loan. After initial recognition, interest bearing credits and debt securities are subsequently valued at depreciated cost. When calculating the depreciated cost the costs associated with obtaining the credit or the issuance of debt securities, and any discount or bonuses on settlement are taken into account.

### 1.5.22. Liabilities due to deliveries and services and other liabilities

Liabilities are present obligation, resulting from the past events, the settlement of which is expected to result in outflow of resources with economic benefits.
Liabilities not classified as financial liabilities are measured at the amount payable.

### 1.5.23. Provisions for liabilities

Provisions are recognised when the Company has a legal or constructive obligation resulting from past events and it is certain or highly probable that the fulfilment of this obligation will cause an outflow of resources embodying economic benefits, and if it is possible to make a reliable estimate of this obligation. The provisions for liabilities include, among others: the provision for deferred income tax provision for unused annual leave of employees, provision for retirement.

### 1.5.24. Deferred income tax

The provision and assets due to deferred income tax is determined taking into account the existing temporary differences between the amounts for accounting value of assets and liabilities and their tax value and the tax loss to be deducted in future from the tax base. Assets due to deferred income taxes are determined in the amount of expected future income tax deduction in respect of deductible temporary differences and tax loss possible to deduct with the prudence principle. The provision for deferred tax forms regarding the positive temporary differences in the amount of income tax payable in the future. The balance value of the asset of deferred tax is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable to generate taxable income, sufficient for a partial or full realization of the assets due to deferred tax. Assets due to deferred tax and deferred tax provision are measured using the tax rates that will apply in the period when the asset is realized or provision dissolved (taking tax legislation in force at balance sheet date as the basis).

### 1.5.25. Accruals of expenses

Accruals of expenses are made in the amount of probable liabilities in the current reporting period.

### 1.5.26. Revenues

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction and the amount of revenue can be reliably measured. Revenues are recognised at the fair value of the consideration received or payable after deducting any tax on goods and services (VAT) and discounts. When recognising revenues, the following criteria must also be applied.

**Sale of goods and products**
Revenue is recognised when the significant risks and rewards of ownership of the goods and products were passed to the buyer and the amount of revenue can be reliably measured.
**Interest**
Revenues due to interests are recognised as it accrues in relation to the net balance sheet value of the financial asset.

**Dividends**
Dividends are recognised upon the establishment of shareholders' rights or shareholders to receive them.

**Other operating income and expenses, financial income and expenses.**
Other operating income and expenses, are income and expenses not directly related to operating activities. Financial income and expenses relate to financing activities of the Company and include, among others,: interest in respect of granted and used credits and loans, received and paid interest for late payment, foreign exchange differences, commissions paid and received, profits and losses associated with the sale of securities, solved and created provisions for financial expenses.

### 1.5.27. Taxes

Current tax liability is calculated based on the tax result for the year. Profit (loss) for tax purposes differs from the net profit (loss) in connection with the exclusion of taxable income and expenses treated as revenue costs in future years and the costs and revenues that will never be taxable. Tax charges are calculated on the basis of tax rates applicable in the financial year.

The financial statements have been prepared on the basis of the accounts held in the financial year in accordance with the documentation accepted accounting principles and the accounting policies set out and introduced for application on the basis of existing legislation.

## 1.6. The effect of application of new accounting standards and changes in accounting policies

Accounting principles (policy) applied for preparation of this consolidated financial statements for the year 2016 are consistent with those applied in the preparation of the annual consolidated financial statements for the year 2015, except for the changes described below.
The same principles were applied for current and comparable period. A detailed description of accounting principles adopted by the Work Service Capital Group was presented in the annual consolidated financial statements for 2015, published on 18 March 2016.

- **Changes resulting from IFRS amendments**

The following new or changed standards and interpretations published by the International Accounting Standards Board (IASB) or the International Financial Reporting Interpretation Committee (IFRIC) are in effect as of 1 January 2016:

- Changes to IFRS 11 *Recognition of interest acquisitions in joint operations*
- Changes to IAS 16 and IAS 38 *Explanations as to accepted methods of recognition of depreciation and amortization*
- Changes to IAS 16 and IAS 41 *Agriculture: Bearer plants.*
- Changes to IAS 27: *The equity method in individual financial statements*
- Changes to IFRS 10, IFRS 12 and IAS 28: *Investment entities: application of the exception from consolidation*
- Changes to various standards resulting from the annual review of the International Financial Reporting Standards (*Annual Improvements 2012-2014*)
- Changes to IAS 1: *Disclosure initiative*

Their application did not influence the Company's result and financial standing, leading merely to changes of the applied accounting principles or possibly extension of the scope of required disclosure or of terminology used.
The main consequences of application of the new regulations:

- Changes to IFRS 11 *Recognition of interest acquisitions in joint operations*

The changes to IRFS 11 were published on 6 May 2014 and apply to annual periods commencing on 1 January 2016 or thereafter. The changes aim at providing detailed guidelines as to the recognition of interest acquisitions in joint operations constituting ventures. The changes require application of principles identical to those for business combinations.
Application of the changed standard will have no material influence on the Company's financial statements.

- Changes to IAS 16 and IAS 38 *Explanations as to accepted methods of recognition of depreciation and amortization*

The changes to IAS 16 *Tangible fixed assets* and IAS 39 *Intangible assets* were published on 12 May 2014 and apply to annual periods commencing on 1 January 2016 or thereafter. The change consists in additional explanations as to the permitted depreciation methods. The changes aim to demonstrate that the revenue-based method of calculation of the depreciation of tangible fixed assets and intangible assets is not appropriate but may be applied in specific circumstances in the case of intangible assets.
Application of the changed standard will have no material influence on the Company's financial statements.

- Changes to IAS 16 and IAS 41 *Agriculture: Bearer plants.*

The changes to IAS 16 and 41 were published on 30 June 2014 and apply to annual periods commencing on 1 January 2016 or thereafter. The change requires that bearer plans should be recognized the same way as tangible fixed assets under IAS 16. Therefore, bearer plants will be within the scope of IAS 16 instead of IAS 41. Agricultural products growing on a bearer plant remain within the scope of IAS 41.
Application of the changed standard will have no material influence on the Company's financial statements.

- Changes to IAS 27: *The equity method in individual financial statements*

The changes to IAS 27 were published on 12 August 2014 and apply to annual periods commencing on 1 January 2016 or thereafter. The changes restore to IFRS the option of recognition in individual financial statements of investments in subsidiaries, joint ventures and associated entities under the equity method. If the method is selected, it must be applied to each investment within a category.
Application of the changed standard will have no material influence on the Company's financial statements.

- Changes to IFRS 10, IFRS 12 and IAS 28: *Investment entities: application of the exception from consolidation*

The changes to IRFS 10, IFRS 12 and IAS 28 were published on 18 December 2014 and apply to annual periods commencing on 1 January 2016 or thereafter. They aim at specifying the requirements on investment entities' accounting.
The Group applied these changes as of the date determined by the European Union as the effective date of the standard, i.e. as of 1 January 2016.
The application of the amended standards does not affect the financial statement of the Group.

- Changes to various standards resulting from the annual review of the International Financial Reporting Standards (*Annual Improvements 2012-2014*).

On 25 September 2014, as a result of IFRS review, small amendments were made to the following 4 standards:
- IFRS 5 Non-current assets held for sale and discontinued operations – reclassification of assets or groups of assets to be sold from „held for sale" to „held for transfer to owners" and vice versa,
- IFRS 7 Financial instruments: disclosures, e.g. with respect to changes to IFRS 7 pertaining to the offset of financial assets and liabilities to interim summary financial statements,
- IAS 19 Employee benefits, with respect to the currency of „high quality corporate bonds" used within determination of the discount rate,
- IAS 34 Interim financial reporting, specification of the way of indicating that disclosures required by paragraph 16A of IAS 34 have been included elsewhere in the interim report.

They apply mostly to annual periods commencing on 1 July 2016 or thereafter. The Company will apply the changed standards as of 1 January 2016 unless another effective date is provided. In the Company's opinion, application of the changed standards will have no material impact on its financial statements except the amendment to IAS 34, which may lead to additional disclosures in the Company's interim financial statements.

- Changes to IAS 1: *Disclosure initiative*

On 18 December 2014, within an extensive initiative aimed at improvement of presentation and disclosures in financial reports, changes to IAS 1 were published. The changes are further to encourage entities to apply professional judgment when identifying information to be disclosed in their financial statements. For example, the changes specify that materiality pertains to the whole of financial statements, and that disclosure of immaterial information may reduce the usability of strictly financial disclosures. Besides, the changes also specify the requirement that entities should apply professional judgment when defining the place and order of presentation of information when disclosing financial information.
The published changes are also accompanied by a draft amendment of IAS 7 *Statement of cash flows*, which increases the requirements as to disclosure of flows from financial activity and of the entity's cash and cash equivalents.
Application of the changed standard will have no material influence on the Company's financial statements.

- **Changes introduced by the Company**

The Company did not adjust the presentation of comparative data for 2015 and/or as at 31 December 2015.

**Standards not yet in effect (new standards and interpretations)**

In these financial statements, the Company has not decided to apply published standards or interpretations in ahead of their actual effective date.
The following standards and interpretations were published by the International Accounting Standards Board (IASB) or the International Financial Reporting Interpretation Committee but have not yet become effective as at the balance sheet date:

- IFRS 9 *Financial instruments*

The new standard was published on 24 July 2014 and applies to annual periods commencing on 1 January 2018 or thereafter. The standard aims to arrange the classification of financial assets and to introduce uniform treatment of impairment of all financial instruments. The standard also introduces a new model of hedge accounting for uniform recognition of risk management information in financial statements.

The Company will apply the new standard as of 1 January 2018.

As at the date of preparation of these financial statements, the impact of application of the new standard cannot be estimated reliably. The Company has commenced analysis of the effects of implementation of the new standard.

- IFRS 14 *Regulatory Deferral Accounts*

The new standard was published on 30 July 2014 and applies to annual periods commencing on 1 January 2016 or thereafter. The new standard is transitional due to the Board's pending works on regulation of the transaction settlement method in the conditions of price regulation. The standard introduces the principles of recognition of assets and liabilities arising from transactions at regulated prices if the entity decides to adopt IFRS.

The Company will apply the new standard no earlier than as of the date set by the European Union as the effective date of that standard. Due to the standard's transitional nature, the European Commission has decided not to institute the formal standard approval procedure and to wait for the final version.

Application of the changed standard will have no material influence on the Company's financial statements.

- IFRS 15 *Revenue from contracts with customers*

The new uniform standard was published on 28 May 2014 as applicable to annual periods commencing on 1 January 2018 (originally: 2017) or thereafter; it may be applied earlier. The standard establishes uniform revenue recognition framework and contains principles that will replace most of the detailed guidelines pertaining to revenue recognition now existing within IFRS and specifically in IAS 18 Revenues, IAS 11 Construction contracts and the related interpretations. On 11 September 2015, the International Accounting Standards Board published draft changes to the standard, adjourning its entry into force by one year.

As at the date of preparation of these financial statements, the impact of application of the new standard cannot be estimated reliably. The Company has commenced analysis of the effects of implementation of the new standard.

- IFRS 16 *Leasing*

The new standard was published on 13 January 2016, applies to annual periods commencing on 1 January 2019 or thereafter, and may be applied earlier (subject to simultaneous application of IFRS 15). The standard replaces the existing regulations of leasing (e.g. IAS 17) and radically changes the approach to various lease agreements, obliging the leaseholders to disclose in their balance sheets the assets and liabilities on account of lease agreements irrespective of the specific agreement type.

As at the date of preparation of these financial statements, the impact of application of the new standard cannot be estimated reliably. The Company has commenced analysis of the effects of implementation of the new standard.

- Changes to IFRS 10 and IAS 28*: Sale or contribution of assets between the investor and its associated entity or joint venture*

The changes to IFRS 10 and IAS 28 were published on 11 September 2014 and apply to annual periods commencing on 1 January 2016 or thereafter (the effective date has recently been adjourned without indication of the initial date). The changes specify the accounting of transactions where the controlling entity loses control over a subsidiary that is not a "business" as defined in IFRS 3 "Business combinations", by way of sale or all or a part of its interests in such subsidiary to an associated entity or a joint venture recognized under the equity method.

The Company will apply the new standard no earlier than as of the date set by the European Union as the effective date of that standard. Currently, the European Commission has decided to adjourn the formal standard approval procedure.

As at the date of preparation of these financial statements, the impact of application of the new standard cannot be estimated reliably.

- Changes to IAS 12: *Recognition of deferred tax assets on account of unrealized losses.*

The changes to IAS 12 were published on 19 January 2014 and apply to annual periods commencing on 1 January 2017 or thereafter. They aim at specifying the requirements for disclosure of deferred tax assets pertaining to financial debt instruments valuated in their fair value.
In the Company's opinion, application of the changed standard will have no material influence on its financial statements.

- Changes in IFRS 7: *Disclosure Initiative*

Amendments to IAS 7 were published on 29 January 2016 and are effective for annual periods beginning on or after 1 January 2017. The objective of the amendments was to broaden the range of information conveyed to the recipients of financial statements regarding the entity's financial activity through additional disclosures of changes in the carrying amount of liabilities related to the financing of the entity's activity.
In the assessment of the Group, the application of the amended standard will not significantly affect the financial statements of the Company, apart from the change in the range of disclosures presented in the financial statements.

- Clarification of provisions of IFRS 15: *Revenue from Contracts with Customers*

The clarification of provisions of IFRS 15 was published on 12 April 2016 and is effective for annual period beginning on or after 1 January 2018 (in accordance with the effective date of the entire standard). The aim of the amendments to the standard was to clarify doubts occurring during the pre-implementation analyses regarding: the identification of the performance obligation, the standard application guidelines regarding the identification of a principal/agent and the revenue from licences regarding intellectual property, or transitional periods in the first application of the new standard.
In the assessment of the Group, the application of the amended standard will not significantly affect the financial statements of the Group.

- Amendments to IFRS 2: *Classification and Measurement of Share-based Payment Transactions*

Amendments to IFRS 2 were published on 20 June 2016 and are effective for annual periods beginning on or after 1 January 2018.
The objective of the amendments to the standard was to clarify the method of recognition of certain types of share-based payment transactions.
In the assessment of the Group, the application of the amended standard will not significantly affect the financial statements of the Group.

- Amendments to IFRS 4: *Application of IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts"* published on 12 September 2016.

These amendments are effective for annual periods beginning on or after 1 January 2018.
In the assessment of the Group, the application of the amended standard will not affect the financial statements of the Group.

- Revisions to various standards that resulted from the annual review of the International Financial Reporting Standards (*Annual Improvements 2014-2016*)

On 8 December 2016, as a result of a review of IFRS, minor amendments were made to the following 3 standards:
- IFRS 1 *Interim financial reporting* — deletion of several exemptions contained in that standard that are no longer applicable,
- IFRS 12 *Disclosure of Interests in Other Entities* — clarification of requirements concerning the disclosure of information on shares, regardless whether or not they are classified as held for sale, for distribution as a dividend and discontinued operations,
- IAS 28 *Investments in Associates and Joint Ventures* — clarification of the moment when investment entities (e.g. venture capital entities) may decide that shares in associates or joint ventures are to be measured at fair value and not using the equity method.

They apply predominantly to annual periods beginning on or after 1 January 2018 (some of them already to periods beginning on 1 January 2017).
In the assessment of the Group, the application of the amended standards will not significantly affect the financial statements of the Group.

- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

The new interpretation was published on 8 December 2016 and is effective for annual periods beginning on or after 1 January 2018. The purpose of the interpretation is to indicate how to determine the transaction date for the purpose of establishing the appropriate exchange rate for a foreign currency transaction when an entity pays or receives an advance payment in a foreign currency.
The Group will apply the new interpretation as of 1 January 2018.
As at the date of these financial statements, it is impossible to assess reasonably the impact of applying the new interpretation. The Group has started an analysis of the effects of applying the new interpretation.

- Amendment to IAS 40 *Transfers of Investment Property*

The amendment to IAS 40 was published on 8 December 2016 and is effective for annual periods beginning on or after 1 January 2018. It is aimed at clarifying that a transfer of a real property to or from investment property may take place when, and only when, there is evidence of a change in use of the property.
The Group will apply the amended standard as of 1 January 2018.
In the assessment of the Group, the application of the amended standard will not significantly affect the financial statements of the Group.
IFRS in their share approved by the EU do not differ significantly today from the regulations adopted by the International Accounting Standards Board (IASB) except the following standards, interpretations and changes thereto, which have not yet been adopted for application in the EU as at the date of approval of these financial statements:

- IFRS 14 *Regulatory Deferral Accounts* published on 30 January 2014,
- IFRS 16 Leases published on 13 January 2016,
- Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* published on 11 September 2014,
- Amendments to IAS 12: *Recognition of deferred tax assets for unrealised losses* published on 19 January 2016,
- Amendments to IAS 7: *Disclosure Initiative* published on 29 January 2016,
- Clarification of provisions of IFRS 15: *Revenue from Contracts with Customers* published on 12 April 2016,
- Amendments to IFRS 2: *Classification and Measurement of Share-based Payment Transactions* published on 20 June 2016,
- Amendments to IFRS 4: *Application of IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts"* published on 12 September 2016,
- Revisions to various standards that resulted from the annual review of the International Financial Reporting Standards (*Annual Improvements 2014-2016*) published on 8 December 2016.
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration* published on 8 December 2016,
- Amendment to IAS 40 *Transfers of Investment Property* published on 8 December 2016.

### 1.7. Notes on the seasonality or cyclicality of the Capital Group activity in the presented period

The activities of the Work Service Capital Group in 2016 were characterised by seasonality. The analysis of the amount of revenue from core activities indicates that average monthly revenue generated in the second half of the year is higher than monthly average revenue from the first half of the year by around 6%, and the monthly average revenue of the last quarter is higher than the monthly average revenue of the first quarter by around 12%. Such situation results from the growth of demand for services offered by the Group near the end of the year.

## 1.8. 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 6, 7, 8, 15 and 21 of this consolidated financial statements.

## 2. The explanatory notes

### NOTE 1 Intangible assets

| 1.1 Intangible assets | 31.12.2016 | 31.12.2015 |
|---|---|---|
| a) Intangible assets under construction | 22 943.20 | 17 814.72 |
| b) concessions, patents, licenses and similar rights acquired | 0.00 | 0.00 |
| c) intangible assets under construction | 11 637 688.29 | 8 930 408.20 |
| d) other intangible assets | 49 465 140.88 | 55 647 290.90 |
| **Total intangible assets** | **61 125 773.37** | **64 595 513.82** |

In the area of other intangible assets, the largest items are customer bases separated during the acquisition of Russian companies (PLN 11.3 million) and the trademark (PLN 16.9 million).

| 1.2. Changes in intangible assets (by type) 2016 | | | | |
|---|---|---|---|---|
| | A | B | C | |
| Specification | the costs of completed development work | Intangible assets under construction | other intangible assets | Total intangible assets |
| **a) gross value of intangible assets at the beginning of period** | **1 131 774.96** | **8 930 408.20** | **66 835 167.90** | **76 897 351.06** |
| b) increases (due to) | 5 128.48 | 4 364 720.67 | 903 035.39 | 5 272 884.54 |
| - purchase | 0.00 | 3 525 957.20 | 703.36 | 3 526 660.56 |
| - internal displacement | 0.00 | 836 655.87 | 960.93 | 837 616.80 |
| -other | 5 128.48 | 2 107.60 | 901 371.10 | 908 607.18 |
| c) decreases (due to) | 0.00 | 1 657 440.58 | 694 668.36 | 2 352 108.94 |
| -other | 0.00 | 1 657 440.58 | 694 668.36 | 2 352 108.94 |
| **d) gross value of intangible assets at the end of period** | **1 136 903.44** | **11 637 688.29** | **67 043 534.93** | **79 818 126.66** |
| e) accumulated depreciation (amortisation) at beginning of period | 1 113 960.24 | 0.00 | 11 187 876.99 | 12 301 837.23 |
| f) depreciation for the period (due to) | 0.00 | 0.00 | 6 390 517.06 | 6 390 517.06 |
| - increases, including: | 0.00 | 0.00 | 6 868 663.62 | 6 868 663.62 |
| - depreciation for the period | 0.00 | 0.00 | 5 897 087.87 | 5 897 087.87 |
| -other | 0.00 | 0.00 | 971 575.75 | 971 575.75 |
| - decreases | 0.00 | 0.00 | 478 146.56 | 478 146.56 |
| **g) accumulated depreciation (amortisation) at the end of period** | **1 113 960.24** | **0.00** | **17 578 394.05** | **18 692 354.29** |
| h) write-offs due to permanent loss of value at beginning of period | 0.00 | 0.00 | 0.00 | 0.00 |
| i) write-offs due to permanent loss of value at the end of period | 0.00 | 0.00 | 0.00 | 0.00 |
| **j) net value of intangible assets at end of period** | **22 943.20** | **11 637 688.29** | **49 465 140.88** | **61 125 772.37** |

| 1.2. Changes in intangible assets (by type) 2015 | | | | |
|---|---|---|---|---|
| | A | B | C | |
| Specification | the costs of completed development work | Intangible assets under construction | other intangible assets | Total intangible assets |
| **a) gross value of intangible assets at the beginning of period** | **1 125 696.87** | **7 639 756.90** | **43 162 322.57** | **51 927 776.34** |
| b) increases (due to) | 37 559.01 | 6 271 845.80 | 25 050 862.81 | 31 360 267.62 |
| - purchase | 0.00 | 6 271 845.80 | 10 983 226.52 | 17 255 072.32 |
| - internal displacement | 0.00 | 0.00 | 116 366.08 | 116 366.08 |
| -other | 0.00 | 0.00 | 231 030.14 | 231 030.14 |
| - from acquisition of companies | 37 559.01 | 0.00 | 13 720 240.07 | 13 757 799.08 |
| c) decreases (due to) | 31 480.92 | 4 981 194.50 | 1 378 017.48 | 6 390 692.90 |
| -other | 31 480.92 | 4 981 194.50 | 1 378 017.48 | 6 390 692.90 |
| **d) gross value of intangible assets at the end of period** | **1 131 774.96** | **8 930 408.20** | **66 835 167.90** | **76 897 351.06** |
| e) accumulated depreciation (amortisation) at beginning of period | 1 076 401.23 | 0.00 | 6 558 887.25 | 7 635 288.48 |
| f) depreciation for the period (due to) | 37 559.01 | 0.00 | 4 628 989.74 | 4 666 548.75 |
| - increases, including: | 37 559.01 | 0.00 | 4 964 000.53 | 5 001 559.54 |
| - from acquisition of companies | 37 559.01 | 0.00 | 127 202.48 | 164 761.49 |
| - depreciation for the period | 0.00 | 0.00 | 4 578 054.51 | 4 578 054.51 |
| -other | 0.00 | 0.00 | 258 743.54 | 258 743.54 |
| - decreases | 0.00 | 0.00 | 335 010.79 | 335 010.79 |
| **g) accumulated depreciation (amortisation) at the end of period** | **1 113 960.24** | **0.00** | **11 187 876.99** | **12 301 837.23** |
| h) write-offs due to permanent loss of value at beginning of period | 0.00 | 0.00 | 0.00 | 0.00 |
| i) write-offs due to permanent loss of value at the end of period | 0.00 | 0.00 | 0.00 | 0.00 |
| **j) net value of intangible assets at end of period** | **17 814.72** | **8 930 408.20** | **55 647 290.91** | **64 595 513.83** |

## NOTE 2 Goodwill

| **2.1. Goodwill** | **31.12.2016** | **31.12.2015** |
|---|---|---|
| a) goodwill - subsidiaries | 549 644 468.78 | 466 898 696.63 |
| b) goodwill - jointly controlled entities | 0.00 | 0.00 |
| c) goodwill - associates | 0.00 | 0.00 |
| **Total goodwill** | **549 644 468.78** | **466 898 696.63** |

| **2.2. Goodwill** | **31.12.2016** | **31.12.2015** |
|---|---|---|
| Exact Systems SA. | 12 990 261.41 | 12 990 261.41 |
| Antal Sp. z o.o. | 8 613 110,76 | 8 613 110,76 |
| Finance Care Sp. z o.o. | 31 031.00 | 31 031.00 |
| Industry Personnel Services Sp. z o.o. | 1 490.00 | 1 490.00 |
| Group ProService Worldwide Cyprus Ltd | 98 638 109.40 | 98 324 921.40 |
| Sellpro Sp. z o.o. | 10 586 100.51 | 10 586 100.51 |
| Clean Staff Sp. z o.o. (previous name: Medi Staff Sp. z o.o.) | 8 697 367.69 | 8 697 367.69 |
| WS Acquisitions Ltd | 0.00 | 870 979.85 |
| Group IT Kontrakt | 45 721 497.14 | 45 721 497.14 |
| Prohuman | 130 817 399.29 | 125 131 452.78 |
| Work Express | 35 733 470.62 | 35 733 470.62 |
| Fiege | 25 344 356.26 | 25 047 682.20 |
| Group Naton | 24 889 765.71 | 23 964 377.84 |
| HR Rent Kft | 80 338 387.28 | 22 642 750.09 |
| Profield 2008 Kft | 38 123 975.12 | 21 135 553.64 |
| CRS Poland | 23 007 492.24 | 21 789 637.24 |
| CRS Belgium | 6 110 654.34 | 5 617 012.46 |
| **Total goodwill** | **549 644 468.78** | **466 898 696.63** |

Change in goodwill of subsidiaries is a consequence of the events described in detail in section 1.4. Information about the Capital Group.

Assets with an indefinite useful life, such as goodwill, are not subject to depreciation but are tested annually for possible impairment. Goodwill which final settlement took place earlier than a year ago are subject to Impairment test. The remaining goodwill, because of the low risk of impairment is not subject to test. An impairment loss is recognised in the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount constitutes the higher of the two amounts: fair value of assets less costs of sale or value in use

Goodwill arose in the process of the purchase price allocation of M & A transactions carried out by the Parent Company of Work Service Capital Group; has been fully allocated to the acquired group that is considered cash-generating units. Article 81 of IAS 36 states that: "In many cases, assignment of goodwill to individual cash-generating units is not possible, there is, however, possible to assign goodwill to groups of units. As a result, the lowest level at which goodwill is monitored in the entity for internal management purposes, includes in some cases, a number of cash-generating units to which the goodwill relates, but cannot be assigned. Therefore, a reference to the cash-generating unit in paragraphs 83 - 99 should be interpreted as a reference to the group of units to which goodwill has been allocated."

The specified groups are coherent economic entity which performs alone individual elements of the process and the services implemented for the final client have a substantially homogeneous nature; in the Board's opinion there is no need to extract -within specified groups - units generating lower order cash flow, and then testing them for impairment,. Each of the following groups is also a separate unit, for which partial budget of the annual budget of the Capital Group is prepared.

Summary of the above groups with regard to goodwill assigned to it at the end of 2016, is presented in the following table.

| **Specification** | **Balance sheet value at 31 December 2016** | **Balance sheet value at 31 December 2015** |
|---|---|---|
| Proservice Group | 98 638 109.40 | 98 324 921.40 |
| Polish Group | 19 315 989.20 | 20 705 290.34 |
| Exact Group | 42 108 407.99 | 40 396 911.11 |
| IT Kontrakt Group | 45 721 497.14 | 45 721 497.14 |
| Antal Sp. z o.o.l | 8 613 110.76 | 8 094 789.47 |
| Prohuman Group | 274 169 527.40 | 192 874 134.35 |
| Work Express | 35 733 470.62 | 35 733 470.62 |
| Fiege | 25 344 356.26 | 25 047 682.20 |
| **Total goodwill** | **549 644 468.78** | **466 898 696.63** |

**Proservice Group** includes ProService Worldwide (Cyprus) Limited, a direct subsidiary of Work Service SA and ZAO Work Service Russia with offices in Moscow (Russia), ProService Worldwide Limited based in the British Virgin Islands, Janveer Limited (BVI), EMG Management, EMG Leasing, IT Kontrakt o.o.o. **-** the object of their activity is discussed i in section 1.3. of introduction to the consolidated financial statements.

**Polish Group** include: Finance Care sp. z o.o.; Industry Personnel Services sp. z o.o.; Sellpro sp. z o.o., Krajowe Centrum Pracy Sp. z o.o. and Clean Staff sp. z o.o. . The object of activity of those companies is discussed in item 1.3. of introduction to the consolidated financial statements.

**Exact Group** includes: Exact Systems S.A.. based in Częstochowa – a direct subsidiary of Work Service S.A. and indirect subsidiaries of Work Service SA, i.e.: Automotive Assembly Systems sp. z o.o. based in Częstochowa; Exact Systems Slovakia s.r.o. (sp. z o.o.) in Żylin (Slovakia); Exact Systems Czech Republic s.r.o. (sp. z o.o.) w Ostrava; Exact Systems Kalite Kontrol Lti. Sti seated in w Turkey; ZAO Exact Systems seated in Moskow (Russia), Exact Systems s.r.l. seated in Romania, Exact Systems Ltd. (UK), Exact Systems Hungary LLC, Exact Systems Ltd and companies from the CRS Group. The object of activity of those companies is discussed in item 1.3. of introduction to the consolidated financial statements.

**ITK Group** includes: IT Kontrakt sp. z o.o. – direct subsidiary of Work Service SA and the following indirect subsidiaries: Stermedia sp. z o.o., IT Kontrakt AG, IT Service Sp. z o.o. The object of activity of those companies is discussed in section 1.3. of introduction to the consolidated financial statements.

**Antal Sp. z o.o.** – direct subsidiary of Work Service SA, which core business is the recruitment of professionals and managers who are then directed to work in Poland and abroad, to the largest global and local companies.

**Prohuman Group** includes Prohuman 2004 Kft with its seat in Hungary - direct subsidiary of Work Service SA and its subsidiaries: Prohuman Outsorcing Kft, Human Existance Kft., Enloyd Kft., HR GLOBAL d.o.o., HR Rent Kft, Profield 2008 Kft. The object of activity of those companies is discussed in item 1.3. of introduction to the consolidated financial statements.

**Work Express Group** includes Work Express Sp. z o.o. – direct subsidiary of Work Service SA and its subsidiaries: Outsorcing Solutions Partner Sp. z o.o., Clean24 Sp. z o.o., LogistykaPL Sp. z o.o., Workbus Sp. z o.o. The object of activity of those companies is discussed in item 1.3. of introduction to the consolidated financial statements.

**Fiege Group** includes Work Service Gmbh&Co. KG indirect subsidiary of Work Service SA (through Work Service SPV Sp. z o.o.) and its subsidiaries: Work Service GP Gmbh, Work Service Deutschlang Gmbh, Work Service Outsorcing Deutschland Gmbh, IT Kontrakt Gmbh, Exact Systems Gmbh, Work Service 24 Gmbh, Enloyd GmbH. The object of activity of those companies is discussed in item 1.3. of introduction to the consolidated financial statements.

With respect to goodwill allocated to groups, in accordance with IAS 36 the utility value of goodwill was calculated as "current, estimated value of future cash flows expected to be derived from the titles of further use of the asset or cash-generating unit". These flows were adopted: for the year 2017 according to data arising out of the budget for 2017, while for the following years, i.e. until 2021 - according to data arising out of the approved by the Management Board of medium-term development plan for each sub-group of companies. The discount rate was adopted at the level of pre-tax WACC indicator. Moreover, after forecast period, it is assumed for purpose of calculations, that the growth rate of free cash flow will be 0%.

Basic assumptions to determine the value in use of cash generating units which goodwill is allocated to are presented in the table below.

| Specification | Proservice Group | Polish Group | Exact Group | IT Kontrakt Group | Antal | Fiege Group | Work Express Group | Prohuman Group |
|---|---|---|---|---|---|---|---|---|
| Revenues (in %) | +28,00 (2017r.) ÷ +22,00 (2021r.) | +13,91 (2017r.) ÷ +12,00 (2021r.) | +23,97 (2017r.) ÷ +11,00 (2021r.) | +31,09 (2017r.) ÷ +10,00 (2021r.) | +25,30 (2017r.) ÷ +11,00 (2021r.) | +24,69 (2017r.) ÷ +13,00 (2021r.) | +30,24 (2017r.) ÷ +11,00 (2021r.) | +16,82 (2017r.) ÷ +10,00 (2021r.) |
| Direct costs (in%) | +29,48 (2017r.) ÷ +21,92 (2021r.) | +13,02 (2017r.) ÷ +11,80 (2021r.) | +21,70 (2017r.) ÷ +13,00 (2021r.) | +32,01 (2017r.) ÷ +9,70 (2021r.) | +21,13 (2017r.) ÷ +9,00 (2021r.) | +18,26 (2017r.) ÷ +12,5 (2021r.) | +30,07 (2017r.) ÷ +10,50 (2021r.) | +17,88 (2017r.) ÷ +9,70 (2021r.) |
| Indirect costs (in %) | +29,48 (2017r.) ÷ +8,00 (2021r.) | +13,02 (2017r.) ÷ +9,00 (2021r.) | +21,70 (2017r.) ÷ +13,00 (2021r.) | +32,01 (2017r.) ÷ +9,00 (2021r.) | +21,13 (2017r.) ÷ +8,00 (2021r.) | +18,26 (2017r.) ÷ +9,00 (2021r.) | +30,07 (2017r.) ÷ +9,00 (2021r.) | +17,88 (2017r.) ÷ +10,00 (2021r.) |
| discount factor - WACC (in %) | +18,96 (2017r.) ÷ +21,81 (2021r.) | +13,22 (2017r.) ÷ +13,25 (2021r.) | +14,84 (2017r.) ÷ +15,60 (2021r.) | +15,51 (2017r.) ÷ +15,52 (2021r.) | +16,29 (2017r.) ÷ +16,29 (2021r.) | +15,53 (2017r.) ÷ +15,53 (2021r.) | +14,29 (2017r.) ÷ +15,06 (2021r.) | +16,53 (2017r.) ÷ +16,77 (2021r.) |
| The value in use of cash generating units (in thousand PLN) | 99.497 | 67.892 | 55.089 | 52.902 | 9.533 | 34.293 | 38.096 | 276.122 |
| The carrying amount of cash generating units (in thousand PLN) | 129.773 | 255.407 | 295.495 | 170.698 | 58.985 | 118.346 | 59.441 | 355.044 |

The comparison of value in use and carrying amount of cash generating units which goodwill is allocated to shows no need for write-down due to goodwill impairment.

## NOTE 3 Tangible fixed assets

| **3.1. Tangible fixed assets** | **31.12.2016** | **31.12.2015** |
|---|---|---|
| a) fixed assets, including: | 31 148 839.66 | 30 686 506.86 |
| - land (including the right of perpetual usufruct) | 1 401 226.71 | 1 431 925.18 |
| - buildings, premises and civil engineering facilities | 11 536 699.52 | 11 455 220.38 |
| - technical equipment and machinery | 4 046 509.58 | 4 087 562.43 |
| - means of transport | 11 349 745.29 | 11 557 103.60 |
| - other fixed assets | 2 814 658.56 | 2 154 695.27 |
| b) fixed assets under construction | 57 889.39 | 2 302 957.99 |
| c) advances on fixed assets under construction | 0.00 | 0.00 |
| **Tangible fixed assets, total** | **31 206 729.05** | **32 989 464.85** |

| 3.2. Changes in tangible fixed assets by categories in the period 01.01.2016-31.12.2016 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Specification** | **Land (including the right of perpetual usufruct)** | **Buildings, premises and civil engineering facilities** | **Technical equipment and machinery** | **Means of transport** | **Other fixed assets** | **Fixed assets under construction** | **Advances on fixed assets under construction** | **Total** |
| **Gross value at beginning of period** | **1 653 255.89** | **13 393 070.63** | **13 131 188.24** | **21 935 028.21** | **7 401 388.37** | **2 302 957.99** | **0.00** | **59 816 889.31** |
| Increases. including: | 221.33 | 1 177 890.09 | 4 136 575.79 | 6 200 265.41 | 2 343 200.34 | 3 372 883.40 | 0.00 | **17 231 036.36** |
| - purchase | 0.00 | 192 539.21 | 528 487.58 | 4 411 459.24 | 1 150 978.87 | 3 117 048.84 | 0.00 | **9 400 513.74** |
| - internal displacement | 0.00 | 968 719.13 | 3 446 746.69 | 868 181.23 | 957 159.65 | 252 914.64 | 0.00 | **6 493 721.34** |
| -other | 221.33 | 16 631.75 | 161 341.51 | 920 624.94 | 235 061.82 | 2 919.92 | 0.00 | **1 336 801.28** |
| Decreases. including | 0.00 | 103 072.06 | 259 712.67 | 3 882 226.71 | 1 828 663.93 | 5 617 952.00 | 0.00 | **11 691 627.36** |
| - liquidation | 0.00 | 4 243.79 | 203 021.26 | 76 074.00 | 27 456.38 | 0.00 | 0.00 | **310 795.43** |
| - disposal | 0.00 | 98 828.27 | 38 310.93 | 3 342 870.11 | 35 589.21 | 0.00 | 0.00 | **3 515 598.51** |
| - internal displacement | 0.00 | 0.00 | 0.00 | 456 979.03 | 1 760 391.54 | 5 617 952.00 | 0.00 | **7 835 322.57** |
| -other | 0.00 | 0.00 | 18 380.48 | 6 303.57 | 5 226.80 | 0.00 | 0.00 | **29 910.85** |
| **Gross value at the end of period** | **1 653 477.22** | **14 467 888.66** | **17 008 051.35** | **24 253 066.91** | **7 915 924.78** | **57 889.39** | **0.00** | **65 356 298.31** |
| | | | | | | | | |
| **Accumulated depreciation at beginning of period** | 221 330.71 | 1 937 850.25 | 9 043 625.79 | 10 377 924.61 | 5 246 693.10 | 0.00 | 0.00 | **26 827 424.46** |
| Increases. including: | 30 919.80 | 1 016 161.01 | 4 161 318.34 | 5 837 020.46 | 1 450 268.33 | 0.00 | 0.00 | **12 495 687.94** |
| - depreciation for the period | 30 919.80 | 1 014 685.55 | 2 631 169.39 | 4 606 421.59 | 1 291 941.78 | 0.00 | 0.00 | **9 575 138.11** |
| - internal displacement | 0.00 | 0.00 | 96 545.06 | 307 843.92 | 0.00 | 0.00 | 0.00 | **404 388.98** |
| -other | 0.00 | 1 475.46 | 1 433 603.86 | 922 754.95 | 158 326.57 | 0.00 | 0.00 | **2 516 160.84** |
| Decreases. including | 0.00 | 22 822.12 | 243 402.35 | 3 311 623.45 | 1 597 272.38 | 0.00 | 0.00 | **5 175 120.30** |
| - liquidation | 0.00 | 2 015.52 | 203 021.26 | 322 427.37 | 18 024.30 | 0.00 | 0.00 | **545 488.45** |
| - disposal | 0.00 | 20 806.60 | 8 559.86 | 2 787 977.46 | 12 340.16 | 0.00 | 0.00 | **2 829 684.09** |
| - internal displacement | 0.00 | 0.00 | 4 018.24 | 21 233.01 | 163 350.09 | 0.00 | 0.00 | **188 601.34** |
| -other | 0.00 | 0.00 | 27 802.99 | 179 985.61 | 1 403 557.83 | 0.00 | 0.00 | **1 611 346.43** |
| **Accumulated depreciation at the end of period** | **252 250.51** | **2 931 189.14** | **12 961 541.78** | **12 903 321.62** | **5 099 689.06** | **0.00** | **0.00** | **34 147 992.10** |
| Write-downs at the beginning of period | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | **0.00** |
| Increases | 0.00 | 0.00 | 0.00 | 0.00 | 1 577.16 | 0.00 | 0.00 | **1 577.16** |
| Decreases | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | **0.00** |
| Write-downs at the end of period | 0.00 | 0.00 | 0.00 | 0.00 | 1 577.16 | 0.00 | 0.00 | **1 577.16** |
| **Net value at the end of period** | **1 401 226.71** | **11 536 699.52** | **4 046 509.58** | **11 349 745.29** | **2 814 658.57** | **57 889.39** | **0.00** | **31 206 729.06** |
| **including net fixed assets leased** | 0.00 | 0.00 | 0.00 | 2 046 174.15 | 283 804.19 | 0.00 | 0.00 | **2 329 978.34** |

| 3.3. Changes in tangible fixed assets by categories in the period 01.01.2015-31.12.2015 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Specification** | **Land (including the right of perpetual usufruct)** | **Buildings, premises and civil engineering facilities** | **Technical equipment and machinery** | **Means of transport** | **Other fixed assets** | **Fixed assets under construction** | **Advances on fixed assets under construction** | **Total** |
| **Gross value at beginning of period** | **1 647 451.73** | **7 870 727.82** | **9 052 630.62** | **16 845 382.98** | **5 376 635.30** | **4 444 060.99** | **0.00** | **45 236 889.44** |
| Increases, including: | 5 804.16 | 5 763 119.38 | 4 418 812.39 | 9 915 535.70 | 3 250 367.93 | 7 845 545.72 | 0.00 | **31 199 185.28** |
| - purchase | 5 804.16 | 958 267.85 | 1 607 370.18 | 6 305 060.52 | 1 085 232.16 | 222 315.87 | 0.00 | **10 184 050.74** |
| - internal displacement | 0.00 | 4 800 089.66 | 1 523 525.13 | 1 524 352.84 | 837 578.09 | 131 306.34 | 0.00 | **8 816 852.06** |
| -other | 0.00 | 518.08 | 398 281.97 | 519 348.33 | 363 468.56 | 7 491 923.51 | 0.00 | **8 773 540.44** |
| - from acquisition of companies | 0.00 | 4 243.79 | 889 635.10 | 1 566 774.01 | 964 089.13 | 0.00 | 0.00 | **3 424 742.03** |
| Decreases, including | 0.00 | 240 776.57 | 340 254.76 | 4 825 890.47 | 1 225 614.87 | 9 986 648.72 | 0.00 | **16 619 185.39** |
| - liquidation | 0.00 | 240 776.57 | 201 936.82 | 1 020 728.82 | 167 991.30 | 0.00 | 0.00 | **1 631 433.51** |
| - value adjustments | 0.00 | 0.00 | 86 880.87 | 106 342.54 | 0.00 | 0.00 | 0.00 | **193 223.41** |
| - disposal | 0.00 | 0.00 | 0.00 | 3 237 310.21 | 787 590.34 | 0.00 | 0.00 | **4 024 900.55** |
| - internal displacement | 0.00 | 0.00 | 5 660.10 | 0.00 | 0.00 | 9 986 648.72 | 0.00 | **9 992 308.82** |
| -other | 0.00 | 0.00 | 45 776.97 | 461 508.91 | 270 033.23 | 0.00 | 0.00 | **777 319.11** |
| **Gross value at the end of period** | **1 653 255.89** | **13 393 070.63** | **13 131 188.25** | **21 935 028.21** | **7 401 388.36** | **2 302 957.99** | **0.00** | **59 816 889.33** |
| | | | | | | | | |
| **Accumulated depreciation at beginning of period** | **190 410.91** | **1 649 773.00** | **6 809 081.18** | **8 540 410.91** | **3 796 216.34** | **0.00** | **0.00** | **20 985 892.34** |
| Increases, including: | 30 919.80 | 438 107.76 | 2 546 568.87 | 4 927 542.50 | 1 950 491.97 | 0.00 | 0.00 | **9 893 630.90** |
| - depreciation for the period | 30 919.80 | 436 597.83 | 2 052 655.47 | 4 050 102.90 | 1 480 119.82 | 0.00 | 0.00 | **8 050 395.82** |
| -other | 0.00 | 95.52 | 2 127.26 | 56 489.74 | 8 723.94 | 0.00 | 0.00 | **67 436.46** |
| - from acquisition of companies | 0.00 | 1 414.40 | 491 786.14 | 820 949.87 | 461 648.20 | 0.00 | 0.00 | **1 775 798.61** |
| Decreases, including | 0.00 | 150 030.51 | 312 024.24 | 3 090 028.80 | 500 015.23 | 0.00 | 0.00 | **4 052 098.78** |
| - liquidation | 0.00 | 150 030.51 | 196 386.01 | 792 080.00 | 171 263.32 | 0.00 | 0.00 | **1 309 759.84** |
| - disposal | 0.00 | 0.00 | 78 562.84 | 2 172 833.98 | 321 336.75 | 0.00 | 0.00 | **2 572 733.57** |
| -other | 0.00 | 0.00 | 37 075.39 | 125 114.82 | 7 415.16 | 0.00 | 0.00 | **169 605.37** |
| **Accumulated depreciation at the end of period** | **221 330.71** | **1 937 850.25** | **9 043 625.81** | **10 377 924.61** | **5 246 693.08** | **0.00** | **0.00** | **26 827 424.46** |
| Write-downs at the beginning of period | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | **0.00** |
| Increases | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | **0.00** |
| Decreases | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | **0.00** |
| Write-downs at the end of period | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | **0.00** |
| **Net value at the end of period** | **1 431 925.18** | **11 455 220.38** | **4 087 562.44** | **11 557 103.60** | **2 154 695.29** | **2 302 957.99** | **0.00** | **32 989 464.87** |
| **including net fixed assets leased** | 0.00 | 60 464.76 | 2 191 960.87 | 2 720 467.58 | 857 253.20 | 0.00 | 0.00 | **5 830 146.41** |

### 3.4. Fixed assets recorded off-balance.

There was no fixed assets recorded off-balance.

## NOTE 4 Investment real estates

The company Naton kadrovsko svetovanje d.o.o. holds investment real property of PLN 1,614,844.06.

## NOTE 5 Other financial assets

| **5.1 Other long-term financial assets** | **31.12.2016** | **31.12.2015** |
|---|---|---|
| a) in subsidiaries | 25 000.00 | 25 000.00 |
| - stocks or shares | 25 000.00 | 25 000.00 |
| b) in associated companies consolidated using the equity method | 0.00 | 0.00 |
| Write-downs of other financial assets | 0.00 | 0.00 |
| b) in other entities | 0.00 | 0.00 |
| **Long-term financial assets - total** | **25 000.00** | **25 000.00** |

| **5.2 Change in other gross long-term financial assets** | **31.12.2016** | **31.12.2015** |
|---|---|---|
| a) balance at the beginning of the period | **25 000.00** | **25 000.00** |
| - shares | **25 000.00** | **25 000.00** |
| b) increases | 0.00 | 0.00 |
| - shares | 0.00 | 0.00 |
| c) decreases | 0.00 | 0.00 |
| - shares –change in consolidation method | 0.00 | 0.00 |
| d) balance at the end of the period | **25 000.00** | **25 000.00** |
| - shares | **25 000.00** | **25 000.00** |

## NOTE 6 Change in assets due to deferred income tax

The Company recognised deferred tax assets based on management's estimates of the tax base in future reporting periods, indicating the possibility of implementation of the above assets. These estimates have been made based on the information available at the time of preparation of the financial statements. These estimates may change in the future as well as the actual tax base in future reporting periods and as a result the amount of recognised deferred tax assets may differ from these estimates.

In the periods presented, assets and liabilities of deferred tax assets were not compensated, as the temporary differences arising from the different titles and reversed in different periods are not subject to compensation.

Term of the possibility of utilisation of tax losses are presented in the following table:

| | | | | |
|---|---|---|---|---|
| 563 290.39 | 827 617.48 | 1 951 582.21 | 2 524 897.35 | 7 306 420.76 |
| 2017 | 2018 | 2019 | 2020 | 2021 |
| TERM OF EXPIRATION OF UTILISATION POSSIBILITY | | | | |

| 6. Change in assets due to deferred income tax | 31.12.2016 | 31.12.2015 |
|---|---|---|
| **1. Balance of deferred tax assets at the beginning of the period, including:** | 11 793 859.41 | 10 955 364.12 |
| a) charged to financial result | 6 785 503.41 | 5 278 789.59 |
| - provision for future costs | 711 560.89 | 686 672.47 |
| - write-downs of receivables | 246 975.15 | 52 466.01 |
| - provision for compensation | 454 318.70 | 452 691.46 |
| - provision for Social Security | 4 525 191.78 | 3 573 944.92 |
| -other | 847 456.89 | 513 014.73 |
| b) charged to financial result of the period due to tax loss | 5 008 356.01 | 5 676 574.53 |
| 2. Increases | 11 922 978.80 | 2 358 536.06 |
| a) charged to financial result in respect of deductible temporary differences (due to) | 6 500 333.54 | 2 325 663.58 |
| - provision for future costs | 2 578 612.52 | 72 288.06 |
| - write-downs of receivables | 133 250.92 | 194 678.26 |
| - provision for compensation | 188 161.58 | 287 256.35 |
| - provision for Social Security | 3 326 337.30 | 1 232 735.98 |
| -other | 273 971.23 | 538 704.93 |
| b) charged to financial result of the period due to tax loss | 5 422 645.25 | 32 872.49 |
| c) charged to equity in connection with the deductible temporary differences (due to) | 0.00 | 0.00 |
| b) charged to equity in connection with tax loss | 0.00 | 0.00 |
| charged to goodwill or excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost in relation to deductible temporary differences (due to) | 0.00 | 0.00 |
| 3. Decreases | 5 560 208.94 | 1 520 040.77 |
| a) charged to financial result in respect of deductible temporary differences (due to) | 2 763 810.00 | 818 949.76 |
| - provision for future costs | 617 666.45 | 47 399.64 |
| - write-downs of receivables | 150 176.69 | 169.12 |
| - provision for compensation | 277 853.34 | 285 629.11 |
| - provision for Social Security | 1 253 911.13 | 281 489.12 |
| -other | 464 202.39 | 204 262.77 |
| b) charged to financial result of the period due to tax loss | 2 796 398.93 | 701 091.01 |
| c) charged to equity in connection with the deductible temporary differences (due to) | 0.00 | 0.00 |
| b) charged to equity in connection with tax loss | 0.00 | 0.00 |
| a) charged to goodwill in connection with the deductible temporary differences (due to) | 0.00 | 0.00 |
| 4. Balance of deferred tax assets at end of period including: | 18 156 629.27 | 11 793 859.41 |
| a) charged to financial result | 18 156 629.28 | 11 793 859.41 |
| - provision for future costs | 2 672 506.95 | 711 560.89 |
| - write-downs of receivables | 230 049.38 | 246 975.15 |
| - provision for compensation | 364 626.94 | 454 318.70 |
| - provision for Social Security | 6 597 617.95 | 4 525 191.78 |
| -other | 657 225.73 | 847 456.89 |
| - In connection with tax loss | 7 634 602.33 | 5 008 356.01 |

## NOTE 7 Inventories

| 7.1 Inventories | 31.12.2016 | 31.12.2015 |
|---|---|---|
| a) materials | 431 873.28 | 510 312.10 |
| b) semi-finished products and products in progress | 25 645 763.08 | 14 476 433.86 |
| c) finished products | 0.00 | 0.00 |
| d) goods | 2 198 918.47 | 2 237 837.12 |
| e) advances for deliveries | 65 907.50 | 18 904.08 |
| **Total value of inventories** | **28 342 462.32** | **17 243 487.17** |

The position of semi-finished products and products in progress constitutes mainly activated costs relating to the execution of contracts invoiced in the next period.

| 7.2 Change in inventory write-downs | 31.12.2016 | 31.12.2015 |
|---|---|---|
| Balance at the beginning of the period | 0.00 | 0.00 |
| a) increases | 0.00 | 0.00 |
| b) utilisation | 0.00 | 0.00 |
| c) termination | 0.00 | 0.00 |
| **Total inventory write-downs** | **0.00** | **0.00** |

## NOTE 8 Trade and services receivables and other receivables

As on 31 December 2016, trade receivables and other gross receivables amounted to PLN 438,544,576.82. Write-downs on receivables were created according to the best knowledge and experience Capital Group by way of a detailed risk analysis of debt repayment. The costs and revenues associated with the establishment and termination of write-downs are recognised in the income statement in other operating activities.

| 8.1. Short-term receivables | 31.12.2016 | 31.12.2015 |
|---|---|---|
| - from related entities | 1 959 801.41 | 1 047 520.83 |
| - from deliveries and services, by maturity: | 358 872.32 | 0.00 |
| - up to 12 months | 358 872.32 | 0.00 |
| -other | 1 600 929.09 | 1 047 520.83 |
| b) receivables from other entities | 430 943 181.80 | 406 911 114.84 |
| - from deliveries and services, by maturity: | 338 581 938.24 | 308 831 884.72 |
| - up to 12 months | 336 998 978.37 | 307 319 052.22 |
| - over 12 months | 1 582 959.87 | 1 512 832.50 |
| - due to taxes, subsidies, customs, social security and health insurance and other benefits | 13 161 877.74 | 21 776 497.45 |
| -other | 78 938 336.86 | 76 151 155.58 |
| - judicial | 261 028.97 | 151 577.08 |
| **Net short term receivables, total** | **432 902 983.22** | **407 958 635.67** |
| Write-downs of receivables value | 5 641 593.61 | 4 804 552.37 |
| **Gross short-term receivables, total** | **438 544 576.82** | **412 763 188.03** |

| 8.2. Change in write-downs on short term receivables | 31.12.2016 | 31.12.2015 |
|---|---|---|
| Balance at the beginning of the period | 4 804 552.37 | 2 304 972.75 |
| a) increases | 2 592 092.11 | 2 570 892.62 |
| from acquisition of new companies | 0.00 | 886 069.33 |
| formation of a write-down | 2 592 092.11 | 1 684 823.29 |
| b) decreases, including | 1 755 050.87 | 71 313.00 |
| utilisation | 1 352 071.68 | 42 264.39 |
| reversal of write-down | 402 979.19 | 29 048.60 |
| **Balance of write-downs of the value of short term receivables at the end of the period** | **5 641 593.61** | **4 804 552.37** |

## NOTE 9 Other short-term financial assets

| 9.1. Other short-term financial assets | 31.12.2016 | 31.12.2015 |
|---|---|---|
| a) in related entities | 0.00 | 0.00 |
| - loans granted | 0.00 | 0.00 |
| -other | 0.00 | 0.00 |
| b) in other entities | 29 236 323.28 | 16 046 061.93 |
| - loans granted | 28 865 541.59 | 15 968 734.07 |
| -other | 370 781.70 | 77 327.87 |
| **Other short term financial assets, total** | **29 236 323.28** | **16 046 061.93** |

| 9.2 Change in short-term investments | 31.12.2016 | 31.12.2015 |
|---|---|---|
| a) balance at the beginning of the period | 16 046 061.93 | 24 913 586.87 |
| - loans granted | 15 968 734.06 | 10 601 492.42 |
| -other | 77 327.87 | 14 312 094.45 |
| b) increases (due to) | 91 579 149.60 | 73 373 410.02 |
| - loans granted | 91 273 670.94 | 73 341 640.43 |
| -other | 305 478.66 | 31 769.59 |
| c) decreases (due to) | 78 388 888.24 | 82 240 934.96 |
| - loans granted – repayment of loans | 78 377 322.79 | 67 974 398.79 |
| - other – sale of shares | 11 565.45 | 14 266 536.17 |
| d) balance at the end of the period | 29 236 323.29 | 16 046 061.93 |
| - loans granted | 28 865 082.21 | 15 968 734.06 |
| -other | 371 241.08 | 77 327.87 |

## NOTE 10 Cash and cash equivalents

Cash at bank and in hand and short-term deposits held to maturity are measured at nominal value.

| 10.1. Cash and cash equivalents | 31.12.2016 | 31.12.2015 |
|---|---|---|
| a) cash in hand and at bank | 77 038 430.62 | 47 703 461.22 |
| b) other cash | 7 096 812.12 | 4 198 602.40 |
| c) other cash assets | 20 479 547.97 | 6 001 985.66 |
| **Cash and cash equivalents, total** | **104 614 790.71** | **57 904 049.27** |

| 10.2 Cash and other cash assets (currency structure) | 31.12.2016 | 31.12.2015 |
|---|---|---|
| a) in domestic currency | 92 817 029.43 | 54 870 411.27 |
| b) in foreign currencies | 11 797 761.28 | 3 033 638.01 |
| **Cash and other cash assets, total** | **104 614 790.71** | **57 904 049.27** |

## NOTE 11 Prepayments and accruals

| **11. Prepayments and accruals** | **31.12.2016** | **31.12.2015** |
|---|---|---|
| - property insurance | 769 167.49 | 768 477.28 |
| - maintenance and repair | 335 345.87 | 677.62 |
| - BSC (Balanced Scorecard implementation) | 0.00 | 0.00 |
| - IT support | 233 612.01 | 326 571.09 |
| - trainings | 13 146.78 | 1 489.40 |
| - equipment | 19 994.77 | 293.60 |
| - counselling | 695 692.77 | 619 523.89 |
| - rental | 108 177.61 | 295 336.25 |
| - medical services | 127 894.86 | 80 828.15 |
| - advertisement | 352 323.12 | 812 993.84 |
| - organisation of foreign offices | 5 921.19 | 0.00 |
| - other, including: | 18 719 394.09 | 11 173 545.28 |
| - the cost of the acquired projects, which will be activated in the future | 12 726 057.74 | 7 419 137.22 |
| - acquisitions | 1 660 828.32 | 5 810 235.49 |
| – additional costs related to acquiring capital | 3 367 771.82 | 3 278 242.62 |
| - materials | 89 077.68 | 13 143.53 |
| – commission for securing shares by Work Service SA | 70 488.07 | 612 644.17 |
| - financial prepayments and accruals | 84 042.16 | 32 002.98 |
| **Prepayments and accruals, total** | **26 652 878.62** | **23 826 005.20** |

## NOTE 12 Share capital of the Parent Company

| 12.1 Struktura kapitału podstawowego na dzień 31 December 2016 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **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 |
| 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** | | | |

We present below the data on the ownership structure of share capital of the Parent Company and the number and nominal value of subscribed shares, including preferred shares.

**Shareholding on 31 December 2016**

In 2016, there were no changes in the share capital of Work Service S.A.

**Shareholding on 31 December 2015**

In 2015, there was an increase of the share capital from PLN 6 503 950.70 to the amount of PLN 6 509 482.30 through the issuance of series T shares.

On 22 June 2015, the Ordinary General Meeting of Work Service SA adopted a resolution number 27/2015 on the basis of which company's share capital was increased by the amount of PLN 5,531.60 through the issuance in a private placement of 55,316 ordinary bearer shares of series T. with the exclusion in whole of pre-emptive rights of the existing shareholders. The description of the issuance is presented in note 18 to these consolidated financial statements.

**The summary of shares of the Company or rights to them by persons managing and supervising the Company at the date of the report for year 2016, together with changes in ownership, in the period since the previous report separately for each person.**

| | **As at the date of publication of the report for the third quarter of 2016** | **Changes in ownership: acquisition (disposal)** | **Balance at the date of this report** |
|---|---|---|---|
| Tomasz Hanczarek – Member of the Supervisory Board | 3 255 000 | 0 | 3 255 000 |
| Jarosław Dymitruk - proxy | 1 000 | 0 | 1 000 |
| Paul Christodoulou – Vice President of the Management Board | 34 680 | 0 | 34 680 |
| Tomasz Misiak – Vice-Chairman of the Supervisory Board | 9 534 861 | 0 | 9 534 861 |

## NOTE 13 Other capital

Due to the fact that some of the companies in Work Service Capital Group transmits the results for the given year to the "Retained earnings from previous years", and some companies to the "Supplementary capital", capitals are considered together (in the balance sheet presented as supplementary capital) . The following table shows the amount of retained earnings from previous years (the sum of the supplementary capital and retained earnings from previous years net of agio).

The Company has no own shares in its possession or in the possession of subsidiaries and affiliates, nor the shares reserved for issuance under options and agreements for the sale of shares.

| **13.1. Other capital** | **31.12.2016** | **31.12.2015** |
|---|---|---|
| Formed as a result of the excess of the issue price over its nominal value | 216 927 945.48 | 216 927 945.48 |
| From the results of previous years | 109 903 797.91 | 93 274 702.71 |
| From the merger of companies | -474 635.00 | -474 635.00 |
| Managers programme | 4 294 910.37 | 2 695 013.13 |
| **Total** | **330 652 018.76** | **312 423 026.32** |

| **13.2. Capital from the valuation of options** | **31.12.2016** | **31.12.2015** |
|---|---|---|
| Valuation of option related to Fiege | -18 641 140.35 | -35 131 379.85 |
| Valuation of options by Exact Systems S.A. | -35 132 578.30 | 0.00 |
| **Total** | **-53 773 718.65** | **-35 131 379.85** |

## NOTE 14 Non-controlling equity

| **14. Non-controlling shares** | **31.12.2016** | **31.12.2015** |
|---|---|---|
| **Non-controlling shares at the beginning of the period** | **43 526 215.56** | **35 708 619.65** |
| Payment of dividends | -4 177 650.10 | -2 134 467.98 |
| Changes in the structure of shareholders in subsidiaries | -5 663 368.17 | -3 857 705.01 |
| Equity in income of subsidiaries | 13 083 705.88 | 13 809 768.89 |
| Increase of the share capital of a subsidiary | 30 000 000.00 | 0.00 |
| **Non-controlling shares at the end of the period** | **76 768 903.18** | **43 526 215.56** |

## NOTA 15 Provision for deferred income tax

| **15. Change in liabilities due to deferred income tax** | **31.12.2016** | **31.12.2015** |
|---|---|---|
| 1. Balance of the provision for deferred income tax assets at beginning of the period, including: | 3 296 062.61 | 1 755 794.94 |
| a) charged to financial result | 3 296 062.61 | 1 755 794.94 |
| - Unrealised interest on loans | 1 390 122.60 | 1 028 671.47 |
| - the difference in the value of fixed assets | 164 528.61 | 646.32 |
| -other | 1 741 411.41 | 726 477.15 |
| b) charged to equity | 0.00 | 0.00 |
| c) charged to goodwill | 0.00 | 0.00 |
| 2. Increases | 1 114 462.93 | 2 096 556.97 |
| a) charged to financial result | 1 114 462.93 | 2 096 556.97 |
| - Unrealised interest on loans | 444 517.08 | 382 940.48 |
| - the difference in the value of fixed assets | 55 983.80 | 179 295.00 |
| -other | 613 962.05 | 1 534 321.49 |
| b) charged to equity | 0.00 | 0.00 |
| c) charged to goodwill | 0.00 | 0.00 |
| 3. Decreases | 1 377 089.53 | 556 289.29 |
| a) charged to financial result | 1 377 089.53 | 556 289.29 |
| - Unrealised interest on loans | 58 518.18 | 21 489.35 |
| - the difference in the value of fixed assets | 164 528.61 | 15 412.71 |
| -other | 1 154 042.74 | 519 387.23 |
| b) charged to equity | 0.00 | 0.00 |
| c) charged to goodwill | 0.00 | 0.00 |
| 4. Balance of the provision for deferred income tax assets at the end of the period, including: | 3 033 436.01 | 3 296 062.62 |
| a) charged to financial result | 3 033 436.01 | 3 296 062.62 |
| - Unrealised interest on loans | 1 776 121.50 | 1 390 122.60 |
| - the difference in the value of fixed assets | 55 983.80 | 164 528.61 |
| -other | 1 201 330.72 | 1 741 411.41 |
| b) charged to equity | 0.00 | 0.00 |
| c) charged to goodwill | 0.00 | 0.00 |

## NOTA 16 Liabilities for retirement benefits

In 2015-2016, a provision for retirement benefits was not created.

## NOTA 17 Other long-term liabilities

| **17. Other long-term liabilities** | **31.12.2016** | **31.12.2015** |
|---|---|---|
| a) Other financial liabilities | 4 514 953.60 | 4 883 864.48 |
| b) Other long-term liabilities | 115 899 846.12 | 76 473 377.10 |
| c) due to issuance of debt securities | 91 797 244.30 | 57 649 945.64 |
| **Other long-term liabilities, total** | **212 212 044.02** | **139 007 187.22** |

## NOTA 18 Trade liabilities and other liabilities

The item 'other liabilities' mainly consists of future liabilities under contracts of mandate, other settlements with contractors (debit notes) and liabilities in respect of option valuation in Germany.

| **18.1. Trade and other liabilities** | **31.12.2016** | **31.12.2015** |
|---|---|---|
| a) liabilities to related entities | 714 935.29 | 137 327.72 |
| b) to other entities | 452 091 571.71 | 332 329 759.75 |
| - other financial liabilities | 29 261 679.99 | 26 743 167.16 |
| - for deliveries and services with a maturity of: | 55 540 544.74 | 45 230 003.33 |
| up to 12 months | 55 540 544.74 | 45 230 003.33 |
| - advances for deliveries | 1 329 615.50 | 164.48 |
| - for taxes, duties, insurance and other benefits | 150 911 658.14 | 123 908 645.61 |
| - payroll liabilities | 72 297 390.87 | 78 313 321.68 |
| - other liabilities | 142 750 682.47 | 58 134 457.49 |
| c) due to issuance of debt securities | 19 691 508.89 | 54 833 308.89 |
| **Trade and other liabilities, total** | **472 498 015.89** | **387 300 396.36** |

The item 'other liabilities' mainly consists of future liabilities under contracts of mandate, other settlements with contractors (debit notes), liabilities in respect of purchase of companies in Hungary, liabilities in respect of option valuation in Germany and liabilities in respect of option valuation (Exact Systems S.A.)
On 26 June 2014, the companies Work Service SPV, Work Service GP GmbH and Fiege Logistik Stiftung & Co. KG concluded a German limited partnership agreement, i.e. GmbH & Co. KG ("Holding Company") as a joint venture jointly controlled by Work Service SPV and Fiege as limited partners and Work Service GP GmbH as the general partner ("General Partner").
Under the agreement, Fiege had a right to sell the shares held (put option) in the joint venture in two tranches:
- 23% in 2016, and its amount shall be conditioned on the average operating profit for the years 2014 and 2015, the assumed multiplier and the % of shares sold,
- 26% in 2017, and its amount shall be conditioned on the average operating profit for the years 2015 and 2016, the assumed multiplier and the % of shares sold.
Both of the abovementioned amounts may not be lower than the minimum amount indicated in the agreement.
In 2016, Fiege exercised the first put option. As a consequence, Work Service SA acquired 23% of shares in Work Service SPV Sp. z o.o for the price of EUR 3,578,420.6.
On the basis of the best knowledge as at the balance sheet date, the liability in the case of exercising the put option by Fiege Logistik Stiftung & Co. KG. was measured. As a consequence, in the consolidated balance sheet prepared as at 31 December 2016, the amounts of EUR 4,374,314.29 were disclosed in short-term liabilities and long-term liabilities, respectively, which in accordance with the International Accounting Standard 32 "Financial instruments: presentation" were disclosed in a separate item of equity as a negative value.
As at 31 December 2016, Prohuman 2004 Kft carried out the final accounting for the acquisition of companies in Hungary. As a consequence, as at 31 December 2016 its liabilities due to the acquisition of companies increased to HUF 8,878,496 thousand (from HUF 4,208,375 thousand as at 31 December 2015).

Investment agreement of 5 August 2016 concluded between Work Service, Exact Systems S.A., Paweł Gos, Lesław Walaszczyk, Tomasz Misiak, Tomasz Hanczarek and other investors.
On 5 August 2016, Work Service, Exact Systems S.A., Paweł Gos, Lesław Walaszczyk, Tomasz Wojciech Misiak, Tomasz Hanczarek and other investors concluded an investment agreement defining the terms of investors' investments in shares of Exact Systems S.A., lock-up of the ability to dispose of or pledge the shares of the Company (Exact Systems S.A.) acquired by the investors and exit of the investors from this investment.

In order to implement the investment agreement, on 4 August 2016, the General Meeting of Shareholders of the Company adopted resolution to increase the Company's share capital by issuing 56,950 registered shares of the Company of series B, BA, BB, BC, BD, BE, BF, BG, BH ("Series B Shares") with exclusion of pre-emptive rights, and the Company offered these shares to the investors at an issue price of PLN 300 per share ("Issue Price") to obtain funds for acquisitions and for the implementation of its organic growth, as well as for the optimisation if its financing structure.
The investors took up all the Company shares offered, representing approximately 5.3881% of the total number of shares in Exact Systems S.A. and accounting for approximately 5.3881% of votes at the General Meeting for the total amount of PLN 17,085,000 with the intention of obtaining a favourable return on investment in the Company by selling the Company's shares on the private market (to the Company, to a majority shareholder of the Company or to a strategic investor) or regulated market (in the case of introducing the Company's shares to trading on a regulated market).
Pursuant to the agreement, the investors guarantee that the Company may acquire — after the period of 6 months from the date of signing the Agreement and until 18 November 2018 — Series B Shares at the Company's request (Call Option), on condition of receiving a fixed remuneration from the Company. Acquisition by the Company of Series B Shares, i.e. exercising of the Call Option, will be carried out — according to the decision of the Management Board — pursuant to Article 362 § 1 item 8 of the Code of Commercial Companies (for further resale) or pursuant to Article 362 §1 item 5 of the Code of Commercial Companies (for redemption). The Management Board has the right to decide how many shares to acquire and in what mode. The sale price of Series B Shares for the purpose of exercising the Call Option was determined in accordance with the formula set out in the investment agreement, depending on the date of execution of the Call Option. On 21 September 2016, the Company made a statement in which it committed itself to the investors not to exercise the Call Option. The commitment not to exercise the Call Option is effective from the date of approval of the Prospectus to the date of completion of 90% of issue objectives indicated by the Company in the Prospectus.
The agreement will remain in force as long as any of the investors is a shareholder of the Company, but no longer than until 31 December 2020.

Investment agreement of 24 November 2016 concluded between Work Service, Exact Systems S.A., Paweł Gos, Lesław Walaszczyk, Tomasz Wojciech Misiak, Tomasz Hanczarek and other investors.
On 24 November 2016, Work Service, Exact Systems S.A., Paweł Gos, Lesław Walaszczyk, Tomasz Wojciech Misiak, Tomasz Hanczarek and other investors concluded an investment agreement defining the terms of investors' investments in shares of Exact Systems S.A., lock-up of the ability to dispose of or pledge the shares of the Company acquired by the investors and exit of the investors from this investment.
In order to implement the investment agreement, on 24 November 2016, the General Meeting of Shareholders of the Company adopted resolution to increase the Company's share capital by issuing 43,500 registered shares of the Company of series B, CA, CB, CC, CD, CE, CF, CG, CH ("Series C Shares") with exclusion of pre-emptive rights, and the Company offered these shares to the investors at an issue price of PLN 30 per share ("Issue Price") to obtain funds for acquisitions and for the implementation of its organic growth, as well as for the optimisation if its financing structure.
The investors took up all the Company shares offered, representing approximately 3,914% of the total number of shares in Exact Systems S.A. and accounting for approximately 3,914% of votes at the General Meeting for the total amount of PLN 12,915,000 with the intention of obtaining a favourable return on investment in the Company by selling the Company's shares on the private market (to the Company, to a majority shareholder of the Company or to a strategic investor) or regulated market (in the case of introducing the Company's shares to trading on a regulated market).
Pursuant to the agreement, the investors guarantee that the Company may acquire — after the period of 6 months from the date of signing the Agreement and until 18 November 2018 — Series C Shares at the Company's request (Call Option), on condition of receiving a fixed remuneration from the Company. Acquisition by the Company of Series C Shares, i.e. exercising of the Call Option, will be carried out — according to the decision of the Management Board — pursuant to Article 362 § 1 item 8 of the Code of Commercial Companies (for

further resale) or pursuant to Article 362 §1 item 5 of the Code of Commercial Companies (for redemption). The Management Board has the right to decide how many shares to acquire and in what mode. The sale price of Series C Shares for the purpose of exercising the Call Option was determined in accordance with the formula set out in the investment agreement, depending on the date of execution of the Call Option. The estimate exercise value of the Call Option for all Series C Shares ranges from PLN 14,723,100 to PLN 16,501,477 (without the value of possible adjustments reducing those values by the amount of dividends and remuneration for the Lock-up Period).
Under the agreement, the Company guarantees to the investors that the Company will acquire, upon their request submitted to the Company between 19 November 2018 and 19 January 2019, Series C Shares (Put I Option). Should the Company fail to exercise the Put I Option between 20 March 2019 and 20 April 2019, Work Service guarantees to the investors that these shares will be acquired by Work Service or an entity designated by Work Service (Put II Option). Acquisition by the Company of Series C Shares, i.e. exercising of the Put I Option, will be carried out pursuant to Article 362 § 1 item 8 of the Code of Commercial Companies (for further resale) or pursuant to Article 362 §1 item 5 of the Code of Commercial Companies (for redemption). The Company has the right to decide how many shares to acquire and from whom.
The agreement will remain in force as long as any of the investors is a shareholder of the Company, but no longer than until 31 December 2020.

The Company valued the put options embedded in the above investment agreements using the Cox-Ross-Rubinstein model. The valuation was based on the following assumptions:
Share price as at the valuation date – as the Company is not listed at the stock exchange at the end of 2016 and on the date of launching the investment programs, the valuation was based on the share issue price.
Dividend – it was assumed that the Company will pay dividends for 2016, 2017 and 2018.
Price volatility of the underlying instrument was estimated using historical data and based on sectoral volatility.
The option value as at the date of conclusion of the investment agreements and as at the balance sheet date is as follows:

| valuation of the Put I Option in PLN | series B | series C | total |
|---|---|---|---|
| as at the date of the agreements | 20 194 185.25 | 14 938 393.05 | 35 132 578.30 |
| as at the balance sheet date of 31 December 2016 | 20 022 367.10 | 15 058 115.10 | 35 080 482.20 |

As at the date of initial recognition, the Company measured the liability in respect of the Put I Option resulting from the investment agreements in accordance with IAS 32, as a decrease in equity. As at the balance sheet date, the fair value of both options was PLN 35,080,482.20.

**Leasing liabilities**

The table below shows the leasing liabilities as on 31 December 2016 and the comparative figures as on 31 December 2015.

| **18.2. Leasing liabilities** | **31.12.2016** | **31.12.2015** |
|---|---|---|
| Within 1 year | 4 373 058.78 | 3 486 968.32 |
| Within 1 to 5 years | 5 049 955.35 | 4 787 311.25 |
| Over 5 years | 0.00 | 0.00 |
| **Total** | **9 423 014.13** | **8 274 279.57** |

## 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 31.12.2016.

| 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 |
|---|---|---|---|---|---|---|---|
| S | 20 000 | variable(*) | 1 000 | 2017-03-30 | 20 000 000 | | 19 947 876.34 |
| T | 12 850 | variable(**) | 1 000 | 2018-12-04 | 12 850 000 | call option of the Issuer (after 18M from the date of issue of bonds) | 12 741 679.32 |
| U | 80 000 | variable(***) | 1 000 | 2018-10-03 | 80 000 000 | | 78 799 197.53 |
| balance as on 31.12.2016 (net) | | | | | **112 850 000** | **TOTAL, including:** | **111 488 753.19** |
| | | | | | | short-term | 19 691 508.89 |
| | | | | | | long-term | 91 797 244.30 |

variable interest rate (*) = WIBOR 3M + interest margin at 2.5 pp

variable interest rate (**) = WIBOR 3M + interest margin at 2.3 pp

variable interest rate (***) = WIBOR 6M + interest margin at 3.5 pp

## Issuance of non-equity securities

On 30 September 2016 the Management Board of the Company adopted a resolution no. 1/2016 on U series bonds issuance ("Issuance Resolution"). The Issuance Resolution has been adopted under the resolution no. 3/2016 of the Extraordinary General Meeting of the Company of 18 May 2016 on launch of the bond issue programme ("EGMS Resolution"), about adoption of which the Issuer informed in the current report no. 25/2016 of 18 May 2016. The Issuance Resolution has been adopted under the EGMS Resolution, as part of the implementation of the programme established in the Company concerning bond issuance up to the total nominal value not higher than PLN 150,000,000.00.

Under the Issuance Resolution, the Management Board of the Company decided to issue, pursuant to art. 33 item 2 of the Act on Bonds of 15 January 2015, by submitting a bond purchase offer to the given addressee, in the number of not more than 149 addressees, secured ordinary bearer bonds of U series with variable interest rate, in the number of 100,000 bonds, with unit nominal value of PLN 1,000 ("Bonds"). The bonds shall be offered with the issuance price equal to the nominal value.

The purpose of the issuance of Bonds was to refinance the financial debt of the Company, resulting from the bonds of the Q and R series issued by the Company.

The Management Board of the Company did not state the threshold for the issuance to be successful.

The interest shall be paid from the issuance date each six months, on the last day of each interest period. The reference rate for determination of the interest rate shall be six-months base rate WIBOR (WIBOR 6M), determined for each interest period, plus margin on the level of 350 basis points (3.5% percentage points).

The date of Bonds issuance shall be 3 October 2016.

Bonds shall be subject to redemption by the Issuer according to their nominal value on the date of redemption i.e. 3 October 2018. If the change of control described in the conditions of issuance shall occur ("Change of Control"): (i) The Bondholder shall be entitled to perform an earlier redemption of all Bonds owned by the Bondholder 60 days after notification of the Issuer that the Change of Control has occurred or (ii) The Issuer may redeem all issued and not redeemed Bonds 60 days after notification of the Issuer that the Change of Control has occurred. In addition, the Bonds may also be immediately redeemed in the case of occurrence of events set out in the Act on Bonds of 15 January 2015 and early redeemed in the case of request by a bondholder for earlier redemption of Bonds, in

the case of occurrence of a situation constituting a breach pursuant to the issuance conditions.

The Bonds was issued as bearer bonds, without the form of a document.
The bonds of U series are secured with blank promissory note issued by the Issuer, registered pledge on all shares held by the Issuer in the share capital of IT Kontrakt sp. z o.o., registered pledges on 9,000,000 shares of Work Service S.A. held by Tomasz Misiak, Tomasz Hanczarek, ProLogics LLP and WorkSource Investments S à r.l., and registered pledge on the trademark of IT Kontrakt, which is owned by IT Kontrakt sp. z o.o. - a subsidiary of the Issuer. On account of liability resulting from the promissory note, the Issuer submitted a statement on acceptance of enforcement pursuant to 777 § 1 item 5 of the Civil Procedure Code, up to the maximum value amounting to 120 per cent of the nominal value of the Bonds.
The Bonds are not income bonds.
On 3 October 2016, as a result of subscribing and paying by investors 80,000 offered ordinary bearer U series bonds with nominal value of PLN 1,000 each and total nominal value of PLN 80,000,000.00, the Management Board of the Company allotted the bonds pursuant to resolution no. 1 of 3 October 2016, and therefore the issue of bonds has come into effect.
On 14 November 2016, the Management Board of Krajowy Depozyt Papierów Wartościowych S.A. (the National Deposit for Securities) adopted resolution No 754/16 on registration, on 16 November 2016, in the deposit for securities of 80,000 (eighty thousand) series U bearer bonds of the Issuer with the nominal value of PLN 1,000.00 (one thousand zlotys) each, with redemption day established on 3 October 2018 and mark them with the code PLWRKSR00084 (“Bonds”).

On 4 October 2016 Work Service S.A. redeemed bonds Q series ISIN number - PLWRKSR00050 (the "Bonds") with a total nominal value of 55 million zlotys.

On 29 December 2016, Work Service S.A. executed an early redemption of series R bonds with ISIN number PLWRKSR00068 (“Bonds”) and with total nominal value of PLN 25,000,000, issued on 27 June 2014, with the maturity date on 8 July 2017, as announced by the Issued in Current Reports No 62/2016 and 74/2016.
The execution of the Redemption is the result of the financial optimization policy of the company.

### Issuance of equity securities

On 27 June 2016 the Ordinary General Meeting adopted resolution no. 25/2016 on the issue of up to 123,042 series E registered subscription warrants ("**E Subscription Warrants"**).
E Subscription Warrants shall be issued in the form of a document, and may be issued in collective sections.
E Subscription Warrants shall be issued free of charge.
One E Subscription Warrant shall entitle to subscribe for 1 (one) W Series Share (as defined below).
Rights to acquire shares of Series W under E Subscription Warrants can be exercised no earlier than 30 June 2018 and no later than 31 July 2018, with the exception of E Subscription Warrants granted to Entitled Key Managers (as defined below), who have been employed in the company for no less than 18 months during the Management Options Programme (i.e. the period from 1 January 2013 to 31 December 2017). These Warrants shall be transferred to Reserve under the Management Option Programme, for the use at the discretion of Supervisory Board in accordance with § 1, clause III, subclause 2 of Resolution No. 24/2013 of Ordinary General Meeting of Work Service S.A. held on 27 June 2013.
Management Board shall be authorised to issue Series E Subscription Warrants entitling to subscribe for Series W Shares in the period from 30 June 2016 to 31 July 2016. 7. Series E Subscription Warrants, from which the right to acquire shares of Series W has not been exercised within the period specified in § 1 section 5, shall expire.
Series E Subscription Warrants shall be offered for subscription by way of private placement addressed to the Entitled Key Managers of the Company:
Series E Subscription Warrants are non-transferable.
Pursuant to art. 432, 433 § 2, 448 § 1 and 2, item 3 and art. 449 of CCC, the increase in the share capital of Work Service in the amount not higher than PLN 12,304,20 (twelve thousand three hundred and four PLN 20/100) through the issuance of not more than 123.042 (say: one hundred twenty- three thousand and forty two)

of ordinary bearer shares of series W, with the nominal value of PLN 0.10 (ten grosz) each ("Series W Shares") is hereby resolved.

The purpose of the conditional increase of share capital is to grant the right to subscribe for Series W Shares to holders of series E Subscription Warrant issued by Work Service pursuant to this Resolution. Acquisition of Series W Shares shall take place within the period specified in § 1 section 5 above.

Series W Shares shall be issued exclusively in exchange for cash contributions to the holders of Series E Subscription Warrants who submit a written statement of acquisition of Series W Shares in accordance with Article 451 § 1 CCC and pay the issue price for Series W Shares.

The issue price of the Series W Shares, issued to the holder of Series E Subscription Warrants, shall be PLN 0.10 (ten grosz) per Series W Share.

Series W Shares shall participate in the dividend starting from distributions of income which is intended for distribution for the financial year 2018, ended 31 December 2018.

Series W Shares shall be issued as securities not having form of a document and shall be subject to dematerialisation within the meaning of appropriate provisions on Trading in Financial Instruments. For this purpose the Management Board shall be authorised to conclude an appropriate agreement with the National Depository for Securities S.A. ("NDS") on registration (dematerialisation) of Series W Shares in securities depository kept by NDS.

Series W Shares shall be subject of application for admission and introduction to trading on the regulated market operated by the Warsaw Stock Exchange S.A. ("WSE"), which in the first place shall be the primary market of the WSE, if the relevant criteria and the conditions are met -under

the relevant laws and regulations of the WSE- allowing the admission of Shares to trading on the primary market.

In the interest of Work Service the existing shareholders of Work Service shall be entirely deprived of the pre-emptive rights to Series E Subscription Warrants and Series W Shares.

## NOTE 19 Short-term liabilities due to current income tax

| 19. Short-term liabilities due to current income tax | 31.12.2016 | 31.12.2015 |
|---|---|---|
| **Total:** | **2 182 189.35** | **4 134 422.28** |

## NOTE 20 Credits and loans

| **20.1 Credits and loans** | **31.12.2016** | **31.12.2015** |
|---|---|---|
| a) Credits | 207 939 620.65 | 210 197 304.24 |
| b) loans | 13 786 625.53 | 21 558 395.12 |
| **Total credits and loans** | **221 726 246.18** | **231 755 699.36** |
| **Long-term credits and loans, total** | 125 543 041.61 | 147 725 148.61 |
| **Short-term credits and loans, total** | 96 183 204.57 | 84 030 550.96 |

| **20.2 Credits by maturity date** | **31.12.2016** | **31.12.2015** |
|---|---|---|
| Up to 1 year | 84 825 261.83 | 62 472 155.63 |
| **Total credits, including:** | 207 939 620.65 | **210 197 304.24** |
| - Long-term | 123 114 358.82 | 147 725 148.61 |
| - Short-term | 84 825 261.83 | 62 472 155.84 |

| **20.3 Loans by maturity date** | **31.12.2016** | **31.12.2015** |
|---|---|---|
| Up to 1 year | 11 357 942.74 | 21 558 395.12 |
| **Total loans, including:** | **13 786 625.53** | **21 558 395.12** |
| - Long-term | 2 428 682.79 | 0.00 |
| - Short-term | 11 357 942.74 | 21 558 395.12 |

On 30 December, Work Service S.A. concluded a credit agreement with the bank: Powszechna Kasa Oszczędności Bank Polski S.A. (“PKO BP”) .
The subject matter of the Agreement is granting a credit in the amount of PLN 55,000,000.00 (fifty five million Polish zloty) for the purpose of financing of current liabilities of the Issuer. The credit repayment date has been fixed for 20 months from the date of conclusion of the Agreement.
Detailed information on this agreement was announced by the Issuer in Current Report No 77/2016.

| 20.4. Credit liabilities as at 31 December 2016 | | | | | | | |
|---|---|---|---|---|---|---|---|
| Name (business name) of the entity | Credit/loan amount acc. to agreement | | Credit/loan amount acc. to agreement | | Outstanding credit/loan amount | Outstanding credit/loan amount | Terms of interest |
| **Credits:** | PLN | currency | PLN | currency | | | . |
| Bank BGŻ BNP Paribas | brak | PLN | 12 112 500.00 | PLN | WIBOR 3M + 2.0% | 2018-11-25 | Pledge agreements on bank accounts, powers of attorney over bank accounts, agreement on the assignment of rights from trade receivables. Agreement on the assignment of rights under an insurance policy. Agreement on a registered pledge on assets.Contractual pledges on shares. Mortgages — declaration on the establishment of a mortgage on real property, drawn up as a notarial deed. Statement of submission to enforcement proceedings. |
| Bank Millenium S.A. | brak | PLN | 12 112 500.00 | PLN | WIBOR 3M + 2.0% | 2018-11-25 | as above |
| Bank Zachodni BZ WBK | brak | PLN | 12 112 500.00 | PLN | WIBOR 3M + 2.0% | 2018-11-25 | as above |
| Raiffeisen Bank Polska | brak | PLN | 12 112 500.00 | PLN | WIBOR 3M + 2.0% | 2018-11-25 | as above |
| Bank Zachodni WBK | brak | PLN | 27 889 502.11 | PLN | WIBOR 1M + 2.0% | 2018-11-25 | as above |
| Bank Millenium S.A. | brak | PLN | 29 594 276.62 | PLN | WIBOR 1M + 2.0% | 2018-11-25 | as above |
| BNP Paribas Bank Polska | brak | PLN | 21 951 382.61 | PLN | WIBOR 1M + 2.0% | 2018-11-25 | as above |
| Raiffeisen Bank Polska | brak | PLN | 21 841 162.73 | PLN | WIBOR 1M + 2.0% | 2018-11-25 | as above |
| ING Bank Śląski | brak | PLN | 61.67 | PLN | none | none | none |
| Škofin | 282 956.59 | CZK | 97 202.04 | CZK | different in different agreements | different in different agreements | car loan |
| ČSOB leasing | 233 329.14 | CZK | 54 605.53 | CZK | different in different agreements | different in different agreements | car loan |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Unicredit leasing | 405 074.18 | CZK | 240 104.19 | CZK | different in different agreements | different in different agreements | car loan |
| RCI Financial Services | 33 196.72 | CZK | 20 173.57 | CZK | different in different agreements | different in different agreements | car loan |
| Volkswagen Financial services | 245 116.83 | CZK | 208 876.90 | CZK | different in different agreements | different in different agreements | car loan |
| Tatra banka, a.s. | 4 424 000.00 | EUR | 404 273.66 | EUR | 1 month EURIBOR + 1.90% p.a. | 2017-05-31 | invoices |
| Türk Ekonomi Bankası | 712 020.00 | TRY | 485 083.87 | TRY | 15.75% | variable | corporate guarantee |
| BCR LEASING IFN SA | 172 427.17 | RON | 168 099.25 | RON | 5.90% | 2020-09-02 | group insurance |
| UniCredit leasing CZ a.s. | 40 823.67 | CZK | 36 698.59 | CZK | | 2019-08-24 | n/a |
| ŠkoFIN s.r.o | 629 852.45 | CZK | 229 487.92 | CZK | different in different agreements | different in different agreements | n/a |
| ČSOB Leasing | 1 456 515.51 | CZK | 944 596.80 | CZK | different in different agreements | different in different agreements | n/a |
| b.d. | 4 667.85 | EUR | 4 667.85 | EUR | n/a | n/a | n/a |
| Citibank | 46 939 200.00 | PLN | 46 939 200.00 | PLN | "O/N" BUBOR + Bank margin | 2017-11-15 | shareholders' guarantees |
| Sparkasse München | 13 272 000.00 | EUR | 1 162 571.37 | EUR | 0.07 | 2017-03-31 | commercial credit insurance |
| UniCredit Bank AG | 13 272 000.00 | EUR | 1 939 878.34 | EUR | 2.45% | 2017-03-31 | commercial credit insurance |
| D'Ieteren Lease nv | 405 284.72 | EUR | 369 214.39 | EUR | 2.30% | different in different agreements | lease |
| Bank Pekao S.A | 23 688.00 | PLN | 7 896.00 | PLN | 587.00% | 25-03-2017 | registered pledge |
| Bank BPH | 3 000 000.00 | PLN | 1 929 464.91 | PLN | 302.00% | 28-11-2017 | blank promissory note |
| Bank Pekao S.A | 1 750 000.00 | PLN | 221 890.43 | PLN | 347.00% | 25-10-2017 | blank promissory note |
| Banka Koper | 663 600.00 | EUR | 525 350.00 | EUR | 5.90% | 2018-07-02 | promissory note |
| NKBM | 1 892 486.33 | EUR | 2 956 952.94 | EUR | 3.40% | 2021-06-30 | promissory note |
| SKB | 752 080.00 | EUR | 376 040.00 | EUR | 4.50% | 2017-06-26 | promissory note |
| **Total credits** | | | **209 048 714.29** | | | | |
| **- of which adjusted acquisition price** | | | **-1 109 093.63** | | | | |
| **Total credits in PLN** | | | **207 939 620.66** | | | | |

| 20.5. Loan liabilities as at 31 December 2016 | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Name (business name) of the entity** | **Credit/loan amount acc. to agreement** | | **Credit/loan amount acc. to agreement** | | **Outstanding credit/loan amount** | **Outstanding credit/loan amount** | **Terms of interest** |
| **Loans:** | PLN | currency | PLN | currency | | | |
| Paweł Gos | 7 000 000 | PLN | 1 904 488.50 | PLN | 5,35% | No data | none |
| Lesław Walaszczyk | 7 000 000 | PLN | 2 194 981.74 | PLN | 5,35% | No data | none |
| YEZERO HOLDINGS | 1 000 000 | PLN | 1 201 739.74 | PLN | 8,50% | 31.12.2017 | none |
| PROLOGICS UK LLP | 6 043 742.42 | RUB | 6 043 742.42 | RUB | 10,00% | No data | No data |
| Medcom MP | 1 669 126.64 | RUB | 1 669 126.64 | RUB | 5% + bank's margin | Brak danych | Brak danych |
| Roman Dobrina | No data | EUR | 530 880.00 | EUR | 4,00% | 31.03.2017 | none |
| Beger | No data | PLN | 241 666.49 | PLN | b.d. | 01.07.2019 | agreement |
| **TOTAL LOANS IN PLN** | | | **13 786 625.53** | | | | |

| 20.6 The currency structure of credits and loans | | | | |
|---|---|---|---|---|
| **Currency** | **31.12.2016** | | **31.12.2015** | |
| | **Bank credits (acc. to contract)** | **Loans (acc. to contract)** | **Bank credits (acc. to contract)** | **Loans (acc. to contract)** |
| **PLN** | 151 885 637.08 | 5 542 876.47 | 167 214 416.03 | 10 645 402.07 |
| **CZK** | 11 189 649.00 | 0,00 | 13 828 989.00 | |
| **RON** | 172 427.17 | 0,00 | 276 200.95 | |
| **TRY** | 408 767.06 | 0,00 | 211 182.21 | |
| **EUR** | 1 749 310.25 | 120 000.00 | 696 317.87 | |
| **HUF** | 3 300 000 000.00 | 0,00 | 2 497 790 417.65 | 802 366 962.00 |
| **RUB** | 0,00 | 113 424 545.00 | 49 760 103.00 | 58 407 204.00 |
| **TOTAL CREDITS AND LOANS CALCULATED TO PLN 31/12/2016** | 222 835 339.82 | | 234 146 397.40 | |
| **CORRECTION TO ADJUSTED AMOUNT OF PURCHASE** | -1 109 093.63 | | -2 390 698.04 | |
| **CREDITS AND LOANS TOTAL** | 221 726 246.19 | | 231 755 699.36 | |

## NOTE 21 Provisions for other liabilities and charges

| 21.1 Provisions for other liabilities and charges | 31.12.2015 | Increases | Utilisation | Termination | 31.12.2016 |
|---|---|---|---|---|---|
| a) Long-term provisions, including: | 1 475 360.17 | 1 557 932.14 | 1 261 934.75 | 9 035.91 | 1 762 321.65 |
| - provision for retirement benefits and similar | 976 644.77 | 38 442.03 | 1 015 086.80 | 0.00 | 0.00 |
| - other (accruals) | 498 715.40 | 1 519 490.11 | 246 847.95 | 9 035.91 | 1 762 321.65 |
| b) Short-term provisions, including: | 28 517 743.89 | 29 826 062.21 | 16 512 710.59 | 9 473 453.30 | 32 357 642.20 |
| - of unused annual leave | 21 369 152.73 | 19 097 109.87 | 14 688 077.35 | 2 172 438.02 | 23 605 747.23 |
| - other (accruals) | 7 148 591.16 | 10 728 952.34 | 1 824 633.24 | 7 301 015.28 | 8 751 894.97 |
| **Total provisions** | **29 993 104.06** | **31 383 994.35** | **17 774 645.34** | **9 482 489.21** | **34 119 963.85** |

| 21.2 Provisions for other liabilities and charges | 31.12.2014 | Increases | Utilisation | Termination | 31.12.2015 |
|---|---|---|---|---|---|
| a) Long-term provisions, including: | 2 531 325.40 | 1 112 842.35 | 2 168 807.57 | 0.00 | 1 475 360.17 |
| - provision for retirement benefits and similar | 2 068 920.42 | 977 412.86 | 2 069 688.50 | 0.00 | 976 644.77 |
| - other (accruals) | 462 404.98 | 135 429.49 | 99 119.07 | 0.00 | 498 715.40 |
| b) Short-term provisions, including: | 28 855 615.67 | 27 128 487.32 | 23 593 772.33 | 3 872 586.77 | 28 517 743.89 |
| - of unused annual leave | 24 466 266.62 | 20 024 775.30 | 22 286 152.23 | 835 736.96 | 21 369 152.73 |
| - other (accruals) | 4 389 349.05 | 7 103 712.02 | 1 307 620.10 | 3 036 849.81 | 7 148 591.16 |
| **Total provisions** | **31 386 941.07** | **28 241 329.66** | **25 762 579.90** | **3 872 586.77** | **29 993 104.06** |

## NOTE 22 Determining the book value per share and earnings per share

Basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders of the Parent Company by the weighted average number of issued ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders (after deducting interest on redeemable preference shares convertible into ordinary shares) by the weighted average number of ordinary shares outstanding during the period (adjusted for the effects of dilutive options and dilutive redeemable preference shares convertible into ordinary shares).

| **22. Earnings per share** | **31.12.2016** | **31.12.2015** |
|---|---|---|
| **The calculation of basic earnings per share** | | |
| **Earnings** | **15 501 316.71** | **41 426 223.18** |
| (A) Earnings attributable to shareholders of the company | **2 417 610.83** | **27 616 454.29** |
| **No. of shares** | | |
| (B) Number of ordinary shares of the Company for the purposes of calculating earnings per share | **65 094 823.00** | **65 061 784.95** |
| **Basic earnings per share in PLN = (A)/ (B)** | **0.04** | **0.42** |
| **Book value** | | |
| ( C) Equity attributable to shareholders | **280 528 165.67** | **285 631 783.95** |
| **Book value per share in PLN = (C )/(B)** | **4.31** | **4.39** |
| **EPS** | | |
| (D) Earnings for the calculation of EPS | **2 417 610.83** | **27 616 454.29** |
| (E) Number of shares fully diluted | **65 836 829.00** | **65 767 884.95** |
| **Diluted earnings per share in PLN = (D)/ (E)** | **0.04** | **0.42** |

The dilution of earnings is effected by managers program, as described in Note 27.

**NOTE 23 Long-term financial assets of Work Service**

In the table below we present the shares that the company Work Service SA held in the subsidiaries as of 31.12.2016 and 31.12.2015. Descriptions of acquisitions made in 2016 are included in section 1.4. of introduction to these consolidated financial statements.

| | 31.12.2016 | | 31.12.2015 | |
|---|---|---|---|---|
| **Company name** | **Value of shares held** | **Percentage of share capital** | **Value of shares held** | **Percentage of share capital** |
| Finance Care Sp. z o.o. | 1 607 331,00 | 100% | 780 031.00 | 100% |
| Industry Personnel Services Sp. z o.o. | 29 042 490,00 | 100% | 27 670 490.00 | 100% |
| Exact Systems S.A. | 14 223 016,95 | 69,09% | 14 223 016.95 | 76% |
| Antal Sp. z o.o. (previous name: People Care Sp. z o.o.) | 21 461 964,30 | 100% | 800 000.00 | 100% |
| Virtual cinema Studio Sp. z o.o. | 25 000,00 | 50% | 25 000.00 | 50% |
| Work Service International Sp. z o.o. | 22 660 328,80 | 100% | 660 328.80 | 100% |
| Sellpro Sp. z o.o. | 57 599 597,20 | 100% | 9 599 597.20 | 100% |
| Work Service Acquisitions Ltd | 1 777 032,29 | 100% | 1 777 032.29 | 100% |
| Proservice Worldwide (Cyprus) Ltd | 81 245 128,72 | 100% | 81 245 128.72 | 100% |
| Clean Staff (previous name: Medi Staff Sp. z o.o.) | 17 477 500,00 | 100% | 8 225 000.00 | 83.3% |
| Krajowe Centrum Pracy Sp. z o.o. | 2 799 915,20 | 75,0% | 1 569 215.20 | 75.0% |
| WS Cyprus Ltd | 0,00 | 100,00% | 0.00 | 100.00% |
| Work Service IP Cypr. Ltd | 4 560,00 | 100,0% | 4 560.00 | 100.0% |
| Grupa IT Kontrakt | 60 516 474,21 | 84,2% | 60 516 474.21 | 84.2% |
| Antal International Sp. z o.o. | 0,00 | 100,0% | 10 661 964.30 | 100.0% |
| Grupa Work Express | 67 604 819,00 | 100,0% | 67 604 819.00 | 100.0% |
| Prohuman 2004 Kft | 122 179 078,29 | 75,0% | 121 808 231.28 | 75.0% |
| Work Service SPV Sp. z o.o. | 32 056 714,60 | 76,9% | 28 478 294.00 | 76.9% |
| Work Service Finance Sp. z o.o. | 0,00 | 100,0% | 500 000.00 | 100.0% |
| Work Service Czech s.r.o. | 6 550 013,69 | 100,0% | 6 550 013.69 | 100.0% |
| **SUMA** | **538 830 964,25** | | **442 699 196.64** | |

**NOTE 24 The risk associated with financial instruments and method of the risk management**

The company's operations are exposed to various financial risks - credit risk, liquidity risk and market risk, including fluctuations in exchange rates and interest rates. The Capital Group manages all elements of financial risks described below, that may have a significant impact on its operations in the future, putting in the process greatest emphasis 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 Group reduces the credit risk by taking co-operation with partners of a renowned position and good financial situation. This risk is further limited by the use of such instruments of credit risk management as factoring or insurance of claims. 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.

**Liquidity risk**

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

**Interest rate risk**

The Company has financial assets in in bank accounts, receivables from loans 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 receivables and liabilities due to deliveries and services are not exposed to interest rate risk because the revenues and expenses of these titles are irrelevant. At the reporting date, the Parent Company used the tools of hedging against changes in interest rates, as described in item "The interest rate risk on 31.12.2016." All assets and overwhelming majority of financial liabilities bear interest at the interest rate of the Polish currency.

Financial liabilities (with interest) in foreign currency represent 31% of total financial liabilities of the Capital Group, therefore, changes in key interest rates in the countries in which these credits were contracted (Germany, Russia, Hungary, Slovakia, Czech Republic, Turkey, Romania, Slovenia) will not affect significantly the financial costs of the Group. Due to the fact that these loans are taken out in the currency in which revenues are generated, there is no need to use other security tools than natural hedge.

**Foreign exchange / currency risk**

Foreign exchange risk is defined as the ability to increase or decrease 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. In particular, exposed to the risk are:
  o foreign receivables and liabilities,
  o cash denominated in foreign currencies,
  o securities denominated in foreign currencies.
  The risk of conversion is of "paper" character, which means that it does not affect the cash flows until the positions where the risk concerns will not be realized.
- The 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 of the planned income from commercial foreign 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 the control, having the force majeure nature.Basic transaction risk, which does not belong to the circumstances of force majeure, expressed primarily in choosing dishonest partner (contractor), or one who for reasons largely beyond his control, fails to comply with the agreement. Consequence of the choice of such a partner

can be e.g. no or partial 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 contractor 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, as direct and indirect, associated with the possibility of incurring losses due to non-performance or improper performance of obligations of the contractor. The risk management in Capital Group comes down to not admitting to enter into contracts with counterparties whose financial condition does not guarantee the repayment of invested capital in the execution of the contract, implemented policy to insure 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 (active or passive) 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 →long open foreign currency position,
  c) assets denominated in foreign currency < liabilities denominated in foreign currency →short open currency position.

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

- settlement of foreign payments in national currency,
- accelerating or delaying payment,
- deposit and loan operations,
- combining several smaller transactions into larger one,
- adjustment clauses.

in the case of companies belonging to the Capital Group of which a significant part of the transaction takes place in currencies other than the local currency, also the forward transactions.

**Other market risks**

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

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

### 24.1. Interest rate risk at 31.12.2016

Financial instruments broken down into age categories as on 31-12-2016

| **24.1. Specification** | < 1 year | 1-5 years | >5 years | Total |
|---|---|---|---|---|
| Floating rate | 115 874 713.46 | 217 340 285.91 | 0.00 | 333 214 999.37 |
| - credits and loans taken | 96 183 204.57 | 125 543 041.61 | 0.00 | 221 726 246.18 |
| - bonds | 19 691 508.89 | 91 797 244.30 | 0.00 | 111 488 753.19 |

The Capital Group manages interest costs by aiming at ensuring that not more than 25% of its interest-bearing liabilities bear fixed interest rate. To ensure that the solutions adopted by the Group are economically effective, the market monitoring (market analysis) is conducted on an on-going basis, in order to determine the level of interest rate risk. If the Group reached the acceptable level of risk, it could limit it by entering into interest rate swap contracts, under which it agrees to exchange, in which it agrees to exchange, in specified intervals, the difference between the amount of interest accrued using the fixed and variable interest rate on the agreed principal amount. The purpose of these transactions is to hedge the liabilities incurred. To date, i.e. as at 31 December 2016, the Group did not have to use the above mechanism to hedge against the interest rate risk due to market conditions – stable level of interest rates and available forecasts.

### 24.2. Financial Risk Management

#### Financial risk factors

Activities of the Capital Group 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 Work Service Capital Group's risk management focuses on minimising potential adverse effects of these risks on its financial performance.

#### Interest rate risk

The Capital Group is exposed to the risk of changes in cash flow resulting from changes in interest rates, which concerns mainly financial liabilities.  During current activities, the Capital Group uses external funding sources primarily in the form of revolving bank loans which bear interest at variable interest rate on the basis of WIBOR 1M and 3M plus bank's margin. Therefore, a change in the abovementioned interest rates results in fluctuations of cash flows. Moreover, the Group uses non-revolving long-term debt in the form of bond issues — both the loan and bonds bear interest at variable interest rate.  The Capital Croup manages costs of interests by striving to make a material part of interest-bearing liabilities fixed interest rate liabilities. In order that the solutions adopted by the Group are economically efficient, it concludes interest rate swap contracts (interest rate swaps — described above).

On the basis of on the sensitivity analysis of financial results to changes in market interest rates, it was found that an increase in interest rates by 0.75% (assuming no other changes) would result in a decrease in earnings and cash flows by PLN 3,337,074.06 (in 2015 PLN 2,495,654.45) The decrease in interest rates by 0.75% in 2016 would result in an increase in earnings and cash flows by PLN 3,337,074.06 (in 2015 by PLN 2,495,654.45).   The table below presents the information on the Group's sensitivity to interest rate risk.

**Analysis of sensitivity to interest-rate changes**

| Interest rate | Deviation 2016/2015 | Effect on financial results in 2016 | Deviation 2015/2014 | Effect on financial results in 2015 |
|---|---|---|---|---|
| WIBOR | 100 | -4 449 432.08 | 100.00 | -3 327 539.26 |
| WIBOR | 75 | -3 337 074.06 | 75.00 | -2 495 654.45 |
| WIBOR | -100 | 4 449 432.08 | -100.00 | 3 327 539.26 |
| WIBOR | -75 | 3 337 074.06 | -75.00 | 2 495 654.45 |

## Foreign exchange risk

The Group is exposed to a small extent to the risk of changes in exchange rates due to the fact that revenues and costs of the companies comprising the Capital Group are generated in a single currency. This situation causes that the Group does not have the need to use the tools to hedge against changes in currency exchange rates on a wide scale.

## 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 load of the Group's 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 Group implemented procedures for granting trade credit limit and specific forms of its security. 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 Group. In addition, due to the nature of the services provided by the Capital Group, the recipients pay particular attention to timely meet its obligations, hence the relatively low proportion of trade receivables which are subject to collection activities of the Group's financial services.

Moreover, the Work Service Capital Group in the field of short-term financing also uses the tool which is non-recourse factoring. Non-recourse factoring (factoring with the acquisition of risk, factoring without recourse) consists of 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, the factor has no right to require payment from factorer. The exception to this general rule is when the debtor does not pay, because he questions the existence of debt - because the factorer is responsible for the existence of debt. Non-recourse factoring allows the inflow of the funds on the account of factorer up to 2 days after the transfer of information about an invoice, transfer the risk of insolvency of the debtor (the recipient), 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.
Management believes that the risk of receivables is reflected by the write-downs - information regarding the amount of write-downs, recognised in the profit and loss statement, is in the notes describing these assets.

### Liquidity risk

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

As an 31 December 2016 relation rate of current assets to current liabilities was 1.05 which confirms that the short-term and the most liquid assets cover entirely the value of the Group's short-term debt. This demonstrates the stable situation in terms of liquidity the Work Service Capital Group.
For the purposes of liquidity management throughout the Work Service Capital Group the banking systems were introduced both in the country and abroad, which are designed to streamline cash management and cash-pooling from the Parent Company. As a result, the funds within the Capital Group are used in an optimal way in places and Companies, which under the circumstances so require. With this process, the financial costs are optimised across the Work Service Group and cash available in the bank accounts of subsidiaries is efficiently manage from the Parent Company.

## 24.3. Financial Instruments

The table below presents the main financial instruments used by the Group in 2015-2016.

| **24.3.1. Categories of financial instruments:** | **31.12.2016** | **31.12.2015** |
|---|---|---|
| **Financial assets** | **473 549 884.99** | **382 720 287.88** |
| Cash and cash equivalents | 104 614 790.71 | 57 904 049.27 |
| receivables from deliveries and services | 338 581 938.24 | 308 831 884.74 |
| loans granted | 28 917 250.56 | 15 968 734.06 |
| other financial assets | 1 435 905.48 | 15 619.81 |
| **Financial liabilities** | **477 675 266.29** | **456 227 369.00** |
| bank credits and advances received | 221 726 246.18 | 231 755 699.57 |
| bonds | 111 488 753.19 | 112 483 254.53 |
| other financial liabilities | 33 776 633.59 | 31 627 031.64 |
| liabilities from deliveries and services | 56 251 184.71 | 45 230 003.40 |
| liabilities from valuation of options | 54 432 448.62 | 35 131 379.85 |

| 24.3.2. | Contracted cash flows 2016 | | | | |
|---|---|---|---|---|---|
| **Financial assets** | **Current value** | **Total** | **up to 1 year** | **1 to 5 years** | **>5 years** |
| Measured at fair value by financial result | 106 050 696,19 | 106 050 696,19 | 106 050 696,19 | 0,00 | 0.00 |
| Measured at depreciated cost method | 367 499 188,80 | 367 499 188,80 | 338 581 938,24 | 28 917 250,56 | 0.00 |

| 24.3.3. | Contracted cash flows 2016 | | | | |
|---|---|---|---|---|---|
| **Financial liabilities** | **Current value** | **Total** | **up to 1 year** | **1 to 5 years** | **>5 years** |
| Measured at fair value by financial result | 88 209 082.20 | 88 209 082.20 | 53 128 600.00 | 35 080 482.20 | 0.00 |
| Measured at depreciated cost method | 389 466 184.08 | 389 466 184.08 | 277 977 430.89 | 111 488 753.19 | 0.00 |

| 24.3.4. | Contracted cash flows 2015 | | | | |
|---|---|---|---|---|---|
| **Financial assets** | **Current value** | **Total** | **up to 1 year** | **1 to 5 years** | **>5 years** |
| Measured at fair value by financial result | 57 919 669.08 | 57 919 669.08 | 57 919 669.08 | 0.00 | 0.00 |
| Measured at depreciated cost method | 324 800 618.80 | 324 800 618.80 | 308 831 884.74 | 15 968 734.06 | 0.00 |

| 24.3.5. | Contracted cash flows 2015 | | | | |
|---|---|---|---|---|---|
| **Financial liabilities** | **Current value** | **Total** | **up to 1 year** | **1 to 5 years** | **>5 years** |
| Measured at fair value by financial result | 66 758 411.49 | 66 758 411.49 | 48 117 271.14 | 18 641 140.35 | 0.00 |
| Measured at depreciated cost method | 389 468 957.50 | 389 468 957.50 | 276 985 702.97 | 112 483 254.53 | 0.00 |

## NOTE 25 Transactions between related entities and transactions with members of the Management Board

In the period from 1 January 2015 until 31 December 2016 Work Service SA was a party to the transaction with related parties which within a specified period or part thereof held or still hold such status.

In accordance with IAS 24, relating to disclosure of transactions on related entities, adopted in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, the following entities shall be deemed to be related entities of Work Service SA in 2015:

1. Criterion - Management Board members, Supervisory Board members:
   a) Tomasz Hanczarek – President of the Management Board
   b) Dariusz Rochman Vice President of the Management Board (till 17 April 2016)
   c) Hubert Rozpędek – Vice President of the Management Board (till 13 April 2016)
   d) Iwona Szmitkowska - Vice President of the Management Board (since 10 October 2014)
   e) Paul Andrew Christodoulou - Vice President of the Management Board
   f) Robert Knights - Vice President of the Management Board
   g) Tomasz Ślęzak – Vice President of the Management Board
   h) Panagiotis Sofianos – Chairman of Supervisory Board
   i) Wiesław Skrobowski – Member of the Supervisory Board (till 18 May 2016)
   j) Everett Kamin – Member of the Supervisory Board
   k) Tomasz Misiak – Vice-Chairman of the Supervisory Board
   l) Pierre Mellinger – Member of the Supervisory Board
   m) Piotr Maciej Kamiński – Member of the Supervisory Board
   n) Maciej Krzysztof Witucki - Member of the Supervisory Board
   o) Geza Szephalmi – Member of the Supervisory Board

p) Piotr Żabksi - Member of the Supervisory Board (till 17 May 2016)
q) Adam Pawłowicz – Vice President of the Management Board (till 31 December 2016)
r) Piotr Gajek – Vice President of the Management Board
s) Krzysztof Kaczmarczyk – Member of the Supervisory Board
t) Robert Ługowski – Member of the Supervisory Board
u) John Leone – Member of the Supervisory Board

**2.** Criterion - shareholders:
a) WorkSource Investments S.a.r.l.
b) ProLogics (UK) LLP,
c) Doyon Holdings LTD
d) Mizyak Investment Fund LTD
e) Tomasz Misiak
f) Tomasz Hanczarek
g) Pawlos Mandzios

**3.** Criterion - the share of equity in the subsidiary:
a) Finance Care Sp. z o.o.,
b) Industry Personnel Services Sp. z o. o.,
c) Exact Systems S.A.
d) Antal Sp. z o.o. (poprzednia nazwa People Care Sp. z o.o.)
e) Work Service International Sp. z o.o.,
f) ProService Worldwide (Cyprus) Ltd,
g) Work Service IP Cypr. Ltd.
h) Clean Staff Sp. z o.o. (poprzednia nazwa Medi Staff Sp. z o.o.)
i) Sellpro Sp. z o.o.
j) Krajowe Centrum Pracy Sp. z o.o.
k) Virtual Cinema Studio Sp. z o.o.
l) IT Kontrakt Sp. z o.o.
m) WS Cyprus Ltd
n) Antal International Sp. z o.o.
o) Prohuman 2004 Kft
p) Work Express Sp. z o.o.
q) Work Service SPV Sp. z o.o.
r) Work Service Finance Sp. z o.o.
s) Work Service Czech s.r.o

**4.** Criterion - subsidiaries of Work Service SA subsidiaries:
a) subsidiaries of Work Service International Sp. Z o.o.:
- Czech Work Agency s.r.o.
- Work Service Slovakia s.r.o.,
- Workport24 Gmbh
- Work Service SK s.r.o. (pośrednio przez Work Service Slovakia s.r.o)
- Work Service Outsorcing s.r.o. (pośrednio przez Work Service Slovakia s.r.o)
- Antal International s.r.o. (pośrednio przez Work Service Slovakia s.r.o)
- Work Service SPV Sp. z o.o
- ZAO Work Service Russia

b) subsidiaries of Exact Systems S.A.:
- Automotive Assembly Systems Sp. z o.o.,

- Exact Systems Czech Republic s.r.o.,
- Exact Systems Slovakia s.r.o.,
- AO Exact Systems Russia.
- Exact systems s.r.l. (Romania)
- Exact Systems Ltd.
- Exact Systems Kalite Kontrol Ltd. Sti.
- Exact Systems Ltd (UK)
- Work Service SPV Sp. z o.o
- Exact Systems Hungary LLC
- Control + Rework Service NV
- Control + Rework Service Polska Sp. z o.o.
- Exact Systems China Ltd

c) subsidiaries of ProService Worldwide (Cyprus) Ltd:
- ZAO Work Service Russia,
- ProService Worldwide Ltd,
- Janveer Limited (BVI)

d) subsidiaries of ZAO Work Service Russia:
- EMG Leasing,
- EMG Management
- IT Kontrakt o.o.o.

e) subsidiaries of Industry Personnel Services Sp. z.o.o.
- Work Service Slovakia s.r.o.
- Krajowe Centrum Pracy Sp. z o.o.

f) subsidiaries of IT Kontrakt Sp. z o.o.:
- Stermedia Sp. z o.o.
- IT Kontrakt Centrum Kształcenia Sp. z o.o.
- ITK Cyprus Ltd
- Work Service SPV Sp. z o.o.
- IT Kontrakt AG
- IT Services Sp. Z o.o.
- IT Services SDN. BHD

g) subsidiaries of Automotive Assembly Systems Sp. z o.o.
- Exact Systems s.r.l.
- Exact systems Kalite Kontrol in Turkey

h) subsidiaries of Prohuman 2004 Kft:
- Prohuman Outsorcing Kft
- Human Existence Kft
- Enloyd Kft
- HR Rent Kft
- Profield 2008 Kft
- HR Global d.o.o.

i) subsidiaries of HR Global d.o.o.:
- Naton HR E.O.D.D.
- Naton Ljudski potencial d.o.o.
- Naton zaposljavanje d.o.o.
- Naton kadrovsko svetovanje d.o.o.

j) subsidiaries of Work Express Sp. z o.o.: z o.o.:
   - Outsorcing Solutions Partner Sp. z o.o.
   - Clean24h Sp. z o.o.
   - LogistykaPL Sp. z o.o.
   - Workbus Sp. z o.o.

k) subsidiaries of Work Service Gmbh &Co.KG
   - Exact Systems Gmbh
   - IT Kontrakt Gmbh
   - Work Service 24 Gmbh
   - Work Service Deutschland Gmbh
   - Work Service Fahrschule Gmbh (through Work Service Deutschland Gmbh)
   - Work Service Outsorcing Deutschland Gmbh
   - Work Service GP Gmbh
   - Enloyd Gmbh

l) subsidiaries of Work Service SPV Sp. z o.o.
   - Work Service Gmbh & Co. KG

m) subsidiaries of Profield 2008 Kft
   - Finance Care Hungary Kft

n) subsidiaries of Work Service Czech s.r.o.
   - Antal International s.r.o.

o) subsidiaries of Krajowe Centrum Pracy Sp. z o.o.
   - Kariera.pl Sp. z o.o.

**5.** Criterium — Other related parties:
   - PTM Pawlos Mandzios
   - Pawlos Mandzios
   - Ewa Misiak
   - Rochman Dariusz GRUPA AIDE
   - Christodoulos G. Vassiliades and Co LLC
   - Hanna Witucka
   - Tomasz Hanczarek Doradztwo
   - Wioletta Kwaśny
   - Magdalena Gos
   - Lesław Walaszczyk
   - Paweł Gos

All related party transactions are presented below, except for transactions with subsidiaries included in the consolidated financial statements, as these transactions are eliminated in the process of consolidation:

## Transactions with related parties

| 2015 | Prologic UK | PTM Pawlos Mandzios | Pawlos Mandzios | Everett Kamin | Workseource Investments S.A.R.L. | Panos N. Sofianos | Dariusz Rochman | Tomasz Hanczarek | Ewa Misiak | Tomasz Misiak | Tomasz Ślęzak | Robert Knights | Paul Christodoulou | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| revenues | 0.00 | 1 029.49 | 175.49 | | 0.00 | | | | | | | | | **1 204.98** |
| costs | 266 013.29 | 0.00 | | 73 438.14 | 72 899.35 | | | 50 359.84 | | 142 622.56 | 403.70 | 484.00 | | **669 222.76** |
| receivables | 0.00 | 1 029.49 | 175.49 | | 0.00 | | 156 289.55 | 50 000.00 | 14 168.27 | 12 451.41 | | 251 451.66 | 561 954.96 | **1 047 520.83** |
| payables | 0.00 | 0.00 | | 73 438.14 | 0.00 | 63 001.88 | | | | | 403.70 | 484.00 | | **137 327.72** |

| 2016 | Hubert Rozpędek | Prologics UK | PTM Pawlos Mandzios | Pawlos Mandzios | Rochamn Dariusz GRUPA AIDE | Everett Kamin | Workseource Investments S.A.R.L. | Christodoulos G. Vassiliades and Co LLC | Panos N. Sofianos | Hanna Witucka | Dariusz Rochman |
|---|---|---|---|---|---|---|---|---|---|---|---|
| revenues | 500.00 | 178 365.76 | 856.87 | 175.49 | 20 603.02 | 4 415.66 | | | | | |
| costs | | 913 531.72 | | | | | | 4 712.42 | | 6 899.07 | |
| receivables | 500.00 | 978 365.76 | 856.87 | 175.49 | 20 603.02 | 4 415.66 | | | | | 97.76 |
| payables | | | | | | | 587 810.61 | 4 712.42 | 63 001.88 | 6 899.07 | 2 070.16 |

| 2016 c.d. | Tomasz Hanczarek | Ewa Misiak | Tomasz Misiak | Tomasz Ślęzak | Robert Knights | Maciej Witucki | Paul Christodoulou | Tomasz Hanczarek Doradztwo | Wioletta Kwaśny | Magdalena Gos | Lesław Walaszczyk | Paweł Gos | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| revenues | | | | | | | | | | | | | **204 916.80** |
| costs | 256 834.38 | | 560 460.54 | 409.17 | | | | | | | | | **2 393 659.79** |
| receivables | 52 424.13 | 15 301.62 | 39 478.13 | | 250 967.66 | 1 980.46 | 425 679.33 | 15 000.00 | | | | 153 955.53 | **1 959 801.42** |
| payables | | 1 815.98 | | 409.17 | | | | | 5 535.00 | 24 600.00 | 18 081.00 | | **714 935.29** |

**NOTA 26 Error adjustment**

In these financial statements, the Group did not adjust previously published data.

**NOTA 27 Key assumptions and sources of estimates**

Assumptions concerning the future and other key sources of uncertainty occurring as ant balance sheet date that have a significant risk of material adjustment to the balance sheet assets and liabilities within the next financial year are presented below

Write-downs of receivables value
Write-downs on receivables are recognised if there is objective evidence of impairment. Write-down is assessed on the basis of possible future cash flows. Both the amount and the time distribution of these flows is determined by the professional judgement of the Group Management Board. A detailed description of the estimate is presented in Note 8.2.

Depreciation rates
Depreciation rates are determined based on the expected useful economic lives of tangible fixed assets and intangible assets. Group entities shall review annually the useful lives based on current estimates. The principles of depreciation applied in the Company are presented in item 1.5.7 of the introduction to the financial statements.

Impairment of goodwill and other intangible assets and tangible fixed assets
The Group performs impairment tests for goodwill and other intangible with an indefinite Use · at least once a year. This requires an estimation of the value in use of the cash generating unit to which the goodwill is allocated. Estimating the value in use is based on the expected future cash flows generated by cash generating unit on the basis of financial plans and determination of a discount rate to apply for calculation of the present value of those cash flows. According to the same approach, the Group also conducts tests for impairment of intangible assets with finite lives and assets, while the tests are carried out only if there are indications of possible impairment. The reasons may include e.g. long-term adverse effects of market as well as the losses incurred by the entity. In the case of the parent company, the premise may be (occurring over a longer period) the level of capitalisation not covering the carrying value of net assets. When testing for impairment of fixed assets, the method for discounting future cash flows of the cash-generating unit can be used. When using this method, it is required to use business assumptions and variables such as the cost of capital and the residual growth rate, which size and variability in the future is determined by the subjective evaluation of the Management Board. This assessment is based both on internal sources of knowledge (units budgets, forecasts, profitability), as well as on external sources (public data of macro-and microeconomic). The basis of the estimates on the valuation of the form is contained in Note 2.

Deferred tax assets
The Group recognizes deferred tax assets on the assumption that the future taxable income will be achieved allowing for its use. Deterioration of tax results in the future could cause that this assumption could be unjustified. Basis for the creation of deferred tax assets is presented in Note 6 of the consolidated 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. Within its framework up to 2.5% of the total number of shares as at the date of adoption of the program, i.e. 1,498,700 shares can be issued. These shares will be distributed in the following way:

- entitled Key Managers will cover warrants for the duration of the Programme on an annual basis,
- warrants will be converted into shares on 30 June 2018 with the exception of warrants granted to entitled key Managers, who were employed by the Company for less than 18 months during the Programme - warrants shall be transferred to the reserve and will be used at the discretion of the Supervisory Board,
- warrants will be issued on 30 June of each calendar year beginning on 30 June 2014. Based on the audited results for 2013 to 30 June 2018 based on the audited results for 2017 in five separate emissions,
- number of warrants subscribed for by Entitled Key Managers each year will depend on the implementation of the budget for the year in relation to the Business Plan, with maximal number of warrants to be issued for each year is 291,000. Furthermore:
    - if the actual value of the EBIT at the consolidated level will be equal to the value of the planned EBIT or exceeds this value, the maximum number of warrants will be issued,
    - if the actual value of EBIT, on a consolidated level will fall within the range of 85% to 100% of the planned value of EBIT, number of warrants issued for the year will rise in proportion from 0% for the implementation of the plan at 85% or below 85%, to 291,000 for the implementation of the plan at 100% or more,
- all warrants, which will not be distributed for any reason, will be transferred to the reserve, which may be allocated by the Supervisory Board at its discretion,
- the shares, to which the warrants will be exchanged, will be subject to blockade preventing their disposal until the disposal of all the shares of the Company by WorkService Investments S. à r l.
- additional condition for determining acquisition of rights is remaining in the employment relation for the duration of the Programme. If the Entitled Key Manager resigns from work for serious health reasons and will be unable to work or will be dismissed during the Programme, he will be entitled to subscribe for warrants under the Programme only for the period of his employment with the Company (100% of the warrants vested to the last day of work). If the Entitled Key Manager resign for reasons other than health during the Programme, he will be entitled to subscribe for 50% of warrants under Programme for the period of his employment.

**The costs of Incentive Programme - description plus valuation.**

The valuation of Incentive Programme was based on the analytical model of Black-Scholes-Merton. The valuation includes the number of warrants to be issued which was determined on the basis of the value of the expected business objective implementation (nonmarket condition), during the vesting period for Entitled Key Managers. The valuation of warrants for the years 2013–2015 was a certain valuation, and the valuation for the years 2016–2017 is a provisional valuation. It is justified to recognise warrants not granted in the valuation of the Programme due to the fact that the Entitled Persons provide services and the valuation made takes into account the possibility of achieving the business objective. Until warrants for the years 2016–2017 are granted, the programme valuation is updated on a quarterly basis.

**The basic assumptions of the valuation**

The basic assumptions for the valuation of options, which entitle to subscribe for the warrants, are presented in the following table. Volatility of share price was estimated based on the historical volatility rate of return on the shares of the Company Work Service SA in the period from the date of stock exchange debut until the adoption of Incentive Programme, i.e. from 26 April 2012 to 28 June 2013.

**Assumptions for option pricing**

| No. | Specification | Date/Value |
|---|---|---|
| 1. | Date of grant | 2013-06-27 |
| 2. | The last possible date of exercise | 2018-06-30 |
| 3. | The lifetime of the option | 5.010958904 |
| 4. | The current price of the basic shares | 8.89 |
| 5. | The exercise price | 0.10 |
| 6. | Coefficient of variation | 0.203997781 |
| 7. | Risk-free rate | 3.00% |
| 8. | Dividend payout ratio | 2.81% |

(*)Risk-free rate was adopted on the basis of the interest rates on bonds with fixed interest rate and term - DOS0515.

Given the above, the total number of options to be issued on the balance sheet date, i.e. 31 December 2016 is 742,006.00 which at the value of option of the valuation based on the model used – PLN 7,63, gives the value of Incentive Programme equal to PLN 5,664,115.32

*On the basis of the applied valuation model, i.e. the Black–Scholes–Merton model, the value of one option is 7.633516868… – what multiplied by the total number of warrants to be issued, i.e. 742,006 produces the value of the managers programme of 5,664,115.32. For presentation purposes, the value of options was provided to 2 decimal places.

**Valuation of Incentive Programme - as on 31 December 2016**

| Specification | Number of warrants | Value of single warrant (PLN) | Value of Incentive Programme |
|---|---|---|---|
| Incentive Programme | 742.006 | 7.63 | 5.664.115,32 |
| The value charged to the year 2016 | | | 1.599.897,24 |
| Total amount at the end of 2016 year | | | 4.294.910,37 |

**NOTE 28 Equity management**

The Group manages its equity in order to preserve its ability to continue operations, including equity needs resulting from planned and ongoing investment, so in order to generate the expected rate of return for shareholders. In accordance with market practice, the Group manages its equity structure by adapting it to changes in market conditions. Managing equity structure of the Group is done by tools such as dividend policy, the issue of shares, bonds, changes in the use of external sources of financing. Moreover, the Group monitors capital on the basis of indicators such as:

- The debt ratio - calculated as the ratio of net debt to adjusted EBITDA,
- debt coverage ratio - calculated as the ratio of free cash flow to the interest-credit instalments,
- leverage ratio calculated as the ratio of adjusted net debt to net assets.

At the end of 2016 these rates were respectively:

- The debt ratio: 3.22
- debt coverage ratio: 1.98
- leverage ratio: 0.72

**NOTA 29 Information on business 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 main body responsible for operating decision in the unit and using the results to decide on the allocation of resources to the segment and when assessing the segment, as well as
c) in the case of which separate financial information are available.

In accordance with the requirements of IFRS 8, operating segments should be identified on the basis of internal reports about components that are regularly reviewed by the people deciding on the allocation of resources to the segment and assessing its financial performance.

The Capital Group assumes that the basic division into segments is the breakdown by economic activities. Economic activities of the Capital Group are carried out in separate subsidiaries. The vast majority of the Group's business relates to temporary work. In this report, The Capital Group has revealed information on the revenue broken down by industry segments - because in this system, it is analysed by the Management Board of the Parent Company.

The Management Board of Parent Company monitors the operating results of segments to make appropriate business decisions. The basis of assessment is the operating result , which is measured in the same manner as operating profit in the consolidated financial statements after taking into account the elimination of intersegment transactions (as outlined in the attached tables below). Transaction prices used in transactions between operating segments are determined on a commercial basis as transactions with unrelated parties.

The accounting policies used in the preparation of the financial data for the reportable segments are consistent with the Group's accounting policies described in item 1 of the notes to the consolidated financial statements for the year 2016 "Summary of significant accounting policies".
Group financing (including finance costs and finance income), income taxes and share in the profit or loss of entities accounted for using the equity method are monitored at Group level and are not allocated to the segments.
Group does not use asymmetric allocation of costs and revenues for reportable segments.
Group presents the value of the profit or loss for each reportable segment, and does not represent the total assets and liabilities for each reportable segment, as these amounts are not regularly provided to main body responsible for taking operating decisions. The Group does not disclose the allocation of revenue from external customers for specific titles of products and services as the information on this topic are not available and the cost of its obtaining would be excessive.

The following tables present data on the revenues and costs of the Group's business segments for the years ended on: 31 December 2016 and comparative data for the year ended on 31 December 2015.

| **Continued activity 01.01.2016-31.12.2016** | | | | | | |
|---|---|---|---|---|---|---|
| | **Temporary work** | **Other** | **Unallocated** | **Total** | **Exclusions** | **Operations total** |
| **Revenues** | | | | | | |
| Sales to external customers | 1 759 040 594 | 720 705 449 | | 2 479 746 043 | | - |
| Internal sale | 158 536 442 | 95 940 295 | | 254 476 737 | -254 476 736.95 | - |
| Total segment revenue | 1 917 577 035 | 816 645 745 | | 2 734 222 780 | -254 476 736.95 | **2 479 746 043** |
| **Costs** | | | | | | |
| The costs of external suppliers | 1 689 267 781 | 528 122 411 | | 2 217 390 191 | | |
| The costs form Group suppliers | 159 634 628 | 44 582 639 | | 204 217 267 | -204 217 267.28 | - |
| Total segment costs | 1 848 902 409 | 572 705 050 | | 2 421 607 459 | -204 217 267.28 | **2 217 390 191** |
| **Result** | | | | | | |
| Segment profit (loss) | 69 772 813 | 192 583 039 | | 262 355 852 | | **262 355 852** |
| **Unallocated costs** | | | 243 610 394 | 243 610 394 | -45 515 987.54 | **198 094 407** |
| **Other Operating revenue** | | | | | | |
| Sales to external customers | | | 22 194 860 | 22 194 860 | 0.00 | |
| Internal sale | | | 24 127 995 | 24 127 995 | -24 127 995.44 | - |
| Total segment revenue | | | 46 322 855 | 46 322 855 | -24 127 995.44 | **22 194 860** |
| **Other Operating costs** | | | | | | |
| The costs of external suppliers | | | 23 407 132 | 23 407 132 | 0.00 | |
| The costs form Group suppliers | | | 5 382 339 | 5 382 339 | -5 382 338.76 | - |
| Total segment costs | | | 28 789 470 | 28 789 470 | -5 382 338.76 | **23 407 132** |
| **Result** | | | | | | |
| Profit (loss) from operating activities of the segment | | | | | | **63 049 173** |
| **Financial income** | | | | | | |
| Sales to external customers | | | 2 922 568 | 2 922 568 | | - |
| Internal sale | | | 56 231 431 | 56 231 431 | -56 231 431.17 | - |
| Total segment revenue | | | 59 153 999 | 59 153 999 | -56 231 431.17 | **2 922 568** |
| **Financial costs** | | | | | | |
| The costs of external suppliers | | | 35 071 926 | 35 071 926 | | - |
| The costs form Group suppliers | | | 15 942 228 | 15 942 228 | -15 942 228.21 | - |
| Total segment costs | | | 51 014 154 | 51 014 154 | -15 942 228.21 | **35 071 926** |
| **Result** | | | | | | |
| Profit (loss) on business activities | | | | | | **30 899 815** |
| **Result** | | | | | | |
| Gross profit (loss) | | | | | | **30 899 815** |
| **Tax** | | | 15 398 499 | 15 398 499 | | **15 398 499** |
| **Result** | | | | | | |
| Net profit (loss) of the segment | | | | | | **15 501 317** |

| Continued activity 01.01.2015-31.12.2015 | | | | | | |
|---|---|---|---|---|---|---|
| | **Temporary work** | **Other** | **Unallocated** | **Total** | **Exclusions** | **Operations total** |
| **Revenues** | | | | | | |
| Sales to external customers | 1 545 602 809 | 591 114 356 | | 2 136 717 165 | | - |
| Internal sale | 201 241 291 | 80 317 760 | | 281 559 050 | -281 559 050 | - |
| Total segment revenue | 1 746 844 100 | 671 432 116 | | 2 418 276 216 | -281 559 050 | **2 136 717 165** |
| **Costs** | | | | | | |
| The costs of external suppliers | 1 491 153 720 | 407 950 787 | | 1 899 104 506 | | |
| The costs form Group suppliers | 195 434 761 | 40 916 326 | | 236 351 087 | -236 351 087 | - |
| Total segment costs | 1 686 588 481 | 448 867 113 | | 2 135 455 593 | -236 351 087 | **1 899 104 506** |
| **Result** | | | | | | |
| Segment profit (loss) | 54 449 090 | 183 163 569 | | 237 612 659 | | **237 612 659** |
| **Unallocated costs** | | | 195 774 661 | 195 774 661 | -35 706 097 | **160 068 564** |
| **Other Operating revenue** | | | | | | |
| Sales to external customers | | | 31 692 748 | 31 692 748 | 0 | |
| Internal sale | | | 16 437 678 | 16 437 678 | -16 437 678 | - |
| Total segment revenue | | | 48 130 427 | 48 130 427 | -16 437 678 | **31 692 748** |
| **Other Operating costs** | | | | | | |
| The costs of external suppliers | | | 17 712 876 | 17 712 876 | 0 | |
| The costs form Group suppliers | | | 7 385 562 | 7 385 562 | -7 385 562 | - |
| Total segment costs | | | 25 098 438 | 25 098 438 | -7 385 562 | **17 712 876** |
| **Result** | | | | | | |
| Profit (loss) from operating activities of the segment | | | | | | **91 523 967** |
| **Financial income** | | | | | | |
| Sales to external customers | | | 3 561 543 | 3 561 543 | | - |
| Internal sale | | | 83 434 116 | 83 434 116 | -83 434 116 | - |
| Total segment revenue | | | 86 995 659 | 86 995 659 | -83 434 116 | **3 561 543** |
| **Financial costs** | | | | | | |
| The costs of external suppliers | | | 29 462 238 | 29 462 238 | | - |
| The costs form Group suppliers | | | 22 769 251 | 22 769 251 | -22 769 251 | - |
| Total segment costs | | | 52 231 489 | 52 231 489 | -22 769 251 | **29 462 238** |
| **Result** | | | | | | |
| Profit (loss) on business activities | | | | | | **65 623 271** |
| **Result** | | | | | | |
| Gross profit (loss) | | | | | | **65 623 271** |
| **Tax** | | | 24 197 048 | 24 197 048 | | **24 197 048** |
| **Result** | | | | | | |
| Net profit (loss) of the segment | | | | | | **41 426 223** |

Due to the fact that the activity of the Parent Company is homogeneous in terms of the type of services and significant clients and the legal environment, the Company determines its entire activities as temporary employment segment. Accordingly, the company does not identify reportable segments.

Revenue from external customers attributed to the country in which the entity is established (Poland) and assigned to all other countries in total in which the entity derives its revenues, are presented in the table below:

| NET REVENUES | 2016 | [%] share | 2015 | [%] share |
|---|---|---|---|---|
| Poland | 1 369 068 096 | 55.2% | 1 192 738 233 | 55.8% |
| Abroad | 1 110 677 948 | 44.8% | 943 978 932 | 44.2% |
| **Total** | **2 479 746 043** | **100.0%** | **2 136 717 165** | **100.0%** |

The Group does not identify the distribution of fixed assets located in the country in which the entity is established and located in all other countries together in which the entity maintains its assets. From the point view of the Group such a division is not relevant to the business.

Structure of sale of services of the Work Service Capital Group in years 2015 - 2016 together with comparative data in a geographical foreign markets.

| NET REVENUES | 2016 | [%] share | 2015 | [%] share |
|---|---|---|---|---|
| Poland | 1 369 068 096 | 55.2% | 1 192 738 233 | 55.8% |
| Czech republic | 88 723 865 | 3.6% | 76 943 745 | 3.6% |
| Slovakia | 75 034 377 | 3.0% | 73 436 370 | 3.4% |
| Germany | 305 940 217 | 12.3% | 335 400 692 | 15.7% |
| Russia | 52 992 014 | 2.1% | 80 874 398 | 3.8% |
| Romania | 12 774 628 | 0.5% | 6 198 282 | 0.3% |
| Turkey | 15 303 474 | 0.6% | 7 790 097 | 0.4% |
| Hungary | 456 860 451 | 18.4% | 345 464 479 | 16.2% |
| England | 8 417 107 | 0.3% | 4 271 586 | 0.2% |
| Belgium | 24 621 506 | 1.0% | 7 821 843 | 0.4% |
| Slovenia | 69 511 334 | 2.8% | 5 702 576 | 0.3% |
| Switzerland | 429 889 | 0.0% | 0 | 0% |
| China | 69 087 | 0.0% | 0 | 0% |
| Croatia | 0 | 0.0% | 67 674 | 0.0% |
| Serbia | 0 | 0.0% | 7 190 | 0.0% |
| **Total** | **2 479 746 043** | **100.0%** | **2 136 717 165** | **100.0%** |

### Information about major customers

The share of the top 10 customers in the total revenues of the Work Service Capital Group.

| NET REVENUES | 2016 | [%] share |
|---|---|---|
| Automotive | 94 832 061 | 3.8% |
| Industry other | 75 890 671 | 3.1% |
| Call center | 62 451 245 | 2.5% |
| Industry other | 41 738 767 | 1.7% |
| Electronics | 38 699 926 | 1.6% |
| Call center | 26 724 791 | 1.1% |
| Services other | 25 418 571 | 1.0% |
| Financial-Insurance Services | 24 735 544 | 1.0% |
| Financial-Insurance Services | 20 954 113 | 0.8% |
| Call center | 20 211 462 | 0.8% |

Revenues from transactions with any of the external customers did not constitute 10% or more of total revenue of the Capital Group in 2016.
According to the best knowledge of Work Service SA management Board, the said threshold was not exceeded also by the transactions with a group of customers under common control.

## NOTE 30 Revenue from operating activities

| 30.1 Net revenues from sales of services (structure - types of activity) | 2016 | 2015 |
|---|---|---|
| Sales of services | 2 479 725 019.16 | 2 136 717 165.29 |
| - including: from related entities | 0.00 | 0.00 |
| Sales of goods | 21 024.09 | 0.00 |
| **Total revenues from sales:** | **2 479 746 043.25** | **2 136 717 165.29** |

## NOTE 31 Expenses of operating activities

| 31. Expenses by type | 2016 | 2015 |
|---|---|---|
| a) depreciation | 16 145 358,86 | 12 691 533.67 |
| b) consumption of materials and energy | 10 957 175,77 | 10 370 147.68 |
| c) Foreign service | 363 847 352,90 | 238 476 785.37 |
| d) Taxes and Surcharges | 5 297 732,00 | 3 062 588.61 |
| e) salaries | 1 598 360 900,21 | 1 426 211 018.80 |
| f) social security and other benefits | 384 592 425,03 | 321 208 610.19 |
| g) Other generic costs | 41 770 434,38 | 55 131 283.69 |
| h) value of goods sold | 0.00 | 0.00 |
| **Total expenses by type** | **2 420 971 379.15** | **2 066 291 812.77** |

### NOTE 32 Other operating income

| 32. Other operating incomes | 2016 | 2015 |
|---|---|---|
| a) profit from sale of non-financial fixed assets | 281 181.63 | 2 573 337.64 |
| b) grants | 609 210.40 | 332 860.20 |
| c) other operating income | 21 304 467.71 | 28 786 550.41 |
| **Other operating income, total** | **22 194 859.74** | **31 692 748.25** |

The largest component of other operating revenue is the revenue earned from charging employees with cost of apartments rented, work clothes purchased, etc. – more than 15.5 million (mainly foreign companies). Revenue from re-invoices, amounting to PLN 1.5 million, is also a significant component of other operating revenue.

### NOTE 33 Other operating expenses

| 33. Other operating costs | 2016 | 2015 |
|---|---|---|
| a) loss from sale of non-financial fixed assets | 27 470.16 | 166 677.44 |
| b) update of non-financial assets | 4 860 350.81 | 1 034 128.91 |
| c) other | 18 519 310.76 | 16 512 069.74 |
| **Other operating expenses, total** | **23 407 131.73** | **17 712 876.09** |

The largest component of other operating expenses are the costs to be reinvoiced, amounting to PLN 9.6 million. In 2016, write-downs on overdue receivables were also recognised in the total amount of PLN 0.5 million.

### NOTE 34 Financial incomes

| 34. Financial incomes | 2016 | 2015 |
|---|---|---|
| a) Dividends and shares in profits, including: | 73.42 | 473 210.21 |
| - from related entities | 0.00 | 0.00 |
| b) Interest, including: | 1 534 262.01 | 963 520.87 |
| - from related entities | -0.12 | 13 465.01 |
| c) Profit on disposal of investments | 0.00 | 0.00 |
| d) Revaluation of investments | 9 185.67 | 606 368.96 |
| e) Other | 1 379 047.06 | 588 844.01 |
| **Financial income, total** | **2 922 568.16** | **2 631 944.05** |

Other finance income comprise mainly foreign exchange differences on translations in foreign companies, amounting to approx. PLN 0.6 million. The amount of withdrawal of the balance sheet valuation of IFR from 2015, i.e. PLN 0.3 million, is also a significant component.

### NOTE 35 Financial expenses

| 35. Financial costs | 2016 | 2015 |
|---|---|---|
| a) Interest, including: | 21 605 466.45 | 16 357 394.36 |
| - for related entities | 0.00 | 0.00 |
| b) Loss on disposal of investments | 0.00 | 27 142.85 |
| c) Revaluation of investments | 0.00 | 545 467.12 |
| d) Other | 13 466 459.37 | 11 602 635.06 |
| **Financial expenses, total** | **35 071 925.82** | **28 532 639.39** |

The largest item of other finance costs comprises the factoring servicing costs of PLN 4.7 million. The second largest item is the amount of bank commissions, amounting to PLN 3.3 million in 2016.

**NOTE 36 Income tax**

| **36. Income tax** | **2016** | **2015** |
|---|---|---|
| A. Gross profit | 30 899 815.24 | 65 623 271.48 |
| B. Current income tax | 21 498 641.78 | 21 093 038.99 |
| C. Deferred income tax | -6 100 143.26 | 3 104 009.31 |
| D. Other obligatory decreases | 0.00 | 0.00 |
| Total income tax | 15 398 498.52 | 24 197 048.30 |
| Effective income tax rate (B+C)/A | 50% | 37% |

The difference results from the application of local tax rates and qualifications for expenses and tax or non-taxes incomes in accordance with local laws by foreign units. The effective interest rate in 2016 is 50%, while in 2015 was 37%.

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 2016.

**NOTE 37 Data on off-balance sheet positions, especially on contingent liabilities, including on guarantees and sureties granted by the Capital Group**

| No. | The surety on behalf of | Promissory note beneficiary | Surety subject | Date of agreement | Date of termination of the agreement | The 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 on limit increase 19.10.2015 | Indefinite period | 41 800 000,00 |
| 2. | Finance Care Sp. z o.o. | BNP PARIBAS Factor Sp. z o.o. | Amount receivable under a factoring agreement | Annex on limit increase 19.10.2015 | Indefinite period | 41 800 000,00 |
| 3. | Industry Personnel Services Sp. z o.o. | BNP PARIBAS Factor Sp. z o.o. | Amount receivable under a factoring agreement | Annex on limit increase 19.10.2015 | Indefinite period | 41 800 000,00 |
| 4. | Work Service International Sp. z o.o. | BNP PARIBAS Factor Sp. z o.o. | Amount receivable under a factoring agreement | Annex on limit increase 19.10.2015 | Indefinite period | 41 800 000,00 |
| 5. | IT Kontrakt Sp. z o.o. | BNP PARIBAS Factor Sp. z o.o. | Amount receivable under a factoring agreement | 01.10.2014/ commissioning + Annex on limit increase 19.10.2015 | Indefinite period | 41 800 000,00 |
| 6. | Work Express Sp. z o.o. | BNP PARIBAS Factor Sp. z o.o. | Amount receivable under a factoring agreement | 01.10.2014/ commissioning + Annex on limit increase 19.10.2015 | Indefinite period | 41 800 000,00 |
| 7. | Industry Personnel Services Sp. z o.o. | BZWBK Factor Sp. z o.o. | Amount receivable under a factoring agreement | 23.11.2015/ commissioning | 30.09.2017 | 37 500 000,00 |
| 8. | Finance Care Sp. z o.o. | BZWBK Factor Sp. z o.o. | Amount receivable under a factoring agreement | 23.11.2015 commissioning | 30.09.2017 | 37 500 000,00 |
| 9. | Sellpro Sp. z o.o. | BZWBK Factor Sp. z o.o. | Amount receivable under a factoring agreement | 23.11.2015 commissioning | 30.09.2017 | 37 500 000,00 |
| 10. | Industry Personnel Services Sp. z o.o. | Bank Millennium S.A. | Amount receivable under a factoring agreement | Annex on limit extension 3.06.2016 | 09.05.2017 | 41 800 000,00 |
| 11. | Sellpro Sp. z o.o. | Bank Millennium S.A. | Amount receivable under a factoring agreement | Annex on limit increase 18.08.2015 | 09.05.2017 | 41 800 000,00 |
| 12. | Finance Care Sp.z o.o. | Bank Millennium S.A. | Amount receivable under a factoring agreement | Annex on limit extension 18.08.2015 | 09.05.2017 | 41 800 000,00 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 13. | Exact Systems S.A. | Bank Millennium S.A. | Amount receivable under a factoring agreement | Annex on limit extension 30.05.2016 | 09.05.2017 | 41 800 000,00 |
| 14. | Automotive Assembly Systems Sp. z o.o. | Bank Millennium S.A. | Amount receivable under a factoring agreement | Annex on limit extension 30.05.2016 | 09.05.2017 | 41 800 000,00 |
| 15. | Work Service International Sp. z o.o. | Bank Millennium S.A. | Amount receivable under a factoring agreement | Annex on limit extension 16.06.2016 | 09.05.2017 | 41 800 000,00 |
| 16. | Antal Sp. z o.o. | Bank Millennium S.A. | Amount receivable under a factoring agreement | Annex on limit extension 16.06.2016 | 09.05.2017 | 10 000 000,00 |
| 17. | Krajowe Centrum Pracy Sp. z o.o. | Bank Millennium S.A. | Amount receivable under a factoring agreement | Annex on limit extension 16.06.2016 | 09.05.2017 | 10 000 000,00 |
| 18. | Logistyka Sp. z o.o. | Bank Millennium S.A. | Amount receivable under a factoring agreement | Annex on limit extension 23.06.2016 | 09.05.2017 | 10 000 000,00 |
| 19. | Outsourcing Solutions Partner Sp. z o.o. | Bank Millennium S.A. | Amount receivable under a factoring agreement | Annex on limit extension 16.06.2016 | 09.05.2017 | 41 800 000,00 |
| 20. | IT Kontrakt Sp. z o.o. | Raiffeisen Bank Polska SA | Amount receivable under a factoring agreement | 02.09.2014 commissioning+ Annex on limit increase 09.02.2016 | 09.05.2019 | 37 000 000,00 |
| 21. | Work Express Sp.z o.o. | Raiffeisen Bank Polska SA | Amount receivable under a factoring agreement | 02.09.2014 commissioning+ Annex on limit increase 04.02.2016 | 09.05.2019 | 37 000 000,00 |
| 22 | Work Express Sp. z o.o. | Bank Millennium S.A. | Amount receivable under a factoring agreement | Agreement concluded on 9 April 2015 + Annex increasing the limit dated 26 June 2015.Annex extending the limit dated 18 July 2016. | 09.05.2017 | 10 000 000,00 |

**Changes in contingent liabilities or contingent assets that have occurred since the last annual reporting period**

| Contingent liabilities | | | | |
|---|---|---|---|---|
| **Title of contingent liability** | **Type of security** | **31.12.2016** | **31.12.2015** | **Change** |
| **Loan security** | transfer of title of subject of the credit | 0.00 | 0.00 | 0.00 |
| | assignment of receivables | 0.00 | 0.00 | 0.00 |
| | A promissory note along with the bill declaration | 0.00 | 0.00 | 0.00 |
| | surety | 0.00 | 0.00 | 0.00 |
| | bank enforcement title | 216 000 000.00 | 216 000 000.00 | 0.00 |
| | pledge on assets | 1 057 924769.25 | 909 547 918.06 | 148 376 851.19 |
| | pledge on receivables | 0.00 | 0.00 | 0.00 |
| **Leasing security** | A promissory note along with the bill declaration | 4 144 375.13 | 4 878 476.94 | -734 101.81 |
| | bill of exchange guarantee | 0.00 | 0.00 | 0.00 |
| **Securing due performance of contracts** | warranty | 7 304 848.29 | 4 360 296.87 | 2 944 551.42 |

On 3 February 2016, an entry was made into the register of the registered pledge on 8,418 shares with a nominal value of PLN 50.00 each in the subsidiary IT Kontrakt Sp. z o.o. The entry in the Register of Pledges was made under number 248600.

The registered pledge on the abovementioned shares held by Work Service SA was established on the basis of the Agreement on registered pledge and financial pledges on the shares of “IT Kontrakt” Sp. z o.o. concluded on 18 November 2015 by and between Work Service SA as the pledgor and BGŻBNP Paribas S.A. (“Lender 1” or “Agent”), Bank Millennium S.A. (“Lender 2”), Bank Zachodni WBK S.A. (“Lender 3”) Raiffeisen Bank Polska S.A., (“Lender 4”), hereinafter also jointly referred to as: the “Lenders”, as pledgees and the Agent as the registered pledge administrator in order to secure the payments of monies resulting from the Credit Line Agreement. The Issuer informed about the conclusion of that Agreement in current report No 43/2015 of 19 November 2015. The value of the liability secured by registered pledge is PLN 128,000,000.

The registered pledge was established up to the highest collateral amount of PLN 277,500,000 on 8,418 shares with a nominal value of PLN 50.00 each, with a total nominal value of PLN 420,900.00, which is 84.18% of the share capital of “IT Kontrakt” Sp. z o.o.

On 21 November 2016, the Management Board of Work Service S.A. received information about the removal of the above registered pledge on shares in IT Kontrakt, as announced by the Issuer on 22 November 2016 in Current Report No 58/2016.

On 22 November 2016, a registered pledge was established on 8,418 shares held by the Issuer, of a nominal value of PLN 50.00 each and the total nominal value of PLN 420,900 (“Shares”), representing 84.18% of share capital in a major subsidiary of the Issuer — “IT Kontrakt” Sp. z o.o. with its registered office in Wrocław.

Establishing a registered pledge on the Shares was based on the registered pledge agreement concluded on 30 September 2016 between the Issuer as pledgor and mBank SA as the pledgee (acting in its own name but on behalf of the bondholders) in order to secure the claims of the bondholders arising from the bonds to be issued by the Issuer under the bond issue program of a nominal value of no more than PLN 150,000,000, of which the Issuer informed in the current report No. 25/2016 dated 18 May 2016.
In the current report No. 53/2016 dated 30 September 2016, the Issuer informed the interested parties that the Management Board of Work Service SA adopted a resolution on the issue of series U bonds ("Bonds"), in which the Issuer's Management Board decided to establish Bond security, among others, in a form of a registered pledge on all the shares held by the Issuer in the share capital of IT Kontrakt sp. z o.o.
The registered pledge on the Shares was set to the highest security amount of PLN 225,000,000. The book value of the pledged shares in the accounting books is PLN 60 516 474,21 These shares constitute a long-term capital of the Issuer.

On 3 February 2016, an entry was made into the register of the registered pledge on 352 shares with a nominal value of PLN 1,000 each in the subsidiary Work Express Sp. z o.o. with its registered office in Katowice. The entry in the Register of Pledges was made under number 2480598.
The registered pledge on the abovementioned shares held by Work Service SA was established on the basis of the Agreement on registered pledge and financial pledges on the shares of “Work Express” Sp. z o.o. concluded on 18 November 2015 by and between Work Service SA as the pledgor and BGŻ BNP Paribas S.A. (“Lender 1” or “Agent”), Bank Millennium S.A. (“Lender 2”), BZ WBK S.A. (“Lender 3”) Raiffeisen Bank Polska S.A., (“Lender 4”), hereinafter also jointly referred to as: the “Lenders”, as pledgees and the Agent as the registered pledge administrator in order to secure the payments of monies resulting from the Credit Line Agreement. The Issuer informed about the conclusion of that Agreement in current report No 43/2015 of 19 November 2015. The value of the liability secured by registered pledge is PLN 128,000,000.
The registered pledge was established up to the highest collateral amount of PLN 277,500,000 on 352 shares with a nominal value of PLN 1.000 each, with a total nominal value of PLN 352.000, which is 100% of the share capital of “Work Express” Sp. z o.o.
The pledged shares grant 352 votes in the General Meeting of the company “IT Kontrakt” Sp. z o.o. The book value of the pledged shares in the book of accounts in PLN 67,604,819.00. These shares are a long-term capital deposit of the Issuer.
There are no links between the Issuer or the persons managing or supervising the Issuer and the pledgees or the persons managing the pledgees.

On 11 July 2016 an agreement creating financial and register pledge over the shares in Industry Personnel Services Sp. z o.o. (a company that is a wholly owned subsidiary of the Issuer) (“IPS”) was concluded between Work Service SA as the pledger and Bank BGŻ BNP Paribas S.A., Raiffeisen Bank S.A., Bank Zachodni WBK S.A. and Bank Millennium S.A. as the pledgees (the “Banks”, “Pledgees”) (the “Agreement”).
The purpose of the Agreement is to establish a financial pledge by the Issuer over 16,000 newly created shares in IPS to the benefit of the Banks and a register pledge over the shares in IPS to the benefit of Bank BGŻ BNP Paribas S.A. as the administrator of the register pledge for the purpose of securing payments of amounts resulting from the credit line agreement of 18 November 2015, which was concluded between the Issuer and the Banks and which the Company informed about in the current report no. 43/2015 of 19 November 2015.
The register pledge has been established up to the highest sum insured in the amount of PLN 277,500,000 over 16,000 shares of the nominal value of PLN 500,00 each and of the total nominal value of PLN 8,000,000. All the pledged shares give 100 % of the votes at the General Meeting of the Shareholders of IPS. The book value of all the pledged shares in the books of account amounts to PLN 29,042,490,00. The said shares constitute a long-term capital investment of the Issuer. The Company hereby informs that the request for the entry of the register pledge established under the Agreement has been filed to an appropriate registry court. The Issuer shall

inform about the entry of the register pledge into the pledge register in a separate current report. There are no connections between the Issuer and the persons managing or supervising the Issuer and the Pledgees.
The conclusion of the Agreement is connected with increasing the share capital of IPS up to the amount of PLN 27,669,000,00 through issuing 16,000 shares and taking up all the newly created shares of IPS by the Issuer. According to the provisions of the credit agreement, in the event of taking up any newly created shares in IPS by the Issuer, the Company is obliged to establish a pledge over
the newly created shares to the benefit of the Pledgees. In connection with the conclusion of the Agreement, the value of all the pledged shares in IPS exceeds 10% of the Issuer's equity.

On 24 February 2016, the Issuer concluded the following agreement:
1. Factoring Agreement (with customer policy) and Factoring Agreement (without policy).
The Object of the Agreement is:
1. Financing the Issuer and its subsidiaries (IT Kontrakt Sp. z o.o., Work Express Sp. z o.o.) in the amount of PLN 37,000,000 by Raiffeisen Bank Polska S.A.
The agreement stipulates the establishment of the following collaterals, standard for this kind of agreements, including but not limited to:
1. Assignment of rights to compensation from the policy in respect of receivables of contractors functioning within the framework of the Factoring Agreement.
2. Blank bill of exchange under the Civil Law issued to the Issuer.
3. Power of attorney to the bank accounts.
The Factoring Agreement does not deviate from market standards used in similar factoring agreements. The said Agreement meets the criteria for considering it a material agreement due to the fact that its value exceeds the equivalent of at least 10% of the Issuer's equity.

On 15 June 2016 the Work Service SA signed Annex no 3 to the Framework Agreement within the scope of concluding treasury transactions in Bank Millennium S.A. together with the agreement on transfer of ownership of monetary amounts no. 4686/13/410/04 of 12.06.2013.
The Subject of the Annex is:
Increasing the Treasury Limits granted to the Issuer,
Establishing collateral for the Framework Agreement in the form of a Notarial Deed,
Introducing changes to the wording of the "Rules for Spot, Futures and Derivative Transactions in Bank Millennium S.A." within the scope of the definitions of Interest Basis, DREF/BREF and the formulas for calculating the interest periods.
Detailed conditions of the Annexes to the Agreement within the scope of concluding treasury transactions do not differ from market standards used in similar agreements.

On 30 December 2016, Work Service S.A. concluded a credit agreement with the bank Powszechna Kasa Oszczędności Bank Polski S.A. The subject matter of the Agreement is granting a credit in the amount of PLN 55,000,000.00 for the purpose of financing current liabilities of the Company. The credit repayment date has been fixed for 20 months from the date of conclusion of the agreement. Work Service S.A. informed about this in Current Report No 77/2016. The condition for the disbursement of the credit was the submission by the Company of a notarial declaration on voluntary submission to enforcement pursuant to Article 777(1) of the Civil Proceedings Code in the amount of 150% of the credit amount and establishment of a pledge on 75% shares in a subsidiary of Work Service S.A. — Prohuman 2004 Kft, registered in Hungary.

## NOTE 38 Information on average employment, with breakdown into professional groups in the Parent Company

| 38.1 Average employment in years | 2016 | 2015 |
|---|---|---|
| Administrative employees | 373 | 296 |
| Blue-collar employees | 0 | 0 |
| **Total** | **373** | **296** |

| 38.2. Gross benefits for persons holding functions in the Management Board (in PLN) WSSA | | |
|---|---|---|
| **Full name** | **2016** | **2015** |
| Witucki Maciej | 1 165 000,00 | 0,00 |
| Rochman Dariusz | 728 576,00 | 969 158,80 |
| Christodoulou Paul | 121 080,00 | 862 438,80 |
| Knights Robert | 93 750,00 | 713 141,16 |
| Ślęzak Tomasz | 423 780,00 | 1 136 921,16 |
| Rozpędek Hubert | 983 824,02 | 773 564,35 |
| Szmitkowska Iwona | 248 351,10 | 225 527,00 |
| Pawłowicz Adam | 711 411,94 | 0,00 |
| Gajek Piotr | 639 000,00 | 0,00 |
| Hanczarek Tomasz | 0,00 | 1 038 293,26 |

| 38.3. Gross benefits for persons holding functions in the Supervisory Board (in PLN) WSSA | | |
|---|---|---|
| **Full name** | **2016** | **2015** |
| Sofianos Panagiotis | 16 000,00 | 16 000,00 |
| Misiak Tomasz | 142 000,00 | 341 500,00 |
| Ługowski Tomasz | 6 000,00 | 0,00 |
| Kamin Everett | 9 000,00 | 15 000,00 |
| Kamiński Piotr | 32 000,00 | 48 000,00 |
| Hanczarek Tomasz | 117 000,00 | 0,00 |
| Kaczmarczyk Krzysztof | 3 000,00 | 0,00 |
| Skrobowski Wiesław | 6 000,00 | 15 000,00 |
| Żabski Piotr | 3 000,00 | 6 000,00 |
| Witucki Maciej | 0,00 | 136 000,00 |

## NOTE 39 The total value of salaries and bonuses paid or payable for persons managing and supervising the company and for performing the functions in the management bodies

In the period covered by the financial statements, the Capital Group 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 Capital Group 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 40 Information on liabilities to the State Budget and Local Government Units in respect of the right to ownership of buildings and structures**

As on 31 December 2016 the Capital Group had no obligations towards the state budget or local government entities from obtaining ownership of buildings and structures.

**NOTE 41 Revenues, expenses and results of discontinued operations in the reporting period or to be discontinued in the next period.**

In years 2015-2016 there was no discontinuation of activity carried out to date. Any omissions of any of the conducted activities during the next period are not anticipated

**NOTE 42 Significant events after the balance sheet date**

On 1 February 2017 Exact Systems S.A. with its registered office in Częstochowa ("Exact Systems") concluded with two foreign companies ("the Seller") a conditional purchase agreement of 100 % of shares in a Portuguese limited liability company under the name QLS AUTOMOTIVE – SERVIÇOS DE CONTROLO DE QUALIDADE E LOGISTICA, LDA. ("The Portuguese Company") ("the Shares") ("the Agreement").
The purchase price for the Shares shall be EUR 9,200,000 and shall be adjusted by the net amount of debt according to the value as at 28 February 2017 ("the Price").
The conclusion of the share purchase agreement by Exact Systems depends on meeting the conditions precedent including: (i) reaching a determined EBITDA level, (ii) no breach of guarantee and warranties made by sellers in the Agreement, that would result in losses or damages of more than 20% of the Price, (iii) obtaining required corporate approvals, (iv) obtaining consents from bodies that finance the Portuguese Company.
The share purchase agreement shall be executed on 20 March 2017 subject to confirmation of fulfilment of conditions precedent by 6 March 2017. If the conditions precedent are not met by 6 March 2017, each party of the Agreement shall be entitled to terminate it.
Sellers' liability for any loss or damage resulting from infringements specified in the Agreement (including untrue guarantees and warranties) is differentiated in terms of time, depending on a breach and limited to the amount of EUR 1,200,000.
The Agreement provides a three-year non-compete clause limited in territory. In case of breach of that clause, Exact Systems is entitled to claim from the Sellers a contractual penalty. Exact Systems is entitled to claim a compensation exceeding a contractual penalty.
The Portuguese Company is the only shareholder of three entities that operate in Portugal and Spain.
The Agreement has been concluded under the Portuguese law.
Other provisions of the Agreement do not differ from commonly applied terms and conditions for this type of agreement.

On 31 January 2017 the Management Board of Work Service S.A. (The "Issuer") informed about establishment of additional collateral required for the credit agreement concluded by the Issuer as the borrower with Bank BGŻ BNP Paribas S.A., Bank Millenium S.A., Bank Zachodni WBK S.A. and Raiffeisen Bank Polska S.A. as the lenders (The "Lenders") on 18 November 2015, the conclusion of which the Issuer informed by publishing a current report no. 43/2015 dated on 19 Novemeber 2015 ("Credit Agreement") in the form of:
a) conclusion of the registered pledge agreement in favour of Bank BGŻ BNP Paribas S.A. and financial pledges in favour of Bank BGŻ BNP Paribas S.A., Bank Millenium S.A., Bank Zachodni WBK S.A., Raiffeisen Bank Polska S.A. on newly created shares of the Issuer in the subsidiary - Finance Care Sp. z o. o. with its registered office in Wrocław ("Finance Care") with a value of 395,563.60 PLN ;
b) conclusion of the registered pledge agreement in favour of Bank BGŻ BNP Paribas S.A. and financial pledges in favour of Bank BGŻ BNP Paribas S.A., Bank Millenium S.A., Bank Zachodni WBK S.A., Raiffeisen Bank

Polska S.A. on 100% shares of the Issuer in the subsidiary - Antal Sp. z o.o. with its registered office in Wrocław ("Antal") with a value of 21,461,964.29 PLN;
c) conclusion of the registered and financial pledge agreements on the rights resulting from the bank accounts between the Lenders as pledgees and Antal as pledger;
d) the agreement for the transfer of rights for the silent assignment between Antal as assignor and Bank BGŻ BNP Paribas S.A. and assignee.
e) declaration submitted by Antal on the voluntary submission to the execution with respect to the guaranteed obligation, to the amount of 69,375,000.00 PLN;
f) conclusion of the registered and financial pledge agreement on the rights resulting from the bank accounts (acquired by Finance Care from Work Service Finance Sp. z o.o. with its registered office in Wrocław, in relations to the merge of the Companies) between the Lenders as pledgees and Finance Care as pledger.

On 31 January 2017 the Management Board of Work Service S.A. (The "Issuer") informed about the dissolution on this day of the Issuer's subsidiary - Work Service Acquisitions Ltd. with its registered office in London, United Kingdom, registration number of entrepreneurs - 06419129 (the "Subsidiary").
The Issuer held 100% of the share capital of the Subsidiary.
Liquidation of the Subsidiary is associated with the implementation of the development strategy of the Issuer providing Consolidating and optimizing the use of existing resources within the Group. Due to the inactive nature of the Subsidiary Company, the Issuer has decided to terminate it.

On 20 March 2017 the Management Board of the Issuer was notified about the fulfillment of the condition precedent provided in the agreement of sale of 25% of the share capital of Prohuman 2004 Kft. seated in Budapest, Hungary („Prohuman") of total value HUF 6,100,000,000.00 representing 25% votes on meetings of shareholders of Prohuman („Shares"), concluded with Profólió Projekt Tanácsadó Kft. ("Seller"), based in Budapest on 13 December 2016. ie. issue by the Hungarian competition authority of a positive decision on the acquisition of sole control Prohuman by the Issuer.

On 21 March 2017 the Management Board of the Issuer informed that it became aware that the Issuer's subsidiary, i.e. Exact Systems ("Subsidiary"), with its registered office in Częstochowa, concluded the annex to the "term sheet" document of 15 July 2016 on the activities for the acquisition transaction to be executed in the future.
The Parties agreed that the Subsidiary within the acquisition transaction will acquire 100% of existing shares of the French limited liability company ("French Company"), 100% of existing shares of the Romanian limited liability company ("Romanian Company"), 100% of existing shares of the Turkish limited liability company ("Turkish Company") and 100% of existing shares of two Moroccan limited liability companies ("Moroccan Companies") [operating] in the outsourcing industry and specialising in the quality control for the automotive industry ("Potential Transaction"), whereas the Potential Transaction assumes the acquisition of the following in the first place:
- 51% of the existing shares of the French Company,
- 100% of the existing shares of the Romanian Company,
- 100% of the existing shares of the Turkish Company,
- 100% of the existing shares of the Moroccan Companies.
("First stage of the Potential Transaction"), and later the acquisition, in the completion of the Call Option by the Subsidiary or in the completion of Put Options by the current shareholders of the Target Companies under conditions provided in the Term Sheet of the remaining 49% of the existing shares of the French Company ("Second stage of the Potential Transaction").
The preliminary purchase agreements of shares of the French, Romanian and Turkish Company and Moroccan Companies shall be concluded until 31 May 2017.
The purchase agreements of shares of the French, Romanian and Turkish Company and Moroccan Companies shall be concluded not later than on 30 June 2017.

On 30 March 2017, the Management Board of Work Service S.A., through Krajowy Depozyt Papierów Wartościowych S.A., redeemed bonds S series ISIN number - PLWRKSR0076 (the "Bonds") with a total nominal value of 20,000,000.00 zlotys, thereby the Krajowy Depozyt Papierów Wartościowych S.A. shall deregister bought securities from the accounts of the participants.

On 30 March 2017, the Issuer signed Annex No 1 to the credit agreement dated 18 November 2015 (hereinafter: the Agreement) with Bank BGŻ BNP Paribas S.A., Raiffeisen Bank S.A., Bank Zachodni WBK S. A., Bank Millennium S.A. and PKO BP S.A. (banks hereinafter jointly referred to as: the Creditors)
The intention of the parties was to amend the Agreement, and in particular the accession of PKO BP S.A. to the Agreement as a creditor.

On 14 April 2017 the Meeting of the Bond Holders in the resolution no.2 gives consent to early redemption of the bonds series U by the Issuer.

On 19 April 2017 the Extraordinary General Meeting of Work Service S.A.in the resolution no 2/2017 increased the share capital of the Company by the amount of PLN 189,618.70 through the issuance in a private placement of 1,896,187 common bearer shares of the X series, with the exclusion of pre-emptive rights of the current shareholders
The issuance of the X Series Shares shall be carried out by private subscription addressed to PROFÓLIÓ PROJEKT TANÁCSADÓ KORLÁTOLT FELELŐSSÉGŰ TÁRSASÁG, a company established under the Hungarian law with its registered seat in Budapest.
The total issue price of 1,896,187 Series X Shares has been determined as the amount of 20,538,720,54 Polish zlotys.
The share capital of the Company equals to PLN 6,699,101.00 PLN and is divided into 66,991,010 shares.

On 20th April 2017 the Supervisory Board of the Issuer, acting pursuant to §17(2) of the Company's Articles of Association and § 14(2)(b) of the Bye-laws of the Supervisory Board, appointed Mr Krzysztof Rewers to perform the duties of Vice-President of the Management Board of Work Service S.A. as of 1 May 2017.

On 10 February 2017, the Company and Cornerstone Partners sp. z o.o. executed a non-binding Head of terms specifying the terms of the intended Transaction _as defined below.
On 31 March 2017 the Company and SO SPV 118 sp. z o.o. with its registered office in Warsaw, a special purpose vehicle controlled by Cornerstone Partners sp. z o.o. acting jointly with Oaktree Capital Management UK LLP “Buyer" signed a preliminary conditional share purchase agreement related to the sale by the Company to the Buyer of 9,495 shares in IT Kontrakt sp. z o.o. with its registered office in Wrocław “ITK" “Shares" representing 94,95% of its share capital for the price of PLN 147,572,500 subject to a price adjustment, if any, under the following conditions preliminary: i obtaining bondholders’ consent for early repayment of the U series bonds issued by the Company and ii obtaining the approval of the investment committee of Oaktree Capital Management UK LLP together with releasing appropriate letter from the Oaktree funds, iii the Company acquiring 1,077 shares in ITK and iv obtaining approvals of third parties, including the consent of the banks financing the Company and the consent of the President of the Office of Competition and Consumer Protection “Inside Information" “Transaction". The performance of the share purchase agreement has been secured with mutual contractual penalties up to the maximum amount of PLN 7,000,000. The final agreement should be concluded and the Transaction should be closed by 31 July 2017.

## NOTE 43 Significant litigation as on 31 December 2016

The table below shows the litigation in which the company of the Work Service Group is a party, and the value of the subject matter is more than PLN 50,000.

| Claimant/ Creditor | Defendant/ Debtor | Object of the dispute/ Value of the object of the dispute | Anticipated costs of court proceedings | Current status of proceedings |
|---|---|---|---|---|
| Work Service S.A. | Dominik Urbański Maciej Czysz Lechosław Olszewski | PLN 366,029.98 | Incurred costs of court entry and prepayments in the enforcement. The enforcement may involve additional prepayments. | The court proceedings against Maciej Czysz are pending, currently at the stage of the appeal proceedings, the next hearing on 30 March 2017; the payment order in the proceedings by writ of payment issued by the District Court in Poznań, 9th Commercial Division, against Dominik Urbański and Lechosław Olszewski became final on 02.02.2015 (file no.: IX GNc1544/14) and the enforcement proceedings against Marek Przywecki are pending by the Court Enforcement Officer at the District Court Poznań-Grunwald and Jeżyce in Poznań (file no.: KM 482/15 and KM 755/15). So far, both proceedings have been ineffective. |
| Work Service S.A. | Pielle sp. z o. o. | PLN 122,465.49 | Court registration costs incurred. | Case at the stage of the enforcement proceedings, currently two real properties have been seized. It is difficult to estimate chances for the settlement. |
| Antal Sp. z o.o. | Icon Real Estate Sp. z o.o. | PLN 51,600 | In the event of an appeal, the fee is PLN 1,250 plus the costs of legal representation in the amount of PLN 4,800 | Case won at the Court of First Instance in 71%, defendant's appeal possible |
| Exact Systems S.A. | ZF Lemförder Metal France S.A.S | EUR 19,145.50 | So far, the filing fee has been paid in the amount of PLN 3 992, the fee for the enforcement clause issued to the legal successor – PLN 50, the fee for the application for the issue of the certificate on the basis of Council Regulation (EC) – PLN 12 and translation costs in the amount of PLN 1 300. The costs can be increased by translation expenses and costs connected with performing the enforcement proceedings upon the completion of the court case. | The order issued in the European enforcement proceedings has become final and binding. The enforcement clause has been declared to Exact Systems S.A. The application for the issue of the certificate has been filed pursuant to article 54 of Council Regulation (EC). It will constitute the basis for initiating the enforcement proceedings. |
| Exact Systems S.A. | MG SUL Industria e Comercio de Pecas Automotivas Ltda | EUR 21,209.40 | So far, the filing fee in the amount of PLN 4 507 and the fee for the appeal against the ruling on the return of the lawsuit in the amount of PLN 902 have been paid. If the company loses the case, it will be ordered to pay the costs of translating documents (so far in the amount of PLN 3 816.58). | Case at the stage of court proceedings. The defendant failed to appear at the court hearing on 28.06.2015 – the defendant's acknowledgement of receipt of the court summons was not received. A the moment, the correspondence relating to the case is being translated in order to undertake the proceedings through international legal assistance. |

| | | | | |
|---|---|---|---|---|
| Exact Systems S.A. | SAS Altia Saint Pierre en Faucigny (i.e. Altia Technology) | EUR 13,857 | At the moment, the proceedings are not generating any costs. | The debt was claimed in the bankruptcy proceedings in France. |
| Exact Systems S.A. | SAS Altia Saint Etienne | EUR 13,483.50 | At the moment, the proceedings are not generating any costs. | The receivables were claimed in the bankruptcy proceedings in France. |
| Exact Systems S.A. | AT & Components Srl | EUR 15,426.40 | So far, the filing fee in the amount of PLN 3,271 and the stamp duty for the power of attorney in the amount of PLN 17 have been paid. In addition, the incurred costs of translating documents in the amount of PLN 300. The costs of the proceedings may increase in the course thereof in connection with the translation of documents and the submission of receivables. | The lawsuit began in the European enforcement proceedings. The payment order was issued and its enforceability was confirmed. On 28.06.2016 the defendant was declared bankrupt. The receivables were claimed in the bankruptcy proceedings in Italy. |
| Doradca Polski Sp. z o.o.<br>ul. Stalowa 3<br>41-200 Sosnowiec | Work Express Sp. z o.o. represented by Maria Pertek | PLN 178,048.74 | It does not generate any costs (the case is legally closed) | District Court in Katowice, 13th Commercial Division, business lawsuit, 13th GNc 342/15/AP, payment order of 24.07.2015, Case closed. – the court settlement was concluded and the money claim resulting from the Settlement was paid. |
| Work Express Sp. z o.o. | Sabaudia Menuiserie SARL<br>Chemin du Marais 553<br>73200 Gilly sur Isere | EUR 24,831.08 | It does not generate any costs (the case is legally closed) | Tribunal de Commerce de Chambery 2015100047, the payment order was issued, the case was forwarded to Huissier.<br>The receivables for the service of temporary work,<br>Final and binding order, executory entitlement sent to Huissier with a view to carrying out enforcement proceedings. |
| Work Express Sp. z o.o. | Gauthier Energies Zone Anjou Actiparc la Lande – 49410 Saint Florent le Vieil | EUR 67,498.28 | It does not generate any costs (the case is legally closed) | Jugement d'ouverture d'une procédure de redressement judiciaire<br>Bodacc A n°20150016 publié le 23/01/2015<br>Annonce n° 1532<br>Data :7 January 2015<br>Recovery proceedings<br>Jugement prononçant la liquidation judiciaire<br>Bodacc A n°20150031 publié le 13/02/2015<br>Annonce n°1669<br>Data: 29 January 2015<br>Liquidation proceedings<br>Radiation<br>Bodacc B n°20150082 publié le 28/04/2015<br>Annonce n° 772<br>Deletion from the register of businesses<br>The receivables for the service of temporary work |
| Work Express Sp. z o.o. | Entreprise Dantas<br>montee du Bourg /27<br>42580 La Tour en Jarez<br>France | EUR 22,584.78 | It does not generate any costs (the case is legally closed) | Tribunal de Commerce de Saint Etienne 2015100283, the payment order issued,<br>Final and binding order, executory entitlement sent to Huissier with a view to carrying out enforcement proceedings.<br>Information from Huissier de juistice Nicolas Franchi about the recovery proceedings – redresseement judiciaire, the receivables were submitted by the debt collection department.<br>The receivables for the service of temporary work |

| | | | | |
|---|---|---|---|---|
| Outsourcing Solutions Partner Sp. z o.o. | Dawid Natkaniec conducting business activities under the name of DAWID NATKANIEC GLOBAL BUSINESS GROUP<br>ul. Balicka 206<br>30-198 Kraków | PLN 51,786 | If the enforcement proves to be ineffective, the company may consider referring the request to another court executive officer, which entails the prepayment in the amount of PLN 200-300. | District Court for Kraków-Śródmieście in Kraków, 4th Division, statement of claim, IV GNc 1857/14/S, payment order of 11.04.2014, enforced debt collection |
| Outsourcing Solutions Partner Sp. z o.o. | Forsolis Sp. z o.o.<br>ul. Pukowca 15<br>40-847 Katowice | PLN 223,049.34 | It does not generate any costs (the case is legally closed) | District Court in Katowice, 13th Division, business lawsuit for payment, 13th GNc 492/14/AP, binding payment order of 17.09.2014, enforced debt collection suspended, bankruptcy of Forsolis Sp. z o.o., declaration of receivables in the bankruptcy proceedings (PLN 247,215.48), District Court Katowice-Wschód,10th Commercial Division, 10th GUp 20/15/11, the bankruptcy proceedings were discontinued pursuant to 361(1)(1) of the Act on the bankruptcy and composition law |
| Tomasz Bernecki | Work Service S.A. | PLN 188,587.00 | At the moment, the proceedings are not generating any costs. | Case in progress, the next court hearing was scheduled for 29 March 2017. |
| BCT – Bałtycki Terminal Kontenerowy sp. z o. o. | Work Service S.A. | PLN 122,000.00 | At the moment, the proceedings are not generating any costs. If Work Service loses the case, it will be obliged to pay PLN 6,925 on account of the costs of the proceedings before the Court of First Instance and the amount awarded by the Court of Appeal. | On 22 December 2016 the decision was issued which ordered the payment of PLN 122,000.00 to the claimant. WSSA petitioned for the justification of the decision. The appeal will be filed in connection with the case. |
| Elżbieta Niewolik | Work Service S.A. | PLN 50,000.00 | At the moment, the proceedings are not generating any costs. | Case in progress, the date of the first hearing has not been set yet. |
| Antal Sp. z o.o. | Polfa SA | PLN 100,987.52 | No costs are expected.<br>However, if claims of Antal Sp. z o.o. are not taken into account, some costs related to lodging an objection will arise. | Waiting for the announcement of the claim list. |
| Antal Sp. z o.o. | Adviseon Capital Management SA | PLN 85,437.95 | Conciliation proceedings; court fee on the motion for a conciliation hearing — PLN 300; legal representation costs — PLN 800; exploratory proceedings, court fee on the statement of claim — PLN 4,271.85, legal representation costs — PLN 5,400 | A motion for a conciliation hearing was filed with the Court. |

| | | | | |
|---|---|---|---|---|
| Antal Sp. z o.o. | Spaczyński Szczepaniak i Wspólnicy S.K.A. | PLN 53,136 | Conciliation proceedings; court fee on the motion for a conciliation hearing — PLN 300; legal representation costs — PLN 800; exploratory proceedings, court fee on the statement of claim — PLN 2,708.66, legal representation costs — PLN 5,400 | A request for payment was sent to the debtor. |
| Antal Sp. z o.o. | Olsa Poland Sp. z o.o. | PLN 113,652 | Missing court fee on the statement of claim – PLN 4,262, PLN 500 net as the attorney fee + costs of travel to the District Court in Gorzów Wielkopolski (Expected number of sessions: 3–5). In the event of losing, cost of legal representation of the defendant in the amount of PLN 7,200 | Case transferred to the District Court in Gorzów Wielkopolski on 15 March 2017 by the Regional Court for Lublin Zachód in Lublin (EPU). |
| Work Express Sp. z o.o. | AKERYS Promotion,33-43 AV GEORGES POMPIDOU, 31130 BALMA | EUR 24,831.08 | Tribunal de Commerce de Toulouse 13IP2962 payment order issued, appeal, date: 6 January 2015. Receivables for the temporary work service provided, there is a big chance that the decision will be in favour of WE. | The debt is claimed from an entity which took over the debt of Blanchon Construction SARL.<br><br>Case closed, the debtor paid its debt before commencing enforcement proceedings.<br><br>The cheque was provided to the Management Board. |
| Dariusz Kielawa | Work Express Sp. z o.o. | PLN 70,000.00 | At the moment, the proceedings are not generating any costs. | Call for compensation (PLN 70,000) in respect of an accident at work; reply filed on 6 September 2016 |
| Marian Zakrzewski | Work Express Sp. z o.o. | PLN 602,726.00 | At the moment, the proceedings are not generating any costs. | District Court for Katowice-Zachód in Katowie, 7th Department of Labour and Social Security, VII Po-Uo 120/16, labour dispute, the claimant's motion for a conciliation hearing, a reply to the motion filed, conciliation hearing on 28 July 2016. no settlement concluded.<br><br>Compensation and redress in respect of an accident at work |
| Robert Madej | Work Express Sp. z o.o. | PLN 55,000 | At the moment, the proceedings are not generating any costs. | District Court for Kraków-Nowa Huta in Kraków, 4th Department of Labour and Social Security, IV P 946/15/N, labour dispute, a response to the statement of claim dated 23 September 2015 filed, judgement dated 19 May 2016 dismissing the claim in full, final and binding.<br><br>Compensation for inability to pursue a profession and loss of earnings, and redress for permanent health impairment and possible consequences of an accident |

**NOTE 44 The financial statements adjusted by inflation rate**

There was no need to adjust statements of the Group companies by inflation rate.

**NOTE 45 Changes in accounting principles (policy) and the method of preparation of the financial statements, in relation to the previous year**

The accounting principles (policies) applied to draw up these consolidated financial statements for the financial year ended 31 December 2016 are consistent with those applied to the preparation of the consolidated financial statements for the year ended 31 December 2015. The same principles were applied to the current and corresponding period, unless the standard or interpretation assume only prospective application.

**NOTE 46 In case of uncertainty as to the ability to continue operations, a description of these uncertainties and a statement that such uncertainty occurs**

The Group has no uncertainty about the possibility of continuing operations.

**NOTA 47 Branches**
The Company does not have self-balancing branches.

**NOTE 48 Information on joint ventures, which are not subject to consolidation**

In 2015-2016, there were no such transactions in accordance with IAS 31 "Interests in Joint Ventures".

**NOTE 49 Significant changes in financial and economic situation of Capital Group – a description of any significant change in the financial or economic situation, that have occurred since the end of the last reporting period for which audited financial information or interim financial information was published or provision of an appropriate negative statement.**

From the date of the last reporting period, there were no significant changes in the financial position of the Work Service Capital Group.

**NOTE 50 Remuneration of the entity authorised to conduct the audit**

Remuneration of the entity authorised to audit financial statements for the years 2015 and 2016 is presented in the following table. Audits for those years were conducted by the company BDO Sp. z o.o.

| **50. Remuneration of the entity authorised to conduct the audit** | **Year ended as on 31.12.2016** | **Year ended as on 31.12.2015** |
|---|---|---|
| Mandatory audit and review of the financial statements | 434 000.00 | 328 300.00 |
| Other | 75 000.00 | 0.00 |
| **Total** | **509 000.00** | **328 300.00** |

**SIGNATURES:**

1. **Maciej Witucki** **President of the Management Board …………………..……………………**
2. **Piotr Gajek** **Vice President of the Management Board…………………..……………..…**
3. **Robert Knights** **Vice President of the Management Board……………………………........**
4. **Paul Christodoulou** **Vice President of the Management Board……………………………..….**
5. **Tomasz Ślęzak** **Vice President of the Management Board……………………………........**
6. **Iwona Szmitkowska** **Vice President of the Management Board………………………………...**

Wrocław, 24 April 2017