Capital Group

WORK SERVICE

CONSOLIDATED FINANCIAL STATEMENT
for the year ended as on 31 December 2018

Prepared in accordance with International Financial Reporting Standards
in the form approved by the European Union

Wrocław, 30 April 2019

Table of contents

CONSOLIDATED FINANCIAL STATEMENT 1

for the year ended as on 31 December 2018 1

SELECTED CONSOLIDATED FINANCIAL DATA 5

CAPITAL GROUP CONSOLIDATED FINANCIAL STATEMENTS 6

Consolidated Statement of financial position of the Capital Group 6

Consolidated Statement of comprehensive income of the Capital Group 7

Consolidated Statement of cash flows of the Capital Group 9

Consolidated Statement of changes in equity of Capital Group 11

Consolidated Statement of changes in equity (comparative data) 12

INTRODUCTION TO THE **13**

CONSOLIDATED FINANCIAL STATEMENTS **13**

1. Information on the Work Service Capital Group 13

1.1. The Parent Company 13

1.2. Basic information on the Work Service Capital Group 14

1.3. Scope of activities of Work Service Capital Group companies 23

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, devision, restructuring and discontinued operations. 26

1.5. Presented reporting periods 32

1.6. The duration of activities of the Capital Group 32

1.7. Composition of the Management Board of the Parent Company as on 31 December 2018 32

1.8. Composition of Supervisory Board of Work Service S.A. as on 31 December 2018 32

1.9. Major shareholders of the Parent Company as at the date of publication of this report 34

ADDITIONAL INFORMATION **TO THE CONSOLIDATED FINANCIAL STATEMENTS** **35**

1.Description of relevant accounting policies applied 35

1.1. **Basis of preparation of financial statements** 35

1.2. **Approval of the financial statements and information relating to the dividend paid** 35

1.3. **Continuation of the activities** 35

1.4. **Reporting currency** 39

Basic accounting principles 39

1.5. **The effect of application of new accounting standards and changes in accounting policies** 54

1.6. **Notes on the seasonality or cyclicality of the Capital Group activity in the presented period** 64

1.7. **Estimation of the fair value and the important estimates and assumptions** 64

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **66**

Note 1 Intangible assets 66

NOTE 2 Goodwill 66

NOTE 3 Tangible fixed assets 70
NOTE 4 Investment real estates 70
NOTE 5 Other financial assets 70
NOTE 6 Change in assets due to deferred income tax 71
NOTE 7 Inventories 73
NOTE 8 Trade and services receivables and other receivables 73
NOTE 10 Cash and cash equivalents 74
Note 11 Prepayments and accruals 74
NOTE 12 Share capital of the Parent Company 75
NOTE 13 Other capital 77
NOTE 14 Non-controlling equity 77
NOTE 15 Provision for deferred income tax 78
NOTE 16 Liabilities for retirement benefits 78
NOTE 17 Other long-term liabilities 78
NOTE 18 Trade liabilities and other liabilities 79
NOTE 20 Credits and loans 82
NOTE 22 Determining the book value per share and earnings per share 90
NOTE 23 Long-term financial assets of Work Service 91
NOTE 24 The risk associated with financial instruments and method of the risk management 91
NOTE 25 Transactions between related entities and transactions with members of the Management Board 96
NOTE 26 Error adjustment 100
NOTE 27 Key assumptions and sources of estimates 100
NOTE 28 Equity management 100
NOTE 29 Information on business segments 101
NOTE 31 Other operating income **105**
NOTE 33 Other operating expenses **105**
NOTE 34 Financial incomes **105**
NOTE 35 Financial expenses **106**
NOTE 36 Income tax **106**
NOTE 37 Data on off-balance sheet positions, especially on contingent liabilities, including on guarantees and sureties granted by the Capital Group **107**
NOTE 38 Information on average employment, with breakdown into professional groups in the Parent Company **108**
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 **109**
NOTE 40 Information on liabilities to the State Budget and Local Government Units in respect of the right to ownership of buildings and structures **109**

NOTE 41 Revenues, expenses and results of discontinued operations in the reporting period or to be discontinued in the next period. **109**

NOTE 42 Significant events after the balance sheet date.. **110**

NOTE 43 Significant litigation as on 31 December 2018 .... **114**

NOTE 44 The financial statements adjusted by inflation rate **118**

NOTE 45 Changes in accounting principles (policy) and the method of preparation of the financial statements, in relation to the previous year **118**

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 **118**

NOTE 48 Information on joint ventures, which are not subject to consolidation.................................... **118**

NOTE 49 Significant changes in financial and economic situation of Capital Group 118

NOTE 50 Remuneration of the entity authorised to conduct the audit **119**

SELECTED CONSOLIDATED FINANCIAL DATA

SPECIFICATION	01.01.-31.12.2018	01.01.-31.12.2017	01.01.-31.12.2018	01.01.-31.12.2017
Work Service Capital Group	in thousands PLN	in thousands PLN	in thousands EUR	in thousands EUR
Revenues from sales	2 445 719	2 132 798	573 184	502 465
EBITDA (operating profit + depreciation)	-9 478	15 100	-2 221	3 557
Profit from the sale	26 347	6 112	6 175	1 440
Profit on operating activities (EBIT)**	-25 404	4 277	-5 954	1 008
Gross profit (loss)	12 049	-26 802	2 824	-6 314
Net profit (loss) from continued and discontinued operations	8 148	-86 181	1 910	-20 303
Net cash flows from operating activities	*50 923*	-19 741	11 934	-4 651
Net cash flows from investing activities	142 916	3 794	33 494	894
Net cash flows from financing activities	-198 469	-27 553	-46 514	-6 491
Total net cash flow	-4 630	-43 500	-1 085	-10 248
Number of ordinary shares of the Company for the purposes of calculating earnings per share in pieces	65 094 823	65 094 823	65 094 823	65 094 823
Earnings per share	0,19	-1,48	0,01	-0,35
Number of shares diluted for the purpose of calculating diluted earnings per share in pieces	65 836 829	65 836 829	65 836 829	65 836 829
Diluted earnings per share	0,12	-1,46	0,00	-0,34
	31.12.2018	**31.12.2017**	**31.12.2018**	**31.12.2017**
Assets	878 329	1 111 167	204 263	266 409
Liabilities and liability reserves	762 676	878 782	177 367	210 694
Long-term liabilities	160 398	49 821	37 302	11 945
Short-term liabilities	534 020	828 961	124 191	198 749
Equity (Fund)	115 652	144 974	26 896	34 758
Share capital (Fund)	6 509	6 509	1 514	1 561
Supplementary capital (Fund)	236 085	232 874	54 903	55 833

CAPITAL GROUP CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of financial position of the Capital Group

as at 31 December 2018

	Note	as on 31.12.2018	as on 31.12.2017
FIXED ASSETS		**444 967 044,96**	**440 694 536,63**
Intangible assets	1	35 115 236,93	44 887 158,61
Goodwill	2	351 096 736,76	354 334 183,27
Tangible fixed assets	3	11 722 887,65	16 996 932,14
Investment real estates	4	2 690 484,05	2 690 484,05
Other financial assets	5	40 172,57	30 000,00
Other long-term assets	5	207 982,50	1 050 669,65
Other long-term financial assets		82 663,87	203 559,15
Deferred income tax assets	6	44 010 880,64	20 347 522,35
Accruals		-	154 027,41
CURRENT ASSETS		**433 361 475,87**	**493 203 560,63**
Inventory	7	7 871 700,12	16 702 253,41
Trade and other receivables	8	322 192 786,82	385 753 274,22
Other financial assets	9	40 789 190,37	30 812 269,09
Other short-term assets	5	-	1 238 104,80
Cash and cash equivalents	10	56 486 007,74	50 824 465,96
Prepayments	11	6 021 790,83	7 873 193,15
Assets classified as held for sale		-	**177 268 716,07**
TOTAL ASSETS		***878 328 520,83***	***1 111 166 813,33***
EQUITY		**115 652 186,10**	**144 973 695,34**
Share capital	12	6 509 482,30	6 509 482,30
Supplementary capital (Fund)	13	236 084 819,51	232 873 575,60
Capital from option valuation	13	-92 106 141,79	-53 773 718,65
Net profit (loss)		-52 622 554,11	-96 290 167,84
Foreign exchange differences		8 147 732,57	-15 785 334,10
Equity attributable to non-controlling shareholders	14	-15 119 961,09	71 439 858,03
LIABILITIES		24 718 569,71	**878 782 002,61**
Long-term liabilities		**762 676 334,73**	**49 821 367,12**
Long-term loans and credits	20	**160 398 045,53**	930 551,69
Deferred income tax liabilities	15	109 331 275,46	2 265 636,42
Liabilities for pension benefits	16	4 459 965,97	0,00
Provisions for other liabilities and charges	21	14 084 136,03	1 786 043,76
Other liabilities	17	29 910 811,40	44 839 135,25
Short-term liabilities	**18**	51 066 770,07	**828 960 635,49**
Trade and other liabilities	18	**534 019 888,81**	529 451 401,34
Short-term loans and credits	20	53 324 306,95	271 965 747,21
Provisions for other liabilities and charges	21	47 538 834,56	27 543 486,94
Liabilities from assets classified as held for sale	31	433 156 747,30	**87 411 115,38**
TOTAL LIABILITIES		***877 457 955,47***	***1 111 166 813,33***

Consolidated Statement of comprehensive income of the Capital Group

for the year ended 31 December 2018 and comparable financial data for the year ended 31 December 2017

CONTINUED OPERATIONS	Note	01.01.2018-31.12.2018	01.01.2017-31.12.2017
Revenues	30	**2 084 752 870,61**	**2 132 797 647.27**
Net revenues from sales of products		2 088 262 801,10	2 137 863 681.81
Variation in stocks of products		-3 509 930,48	-5 066 034.54
Manufacturing cost of products for entity's own purposes		0,00	0.00
Net income on sale of goods and materials		0,00	0.00
Operating costs	31	2 092 105 245,37	**2 126 685 347.36**
Depreciation		11 089 887,78	10 822 505.68
Consumption of materials and energy		5 155 599,65	5 905 667.66
Outside services		258 648 905,27	238 487 691.28
Taxes and charges		3 590 212,28	2 908 913.34
Remuneration		1 466 740 880,19	1 487 729 593.99
Social insurance and other benefits		323 910 474,35	356 352 945.71
Other generic expenses		22 969 285,85	24 478 029.69
Value of goods and materials sold		0,00	0.00
Profit (loss) on sales		***-7 352 374,76***	***6 112 299.91***
Other operating incomes	32	31 124 528,29	24 353 441.53
Other operating costs	33	89 235 071,79	26 188 408.09
Profit (loss) on operating activities		-65 462 918,26	***4 277 333.35***
Financial incomes	34	119 065 493,77	3 734 372.76
Financial costs	35	49 870 141,49	34 813 363.50
Gross profit (loss)		***3 732 434,01***	***-26 801 657.39***
Income tax	36	-6 623 328,91	6 427 369.01
Net profit (loss) from continued operations		***10 355 762,93***	***-33 229 026.40***

DISCONTINUED OPERATIONS		
Net profit (loss) from discontinued operations	***2 758 708,69***	***-52 952 395.00***
Net profit (loss)	***12 049 423,27***	***-86 181 421.39***
Measurement of shares by the equity method	0,00	0.00
Minority shareholders profit (loss)	4 966 739,05	10 108 746.45
Net profit attributable to		
- Shareholders of the parent company	***8 147 732,57***	***-96 290 167.84***
- Non-controlling interests	***0,02***	***10 108 746.45***

Net profit	8 147 732,57	-86 181 421.39
Exchange differences on conversion of foreign entities	665 373,00	-10 508 106.54
Total revenue for the period	8 814 105,57	-96 689 527.93
- Including attributable to minority capital	3 613 783,28	1 372 442.16
- including attributable to shareholders of parent company	5 200 322,29	-98 061 970.09
Net profit	8 147 732,57	-86 181 421.39
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	665 373,00	-10 508 106.54
Other comprehensive income in total	8 814 105,57	-10 508 106.54
Comprehensive income for the period	8 814 105,57	-96 689 527.93
- of which attributable to minority interest in equity	3 613 783,28	1 372 442.16
- of which attributable to shareholders of the parent entity	5 200 322,29	-98 061 970.09
Profit per share from continuing and discontinued operations attributable to shareholders of the parent entity during the year (in PLN)		
From continuing operations:	***10 355 762,93***	
- basic	0,16	-0.67
- diluted	0,16	-0.66
From discontinued operations	***2 758 708,69***	
- basic	0,02	-0.81
- diluted	0,02	-0.80

Consolidated Statement of cash flows of the Capital Group

for the year ended 31 December 2018 and comparable financial data for the year ended 31 December 2017

	01.01.2018-31.12.2018	01.01.2017-31.12.2017
Net profit (loss)	**8 147 732,57**	**-96 290 167.84**
Total adjustment	42 775 384,71	**76 549 573.83**
Depreciation	15 925 755,89	17 408 569.74
(Profit) loss on foreign exchange differences	13 030 873,50	0.00
Interest and participation in profits (dividends)	25 917 801,77	17 546 740.53
(Profit) loss on investing activities	-91 426 312,48	-510 912.55
Change in reserves	20 846 128,10	-1 526 108.65
Change in inventory	12 614 508,37	8 075 728.24
Change of receivables with the exception of receivables from income tax	169 131 270,27	-141 588 292.79
Change in short-term liabilities excluding credits and loans and income tax from legal persons	-68 485 111,39	196 198 602.29
Change in accruals	-1 974 955,81	97 293.98
Other adjustments	**-52 804 573,52**	-24 337 158.86
Income tax on profit before tax	0,00	11 711 789.82
Income tax paid	0,00	-6 526 677.93
Net cash flows from operating activities	***50 923 117,28***	***-19 740 594.01***
Cash flow on investment activity		
Incomes	**143 408 746,04**	**129 772 067.56**
Disposal of intangible and tangible fixed assets	445 946,22	313 938.52
Sale of investment property and intangible assets		0.00
From financial assets. including:	140 935 477,87	2 033 513.62
a) in related entities	29 999,99	0.00
Interest	140 905 477,88	0.00
b) in other entities	138 449 448,51	2 033 513.62
Interest		2 033 513.62
acquisition of financial assets	85 700,62	0.00
Other investment income	4 397 650,70	127 424 615.42
Expenditures	**492 482,44**	**125 978 019.63**
Purchase of intangible and tangible fixed assets		10 995 327.02
Investments in real estate and intangible assets	0,00	1 075 639.99
For financial assets. including:	6 135,34	104 361 962.20
a) in related entities		95 511 312.40
acquisition of financial assets	6 135,34	95 511 312.40
b) in other entities	6 135,34	8 850 649.80
acquisition of financial assets		8 850 649.80
Other investment expenses	486 347,10	**9 545 090.42**
Cash flow on investment activity	**142 916 263,60**	***3 794 047.93***

Cash flow on financial activity		
Incomes	**151 959 730,43**	**92 580 063.57**
Credits and loans	107 971 620,91	59 277 612.12
Issuance of debt securities	43 988 109,50	32 000 000.00
Net income from issuance of shares		0.00
Other financial income		1 302 451.45
Expenditures	**350 428 387,92**	**120 133 023.83**
Dividends and other expenses for owners		0.00
Other than payments for owners. expenses related to profit distribution		0.00
Credits and loans repayments	231 829 578,82	0.00
Redemption of debt securities	44 285 509,42	100 000 000.00
Due to other financial liabilities	46 025 169,16	0.00
Payment of liabilities on account of financial leasing contracts		552 769.68
Interest	28 288 130,52	19 580 254.15
Other financial expenses		0.00
Net cash flows from financing activities	**-198 468 657,51**	***-27 552 960.26***
Total net cash flow	**-4 629 276,63**	-43 499 506.34
Balance sheet change in cash and cash equivalent, including:	***-4 629 276,63***	-43 499 506.34
change of cash resources due to exchange rate differences		0.00
Cash resources at the beginning of period	**61 115 284,37**	104 614 790.71
Cash and cash equivalents at end of period	***56 486 007,74***	***61 115 284.37***

Position 'other adjustments' includes		
change of differences from conversions	665 373,00	7 225 891.37
changes in shares attributable to non-controlling shareholders	-53 926 348,16	-4 293 656.61
liabilities from the purchase of Prohuman	0,00	-100 103 720.83
managers programme	456 401,64	912 803.28
change in other assets in the balance sheet	0,00	9 607 724.72
other	0,00	-1 137 695.68
profit (loss) from sales of other assets	0,00	1 867 165.08
profit (loss) from the sale of ITK Group	0,00	-78 588 879.85
loss from valuation at fair value of the Proservice Group	0,00	140 173 209.66
Total	**-52 804 573,52**	**-24 337 158.86**

Consolidated Statement of changes in equity of Capital Group

01.01.2018-31.12.2018	Share capital	Other capital/supplementary capital	Capital from option valuation	Other capital/exchange rate differences on conversion of subsidiaries	Previous years' profit/loss	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 2017	6 509 482,30	232 879 346,83	-97 993 882,72	-15 785 334,10	44 214 392,84	-96 290 167,84	73 533 837,31	71 439 858,03	144 973 695,34
The capital increase	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Net profit (loss) for the financial year	0,00	0,00	0,00	0,00	0,00	8 147 732,57	8 147 732,57	4 966 739,05	8 147 732,57
Exchange differences on conversion of financial statements of foreign entities	0,00	0,00	0,00	665 373,00	0,00	0,00	665 373,00	0,00	665 373,00
Corrections NP with previously year (ITK i MSSF 9)	0,00	0,00	0,00	0,00	-12 214 512,46	0,00	--12 214 512,46	0,00	--12 214 512,46
Transfer of the result for the previous year to supplementary capital	0,00	0,00	0,00	0,00	-96 290 167,84	96 290 167,84	0,00	0,00	0,00
Correction of capital from previous years Exact	0,00	0,00	0,00	0,00	59 212 166,13	0,00	59 212 166,13	-51 699 935,69	-51 699 935,69
Exact repurchase of minority shares	0,00	0,00	0,00	0,00	-33 053 631,56	0,00	-33 053 631,56	0,00	33 053 631,56
Capital from previous years KCP,IPS,Czech	0,00	0,00	-36 405,16	0,00	-491 727,71	0,00	-528 132,87	0,00	-528 132,87
A deduction in accordance with IFRS	0,00	0,00	0,00	0,00	-13 804 442,43	0,00	0,00	0,00	-13 804 442,43
Manager program	0,00	0,00	456 401,64	0,00	0,00	0,00	456 401,64	0,00	456 401,64
Sale 2% Kariery	0,00	0,00	0,00	0,00	-9 908,32	0,00	0,00	9 908,32	-9 908,32
Other	0,00	0,00	-275 936,87	0,00	-184 722,76	0,00	-462 659,63	2 000,00	-460 659,63
Correction of option valuation	0,00	3 205 468,68	5 743 681,32	0,00	0,0o	0,00	8 949 150,00	0,00	8 949 150,00
As on 31 December 2018	**6 509 482,30**	**236 084 819,51**	**-92 106 141,79**	**-15 119 961,09**	**-52 622 554,11**	**8 147 732,57**	**90 893 377,39**	**24 718 569,71**	**115 652 186,10**

Consolidated Statement of changes in equity (comparative data)

01.01.2017-31.12.2017	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 2016	**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	0.00	20 508 571.54	0.00	20 508 571.54	0.00	20 508 571.54
Exercise of Fiege option	0.00	0.00	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	0.00	-35 132 578.30	0.00	0.00	0.00	0.00	0.00
Transfer of profit for 2016 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	0.00	-4 177 650.10	-4 177 650.10
As on 31 December 2017	**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**

INTRODUCTION TO THE
CONSOLIDATED FINANCIAL STATEMENTS

1. Information on the Work Service Capital Group

1.1. The Parent Company

The Parent Company of the Work Service Capital Group is a company Work Service S.A. Parent Company's registered office is located in Wroclaw, at Gwiaździsta 66. The company was established by notarial deed dated 12 December 2000 drawn up 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 customers, 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, ul. Gwiaździsta 66
Phone	+48 (071) 37 10 900
Fax	+48 (071) 37 10 938
E-mail	work@workservice.pl
Website	www.workservice.com

Work Service SA operates under Polish law. The bases of the Company’s operations are: 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 2018 was drawn up on the basis of separate financial statements of the Capital Group and compiled in a manner that the Group constitutes 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 2018 the Work Service Capital Group comprised of the following economic entities:

Companies with share capital of Work Service SA - direct					
Company name	Registered office	Control acquisition date	Percentage of the subsidiary's share capital	% Share in the total number of votes at the General Meeting	Method of consolidation
Finance Care Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	29.12.2005	100.00%	100.00%	Full
Industry Personnel Services Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	30.11.2003	100.00%	100.00%	Full
Antal Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	30.04.2007	100.00%	100.00%	Full
Work Service International Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	06.07.2006	100.00%	100.00%	Full
WS Support Sp. z o.o. (Clean 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
Prohuman 2004 Kft.	H-1146 Budapest,Hungaria korut 140-144	21.12.2013	80.22%	80.22%	Full
Work Express Sp. z o.o.	40-265 Katowice, ul. Murckowska 14	02.01.2014	100.00%	100.00%	Full
Work Service SPV Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	29.01.2014	100.00%	100.00%	Full
Work Service Czech s.r.o.	Londýnská 730/59, Vinohrady, 120 00 Praha 2	30.01.2004	100.00%	100.00%	Full
Work Service East Lcc	Charków, ul. Sumska 50, rejon charkowski, województwo charkowskie, Ukraina	03.02.2017	100.00%	100.00%	Full
Work Service Investment Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	11.01.2018	100.00%	100.00%	Full

Companies related by Work Service International Sp. z o. o.					
Company name	Registered office	Control acquisition date	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Work Service Slovakia s.r.o.	831 03 Bratysława, Škultétyho 1	04.09.2007	53.50%	53.50%	Full
WorkPort24 Gmbh	An den Treptowers 1 D-12435 Berlin	19.08.2011	100.00%	100.00%	Not Subject to consolidation

Companies related by Antal Sp. z o. o.

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

Companies related by Industry Personnel Services Sp. z o.o.

Company name	Registered office	Control acquisition date	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Work Service Slovakia s.r.o.	831 03 Bratysława, Škultétyho 1	05.05.2011	46.50%	46.50%	Full
Krajowe Centrum Pracy Sp. z o.o.	53-413 Wrocław, Gwiaździsta 66	28.03.2013	25.00%	25.00%	Full

Companies related by Work Service Slovakia s.r.o.

Company name	Registered office	Control acquisition date	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Work Service Outsourcing Slovakia s.r.o.	831 03 Bratysława, Škultétyho 1	05.09.2011	100.00%	100.00%	Full
Work Service SK s.r.o.	831 03 Bratysława, Škultétyho 1	01.06.2016	100.00%	100.00%	Full
Antal International s.r.o.	831 03 Bratysława, Škultétyho 1	01.04.2016	100.00%	100.00%	Full

Companies related by Prohuman 2004 Kft

Company name	Registered office	Control acquisition date	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Prohuman Outsourcing Kft.	H-1146 Budapest,Hungaria korut 140-144	21.12.2013	100.00%	100.00%	Full
Human Existence Kft.	3525 Miskole, Arany Janos ter.1. mfsz 18.	08.07.2014	100.00%	100.00%	Full
Naton kadrovsko svetovanje d.o.o.	Ljubljana, Cesta 24. Junija 25, 1231 Ljubljana-Crnuce	03.12.2015	100.00%	100.00%	Full
HR Rent Kft	H-7624 Pecs, Ferencesek utcoja 52	10.12.2015	100.00%	100.00%	Full

Finance Sales Hungary Kft (Profield 2008 Kft)	2724 Újlengyel, Ady Endre utca 41	17.12.2015	100.00%	100.00%	Full
APT Resources&Services s.r.l.	67 Constantin Dobrogeanu Gherea Street, attic floor, office no. 1, 1st District, Bucharest, Romania	28.02.2017	80.00%	80.00%	Full
APT Human Resources s.r.l.	67 Constantin Dobrogeanu Gherea Street, attic floor, office no. 1, 1st District, Bucharest, Romania	28.02.2017	80.00%	80.00%	Full
APT Broker s.r.l.	67 Constantin Dobrogeanu Gherea Street, attic floor, office no. 1, 1st District, Bucharest, Romania	28.02.2017	80.00%	80.00%	Full
APT Finance Broker s.r.l.	67 Constantin Dobrogeanu Gherea Street, attic floor, office no. 1, 1st District, Bucharest, Romania	28.02.2017	80.00%	80.00%	Full

Companies related by Naton kadrovsko svetovanje d.o.o.

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

Companies related by Work Express Sp. z o.o.

Company name	Registered office	Control acquisition date	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Outsourcing 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
Support and Care 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					
Company name	Registered office	Control acquisition date	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
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 Outsourcing 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.					
Company name	Registered office	Control acquisition date	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Work Service Gmbh & Co.KG	c/o CMS Hasche Sigle, Breite Str. 3, 40213 Düsseldorf	26.06.2014	100.00%	100.00%	Full

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

Companies related by Krajowe Centrum Pracy Sp. z o.o.					
Company name	Registered office	Control acquisition date	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Kariera.pl Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	03.11.2016	49.00%	49.00%	Full

Companies related by Profield 2008 Kft					
Company name	Registered office	Control acquisition date	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
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. and WorkPort24 Gmbh.

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", it is not consolidated 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.

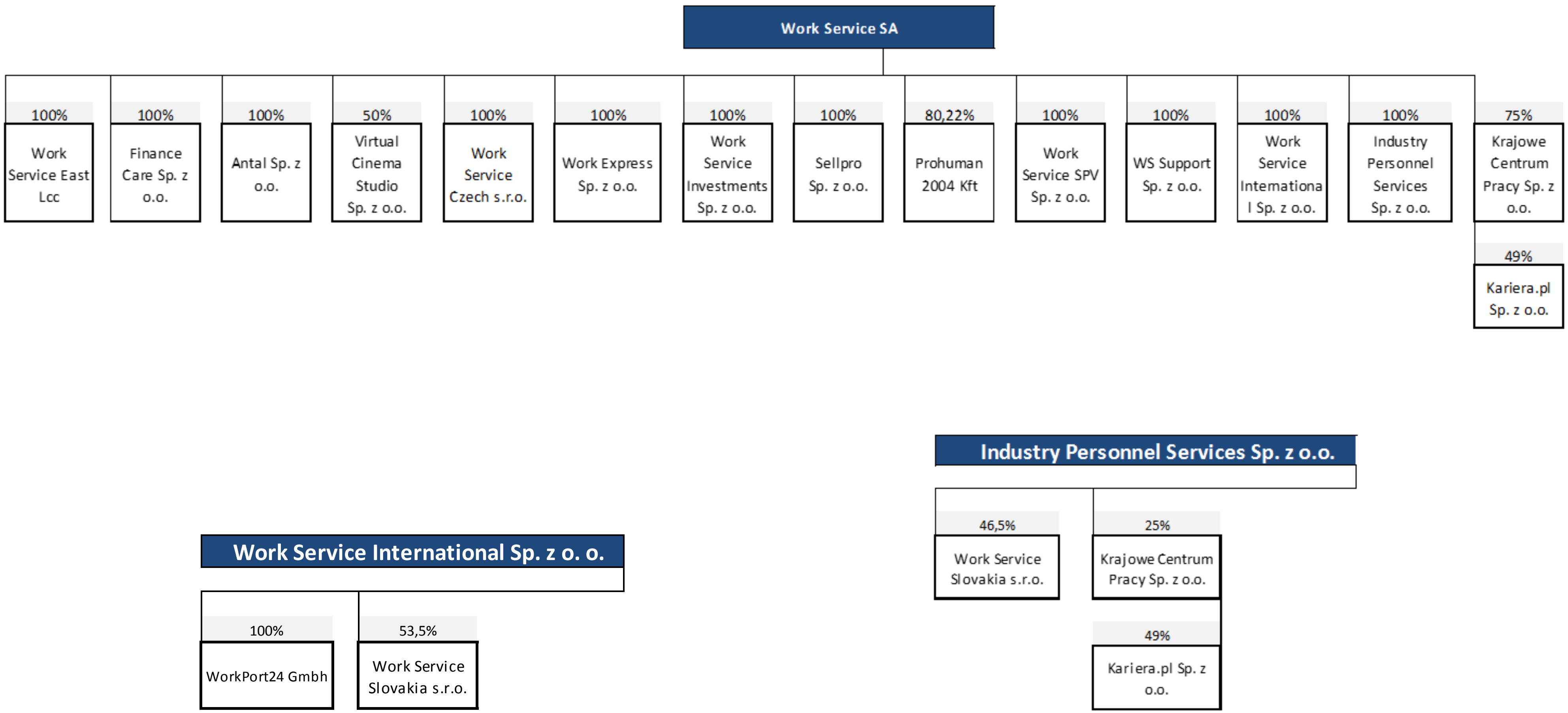
In the case of the company WorkPort24 Gmbh, the application of the principle of significance mentioned in § 31 IAS 1 results in exclusion of this company from consolidation with the equity method as a dependent entity.

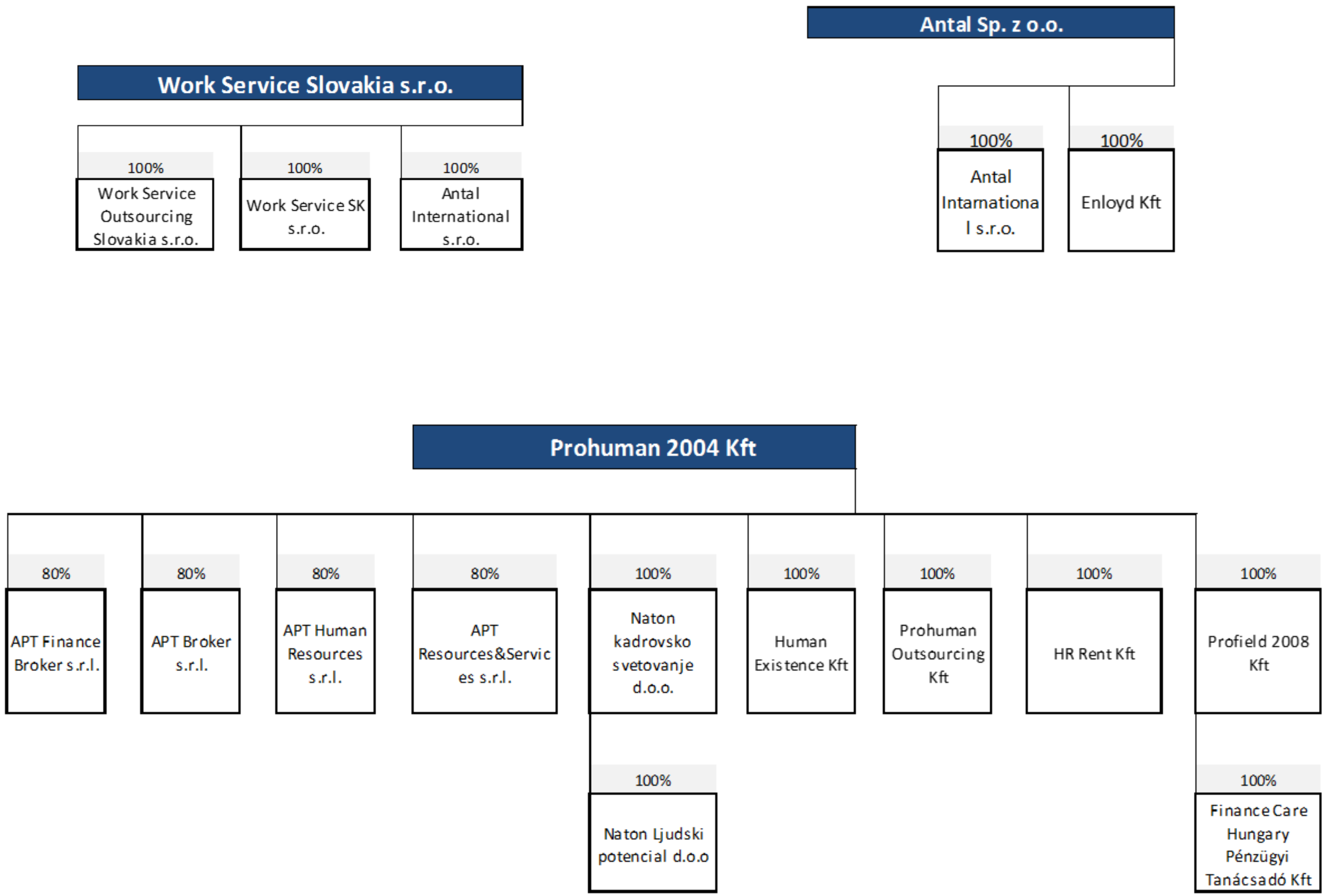
Basic data of the company WorkPort24 Gmbh as of 31.12.2018:

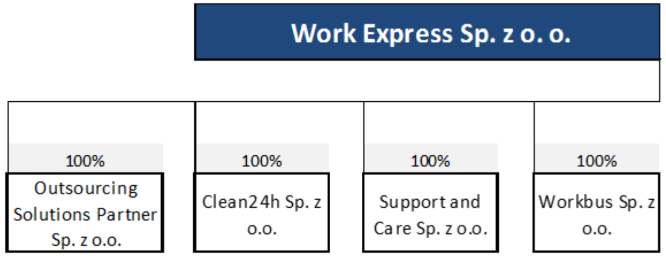
Data category	Value of WorkPort24 Gmbh	Share in the consolidated statement
Revenue from operations	0,00	0%
Net financial result for the current year	42 509,11	0,3%
Balance sheet total	3 657,84	0,00%
Equity	-482 999,18	0,41%

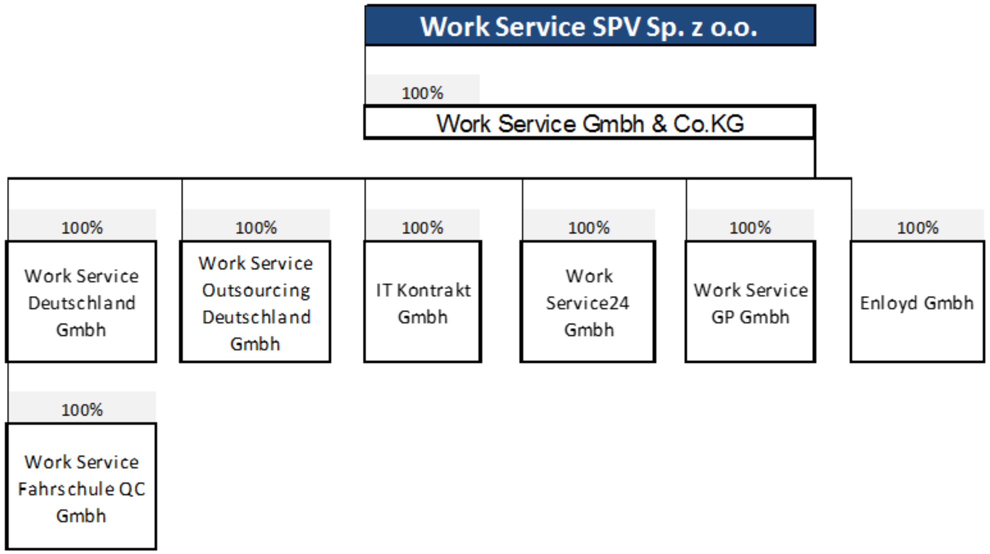
The exclusion of the above mentioned company from consolidation does not affect the economic decisions taken by users on the basis of the financial statements.

The structure of Work Service SA Capital Group as at 31.12.2018




Antal Sp. z o.o.
100%
Antal Intarnationa l s.r.o.
100%
Enloyd Kft
Work Service Slovakia s.r.o.
100%
Work Service Outsourcing Slovakia s.r.o.
100%
Work Service SK s.r.o.
100%
Antal International s.r.o.
Prohuman 2004 Kft
80%
APT Finance Broker s.r.l.
80%
APT Broker s.r.l.
80%
APT Human Resources s.r.l.
80%
APT Resources&Services s.r.l.
100%
Naton kadrovsko svetovanje d.o.o.
100%
Naton Ljudski potencial d.o.o
100%
Human Existence Kft
100%
Prohuman Outsourcing Kft
100%
HR Rent Kft
100%
Profield 2008 Kft
100%
Finance Care Hungary Pénzügyi Tanácsadó Kft


Work Express Sp. z o. o.
100%
Outsourcing Solutions Partner Sp. z o.o.
100%
Clean24h Sp. z o.o.
100%
Support and Care Sp. z o.o.
100%
Workbus Sp. z o.o.


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

1.3. Scope of activities of Work Service Capital Group companies

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. - 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.

WS Support 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 Outsourcing 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.

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.

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.

Outsourcing 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).

Support and Care Sp. z o.o. - (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 100.00% is a subsidiary of Work Service SA. 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 Antal Sp. z o.o., which is a 100% 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 Antal Sp. z o.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.

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 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 Gmbh & Co. KG - Indirect subsidiaries of Work Service SA. 100% of company shares is owned by company Work Service SPV Sp. z o. o.

Work Service Outsourcing 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).

Finance Sales Hungary Kft (Profield 2008 Kft). - is engaged in the provision of full-scope intermediary services of various financial products, i.e. financial outsourcing services.

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.

Naton ljudski potencijali d.o.o. (Croatia) - the company specializes and covers Croatia with special skills recrutiment, mostly in Pharma sector.

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.

APT Resources&Services s.r.l – The company was established in 1994. It primarily operates in the following sectors: IT, banking and finance, engineering, retail, medical and pharmaceutical. The company provides services related to temporary work, recruitment and selection of employees and HR outsourcing.

APT Human Resources s.r.l. - the core operations of the company include providing temporary work, mostly in the following industries: food production, energy, finance and banking, insurance

APT Broker s.r.l. - the company provides financial intermediation services for the banking sector.

APT Finance Broker s.r.l. - the company provides financial intermediation services for the banking sector.

Work Service East Lcc – the company intermediates in hiring employees abroad.

Work Service Investment – the company in 100% is a subsidiary of Work Service SA.

WorkPort24 Gmbh – the core business of the company is conducting on-line job portal for international employers and employees as a means to provide job offers, sales of personal services, and as a place for advertising, sales and marketing of personnel services and the implementation of training and certification of workers in accordance with the requirements of the local labour markets.

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, devision, restructuring and discontinued operations.

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

On 01.01.2018, the merger of Naton Ljudski potencial d.o.o and HR Global d.o.o. took place.

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

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

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

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

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

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

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

Selling of Exact Systems S.A. shares by the Issuer is a consequence of decided by the Management Board strategic options in the range of the future of subsidiary Exact Systems and execution of adopted Development and Restructuring Strategy for the Work Service Group for years 2018-2020. Based on adopted Strategy, the Issuer is planning to vote cash acquired on sales of Exact Systems S.A. for further adjusting Group financial structure by its progressive deleveraging and reduction of acquisitions earn-out liabilities toward minorities in Group subsidiaries.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Subsequently on 31 October 2018 Work Service S.A. purchased 5.179 shares in Work Service SPV sp. z o.o. from Exact Systems S.A.. As a result of this transaction Work Service S.A. had 100% shares in Work Service SPV sp. o.o. (74.072 shares in total) by the end of the year 2018.

Sale of Proservice Group

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

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

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

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

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

The remaining provisions of the Contract shall remain unchanged.

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

Acquisition of own shares for purpose of their redemption

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

Pursuant to the Agreement, the Shareholders sold to the Company their series B, BA, BB, BC, BD, BE, BF, BG, BH, C, CA, CB, CC, CD, CE, CF, CG, CH shares in the Company (the "Shares") for the total price amounting to PLN 33,275,023.35. The Shares have been acquired for the purpose of their redemption.

Pursuant to the Agreement, payment for the Shares shall occur on the day of sale of all Issuer's shares in the Company to Remango Investments Sp. z o.o. with its registered office in Warsaw (the "SPV). The Agreement provides for a rescission right for the Parties which can be executed until 30 November 2018, if the definitive share purchase agreement regarding sale of the Issuer's shares in the Company is not concluded until 1 November 2018.

All these transactions took place on the dates as stipulated.

Pursuant to the Agreement, the investment agreements dated 5 August 2016 and 24 November 2018 concluded between the Parties has been terminated. If the Parties rescind the Agreement, the abovementioned investment agreements shall become valid and enforceable.

Purchase of shares in Work Service Co.&KG

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

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

Below, the results on continued and abandoned operations have been presented, including results of ITK Group for the period 01.01.2017-30.06.2017, of Proservice Group for the period 01.01.2017-30.06.2018 and Exact Systems Group for the period 01.01.2017-31.10.2018.

	01.01.2018-31.12.2018	01.01.2017-31.12.2017
Revenues	**2 445 718 586,32**	**2 659 165 263,10**
Net revenues from sales of products	2 450 844 780,75	2 665 150 269,05
Variation in stocks of products	-5 126 194,43	-5 985 005,95
Manufacturing cost of products for entity's own purposes	0,00	0,00
Net income on sale of goods and materials	0,00	0,00
Operating costs	**2 419 371 450,62**	**2 606 364 964,54**
Depreciation	15 869 887,21	17 484 371,77
Consumption of materials and energy	10 040 760,88	17 727 844,16
Outside services	339 380 794,53	393 129 336,91
Taxes and charges	4 531 888,78	4 330 373,42
Remuneration	1 651 043 149,08	1 727 150 025,08
Social insurance and other benefits	359 890 843,98	403 606 996,56
Other generic expenses	38 614 126,16	42 936 016,65
Value of goods and materials sold	15 869 887,21	0,00
Profit (loss) on sales	**26 347 135,70**	***52 800 298,56***
Other operating incomes	**34 671 621,60**	**27 113 247,41**
Other operating costs	**86 422 510,36**	**36 428 809,96**
Profit (loss) on operating activities	**-25 403 753,06**	***43 484 736,01***
Profit from sale of ITK Group Kontrakt	**106 658 963,37**	***78 588 879,85***
Net loss from revaluation of the Proservice Group to fair value	**69 205 787,04**	***-158 923 548,71***
Effect on sale of Exact Group	***12 049 423,27***	***0,00***
Effect on sale of Proservice	-1 065 048,36	***0,00***
Profit/loss on sale of other assets	13 114 471,62	***-1 867 165,08***
Financial incomes	0,00	**4 040 170,23**
Financial costs	4 966 739,05	**40 343 680,71**
Gross profit (loss)	8 147 732,57	***-75 020 608,41***

Profit from discontinued operations is shown in the table below

	01.01.2018-31.12.2018	01.01.2017-31.12.2017
Net revenues from sales	360 965 715,70	526 367 615,83
Other operating income	3 547 093,31	2 759 805,88
Operating costs	327 266 205,25	479 679 617,19
Other operating costs	-2 812 561,43	10 240 401,87
Financial income	-13 427 441,43	305 797,47
Financial costs	18 314 734,52	5 530 317,21
Gross profit (loss)	8 316 989,25	33 982 882,91
Income tax	5 558 280,56	5 284 420,81
Profit from discontinued operations for the financial year	2 758 708,69	28 698 462,11
Profit from disposal of the ITK Group	0,00	78 588 879,85
Net loss from revaluation to fair value	0,00	158 923 548,71
Profit on sale of Exact Group	116 623 810,13	0,00
Loss on sale of Proservice	-4 890 204,54	0,0
Loss on sale of other assets	0,00	1 867 165,08
Profit attributable to non-controlling shareholders	0,00	-550 976,84
Profit from discontinued operations for the financial year	114 492 314,28	**-52 952 395,00**

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

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

Sale of shares in Exact Systems S.A.

On 31 October 2018, the Issuer and Remango Investments Sp. z o.o. with its registered office in Warsaw, a special purpose vehicle whose shares are held by Mr Paweł Gos, Mr Lesław Walaszczyk and a fund co-managed by CVI Dom Maklerski Sp. z o.o. concluded the definitive share purchase agreement regarding the sale of all Issuer's shares in Exact Systems S.A. with its registered office in Częstochowa (the "Transaction") (the "Company").

Under the Transaction, the Issuer sold to the Company 100% of the shares in Exact Systems GmbH with the seat in Görlitz ("Exact Systems GmbH").

The purchase price for Issuer's shares in the Company amounts to PLN 139,760,000 of which the amount of PLN 13,000,000, which will be paid within 9 months from the completion of the Transaction.After sale of all shares in Exact Systems GmbH total consideration received by the Issuer will amount to PLN 155,260,000, including shares in Work Service SPV Sp. z o.o. with its registered office in Wrocław previously held by the Company. In addition, the Company paid to the Issuer any net outstanding balance of intercompany payables.

Part of the proceeds from the Transaction, in the amount of PLN 104,000,000, the Issuer were spent for the repayment of part of the debt towards consortium of banks financing the Issuer.

The sale by the Issuer of shares in Exact Systems S.A. is a consequence of strategic options decided on by the Management Board concerning the future of the subsidiary Exact Systems and the execution of the Development and Restructuring Strategy adopted bythe Work Service Group for the years 2018-2020. Based on this Strategy, the Issuer is reducing its acquisition liabilities toward minority shareholders in subsidiary companies and is planning to earmark the funds obtained from the sale of shares in Exact Systems S.A. mainly for further adjustment of the Group's financing structure through gradual debt deleveraging.

Sale of 100% of shares in Exact Systems GmbH

On 2 November 2018, the Issuer concluded with Exact Systems S.A. with its registered office in Częstochowa (the "Exact Systems") a share purchase agreement relating to the sale of 100% of shares in Exact Systems GmbH with its registered office in Görlitz (the "Exact Systems GmbH").

Sale of 100% of shares in Exact Systems GmbH is a part of transaction of sale of all Issuer's shares in Exact Systems to Remango Investments Sp. z o.o. with its registered office in Warsaw, a special purpose vehicle whose shares are held by Mr Paweł Gos, Mr Lesław Walaszczyk and a fund co-managed by CVI Dom Maklerski Sp. z o.o. (the "Transaction").

Purchase of the company Enloyd Kft by Antal Sp. z o.o. from the company Prohuman 2004 Kft

On 18 December 2018 the company Antal Sp. z o.o. (100% subsidiary of Work Service S.A.) purchased, from the company Prohuman 2004 Kft (in 80.22% subsidiary of Work Servcie S.A.) 100% of the shares in the share capital of the company Enloyd Kft.

1.5. Presented reporting periods

These consolidated financial statements include the data as on 31 December 2018 and for the year ended 31 December 2018. Comparative data are presented as on 31 December 2017, for the consolidated statement of financial position and for the year ended 31 December 2017 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 2018

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

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

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

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

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

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

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

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

1.8. Composition of Supervisory Board of Work Service S.A. as on 31 December 2018

- Panagiotis Sofianos – Chairman of Supervisory Board
- Tomasz Misiak – Deputy 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

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

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

ADDITIONAL INFORMATION
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 2018 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 2018, was approved by Resolution No. 4/2018 at the meeting of the Ordinary General Meeting of Work Service SA on 29 June 2018. A consolidated financial statement of Work Service SA for the previous financial year, i.e. year 2018, was approved by Resolution No. 7/2018 at the Ordinary General Meeting of Work Service SA on 29 June 2018.

Pursuant to Resolution No. 5/2018 of the Ordinary General Meeting, adopted on 29 June 2018 Work Service S.A. decides to cover a loss generated by the Company in the year 2017 in the amount of PLN 64,229,138.96 with the profits generated in subsequent years.

1.3. Continuation of the activities

STRATEGIC DESCRIPTION

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

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

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

In terms of financial and investment operations:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- the date of repayment was prolonged from 10 December 2018 until 3 March 2020;
- in the period until the date of loan repayment, the Company is not obliged to conduct any scheduled depreciation of the loans;
- in the whole period of financing, the Company can use the operating credit limits under the Credit Agreement up to the amount of PLN 110 350 000 (namely all the credit limits left after the completed repayment of PLN 104 000 000 in loans from the funds from selling Exact Systems S.A.);

- interest on the loan was reduced to WIBOR 1M increased by profit margin in the amount of 100 bps annually, payable on the current basis, and additional 100 bps profit margin, payable not earlier than on the date of final repayment;
- all obligations were removed, applying to maintenance of the financial indicators on specific levels and the previous financial indicators will be reported exclusively for information purposes;
- the lenders agreed that, until a possible statement about termination of the credit agreement is submitted towards the Borrower, any cases of violation will not allow the creditors to reduce, block or cancel the operating loans made available;
- the lenders unconditionally and irrevocably repealed the previous cases of violation of the credit agreement as specified in the annex, renounced their rights on the grounds of the Credit Agreement resulting from the occurrence of any such previous cases of violation, including concerning the financial indicators as defined in the Credit Agreement;

Simultaneously, the Company committed in annex no. 4 to the credit agreement to take a number of restructuring actions, including e.g. sale of Group Prohuman 2004 Kft within a specified schedule.
In the opinion of the Company's Management Board, the proceeds from selling this entity should fully protect repayment of the existing bank debt.

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

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

The Capital Group concluded the installment agreement with ZUS (Social Security) for the total amount of PLN 78 151 054,87.

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

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

On 4 December 2018 the Company and the Company's subsidiaries signed factoring agreements with Bibby Financial Services Sp. with for indefinite time in the total limit amount of PLN 14 000 000.
As a consequence of this agreement, in December 2018 the Company was granted factoring limits exceeding the amount of PLN 55 000 000 required in annex no. 4 to the credit agreement.

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

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

In 2018 the continued business recorded c.a. 8% turnover drop as compared to the previous year, which resulted, to a significant extent, from debt restructuring and a higher concentration of actions of the Company and its key employees on financial and investment operations in the 4th quarter of 2018 than on developing operations.

2) ***Reporting a number of untypical events in the annual result on the Capital Group operations.***

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

In the result on operations, the Company identifies a number of unusual events in the total amount equal to PLN 74 660 363,74, including:

- Established provisions (related e.g. related to running restructuring, agreements with subcontractors) in the amount of PLN 19 475 735

- Penalty owed to the minority shareholder in connection with delay for the failure to purchase on time the minority shares in Prohuman 2004 kft: PLN 5 000 000
- Revaluations of assets in the balance sheet resulting from the review of strategic options by the Management Board PLN 18 661 802
- Costs of financial and transaction consulting, legal consulting associated with disinvestment activities and restructuring, costs of members of the Management Board who did not work in the Company in 2018, other restructuring consulting costs: PLN 15 222 626
- Revaluation of the receivables portfolio resulting from the implementation of IFRS 14 349 158
- Revaluation of revenue in 2018 PLN 975 561
- Other PLN 975 481.

II. Assessment of the Capital Group financial and equity situation

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

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

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

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

At the beginning of 2019, the Company continues negotiations with the shareholder Prohuman 2004 kft in order to agree on the change in the terms of realization as well as the formula and financing sources for the "PUT" option regarding minority shares in the held entity.
Simultaneously, the company prepares, together with minority shareholder Prohuman 2004 kft, the process of organized sale of Hungarian assets with the intended purpose of the funds earned as a result of the transaction to reduce the bank debt and liabilities towards Prohuman 2004 kft minority shareholder.

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

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

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

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

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

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

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

In connection with stabilized situation in the area of credit and bond debt, the Company's Management Board and its key employees are able, to a much larger extent, to concentrate their attention on the basic operations. **The intent of the Company's Management Board is to use the operational leverage effect in 2019 (turnover growth not causing any increase in fixed costs), also thanks to a reduced fixed costs base after the completed disinvestment and restructuring processes, effectively conducted in the fourth quarter of 2018 and operating process automation in the Company's basic operations profile.**

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

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

4) Factoring limits being supplemented with growing turnover;

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

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

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

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, Chinese Yuan. 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.

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 2018, apart from changes described below.

The change in the accounting policy regards the manner of presenting costs in the income statement.

The management board of Work Service SA decided that from 1 January 2017 costs will be presented using the nature of expense method. In the opinion of the management board, such information will be more useful and adequate to the shareholders.

The change in the accounting policy is voluntarily, it was intended to ensure that the information presented in the consolidated financial statements of the Work of service Capital Group is more useful and reliable.

1.4.1. 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 2018. 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 2018	31 December 2017
GBP	4.7895	4.7001
UAH	0.1357	0.1236
CZK	0.1673	0.1632
RON	0.9229	0.8953
RUB	0.0541	0.0604
EUR	4.3000	4.1709
TRY	0.7108	0.9235
HUF	0.0134	0.0134
CHF	3.8166	3.5672
CNY	0.5481	0.5349
USD	3.7597	3.4813

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

Currency	31 December 2018	31 December 2017
GBP	4.8142	4.8457
UAH	0.1330	0.1402
CZK	0.1663	0.1614
RUB	0.0576	0.0644
RON	0.9165	0.9282
EUR	4.2669	4.2447
TRY	0.7676	1.0295
HUF	0.0133	0.0137
CHF	3.7081	3.8087
CNY	0.5463	0.5552
USD	3.6227	3.7439

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
01.01-31.12.2017	4.2447	4.1709
01.01-31.12.2018	4.2669	4.3000

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. Fixed assets intended for sale

Fixed assets and groups for sale are classified as intended for sale, if their carrying value will rather be recovered as a result of the sale transaction than as a result of their further use. This precondition is deemed to be fulfilled only when the sale transaction is very likely and the asset (or group for sale) is available for immediate sale in its present condition. Asset classification as intended for sale assumes the company's management's intention to perform the sale transaction within a year from the moment of changing the classification.

Fixed assets (and groups for sale) classified as intended for sale are measured at the lower from among the two values: initial carrying value or fair value, less any sale-related costs.

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

1.5.14. 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.

1.5.15. 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 (principles binding until 31 December 2017)

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.

Financial assets (principles binding from 1 January 2018)

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

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

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

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

Financial assets are measured at depreciated cost, if both of the following requirements are met (and have not been determined at the moment of the initial recognition for valuation at fair value in the result):
- the financial asset concerned is maintained according to the business model the aim of which is to maintain financial assets to obtain cash flows resulting from the agreement,
- the terms of the agreement regarding the financial asset concerned cause cash flows being formed on specific dates which are only repayment of the principal and interest on the outstanding nominal value.

The Group includes the following into the category of financial assets measured at depreciated cost:
- loans,
- trade receivables and other receivables (except for those which IFRS 9 principles are not applied for),
- debt securities,

Valuation of short-term receivables is made at the amount due for payment, due to insignificant discounting effects. Profits and losses on financial assets reported in the result, including exchange rate differences, are presented as financial revenue or costs.

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

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

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

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

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

Financial assets included in the category measured at depreciated cost and measured at fair value in other comprehensive income, due to the business model and the nature of the related revenue, are subject to evaluation as of each balance sheet day in order to recognize the expected credit losses , regardless of whether the premises for impairment occurred or not. The method of performing this evaluation and estimating write-offs under the expected credit losses differs for particular classes of financial assets:

- For trade receivables, the Company applies a simplified approach, assuming a calculation of write-offs under the expected credit losses for the instrument's whole life. Write-off estimates are made on the collective principle and the receivables have been grouped according to past due status. A write-off estimate is first of all based on the historically formed past due status and a linkage between the past due status and the actual repayment.
- For the other asset classes, in the case of instruments for which credit risk growth after the first recognition was not significant or the risk is low, the Company, in the first place, assumes recognition of credit losses from failure to meet obligations for the period of subsequent 12 months. When the credit risk growth after the moment of the initial recognition has been significant, losses are reported as appropriate for the whole life of the instrument. The Company has assumed that a significant risk growth happens when overdue payments exceed 90 days, and failure to fulfill the obligations is when the past due status is 180 days.

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

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

As of the date of purchase, the Company reports any financial liabilities at fair value, namely usually according at fair value of the amount received. The Company includes transaction costs in the initial value of all financial liabilities, apart from the category of liabilities measured at fair value in the result.
After the initial recognition, financial liabilities are reported at depreciated cost with the application of the effective interest rate method, except for financial liabilities intended for sale, or designated as measured at fair value in the financial result. In the category of financial liabilities measured at fair value in the financial result, the Company includes derivatives other than security instruments. Short-term trade liabilities are reported at the amount due for payment, due to insignificant discounting effects.
Profits and losses under revaluation of financial liabilities are reported in the financial result, under financial operations.

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 cannot 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 (principles binding until 31 December 2017) 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.

Sales revenue (principles binding from 1 January 2018)

Sales revenue includes only revenue from agreements with clients covered by the scope of IFRS 15. The method of recognizing sales revenue in the Group's financial statement, including both the value and the moment of revenue recognition, is described by the five-level model including the following steps:
- identification of the agreement with the client,
- identification of the obligations to provide a consideration,
- determination of the transaction price,
- assignment of the transaction price to the obligations to provide a consideration,
- recognition of revenue when fulfilling the obligations to provide a consideration or after they have been fulfilled.

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

Identification of the obligations to provide a consideration
At the moment when the agreement is concluded, the Company makes an evaluation of the goods or services promised in the agreement with the client
and identifies, as a commitment to provide a consideration, each promise to transfer to the client any goods or services (or a package of goods or services) that can be identified, or a group of separate goods or services, which are generally the same and transferred to the client in the same way.
A good or service are separate, if they meet both of the following criteria:
- the client can refer the benefits from the good or service either directly or by a linkage to other resources that are easily accessible for them and
- the Company's requirement to transfer the good or service to the client can be separated from among the other obligations specified in the agreement.

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

Determination of the transaction price

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

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

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

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

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

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

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

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.

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

The accounting principles adopted in these consolidated financial statements were applied on a continuous basis and are compliant with the accounting principles applied in the last audited annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) approved by the European Union for the year ended 31 December 2018, apart from changes described below.

IFRS - Standards and interpretations binding in the reports
for the annual periods starting on 1 January 2018 or later

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

Standard/interpretation	Effective date	Description of changes in the standard/interpretation
new IFRS 9 "Financial instruments"	annual periods starting on 1 January 2018 or later standard accepted by the European Commission	The new standard concerning valuation and recognition of financial instruments, intended to replace the present IAS 39. The changes introduced by the standard in financial instruments accounting include: • other financial asset categories which the asset valuation method depends on; allocation of assets to the category is made depending on the business model related to the given asset and the nature of flows, • new security accounting principles reflecting risk management to a greater extent, • new financial asset impairment model based on the anticipated losses and causing the need for faster recognition of costs in the financial result.
New IFRS 15 "Revenue from agreements with clients"	annual periods starting on 1 January 2018 or later standard accepted by the European Commission	The new standard will replace the existing IAS 11 and IAS 18, providing one coherent model for revenue recognition. The new 5-level model will link recognition of revenue to the client obtaining control of the good or service. In addition, the standard introduces additional information disclosure requirements and guidelines concerning several detailed matters. The new standard can change the moment and the amounts of revenue recognized in enterprises in many industries.

Standard/interpretation	Effective date	Description of changes in the standard/interpretation
Changed IFRS 15 "Revenue from agreements with clients"	annual periods starting on 1 January 2018 or later changes accepted by the European Commission	In order to prevent incoherent application of the new standard, the IAS Board (IASB) has detailed the principles related to the following matters: • identification of the obligation (explained how to apply the concept of "separate" good or service) • identification of the principal - agent relationship, • transfer of license at the given moment or over time, In addition, facilities were added to the transitional provisions.
Changed IFRS 2 "Share-based payments"	annual periods starting on 1 January 2018 or later changes accepted by the European Commission	The IAS Board (IASB) has regulated three matters: • the method of recognizing in the valuation of the program paid in cash of the terms other than the terms of purchasing rights • classification of payments in stocks in the event that the entity is not obliged to collect tax from the employee • modification of the program which results in change from a program settled in cash to a program settled in capital instruments.
Changed IFRS 4 "Insurance agreements"	at the moment of applying IFRS 9 changes accepted by the European Commission	In connection with the new standard concerning financial instruments entering into force in 2019 (IFRS 9), the IAS Board (IASB) has introduced transitional (until entry into force of the new standard concerning insurance) principles of applying new accounting principles of the instruments in the financial statements of insurers. Otherwise, their results would be exposed to significant variability. Two alternative approaches have been proposed: • correction of variability caused by IFRS 9 for some assets by a separate item in the statement on the result and other comprehensive income • exemption from the application of IFRS 9 until entry into force of the new standard concerning insurance (or the year 2021)

Standard/interpretation	Effective date	Description of changes in the standard/interpretation
Changed IFRS 1, IAS 28	annual periods starting on 1 January 2018 or changes accepted by the European Commission	Minor corrections to the standards, introduced under annual changes in the standards (cycle 2014 – 2016): • IFRS 1: some short-term exemptions were removed, which had been used when transferring to IFRS, owing to the fact that they were concerned with the periods that already elapsed and their application was not possible anymore. • IAS 28: it was made specific that in the situations when IAS 28 allows investment valuation either by the equity method or at fair value (by organizations managing high risk capital, mutual funds etc. or shares in investment entities) this selection can be made separately for each of such investments.
Change in IAS 40 "Investment real estate"	annual periods starting on 1 January 2018 or later changes accepted by the European Commission	The change makes specific the principles according to which a real estate is reclassified to or from the category of investment real estate from or to fixed assets or inventory. First of all, the change in classification happens when the use pattern changes and this change must be proved. The standard says directly that change of intention of the management itself is not sufficient. The change in the standard must be applied to all changes in use patterns that happen after the effective date of the change in the standard and to all investment real estate held on the day of entry into force of the standard change.
New IFRIC 22 "Currency transactions and advance payments"	annual periods starting on 1 January 2018 or later interpretation accepted by the European Commission	The interpretation specifies what rate should be applied for sale or purchase in another currency, which is preceded by receipt or payment of an advance payment in this currency. According to the new interpretation, as of payment the advance should be reported at the rate valid on this day. Then, at the moment of recognition in the profit and loss account of revenue earned in the currency or cost or purchased asset, they must be reported at the rate as of the date of recognition of the advance payment and not at the rate from the date when revenue or cost or asset was reported.

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

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

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

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

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

Assets

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

Expected credit losses

Valuation:

Receivables are valued using actual interest rate

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

Equity and liabilities

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

Hedge accounting

The Company does not apply hedge accounting.

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

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

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

IFRS 15 Revenue from Contracts with Customers

The new unified standard was issued on May 28th, 2014 and is effective for annual periods beginning on or after January 1st 2018 (originally 2017) and its earlier application is permitted. The standard defines unified frameworks for the recognition of revenue and includes rules which will replace most of detailed guidelines in the scope of the recognition of revenue currently present in IFRS, specifically in IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

The Group applies the new standard beginning from January 1st, 2018.

The Group has analysed the effect of IFRS 15 on the financial statements on a representative group of entities. Based on the performed analysis, no material effect of IFRS 15 Revenue from Contracts with Customers on the Group's financial statements has been identified and, consequently, no adjustments are planned to the statements in connection with implementing IFRS 15 as of 1 January 2018.

- IFRS 15 clarification: Revenue from contracts with customers

The clarification of the IFRS 15 standard was published on 12 April 2016 and is effective for annual periods beginning on or after January 1st 2018 (provided that the entire standard is applied simultaneously). The purpose of the amendments was to clarify doubts arising in pre-implementation reviews with reference to: the identification of performance obligation, guidelines of the application of the standard as regards the identification of the contracting party/agent, intellectual property licensing revenue and the transition period upon first time adoption of a new standard.

The Group applies these regulations as from the date of introduction of IFRS 15, namely from 1 January 2018.

MSSF 17 Insurance agreements

The new standard was published on 18 May 2017 and is applicable to annual periods starting on 1 January 2021 or later. It is allowed to apply it earlier (provided that IFRS 15 and IFRS 9 are applied at the same time). The standard replaces previous regulations related to insurance agreements (IFRS 4).

The Group does not conclude insurance agreements and therefore the standard will have no effect on its financial statements. The Group started an analysis of the effects of introducing the new standard.

Changes in IFRS 10 and IAS 28: Investment entities: application of exception from consolidation

Changes in IFRS 10 and IAS 28 were published on 18 December 2013 and are applicable to annual periods starting on 1 January 2016 or later. (the effective date has currently been deferred without the indicated start date). The changes clarify transaction accounting, in which the parent company loses control over a subsidiary which is not a "business" according to the definition specified in IFRS 3 "Combinations of entities", by way of sale of all or some shares in the subsidiary to an affiliate or a joint venture reported using the equity method.

The Group will apply changes in the standards no earlier than as of the date determined by the European Union as the effective date of this standard. At the moment, the European Commission has decided to defer the formal procedure of approval of the amended standards.

The Group evaluates that the application of the amended standards will not affect the Group's financial statement.

Changes in IFRS 2: Classification and valuation of share-based payment transactions

Changes in IFRS 2 were published on 20 June 2016 and they are applicable to annual periods starting on 1 January 2018 or later.

The purpose of the changes in the standard was to particularize the method of recognition of some types of share-based payment transactions.

The Group applies the new interpretation as from 1 January 2018.

The Group evaluates that the application of the amended standard has no significant effect on the Group's financial statement.

Amendments to IFRS 4: Application of IFRS 9 "Financial Instruments" in IFRS 4 "Insurance Contracts" issued on 12 September 2016

They are effective for annual periods beginning on or after 1 January 2018.

The Group comes to a conclusion that the application of the amended standard will not have a significant influence on the Group's financial statements.

KIMSF 22 Transakcje w walucie obcej a wynagrodzenie zaliczkowe

The new interpretation was issued on December 8th 2016 and is effective for annual periods beginning on or after January 1st 2018. The purpose of the interpretation is to indicate the method of specifying the date of transaction to determine the proper exchange rate (for conversion) for a transaction concluded in foreign currency, when an entity pays or receives a prepayment in foreign currency.

The Group applies the new interpretation beginning from January 1st 2018.

Amendment to IAS 40 Investment Property

The amendment to IAS 40 was issued on December 8th 2016 and is effective for annual periods beginning on or after January 1st 2018. The objective of the amendment is to clarify that transfers to, or from, investment property should only be made when there is a change in use.

The Group applies the amended standard beginning from January 1st 2018.

IFRS - Standards and interpretations still not binding in the reports

for the annual periods starting on 1 January 2018 or later

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

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

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

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

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

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

Non-binding standards (new standards and interpretations)

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

IFRS 16 "Leasing"

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

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

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

	Corrections	in thousand PLN
Assets		
Right to use assets		14 194
Deferred tax reserve		2697
Total assets		11497
Liabilities		
Long-term liabilities		15839
Deferred tax asset		3009
Total liabilities		12830

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

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

The operations of the Work Service Capital Group are subject to certain seasonality. The historical analysis of revenues from core operations shows that revenue generated in first halves of previous years constituted 40–45% of annual totals.

1.7. 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.

Note 1 Intangible assets

1.1 Intangible assets	31.12.2018	31.12.2017
a) costs of completed development works	0,00	0,00
b) goodwill	351 096 736,76	354 334 183,28
c) advances for intangible assets	4 121 938,51	6 165 829,45
d) other intangible assets	30 993 298,42	38 721 329,16
Total intangible assets	**386 211 973,69**	**399 221 341,89**

NOTE 2 Goodwill

2.1. Goodwill	31.12.2018	31.12.2017
a) goodwill - subsidiaries	351 096 736,76	354 334 183,28
b) goodwill - jointly controlled entities	0,00	0,00
c) goodwill - associates	0,00	0,00
Total goodwill	**351 096 736,76**	**354 334 183,28**

2.2. Goodwill	31.12.2018	31.12.2017
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
Sellpro sp. z o.o.	10 586 100,51	10 586 100,51
WS Support Sp. z o.o. (Clean Staff sp. z o.o.).	8 697 367,69	8 697 367,69
Group Prohuman	123 744 191,35	123 744 191,35
Group Work Express	35 733 470,62	35 733 470,62
Fiege	21 277 984,81	24 515 431,31
Group Naton	23 685 935,44	23 685 935,44
HR Rent Kft	75 924 297,98	75 924 297,98
Finance Sales Hungary Kft (Profield 2008 Kft)	36 163 628,14	36 163 628,14
Group APT	6 638 128,46	6 638 128,46
Total goodwill	**351 096 736,76**	**354 334 183,28**

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 2018, is presented in the following table.

Specification	Balance sheet value at 31 December 2018	Balance sheet value at 31 December 2017
Group Polska	19 315 989,20	19 315 989,20
Antal Sp. z o.o.	8 613 110,76	8 613 110,76
Group Prohuman	259 518 052,91	259 518 052,91
Work Express	35 733 470,62	35 733 470,62
Fiege	21 277 984,81	24 515 431,31
Group APT	6 638 128,46	6 638 128,46
Total goodwill	**351 096 736,76**	**354 334 183,28**

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 WS Support Sp. z o.o. (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.

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. Antal International s.r.o.

Prohuman Group includes Prohuman 2004 Kft with its seat in Hungary - direct subsidiary of Work Service SA and its subsidiaries: Prohuman Outsourcing Kft, Human Existance Kft., Enloyd Kft., HR GLOBAL d.o.o., HR Rent Kft, Finance Sales Hungary Kft (Profield 2008 Kft), Naton kadrovsko-svetovanje d.o.o 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: Outsourcing Solutions Partner Sp. z o.o., Clean24 Sp. z o.o., Support and Care 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 Outsourcing Deutschland GmbH, Work Service Deutschland GmbH, Work Service GmbH & Co. KG, Work Service Fahrschule QC GmbH. The object of activity of those companies is discussed in item 1.3. of introduction to the consolidated financial statements.

APT Group includes APT Resources & Services, APT Human Resources, APT Broker, APT Finance Broker.

In relation to goodwill allocated to groups, in accordance with IAS 36, the value in use of the value of the company was measured as “the current estimated value of future cash flows which are expected due to the further use of an asset or a cash generating unit” (hereinafter: “value in use of cash generating units”)
Future cash flow was measured on the basis of operating profit forecast (EBIT), increased by the forecast amortisation, forecast investment costs and forecast working capital for each of the above mentioned groups of companies.
Future cash flow was discounted by the forecast WACC pre-tax, where the weight of own and borrowed capital cost were measured on the basis of the carrying value. The result of the measurement (“measurement of the current value

of a cash generating unit") was compared to the value of the company of a group of companies which was the subject of measurement, plus business receivables (trade receivables, receivables due to taxes and insurance, receivables claimed at court, other receivables), minus prepaid trade liabilities, tax, customs duty and insurance liabilities and payroll liabilities (hereinafter: "value in carrying amount of cash generating units"). In addition, in the case of Prohuman Group, the measurement of the current value of the cash generating unit was adjusted by forecast expenses due to the recognised acquisition liabilities (related to the purchase of shares in HR Global d.o.o, HR Rent Kft, Profield 2008 Kft companies by Prohuman 2004).

Moreover, it has been assumed that after the forecast period, for the purpose of calculation, that the growth rate of free cash flow will amount to 0%.

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

	Polish Group	Antal	Fiege Group	Work Express Group	APT Group	Prohuman Group	Naton Group	Prohuman – acquired companies
Income (YOY dynamics in %)	+14,8 (2019r.) ÷ +9,0 (2023r.)	+6,9 (2019r.) ÷ +9,8 (2023r.)	5,3 (2019r.) ÷ +10,3 (2023r.)	-11,4 (2019r.) ÷ +11,0 (2023r.)	+28,7 (2019r.) ÷ +9,1 (2023r.)	+8,5 (2019r.) ÷ +5,1 (2023r.)	+5,7 (2019r.) ÷ +5,2 (2023r.)	+7,5 (2019r.) ÷ +10,0 (2023r.)
Direct margin* as a % of revenue (in %)	+7,7 (2019r.) ÷ +9,2 (2023r.)	+60,9 (2019r.) ÷ +56,0 (2023r.)	+15,9 (2019r.) ÷ +19,0 (2023r.)	+6,7 (2019r.) ÷ +7,4 (2023r.)	+11,4 (2019r.) ÷ +11,0 (2023r.)	+12,8 (2019r.) ÷ +12,4 (2023r.)	+7,5 (2019r.) ÷ +7,5 (2023r.)	+25,0 (2019r.) ÷ +22,0 (2023r.)
Indirect costs (YOY dynamics in %)	-27,4 (2019r.) ÷ +5,1 (2023r.)	-10,3 (2019r.) ÷ +6,2 (2023r.)	-4,4 (2019r.) ÷ +7,4 (2023r.)	-27,1 (2019r.) ÷ +4,6 (2023r.)	+19,4 (2019r.) ÷ +8,0 (2023r.)	+7,7 (2019r.) ÷ +5,7 (2023r.)	+2,2 (2019r.) ÷ +2,6 (2023r.)	+14,3 (2019r.) ÷ +9,8 (2023r.)
Discount rate – $WACC_{pre-tax}$ (in %)	+8,73 (2019r.) ÷ +9,62 (2023r.)	+9,59 (2019r.) ÷ +9,68 (2023r.)	+8,73 (2019r.) ÷ +8,73 (2023r.)	+8,77 (2019r.) +9,39 (2023r.)	+9,81 (2019r.) ÷ +9,78 (2023r.)	+10,59 (2019r.) ÷ +10,58 (2023r.)	+7,22 (2019r.) ÷ +6,91 (2023r.)	+9,73 (2019r.) ÷ +9,73 (2023r.)
„value in carrying amount of cash generating units (in PLN thousand)	93 314	14 709	41 879	35 341	14 865	149 482	29 466	120 848
value in use of cash generating units (in PLN thousand)	229 850	51 649	162 999	70 386	24 653	228 597	30 752	271 878

*difference between sales revenue and direct costs

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	31.12.2018	31.12.2017
a) fixed assets, including:	10 966 269,32	15 896 273,23
- land (including the right of perpetual usufruct)	638 456,80	659 917,60
- buildings, premises and civil engineering facilities	5 371 159,94	6 157 288,59
- technical equipment and machinery	974 487,91	2 130 502,69
- means of transport	2 936 161,39	5 860 217,71
- other fixed assets	1 046 003,29	1 088 346,65
b) fixed assets under construction	756 618,33	1 100 658,91
c) advances on fixed assets under construction	0,00	0,00
Tangible fixed assets, total	**11 722 887,65**	**16 996 932,14**

3.4. Fixed assets recorded off-balance.

There was no fixed assets recorded off-balance.

NOTE 4 Investment real estates

In the consolidated balance sheet, the value of investment properties is PLN 2,495,938.00.

A property was obtained on the basis of a notarial act Rep.A no. 5148/2017 on May 31st 2017 from IT Kontrakt Sp.z o.o. The property covers a developed, 0,0806 plot of land no. 8/46, including the ownership title to the existing one-storey building.

As at the balance-sheet day, the property is let by the Company.

NOTE 5 Other financial assets

5.1 Other long-term financial assets	31.12.2018	31.12.2017
a) in subsidiaries	0,00	30 000,00
- stocks or shares	0,00	30 000,00
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	248 155,07	0,00
Long term financial assets-total	**248 155,07**	**30 000,00**

5.2 Change in other gross long-term financial assets	31.12.2018	31.12.2017
a) balance at the beginning of the period	30 000,00	25 000,00
- shares	30 000,00	25 000,00
b) increases	0,00	5 000,00
- shares	0,00	5 000,00
c) decreases	30 000,00	0,00
- shares –change in consolidation method	30 000,00	0,00
d) balance at the end of the period	0,00	30 000,00
- shares	0,00	30 000,00

5.3 Other assets	31.12.2018	31.12.2017
Other long-term assets	82 663,87	1 050 669,65
Other short-term assets	0,00	1 238 104,80
Total other assets	**82 663,87**	**2 288 774,45**

Other assets include costs incurred in the current period related to the revenue raised in the following periods. Other assets are the costs of recruitment, new sales and other, spread over time.

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:

2 364 084,18	3 157 913,14	1 864 700,37	284 276,50
2019	2020	2021	2022

6. Change in assets due to deferred income tax	31.12.2018	31.12.2017
1. Balance of deferred tax assets at the beginning of the period, including:	20 347 522,35	17 577 316.49
a) charged to financial result	20 347 522,35	10 197 152.70
- provision for future costs	3 425 955,99	2 670 796.76
- write-downs of receivables	265 971,46	229 477.93
- provision for Social Security	7 397 186,18	6 512 899.58
-other	322 767,92	422 338.21
b) charged to financial result of the period due to tax loss	8 935 640,80	7 380 163.80
2. Increases	25 959 707,46	6 999 375.85
a) charged to financial result in respect of deductible temporary differences (due to)	25 959 707,46	4 570 126.59
- provision for future costs	5 889 668,55	1 326 204.50
- write-downs of receivables	3 444 834,27	69 676.41
- provision for Social Security	3 679 614,61	2 327 721.04
-other	765 219,67	605 250.91
b) charged to financial result of the period due to tax loss	12 180 370,36	2 429 249.26
c) charged to equity in connection with the deductible temporary differences (due to)	0,00	0.00
d) charged to equity in connection with tax loss	0,00	0.00
e) 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	2 296 349,17	4 229 169.99
a) charged to financial result in respect of deductible temporary differences (due to)	2 296 349,17	3 355 397.72
- provision for future costs	918 539,67	571 045.27
- write-downs of receivables	459 269,83	33 182.88
- provision for Social Security	386 465,33	1 706 877.27
-other	532 074,34	704 821.19
b) charged to financial result of the period due to tax loss	0,00	873 772.27
c) charged to equity in connection with the deductible temporary differences (due to)	0,00	0.00
d) charged to equity in connection with tax loss	0,00	0.00
e) charged to goodwill in connection with the deductible temporary differences (due to)		0.00
4. Balance of deferred tax assets at end of period including:	44 010 880,64	20 347 522.35
a) charged to financial result	44 010 880,64	20 347 522.35
- provision for future costs	8 397 084,87	3 425 955.99
- write-downs of receivables	3 251 535,90	265 971.46
- provision for Social Security	10 690 335,46	7 133 743.35
-other	555 913,25	322 767.92
- In connection with tax loss	21 116 011,39	8 935 640.80

NOTE 7 Inventories

7.1 Inventories	31.12.2018	31.12.2017
a) materials	272 553,91	201 062.37
b) semi-finished products and products in progress	7 233 935,88	15 827 431.68
c) finished products	0,00	0.00
d) goods	365 210,33	673 759.37
e) advances for deliveries	0,00	0.00
Total value of inventories	**7 871 700,12**	**16 702 253.41**

7.2 Change in inventory write-downs	31.12.2018	31.12.2017
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**

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.

NOTE 8 Trade and services receivables and other receivables

As on 31 December 2018, trade receivables and other gross receivables amounted to PLN 389.844.275.39. 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	31.12.2018	31.12.2017
- from related entities	11 050 732,47	33 310 138.57
- from deliveries and services, by maturity:	3 188 052,47	3 357 572.40
- up to 12 months	3 188 052,47	3 357 572.40
-other	7 862 680,oo	29 952 566.17
b) receivables from other entities	311 142 054,34	352 443 135.65
- from deliveries and services, by maturity:	231 713 645,02	232 266 194.83
- up to 12 months	227 729 624,47	232 237 071.48
- over 12 months	3 984 020,55	29 123.35
- due to taxes, subsidies, customs, social security and health insurance and other benefits	11 602 275,38	11 534 393.31
-other	67 826 133,94	108 066 530.03
- judicial	0,00	576 017.48
Net short term receivables, total	**322 192 786,82**	**385 753 274.22**
Write-downs of receivables value	16 190 687,10	4 091 001.17
Gross short-term receivables, total	**338 383 473,92**	**389 844 275.39**

8.2. Change in write-downs on short term receivables	31.12.2018	31.12.2017
Balance at the beginning of the period	**4 091 001,17**	5 641 593.61
decreases due to transfer to assets held for sale	0,00	1 919 700.83
a) increases	12 099 685,93	1 356 391.66
from acquisition of new companies	0,00	0.00
formation of a write-down	12 099 685,93	1 356 391.66
b) decreases, including	0,00	987 283.27
utilisation	0,00	50 194.90
reversal of write-down	0,00	937 088.37
Balance of write-downs of the value of short term receivables at the end of the period	16 190 687,10	**4 091 001.17**

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	31.12.2018	31.12.2017
a) cash in hand and at bank	56 429 037,23	50 472 239.09
b) other cash	2 642,45	3 310.43
c) other cash assets	54 328,07	348 916.44
Cash and cash equivalents, total	**56 486 007,74**	**50 824 465.96**

10.2 Cash and other cash assets (currency structure)	31.12.2018	31.12.2017
a) in domestic currency	22 081 489,39	46 651 625.89
b) in foreign currencies	34 404 518,35	4 172 840.07
Cash and other cash assets, total	**56 486 007,74**	**50 824 465.96**

10.3. Cash	31.12.2018	31.12.2017
Cash related to assets held for sale	0,00	10 290 818.41
Cash and cash equivalents	56 486 007,74	50 824 465.96
Total cash	**56 486 007,74**	**61 115 284.37**

Note 11 Prepayments and accruals

11. Prepayments and accruals	31.12.2018	31.12.2017
- property insurance	162 588,35	213 014,19
- counselling	138 501,19	182 033,96
- rental	903 268,62	936,91
-usługi finansowe	46 534,87	22 518,06
- IT support	72 261,49	94 085,02
- other, including:	4 698 636,31	7 360 602,01
- the cost of the acquired projects, which will be activated in the future	0,00	0,00
- acquisitions	563 836,35	883 257,96
– additional costs related to acquiring capital	0,00	53 291,77
- materials	9 397,27	16 851,91
– commission for securing shares by Work Service SA	23 493,18	34 931,07
- financial prepayments and accruals	22 083,59	36 867,26
Prepayments and accruals, total	**6 021 790,83**	**7 873 193,15**

NOTE 12 Share capital of the Parent Company

12.1 Share capital of the Parent company as at 31.12.2018								
Series / emission	type of share	Type of preference of shares	Restrictions on shares	No. of shares	Value of series issued at nominal value	Coverage of capital	Date of registration	Right to dividend (since)
A	bearer shares	ordinary	-	750 000	75 000	cash	14.12.2000	14.12.2000
B	bearer shares	ordinary	-	5 115 000	511 500	cash	14.11.2002	01.01.2003
C	bearer shares	ordinary	-	16 655 000	1 665 500	cash	20.11.2006	20.11.2006
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 numer 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 2018

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

Shareholding on 31 December 2017

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

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 2018, 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 2017	Changes in ownership: acquisition (disposal)	Balance at the date of this report	Nominal value of the held shares (PLN) as of the date of this statement
Tomasz Hanczarek – Member of the Supervisory Board	3 255 000	0	3 255 000	325 500,00
Tomasz Misiak - Vice-Chairman of the Supervisory Board	9 547 361	0	9 547 361	954 736,1
Iwona Szmitkowska – President of the Management Board	0	9 462	9 462	9,4
Jarosław Dymitruk –Vice-President of Managament Board	0	9 462	9 462	9,4
Everett Kamin – Member of the Management Board	0	9 462	9 462	9,4

Figures concerning shares in related entities held by Work Service SA's managers and supervisors are presented in the following table.

	As at the date of publication of the report for the third quarter of 2017	Changes in ownership: acquisition (disposal)	Balance at the date of this report	Nominal value of the held shares (PLN) as of the date of this statement
Tomasz Hanczarek - Member of the Supervisory Board	149 966	-149 966	0	0
Tomasz Misiak - Vice-Chairman of the Supervisory Board	147 300	-147 300	0	0

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	31.12.2018	31.12.2017
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	108 915 749,74	111 721 187,19
From the merger of companies	-474 635,00	-474 635,00
Managers programme	5 664 115,29	5 207 713,65
Obligation to purchase additional shares in Prohuman 2004 Kft	-94 948 356,00	-94 948 356,00
Purchase of shares from the minority shareholders	0,00	-5 560 279,72
Total	**236 084 819,51**	**232 873 575,60**

13.2. Capital from the valuation of options	31.12.2018	31.12.2017
Valuation of option related to Fiege	8 949 150,00	-18 641 140,35
Valuation of options by Exact Systems S.A.	0	-35 132 578,30
Total	**8 949 150,00**	**-53 773 718,65**

Valuation of option related to Fiege concerns the agreement from June 26th 2014, described in detail in note 18.

NOTE 14 Non-controlling equity

14. Non-controlling shares	31.12.2018	31.12.2017
Non-controlling shares at the beginning of the period	**71 439 858,03**	**76 768 903,17**
Payment of dividends	0,00	-2 451 426,22
Changes in the structure of shareholders in subsidiaries	0,00	-12 435 388,53
Equity in income of subsidiaries	4 966 739,05	9 557 769,61
Increase of the share capital of a subsidiary	-51 699 935,69	0,00
Exclusion of Exact	11 908,32	0,00
Sale of 2% in Kariera	0,00	**71 439 858,03**
Non-controlling shares at the end of the period	24 718 569,71	**76 768 903,17**

NOTE 15 Provision for deferred income tax

15. Change in liabilities due to deferred income tax	31.12.2018	31.12.2017
1. Balance of the provision for deferred income tax assets at beginning of the period, including:	2 265 636,42	3 023 837,01
a) charged to financial result	2 220 035,61	3 023 837,01
- Unrealised interest on loans	1 094 855,43	1 774 238,50
- the difference in the value of fixed assets	77 321,00	55 983,80
-other	1 047 859,19	1 193 614,72
b) charged to equity	45 600,81	0,00
c) charged to goodwill	0,00	0,00
2. Increases	2 667 548,66	398 080,11
a) charged to financial result	2 667 548,66	352 479,30
- Unrealised interest on loans	1 761 134,43	41 498,43
- the difference in the value of fixed assets	369 487,68	29 609,00
-other	536 926,55	281 371,87
b) charged to equity	0,00	45 600,81
c) charged to goodwill	0,00	0,00
3. Decreases	473 219,11	1 156 280,70
a) charged to financial result	473 219,11	1 156 280,70
- Unrealised interest on loans	127 517,93	720 881,50
- the difference in the value of fixed assets	14 222,00	8 271,80
-other	285 878,37	427 127,40
b) charged to equity	45 600,81	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:	4 459 965,97	2 265 636,42
a) charged to financial result	4 459 965,97	2 220 035,61
- Unrealised interest on loans	2 728 471,93	1 094 855,43
- the difference in the value of fixed assets	432 586,68	77 321,00
-other	1 207 705,75	1 047 859,19
b) charged to equity	0,00	45 600,81
c) charged to goodwill	0,00	0,00

NOTE 16 Liabilities for retirement benefits

In 2017 a provision for retirement benefits was not created (insignificant values).

In 2018 a provision was created for retirement benefits in the amount of: PLN 14 084 136.03, including: short term amount is PLN 13 800 734.25 and long-term one is PLN 283 401.78.

NOTE 17 Other long-term liabilities

17. Other long-term liabilities	31.12.2018	31.12.2017
a) Other financial liabilities	4 707 761,91	4 230 620,70
b) Other long-term liabilities	111 702 174,12	40 608 514,55
c) due to issuance of debt securities	43 988 109,50	0,00
Other long-term liabilities, total	**160 398 045,53**	**44 839 135,25**

The item “Other long-term liabilities” presents mainly liabilities of Prohuman 2004 Kft from the purchase of shares in APT Group companies.

NOTE 18 Trade liabilities and other liabilities

18.1. Trade and other liabilities	31.12.2018	31.12.2017
a) liabilities to related entities	-25 238,01	739 455,73
b) to other entities	534 198 111,58	484 426 436,19
- other financial liabilities	4 534 620,58	10 106 857,82
- for deliveries and services with a maturity of:	53 349 544,96	34 606 105,53
up to 12 months	52 822 706,55	34 606 105,53
- advances for deliveries	34 416,34	208 545,00
- for taxes, duties, insurance and other benefits	198 964 673,17	170 067 705,00
- payroll liabilities	67 325 679,53	87 054 579,55
- other liabilities	162 450 342,43	182 382 643,29
c) due to issuance of debt securities	0,00	44 285 509,42
Trade and other liabilities, total	534 019 888,81	**529 451 401,34**

The item other liabilities includes mainly future liabilities under mandate agreements, other settlements with business partners (debit notes), liabilities under Prohuman 2004 Kft's purchase of companies in Hungary and liabilities under Work Service SA's purchase of shares in Prohuman Group.

Leasing liabilities

The table below shows the leasing liabilities as on 31 December 2018 and the comparative figures as on 31 December 2017.

18.2. Leasing liabilities	31.12.2018	31.12.2017
Within 1 year	4 534 620,58	13 493 478,96
Within 1 to 5 years	4 707 761,91	41 774 072,69
Over 5 years		0,00
Total	**9 242 382,49**	**55 267 551,65**

The financial liabilities consist of leasing and factoring liabilities. A large drop in the liabilities in 2018 results from repayment of obligations and limited use of factoring.

Liabilities due to bonds

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

External investors:

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

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

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

Intra-group investors:

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

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

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

Issuance of non-equity securities

On 10 December 2018 the Company performed in the entirety the conditional understanding concluded on 06 December 2018 with the institutional holders of T-series, W-series and Y-series bonds issued by the Company ('Bonds') relating to the terms & conditions of restructuring of the Bonds.

As a result of performance of the Understanding, on Monday, 10 December 2018, within the scheme of issue of bonds up to the total par value not exceeding PLN 150,000,000.00, on the basis of the resolutions of the Management Board of the Company No. 2/2018 on the issue of ICOseries, X-series, Z-series and SHB-series bonds as well as the resolutions of the Management Board of the Company on allocation of ICO-series, X-series, Z-series and SHB-series of 10 December 2018:

A. Issue of intra-group ICO-series bonds

The Company conducted - without physical flow of cash - a non-public issue and allocated the intra-group ordinary non-covered bearer ICO-series bonds of the unit par value of PLN 1,000.00 and of the total par value of PLN 7,750,000.00, which allowed for rolling of T-series bonds by the issue of X-series bonds and of Y-series bonds by the issue of Z-series bonds by the institutional bond holders.

B. Issue of Z-series bonds and SHB-series bonds, redemption of Y-series bonds

The Company conducted a non-public issue and allocated the ordinary covered bearer SHBseries bonds of the unit par value of PLN 1,000.00 and of the total par value of PLN 8,600,000.00, including:

(a) bonds of the total par value of PLN 7,000,000.00, which were acquired by the founders and by the minority stockholders of Work Service - Mr Tomasz Misiak and Mr Tomasz Hanczarek, which allowed the Issuer for acquisition of new means and redemption of all bonds of the individual holders of Y-series bonds issued by the Company of small par value and redemption of a part of the bonds of the individual holders of Y-series bonds issued by the Company of significant par value, and

(b) bonds of the total par value of PLN 1,600,000.00, which were acquired by the individual bond holders holding Y-series bonds issued by the Company of high par value, which consented to their partial rolling;

The Company conducted a non-public issue and allocated the ordinary covered bearer Zseries bonds of the unit par value of PLN 1,000.00 and of the total par value of PLN 2,400,000.00, which were acquired by the institutional holder of Y-series bonds issued by the Company, which allowed for their complete rolling;

The mutual due amounts of the Company and of one of the holders of Y-series bonds issued by the Company of the total par value of PLN 991,000.00 were set off, which allowed for fulfilment of the payment obligation relating to these bonds without a physical flow of cash.

The Company redeemed the remaining Y-series bonds issued by the Company and paid the default interest on all Y-series bonds issued by the Company, which allowed for complete satisfaction of the liabilities of the Company on account of these Y-series bonds and deletion of all Y-series bonds from the record.

C. Issue of X-series bonds, redemption of T-series bonds, change of the terms & conditions of the issue of W-series bonds:

The Company conducted a non-public issue and allocated the covered ordinary bearer Xseries bonds of the unit par value of PLN 1,000.00 and of the total par value of PLN 12,850,000, which were acquired by all holders of T-series bonds, which allowed for their complete rolling and deletion of all T-series bonds from the record.

The terms & conditions of the issue of the covered W-series bonds of the unit par value of PLN 1,000.00 and of the total par value of PLN 20,000,000.00 were changed in order to unify the majority of the terms & conditions of this issue with the terms & conditions of the issue of X-series bonds and of Z-series bonds.

D. Main terms & conditions of the issue of W-series, X-series, Z-series and SHB-series bonds

On the basis of the terms & conditions of the issue of SHB-series, W-series, X-series and Z-series bonds:

- the final redemption date of SHB-series, W-series, X-series and Z-series bonds was determined for 29 May 2020;
- in the period to the final redemption date, the Company is not obliged to any scheduled redemption of SHB-series, W-series, X-series and Z-series bonds;
- the interest on SHB-series bonds is fixed and amounts to 5%, payable on a quarterly basis;
- the interest on W-series, X-series and Z-series bonds is variable, based on WIBOR 3M rate, payable on a quarterly basis, and on the margin in the amount of 100 bps per annum, payable in the entirety on the redemption date; additionally, the holders of these bonds are entitled to an additional bonus in the amount of 287 bps per annum, payable on the later one from the following dates: bonds redemption date or date of repayment of the debt of the Company on account of the Credit Agreement, on which the Issuer informed by Current Report No. 86/2018;
- the financial ratios were eliminated from the terms & conditions of the issue of W-series bonds and no financial ratios were introduced in the terms & conditions of the issue of SHBseries, X-series and Z-series bonds;
- covers of SHB-series, W-series, X-series and Z-series bonds were established, which include inter alia pledges on shares and guarantees of Work Service Czech s.r.o., Work Service Slovakia, s.r.o., Work Service SK, s.r.o. and Work Service Outsourcing Slovakia s.r.o. as well as blank promissory notes issued by the Company together with promissory note declarations;
- the terms & conditions of the issue of SHB-series, W-series, X-series and Z-series bonds provide for higher priority of satisfaction of SHB-series bonds and lower priority of satisfaction of W-series, X-series and Z-series bonds;

- the bonds may be redeemed before the final redemption date inter alia in case of: (a) occurrence of the circumstances resulting in their early redemption by virtue of law, (b) submission of a request for early redemption of the Bonds by the bond holder in case of occurrence of an event constituting a case of violation determined in the terms & conditions of the issue, (c) disposal of specific assets and (d) change of control over the Company.
-

E. The other elements of the process of restructuring of bonds On the basis of the terms & conditions of the issue of SHB-series, W-series, X-series and Z-series bonds, the Company undertook inter alia to:

- maintain the factoring limits for the Issuer and for the Polish subsidiaries of the Issuer in the total amount of at least PLN 55,000,000.00;
- convert the liabilities of Work Service Czech s.r.o., Work Service Slovakia, s.r.o., Work Service SK, s.r.o. and Work Service Outsourcing Slovakia s.r.o. to other companies from the Group of the Issuer into capital;
- perform the process of sale of Work Service Czech s.r.o., Work Service Slovakia, s.r.o., Work Service SK, s.r.o. and Work Service Outsourcing Slovakia s.r.o. according to the specific schedule.

In connection with restructuring of the Bonds, on 10 December 2018 the Company paid the restructuring commission calculated on the par value of the Bonds held by the given bond holder

Issuance of equity securities

In 2018 there were no capital changes in this respect.

NOTE 20 Credits and loans

20.1 Credits and loans	31.12.2018	31.12.2017
a) Credits	151 280 091,19	269 788 706.90
b) loans	5 590 018,83	3 107 592.00
Total credits and loans	**156 870 110,02**	**272 896 298.90**
Long-term credits and loans, total	109 331 275,46	930 551.69
Short-term credits and loans, total	47 538 834,56	271 965 747.21

20.2 Credits by maturity date	31.12.2018	31.12.2017
Up to 1 year	47 538 834,56	268 858 155.21
Total credits, including:	**53 128 853,39**	**269 788 706.90**
- Long-term	5 590 018,83	930 551.69
- Short-term	47 538 834,56	268 858 155.21

Zobowiazania z tytułu kredytów na dzień 31.12.2018

Nazwa (firma) jednostki	Kwota kredytu/ pożyczki wg umowy		Kwota kredytu/ pożyczki pozostała do spłaty		Warunki oprocentowania	Termin spłaty	Zabezpieczenia
Kredyty:	PLN	waluta	PLN	waluta			
Bank BGŻ BNP Paribas	22 070 000	PLN	18 392 642,07	PLN	WIBOR 1M + 2.0%	2020-03-31	zastaw na rachunkach bankowych, umowa przelewu praw z polisy ubezpieczeniowej na zabezpieczenie, umowy zabezpieczeń na aktywach, umowy zabezpieczeń na udziałach i akcjach, oświadczenia o poddaniu się egzekucji
Bank Millennium S.A.	22 070 000	PLN	21 965 077,22	PLN	WIBOR 1M + 2.0%	2020-03-31	j.w.
Bank Zachodni BZ WBK	22 070 000	PLN	20 070 354,97	PLN	WIBOR 1M + 2.0%	2020-03-31	j.w.
Raiffeisen Bank Polska	22 070 000	PLN	21 722 552,48	PLN	WIBOR 1M + 2.0%	2020-03-31	j.w.
PKO Bank Polski	22 070 000	PLN	21 961 894,84	PLN	WIBOR 1M + 2.0%	2020-03-31	j.w.
Karty kredytowe	brak	PLN	42 584,59	PLN	brak	brak	brak
Inne aktywa pieniężne	brak	PLN	11 150,59	PLN	brak	brak	brak
UniCredit leasing CZ a.s.	40 823,67	CZK	116 173,79	CZK	różne w różnych umowach	2019-08-24	b.d.
ŠkoFIN s.r.o	629 852,45	CZK	511 918,43	CZK	różne w różnych umowach	różne w różnych umowach	b.d.
ČSOB Leasing	1 456 515,51	CZK	74 270,99	CZK	różne w różnych umowach	różne w różnych umowach	b.d.
Karty kredytowe	brak	PLN	292,17	PLN	brak	brak	brak
Porsche leasing	brak	EUR	23 169,60	EUR	7,65%	2021-02-25	samochód
Citibank	44 381 700,00	PLN	35 588 637,10	PLN	"O/N" BUBOR + Bank margin	brak	gwarancje udziałowców
UNICREDIT BANK	895 300,00	RON	11 732,82	RON	2.5%+ ROBOR 3M	2019-12-06	Należności i weksle własne
UNICREDIT BANK	brak	RON	4 040 417,71	RON	2.5%+ROBOR 3M	2019-12-06	limit w rachunku bieżącym
Porsche Leasing Romania SRL	brak	RON	8 982,97	RON	różne w różnych umowach	2019-06-20	samochód w leasingu
Abanka	brak	EUR	896 034,00	EUR	2,10%	2019-05-16	cesja wierzytelności, weksel, oświadczenie prohuman
Addico bank	brak	EUR	5 159 999,87	EUR	różne w różnych umowach	różne w różnych umowach	cesja wierzytelności, weksel, oświadczenie prohuman
Gorenjska Banka	brak	EUR	645 000,00	EUR	3,00%	2019-06-20	weksel,cesja wierzytelności
Karta kredytowa MP	brak	UAH	37 204,98	UAH	b.d.		b.d.
Suma kredytów w PLN			**151 280 091,19**				

20.5. Liabilities under loans as at 31.12.2018							
Name (business name) of the entity	Amount of credit/loan under the agreement		Amount of credit/loan outstanding		Interest terms	Maturity date	Securities
Loans:	PLN	currency	PLN	currency			
Yezerro Holdings	4 090 000,00	-	4 090 000,00		8,5%	2020-06-07-	no
IT CONTRACT & CONSULTING SMELA MARCELI	1 500 000,00	PLN	1 500 000,00	PLN	8,00%	b.d.	guarantee and statement on submission to enforcement of Mr. Tomasz Misiak and Mr. Tomasz Hanczarek
		Total loans in PLN	5 590 018,83				

20.6 Loan liabilities as at 31.12.2017							
Name (business name) of the entity	**Credit/loan amount acc. to agreement**		**Outstanding credit/loan amount**		**Terms of interest**	**Due date**	**Collaterals**
Loans:	PLN	currency	PLN	currency			
Bank BGŻ BNP Paribas	None	PLN	7,837,500.00	PLN	WIBOR 3M + 2.0%		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.	None	PLN	7,837,500.00	PLN	WIBOR 3M + 2.0%		as above
Bank Zachodni BZ WBK	None	PLN	7,837,500.00	PLN	WIBOR 3M + 2.0%		as above
Raiffeisen Bank Polska	None	PLN	7,837,500.00	PLN	WIBOR 3M + 2.0%		as above
Bank BGŻ BNP Paribas	None	PLN	31,982,712.39	PLN	WIBOR 1M + 2.0%	25/11/2018.	as above
Bank Millennium S.A.	None	PLN	31,996,631.98	PLN	WIBOR 1M + 2.0%	25/11/2018.	as above
Bank Zachodni BZ WBK	None	PLN	32,003,935.97	PLN	WIBOR 1M + 2.0%	25/11/2018.	as above
Raiffeisen Bank Polska	None	PLN	32,003,704.79	PLN	WIBOR 1M + 2.0%	25/11/2018.	as above

PKO Bank Polski	None	PLN	55,000,000.00	PLN	WIBOR 1M + 2.0%	25/11/2018.	as above
Credit cards	None	PLN	94,451.83	PLN	None	None	None
IT Kontrakt	None	PLN	11,074.92	PLN	None	None	None
UniCredit leasing CZ a.s.	40,823.67	CZK	182,546.22	CZK		24/08/2019	n/a
ŠkoFIN s.r.o	629,852.45	CZK	273,603.17	CZK	different in different agreements	different in different agreements	n/a
ČSOB Leasing	1,456,515.51	CZK	500,627.26	CZK	different in different agreements	different in different agreements	n/a
Credit cards	None	PLN	17,269.98	PLN	None	None	None
Porsche leasing	None	EUR	30,931.39	EUR	7,65%	25/02/2021	car
Citibank	44,381,700.00	PLN	44,381,700.00	PLN	"O/N" BUBOR + Bank margin	31/05/2018	shareholder guarantee
ING BANK	895,300.00	RON	414,273.06	RON	2.5%+ROBOR 1M	30/11/2018	Receivables and promissory notes
UNICREDIT BANK	895,300.00	RON	388,131.97	RON	2.5%+ ROBOR 3M	30/11/2018	Receivables and promissory notes
UNICREDIT BANK	None	RON	4,131,990.72	RON	2.5%+ROBOR 3M	30/11/2018	Overdraft
Porsche Leasing Romania SRL	None	RON	69,089.28	RON	different in different agreements	different in different agreements	leased car
Hr-montage	834,180.00	HUF	835,244.83	HUF	2,50%	31/12/2018	None
Summit leasing	None	EUR	25,732.41	EUR	0,00%	31/03/2018	Car - Dušan Lazar (agreement)
Banka Koper	None	EUR	182,476.88	EUR	5,90%	02/07/2018	promissory note, assignment of claims

Nova KBM	None	EUR	3,710,265.39	EUR	different in different agreements	different in different agreements	promissory note, assignment of claims
Gorenjska Banka	None	EUR	1,084,434.00	EUR	3,00%	01/04/2018	promissory note, assignment of claims
Total loans			270,670,828.44				
– including the adjusted purchase price			-882,121.54				
Total loans in PLN			269,788,706.90				

20.7. Loan liabilities as at 31.12.2017

Name (business name) of the entity	Credit/loan amount acc. to agreement		Outstanding credit/loan amount		Terms of interest	Due date	Collaterals
Loans:	**PLN**	**currency**	**PLN**	**currency**			
Feleki Attila	n/a	HUF	107,592.00	HUF	n/a	31/12/2018	None
IT CONTRACT & CONSULTING SMELA MARCELI	3,000,000	PLN	3,000,000	PLN	8,00%	n/a	Surety and statement of voluntary submission to enforcement by Tomasz Misiak and Tomasz Hanczarek
	Total loans in PLN		3 107 592.00				

20.8 Currency breakdown on credits and loans				
Currency	**31.12.2018**		**31.12.2017**	
	Bank loans (acc. to agreement)	**Loans (acc. to agreement)**	**Bank loans (acc. to agreement)**	**Loans (acc. to agreement)**
PLN	104 166 548,93	5 590 018,83	214,459,781.86	3,000,000.00
CZK	4 198 226,00		5 862 602.00	
RON	4 400 404,70		5 588 612.79	
UAH	274 170,82			
EUR	1 563 768,25		1 206 895.41	
HUF	2 657 058 168,00		3 362 104 605.00	8 000 000.00
LOANS AND CREDITS IN TOTAL CONVERTED TO PLN	151 280 091,19	5 590 018,83	273 778 420.44	
INCLUDING THE ADJUSTED PURCHASE PRICE			-882 121.54	
LOANS AND CREDITS IN TOTAL	**156 870 110,02**		272 896 298.90	

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

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

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

Consequently, the Group uses different sources, such as:

- overdrafts
- investment loan
- bonds
- factoring

As in the case of earlier periods, in the year of maturity of the financial debt, the Group conducts advanced negotiations with financial institutions concerning debt refinancing to subsequent multiannual periods.

The Company conducts negotiations with many partners to ensure achievement of the goal before the date of maturity of the existing credit agreements and bonds.

NOTE 21 Rezerwy na pozostałe zobowiązania i inne obciążenia

21.1 Provisions for other liabilities and charges	31.12.2017	Transfer to provisions held for sale	Increase	Use	Reverse	31.12.2018
a) Long-term provisions, including:	1 786 043,76		1 477 846,99	164 150,64		3 099 740,11
- provision for retirement benefits and similar	447 552,42		-	164 150,64		283 401,78
- other (accruals)	1 338 491,34		1 477 846,99	-		2 816 338,33
b) Short-term provisions, including:	29 781 618,57		41 279 824,19	7 476 419,26		63 585 023,50
- of unused annual leave	21 277 153,51		-	7 476 419,26		13 800 734,25
- other (accruals)	8 504 465,06		41 279 824,19	-		49 784 289,25
Total provisions	**31 567 662,33**		**42 757 671,18**	**7 640 569,90**		**66 684 763,61**

21.2. Provisions for other liabilities and charges	31.12.2016	Increase	Use	Reverses	31.12.2017
a) Long-term provisions, including:	1 762 321.65	160 307.19	136 585.08	0.00	1 786 043.76
- provision for retirement benefits and similar	0.00	447 552.42	0.00	0.00	447 552.42
- other (accruals)	1 762 321.65	0.00	136 585.08	287 245.23	1 338 491.34
b) Short-term provisions, including:	32 357 642.20	10 227 742.73	6 129 871.98	7 544 462.78	27 543 486.94
- of unused annual leave	23 605 747.23	6 102 023.64	3 211 623.79	5 420 609.30	20 514 774.23
- other (accruals)	8 751 894.97	4 125 719.09	2 918 248.18	2 123 853.48	7 028 712.70
Total provisions	**34 119 963.85**	**10 388 049.92**	**6 266 457.06**	**7 544 462.78**	**29 329 530.70**

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	31.12.2018	31.12.2017
The calculation of basic earnings per share		
Earnings	12 049 423,27	-86 181 421,39
(A) Earnings attributable to shareholders of the company	8 147 732,57	-96 290 167,84
No. of shares		
(B) Number of ordinary shares of the Company for the purposes of calculating earnings per share	65 094 823,00	65 094 823,00
Basic earnings per share in PLN = (A)/ (B)	0,19	-1,48
Book value		
(C) Equity attributable to shareholders	90 893 377,39	73 533 837,31
Book value per share in PLN = (C)/(B)	1,40	1,13
EPS		
(D) Earnings for the calculation of EPS	8 147 732,57	-96 290 167,84
(E) Number of shares fully diluted	65 836 829,00	65 836 829,00
Diluted earnings per share in PLN = (D)/ (E)	0,12	-1,46

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 31.12.2018 and 31.12.2017. Descriptions of acquisitions made in 2018 are included in section 1.4. of introduction to these consolidated financial statements.

Company name	31/12/2018 Value of shares held	Percentage of share capital	31/12/2017 Value of shares held	Percentage of share capital
Finance Care Sp. z o.o.	5 107 331,00	100%	1 607 331,00	100%
Industry Personnel Services Sp. z o.o.	40 001 490,00	100%	34 042 490,00	100%
Exact Systems S.A.	0,00	0%	0,00	0,00%
Antal Sp. z o.o.	21 461 964,29	100%	21 461 964,30	100%
Virtual cinema Studio Sp. z o.o.	25 000,00	50,0%	25 000,00	50%
Work Service International Sp. z o.o.	22 660 328,80	100%	22 660 328,80	100%
Sellpro Sp. z o.o.	57 599 597,2	100%	57 599 597,20	100%
WS Support Sp. z o.o. (Clean Staff Sp. z o.o.)	17 477 500,00	100%	17 477 500,00	83%
Krajowe Centrum Pracy Sp. z o.o.	2 799 915,20	75,0%	2 799 915,20	75%
WS East	4 316,60	100%	4 316,60	100%
Work Service IP Cypr. Ltd	0,0	0%	4 560,00	100%
Group Work Express	67 604 819,00	100%	67 604 819,00	100%
Prohuman 2004 Kft	222 832 253,29	80,22%	222 832 253,29	80,22%
Work Service SPV Sp. z o.o.	40 198 455,60	100%	32 338 455,60	77%
Work Service Czech Republic s.r.o.	6 550 013,69	100%	6 550 013,69	100%
Work Service Investments Sp. z o.o.	5 000,00	100%	5 000,00	100%
Fundacja Work Service S.A.	10 000,00	100%	10 000,00	100,0%
Total	**504 337 984,67**		**487 023 544,67**	

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.

Moreover, based on concluded installments arrangement with ZUS (Social Security) the companies from Capital Group are expected to repay tranches installments in 2019. Management Board of the Captal Group points out that in case of issuficient level of working capital, both The Company but also Capital Group may be exposed to the risk of liquidity loss.

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 31.12.2018." 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 21% of total financial liabilities of the Capital Group, therefore, changes in key interest rates in the countries in which these credits were contracted (Germany, Hungary, Slovakia, Czech Republic, 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 31.12.2018

Financial instruments broken down into age categories as on 31-12-2018

24.1. Specification	< 1 year	1-5 years	>5 years	Total
Floating rate	47 538 834,56	145 569 384,96	0,00	193 108 219,52
- credits and loans taken	47 538 834,56	109 331 275,46	0,00	156 870 110,02
- bonds	0,00	43 988 109,50	0,00	43 988 109,50

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 2018, 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).

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.

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 2017-2018.

24.3.1. Categories of financial instruments:	31.12.2018	31.12.2017
Financial assets	**332 176 895,60**	**317 494 061,46**
Cash and cash equivalents	56 486 007,74	50 824 465,96
receivables from deliveries and services	234 901 697,49	235 623 767,23
loans granted	40 785 314,19	30 808 508,83
other financial assets	3 876,18	237 319,43
Financial liabilities	**272 374 061,96**	**385 109 675,57**
bank credits and advances received	156 870 110,02	272 708 608,40
bonds	43 988 109,50	44 285 509,42
other financial liabilities	9 242 382,49	14 337 478,52
liabilities from deliveries and services	53 324 309,95	35 533 251,76
liabilities from valuation of options	8 949 150,00	18 244 827,47

24.3.2.		Contracted cash flows 2018			
Financial assets	**Current value**	**Total**	**up to 1 year**	**1 to 5 years**	**>5 years**
Measured at fair value by financial result	56 486 007,74	56 486 007,74	56 486 007,74		
Measured at depreciated cost method	275 690 886,86	275 690 886,86	275 690 886,86		

24.3.3.		Contracted cash flows 2018			
Financial liabilities	**Current value**	**Total**	**up to 1 year**	**1 to 5 years**	**>5 years**
Measured at fair value by financial result	18 191 532,49	18 191 532,49	13 483 770,58	4 707 761,91	
Measured at depreciated cost method	246 532 529,47	246 532 529,47	100 963 144,51	145 569 384,96	

24.3.4.		Contracted cash flows 2017			
Financial assets	**Current value**	**Total**	**up to 1 year**	**1 to 5 years**	**>5 years**
Measured at fair value by financial result	51 061 785.39	51 061 785.39	51 061 785.39	0	0
Measured at depreciated cost method	266 432 276.07	266 432 276.07	266 432 276.07	0	0

24.3.5.	Contracted cash flows 2017				
Financial liabilities	**Current value**	**Total**	**up to 1 year**	**1 to 5 years**	**>5 years**
Measured at fair value by financial result	32 582 305.99	32 582 305.99	28 351 685.29	4 230 620.70	0
Measured at depreciated cost method	352 527 369.58	352 527 369.58	351 596 817.89	930 551.69	0

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

In the period from 1 January 2018 until 31 December 2018 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 2018:

1. Criterion - Management Board members, Supervisory Board members:
- a) Maciej Krzysztof Witucki – President of the Management Board
- b) Paul Andrew Christodoulou - Vice President of the Management Board
- c) Tomasz Ślęzak – Vice President of the Management Board
- d) Iwona Szmitkowska - Vice President of the Management Board
- e) Krzysztof Rewers – Vice President of the Management Board (till 23 May 2018)
- f) Piotr Ambrozowicz – Vice President of the Management Board (since 23 May 2018 till 16 October 2018)
- g) Panagiotis Sofianos – Chairman of Supervisory Board
- h) Tomasz Misiak – Vice-Chairman of the Supervisory Board
- i) Krzysztof Kaczmarczyk – Member of the Supervisory Board
- j) Everett Kamin – Member of the Supervisory Board
- k) Pierre Mellinger – Member of the Supervisory Board
- l) Piotr Maciej Kamiński – Member of the Supervisory Board
- m) Robert Ługowski – Member of the Supervisory Board
- n) Tomasz Hanczarek – Member of the Supervisory Board
- o) 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. (till 31 October 2018)
- d) Antal Sp. z o.o.
- e) Work Service International Sp. z o.o.
- f) ProService Worldwide (Cyprus) Ltd (till 31 August 2018)
- g) WS Support Sp. z o.o.
- h) Sellpro Sp. z o.o.

i) Krajowe Centrum Pracy Sp. z o.o.
j) Virtual Cinema Studio Sp. z o.o.
k) Prohuman 2004 Kft
l) Work Express Sp. z o.o.
m) Work Service SPV Sp. z o.o.
n) Work Service Czech s.r.o

4. Criterion - subsidiaries of Work Service SA subsidiaries:

a) subsidiaries of Work Service International Sp. Z o.o.:
- Work Service Slovakia s.r.o.,
- Work Service SK s.r.o. (through przez Work Service Slovakia s.r.o)
- Work Service Outsourcing s.r.o. (through Work Service Slovakia s.r.o)
- Antal International s.r.o. (through Work Service Slovakia s.r.o)
- Work Service SPV Sp. z o.o
- ZAO Work Service Russia (till 31 August 2018)

b) subsidiaries of Exact Systems S.A. (till 31 October 2018):
- 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 (till 31 August 2018):
- ZAO Work Service Russia,
- ProService Worldwide Ltd,
- Janveer Limited (BVI)

d) subsidiaries of ZAO Work Service Russia (till 31 August 2018):
- 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.
- Kariera.pl Sp. z o.o.

f) subsidiaries of Automotive Assembly Systems Sp. z o.o. (till 31 October 2018):
- Exact Systems s.r.l.
- Exact systems Kalite Kontrol in Turkey

g) subsidiaries of Prohuman 2004 Kft:
- Prohuman Outsourcing Kft
- Human Existence Kft
- HR Rent Kft
- Finance Sales Hungary Kft (Profield 2008 Kft)
- HR Global d.o.o.
- APT Finance Broker s.r.l.

- APT Broker s.r.l.
- APT Human Resources s.r.l.
- APT Resources and Services s.r.l.
- Naton kadrovsko svetovanje d.o.o.
- Naton Ljudski potencial d.o.o. (through Naton kadrovsko svetovanje d.o.o.)

h) subsidiaries of Work Express Sp. z o.o.: z o.o.:
- Outsourcing Solutions Partner Sp. z o.o.
- Clean24h Sp. z o.o.
- Support and Care Sp. z o.o.
- Workbus Sp. z o.o.

i) subsidiaries of Work Service Gmbh & Co.KG
- Exact Systems Gmbh (till October 2018)
- IT Kontrakt Gmbh
- Work Service 24 Gmbh
- Work Service Deutschland Gmbh
- Work Service Fahrschule Gmbh (through Work Service Deutschland Gmbh)
- Work Service Outsourcing Deutschland Gmbh
- Work Service GP Gmbh
- Enloyd Gmbh

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

k) subsidiaries of Finance Sales Hungary Kft (Profield 2008 Kft)
- Finance Care Hungary Kft

l) subsidiaries of Antal Sp. z o.o.
- Antal International s.r.o.
- Enloyd Kft

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

5. Criterium — Other related parties:
- PTM Pawlos Mandzios
- Ewa Misiak
- Rochman Dariusz GRUPA AIDE
- Tomasz Hanczarek Doradztwo
- LTI

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

2018	Prologics UK	Everett Kamin	Panos N. Sofianos	Tomasz Hanczarek	Ewa Misiak	Tomasz Misiak	Tomasz Ślęzak	Maciej Witucki
revenues	27 671 607,51		63 001,88	0,01		296 651,75	0,01	0,01
costs	96 900,00			32 560,23	32 768,62	195 095,80	8 364,34	2 057 565,49
receivables	28 627 085,97	33 569,18		299 856,20		240 000,00		2 500,99
payables	318 862,02			45,41		25 424,61	2 532,61	8 947,09

2018	Paul Christodolou	Tomasz Hanczarek Doradztwo	LTI	Piotr Ambrozowicz	Iwona Szmitkowska	Piotr Kamiński	Tomasz Wojciech Misiak	**Total**
revenues		3 976,70	54 528,89					**28 089 766,76**
costs		109 072,96	105 000,00	253,62	16 380,03		215 465,11	**2 869 426,20**
receivables	655 994,05	32 248,09	2 335 244,69			161,99	33 519,35	**32 260 180,51**
payables	24 086,27		33 422,79		1 309,90			**414 630,70**

2017	Prologics UK	Everett Kamin	Christodoulos G. Vassiliades and Co LLC	Panos N. Sofianos	Hanna Witucka	Tomasz Hanczarek	Ewa Misiak	Tomasz Misiak	Tomasz Ślęzak	Robert Knights	Maciej Witucki
revenues	145 156.89	1 310.23	4 495.18		214.08			150 502.76			
costs	660 000.00	9 641.40	14 474.00		38 347.00	230 825.22	191 155.24	1 827 324.02	75 301.04	54 765.32	92 018.31
receivables	727 908.73	20 477.61	145 575.33			340 019.38	31 159.48	312 719.49			
payables				63 001.88		459.03			423.33		

2017	Paul Christodolou	Tomasz Hanczarek Doradztwo	LTI	Krzysztof Rewers	Iwona Szmitkowska	Piotr Kamiński	Gremi Media	Receivables from the purchase of Proservice Group	**Total**
revenues		40.80	109 297.05						**411 016.99**
costs	105 996.55	522 095.41	270 000.00	708 623.97					**4 464 343.48**
receivables	534 057.80		3 823 324.77			161.99		27 500 000.00	**33 435 404.58**
payables		30 000.00	33 422.79	331.73	4 490.77		654 099.18		**786 228.71**

NOTE 26 Error adjustment

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

NOTE 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.

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 and business needs. 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 (calculated as adjusted EBITDA minus taxes) to the interest-credit instalments,
- leverage ratio calculated as the ratio of adjusted net debt to net assets.

NOTE 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 2018 "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 2018 and comparative data for the year ended on 31 December 2017.

Continued activity 01.01.2018-31.12.2018						
	Temporary work	Other	Unallocated	Total	Exclusions	Operations total
Revenues						
Sales to external customers	1 922 965 126	161 787 744		2 084 752 871		-
Internal sale	119 005 853	50 845 920		169 851 773	-169 851 773	-
Total segment revenue	2 041 970 979	212 633 665		2 254 604 643	-169 851 773	2 084 752 871
Costs						
The costs of external suppliers	1 765 215 186	113 943 255		1 879 158 441		
The costs form Group suppliers	117 942 112	6 778 308		124 720 420	-124 720 420	-
Total segment costs	1 883 157 298	120 721 563		2 003 878 862	-124 720 420	1 879 158 441
Result						
Segment profit (loss)	157 749 940	47 844 489		205 594 429		205 594 429
Unallocated costs			261 761 788	261 761 788	-48 814 984	212 946 804
Other Operating revenue						
Sales to external customers			31 124 528	31 124 528	-	
Internal sale			4 844 305	4 844 305	-4 844 305	-
Total segment revenue			35 968 833	35 968 833	-4 844 305	31 124 528
Other Operating costs						
The costs of external suppliers			89 235 072	89 235 072	-	
The costs form Group suppliers			9 525 611	9 525 611	-9 525 611	-
Total segment costs			98 760 683	98 760 683	-9 525 611	89 235 072
Result						
Profit (loss) from operating activities of the segment						-65 462 918
Financial income						
Sales to external customers			119 065 494	119 065 494		-
Internal sale			19 606 756	19 606 756	-19 606 756	-
Total segment revenue			138 672 250	138 672 250	-19 606 756	119 065 494
Financial costs						
The costs of external suppliers			49 870 141	49 870 141		-
The costs form Group suppliers			15 804 389	15 804 389	-15 804 389	-
Total segment costs			65 674 530	65 674 530	-15 804 389	49 870 141
Result						
Profit (loss) on business activities						3 732 434
Result						
Gross profit (loss)						3 732 434
Tax			-6 623 329	-6 623 329		-6 623 329
Result						
Net profit (loss) of the segment						10 355 763

Continued activity 01.01.2017-31.12.2017						
	Temporary work	Other	Unallocated	Total	Exclusions	Operations total
Revenues						
Sales to external customers	1 920 093 497.66	212 704 149.61		2 132 797 647.27		**0.00**
Internal sale	136 689 320.62	57 187 164.00		193 876 484.62	-193 876 484.62	**0.00**
Total segment revenue	2 056 782 818.29	269 891 313.60		2 326 674 131.89	-193 876 484.62	**2 132 797 647.27**
Costs						
The costs of external suppliers	1 769 059 429.87	145 073 467.28		1 914 132 897.14		
The costs form Group suppliers	129 021 247.58	17 026 124.57		146 047 372.15	-146 047 372.15	**0.00**
Total segment costs	1 898 080 677.45	162 099 591.85		2 060 180 269.30	-146 047 372.15	**1 914 132 897.14**
Result						
Segment profit (loss)	151 034 067.80	67 630 682.33		218 664 750.13		**218 664 750.13**
Unallocated costs			267 361 637.28	267 361 637.28	-54 809 187.07	**212 552 450.21**
Other Operating revenue						
Sales to external customers			24 353 441.53	24 353 441.53	0.00	
Internal sale			15 369 751.77	15 369 751.77	-15 369 751.77	**0.00**
Total segment revenue			39 723 193.30	39 723 193.30	-15 369 751.77	**24 353 441.53**
Other Operating costs						
The costs of external suppliers			26 188 408.09	26 188 408.09	0.00	
The costs form Group suppliers			16 396 210.69	16 396 210.69	-16 396 210.69	**0.00**
Total segment costs			42 584 618.78	42 584 618.78	-16 396 210.69	**26 188 408.09**
Result						
Profit (loss) from operating activities of the segment						**4 277 333.35**
Financial income						
Sales to external customers			4 234 372.76	4 234 372.76		**0.00**
Internal sale			120 188 095.71	120 188 095.71	-120 188 095.71	**0.00**
Total segment revenue			124 422 468.46	124 422 468.46	-120 188 095.71	**4 234 372.76**
Financial costs						
The costs of external suppliers			35 313 363.50	35 313 363.50		**0.00**
The costs form Group suppliers			135 216 565.35	135 216 565.35	-135 216 565.35	**0.00**
Total segment costs			170 529 928.85	170 529 928.85	-135 216 565.35	**35 313 363.50**
Result						
Profit (loss) on business activities						**-26 801 657.39**
Result						
Gross profit (loss)						**-26 801 657.39**
Tax			6 427 369.01	6 427 369.01		**6 427 369.01**
Result						
Net profit (loss) of the segment						**-33 229 026.40**

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 jointly in which the entity derives its revenues, are presented in the table below:

NET REVENUES	2018	[%]	2017	[%]
Poland	1 043 032 661	50,0%	1 108 757 670	52,0%
Abroad	1 041 720 209	50,0%	1 024 039 977	48,0%
Total	1 043 032 661	50,0%	1 108 757 670	52,0%

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 jointly, in which the entity maintains its assets. From the Group's point view, such a division is not relevant to the business.

Structure of sale of services of the Work Service Capital Group together with comparative data in geographical foreign markets.

NET REVENUES	2018	[%]	2017	[%]
Poland	1 043 032 661	50,0%	1,108,757,670	52.0%
Czech Republic	77 954 281	3,7%	74,399,497	3.5%
Slovakia	41 874 387	2,0%	46,354,963	2.2%
Sloveniay	76 461 789	3,7%	79,420,552	3.7%
Croatia	911 067	0,04%	830,610	0.0%
Hungary	580 462 160	27,8%	477,555,546	22.4%
Germany	185 809 388	8,9%	260,976,677	12.2%
Romania	78 247 137	3,8%	84,502,133	4.0%
Total	2 084 752 871	100,0%	**2,132,797,647**	**100.0%**

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

NET REVENUES	2018	[%] share
Automotive	225 874 472	10,8%
Call center	108 746 964	5,2%
Industry and other	55 465 380	2,7%
Financial and Insurance Services	30 411 410	1,5%
Electronics	27 890 545	1,3%
Other services	27 225 180	1,3%
Other services	24 891 431	1,2%
Automotive	19 696 904	0,9%
Industry and others	19 483 169	0,9%
Automotive	16 445 933	0,8%

Information concerning the main clients

Revenues from transactions with any of the external customers did not constitute 10% or more of total revenue of the Capital Group in 2018.

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 31 Other operating income

32. Other operating incomes	2018	2017
a) profit from sale of non-financial fixed assets	445 946,22	1 987 599,71
b) grants	12 205 897,31	1 694 201,29
c) other operating income	22 019 778,08	20 671 640,53
Other operating income, total	34 671 621,60	**24 353 441,53**

The greatest item in other operating revenue is revenue created under employees' charges with the costs of accommodation rental, purchase of working clothes etc. (mainly foreign companies). A significant amount is also revenue under re-invoices.

NOTE 33 Other operating expenses

33. Other operating costs	2018	2017
a) loss from sale of non-financial fixed assets	486 946,22	1 583 565,38
b) update of non-financial assets	10 570 154,83	3 228 104,78
c) other	75 366 008,43	21 376 737,94
Other operating expenses, total	86 422 510,36	**26 188 408,09**

The most significant item in other operating costs are costs to the re-invoices and receivable write-downs, which in 2018 amounted to PLN 25 million and additionally impairment write-downs for non-financial assets in the amount of PLN 7 million.

NOTE 34 Financial incomes

34. Financial incomes	2018	2017
a) Dividends and shares in profits, including:	0,00	0,00
- from related entities	0,00	0,00
b) Interest, including:	2 370 328,75	1 307 303,44

- from related entities	0,00	0,00
c) Profit on disposal of investments	104 451 876,17	0,00
d) Revaluation of investments	0,00	0,00
e) Other	7 348 988,89	2 427 069,32
Financial income, total	**114 171 193,81**	**3 734 372,76**

Other financial revenue includes mostly exchange rate differences under conversions in foreign companies and profit on sale of companies Proservice and Exact corrected by other sale transactions within the Group.

NOTE 35 Financial expenses

35. Financial costs	2018	2017
a) Interest, including:	28 288 130,52	17 837 079,15
- for related entities	0,00	9 581,29
b) Loss on disposal of investments	9 171 733,04	2 166,05
c) Revaluation of investments	3 853 830,65	676 319,14
d) Other	20 379 862,39	16 297 799,15
Financial expenses, total	**61 693 556,60**	**34 813 363,50**

The greatest item among other financial costs includes costs of serving factoring and bonds. In 2018, under the transaction some companies in the group sold the shares held by themselves with a different financial result. Additionally, an impairment write-down was made on the value of held financial assets in the amount of almost PLN 4 m.

NOTE 36 Income tax

36. Income tax	2018	2017
A. Gross profit	12 049 423,27	-26 801 657,39
B. Current income tax	0,00	8 439 374,28
C. Deferred income tax	-1 065 048,36	-2 012 005,27
D. Other obligatory decreases	0,00	0,00
Total income tax	-1 065 048,36	6 427 369,01
Effective income tax rate (B+C)/A	-8 84%	-24%

The difference results from the application local tax rates by foreign entities and item qualification as taxable costs and revenue or not according to the local law. In 2016 the effective interest rate is 50% and in 2018 it amounted to -8,84%.

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

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

NOTE 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 extending the term of the limit of 19.10.2015	Indefinite period	14 300 000.00
2.	Finance Care Sp.z o.o.	BNP PARIBAS Factor Sp. z o.o.	Amount receivable under a factoring agreement	Annex extending the term of the limit of 19.10.2015	Indefinite period	14 300 000.00
3.	Industry Personnel Services Sp. z o.o.	BNP PARIBAS Factor Sp. z o.o.	Amount receivable under a factoring agreement	Annex extending the term of the limit of 19.10.2015	Indefinite period	14 300 000.00
4.	Work Service International	BNP PARIBAS Factor Sp. z o.o.	Amount receivable under a factoring agreement	Annex extending the term of the limit of 19.10.2015	Indefinite period	14 300 000.00
5.	Work Express	BNP PARIBAS Factor Sp. z o.o.	Amount receivable under a factoring agreement	Annex increasing the limit of 19.10.2015	Indefinite period	14 300 000.00
6.	Outsourcing Solutions Partner Sp. z o.o.	BNP PARIBAS Factor Sp. z o.o.	Amount receivable under a factoring agreement	Annex to the agreement of 7.11.2016	Indefinite period	14 300 000.00
7.	Industry Personnel Services Sp. z o.o.	Bibby Financial Services Sp. z o.o.	Amount receivable under a factoring agreement	The factoring agreement of 04.12.2018	Indefinite period	14 000 000.00
8.	Sellpro Sp. z o.o.	Bibby Financial Services Sp. z o.o.	Amount receivable under a factoring agreement	The factoring agreement of 04.12.2018	Indefinite period	14 000 000.00
9.	Finance Care Sp.z o.o.	Bibby Financial Services Sp. z o.o.	Amount receivable under a factoring agreement	The factoring agreement of 04.12.2018	Indefinite period	14 000 000.00
10.	Industry Personnel Services Sp. z o.o.	Bank Millennium S.A.	Amount receivable under a factoring agreement	Annex extending the term of the limit of 22.06.2018	Indefinite period	5 000 000.00
11.	Sellpro Sp. z o.o.	Bank Millennium S.A.	Amount receivable under a factoring agreement	Annex extending the term of the limit of 22.06.2018	Indefinite period	5 000 000.00
12.	Finance Care	Bank Millennium S.A.	Amount receivable under a factoring agreement	Annex extending the term of the limit of 22.06.2018	Indefinite period	5 000 000.00
13.	Support and Care	Bank Millennium S.A.	Amount receivable under a factoring agreement	Annex extending the term of the limit of 22.06.2018	Indefinite period	5 000 000.00
14.	Outsourcing Solutions Partner Sp. z o.o.	Bank Millennium S.A.	Amount receivable under a factoring agreement	Annex extending the term of the limit of 22.06.2018	Indefinite period	5 000 000.00
15.	Work Express	Bank Millennium S.A.	Amount receivable under a factoring agreement	Annex extending the term of the limit of 22.06.2018	Indefinite period	5 000 000.00
16.	Work Express	Raiffeisen Bank Polska SA	Amount receivable under a factoring agreement	Annex extending the term of the limit of 27.06.2018	Indefinite period	5 200 000.00

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**	**31/12/2018**	**31/12/2017**	**change**
Loan security	transfer of title of subject of the credit	-	-	-
	assignment of receivables	0,00	0,00	-
	A promissory note along with the bill declaration	-	-	-
	surety	360 000 000	82 880 000,00	-99,4%
	bank enforcement title	66.210.000,00	216 000 000,00	-69,6%
	pledge on assets	-	-	-
	pledge on receivables	277.500.000,00	0,00	100%
Leasing security	A promissory note along with the bill declaration	4 621 782,30	6 917 928,40	-33,19%
	bill of exchange guarantee	-	0,00	-
Securing due performance of contracts	warranty	1 354 370,88	9 294 100,46	-85,43%

On 30 March 2018 the Company has concluded an Annex (hereinafter: Annex no. 2) to the loan agreement of 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 Bank PKO BP Bank Polski S.A. (the banks are hereinafter collectively referred to as the Lenders).
Under the concluded annex, PKO BP SA undertook to effectuate the use of Working Capital Loan 5, on a one-off basis, in the amount of 55,000,000 PLN, within 2 working days from the conclusion date of Annex no. 2. The use of the Working Capital Loan 5 was made through making a bank transfer by PKO BP SA of the Working Capital Loan 5 directly to the account on which the debt resulting from the Loan Agreement of PKO BP was recorded (internal reclassification).
The Borrower and PKO BP SA have unanimously agreed that as a result of the total repayment of the financial debt on account of the Loan Agreement of PKO BP, the Loan Agreement of PKO BP shall be terminated upon the total repayment of the financial debt on account of the Loan Agreement of PKO BP. The Borrower shall have no right to reuse the funds under the Loan Agreement PKO BP.
The consequence of the above was the total repayment of the financial debt on account of the Loan Agreement of PKO BP with the interest on account of the Loan Agreement of PKO BP.
The Parties of the Agreement have confirmed that all the Collaterals established on the basis of the Financial Documents, including in particular the Collateral Documents, concluded in connection with Annex no 1, remain in full force and effect, regardless of the amendments to the Loan Agreement introduced by this Annex. Additionally, new collaterals, specified in the current statement no. 7/2018 of March 30th 2018, have been established.

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

38.1 Average employment rate of own employees in	2018	2017
Administrative employees	225	371
Blue-collar employees	0	0
Total	225	371

38.2. Gross benefits for persons holding functions in the Management Board (in PLN) WSSA		
Full name	**2018**	**2017**
Witucki Maciej	1,244,367.95	1,259,053.55
Rochman Dariusz	0.00	856,582.99
Christodoulou Paul	4,196.00	146,250.00
Knights Robert	0.00	282,956.60
Ślęzak Tomasz	517,499.75	869,687.91
Rozpędek Hubert	- 7,500.00	63,750.00
Szmitkowska Iwona	249,577.77	249,654.72
Pawłowicz Adam	0.00	435,210.00
Gajek Piotr	386,887.02	1,055,266.91
Krzysztof Rewers	536,091.91	708,623.97
Ambrozowicz Piotr	238,709.60	0.00

38.3. Gross benefits for persons holding functions in the Supervisory Board (in PLN) WSSA		
Full name	**2018**	**2017**
Sofianos Panagiotis	4,650.40	18,245.20
Misiak Tomasz	74,707.57	85,435.70
Ługowski Tomasz	10,683.90	10,683.90
Kamin Everett	0.00	9,000.00
Kamiński Piotr	31,977.07	57,924.80
Hanczarek Tomasz	147,673.80	652,703.55
Kaczmarczyk Krzysztof	16,528.69	10,122.60

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 2018 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 2018, income, costs of the following companies were classified as discontinued operations:

1) Proservice Group, comprising the following companies:
- Proservice Worldwide (Cyprus) Ltd.
- ZAO Work Service Russia,
- ProService Worldwide Limited, British Virgin Islands
- Janveer Limited (BVI)
- EMG Management
- EMG Leasing
- IT Kontrakt o.o.o.

2) Exact Systems S.A. with all its daughter companies and Exact Systems Gmbh.

Assets and liabilities of this group are presented in note 30 of this statement and the contents of the preliminary sales agreements is presented in note 42 of this statement.

Net cash flown on the discontinued operations are presented in note 31 of this statement.

NOTE 42 Significant events after the balance sheet date

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

On 28 February 2019, the installment agreement was concluded with Social Security (ZUS) concerning repayment of the debt in the amount of PLN 65 869 250.43 (including: PLN 56 922 884.06 principal amount, interest – PLN 5 835 141.00, prolongation fee – PLN 2 406 581.46 and enforcement costs – PLN 416 009.37). As a result, Social Security (ZUS) abandoned enforcement seizures of the bank accounts. At the moment the Company pays any due Social Security premiums and repays the installment agreement on the current basis.

On 24 January 2019 the Company received a letter containing the notice about resignation of Mr. Maciej Witucki from the function of the President of the Management Board of Work Service S.A. with the effect as of 28 February 2019. Mr. Maciej Witucki did not indicate the cause for the resignation.

On 24 January 2019 the Company received a letter containing the notice about resignation of Mr. Tomasz Ślęzak from the position of Vice President of the Management Board of Work Service S.A. with the effect as of 24 January 2019. Mr. Tomasz Ślęzak did not indicate the cause for the resignation.

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

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

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

Additional collateral for the above factoring is the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On 22 February 2019, the Company's Supervisory Board, acting on the basis of, dismissed Mrs. Iwona Szmitkowska from her previously served function of Vice President of the Management Board and appointed Mrs. Iwona Szmitkowska to serve in the Company's Management Board as President of the Company's Management Board. In addition, the Company's Supervisory Board appointed Mr. Jarosław Dymitruk as a member of the Company's Management Board serving as Vice President of the Company's Management Board.

On 28 February 2019 the Company concluded the installment agreement with the Company Social Security (ZUS) concerning overdue social insurance premium liabilities for the amount of PLN 59 170 317.43. According to the agreement, the premium liabilities will be repaid in 10 installments between March and December 2019.

Conclusion of the agreements was possible e.g. thanks to the earlier signed annex no. 4 to the credit agreement. One of the terms of the agreement is current payment of amounts due to Social Security (ZUS) without any delay.

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

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

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

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

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

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

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

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

Issuance of the Company's shares, series R, U and W under conditional equity capital increase

Due to dematerialization - by registration on 4 April 2019 in the securities deposit kept by KDPW (which the Company informed in current report no. 34/2019): (i) 171,750 series R ordinary bearer shares, (ii) 225,750 U series ordinary bearer shares, (iii) 98,315 W series ordinary bearer shares, with the face value of PLN 0.10 each ("Shares"), the Shares were recorded on the securities accounts of the persons authorized (being members of the Management Board as well as key members of management staff), who took up the Shares exercising the rights under series C, D and E subscription warrants, under the conditional increase in the Company's share capital, in accordance with the terms of the Management Options Program adopted by Resolution No. 24/2013 of the Extraordinary General Assembly of the Company of 27 June 2013. (which the Company informed about in current report no. 62/2013), as amended. The recording of dematerialized shares of a public company on the securities account is equivalent to handover of the share documents as defined by Art. 451 § 2 sentence two of the Commercial Companies Code.

In accordance with valid regulations of the Code of Commercial Companies, together with recording of the Shares on the above mentioned accounts, the rights under the Shares were acquired and the Company's share capital was increased from the amount of PLN 6 509 482.30, by the total sum equal to the nominal value of the Shares i.e. by the amount of PLN 49 581.50.

After recording the Shares on the above-mentioned accounts:

1) the Company's share capital is PLN 6 559 063.80 and is divided into 65 590 638 shares, with face value of PLN 0.10 each, including:

a) 750 000 (in words: seven hundred and fifty thousand) series A shares,

b) 5 115 000 (in words: five million one hundred and fifty thousand) series B shares,

c) 16 655 000 (sixteen million six hundred fifty-five thousand) series C shares,

d) 100 000 (in words: one hundred thousand) series D shares,

e) 100 000 (in words: one hundred thousand) series E shares,

f) 7 406 860 (seven million four hundred six thousand eight hundred sixty) series F shares,

g) 2 258 990 (two million two hundred fifty-eight thousand nine hundred ninety) series G shares,

h) 9 316 000 (nine million three hundred six thousand) series H shares,

i) 1 128 265 (one million one hundred twenty-eight thousand two hundred sixty five) series K shares,

j) 5 117 881 (five million one hundred seventeen thousand eight hundred eighty-one) series L shares,

k) 12 000 000 (twelve million) series N shares,

l) 91 511 (ninety-one thousand five hundred eleven) series P shares,

m) 5 000 000 (five million) series S shares

n) 55 316 (fifty thousand five three hundred sixteen) shares T series,

o) 171 750 (one hundred seventy-one thousand seven hundred and fifty) series R shares,

p) 225 750 (two hundred twenty-five thousand seven hundred and fifty) series U shares,

q) 98 315 (ninety-eight thousand three hundred fifteen) series W shares,

2) total number of votes resulting from all the issued shares in the Company is: 65 590 638 votes;

3) the amount of the conditional increase in share capital is, after the issuance of the Shares: PLN 29 100.

According to Article 452 § 4 of the Code of Commercial Companies, the Management Board will, within the specified deadline, report to the register court the list of the Shares taken up in order to update the entry on the Company's share capital in the KRS Register of Entrepreneurs.

Particular Shares have been issued based on: (i) Resolution no. 37/2014 of the Ordinary General Assembly of the Company of 27 June 2014 – in the case of series R (which the Company informed about in current report no. 46/2014), (ii) Resolution no. 28/2015 of the Company's Ordinary General Assembly of 22 June 2015 – in the case of series U (which the Company informed about in current report no. 27/2015); (iii) Resolution no. 25/2016 of the Ordinary General Assembly of the Company of 27 June 2016 – in the case of series W (which the Company informed about in current report no. 42/2016). The Shares have been taken up for financial contributions (cash) in the period from 30 June to 31 July 2018, at the issue price of PLN 0.10 per share, together by 23 persons, in the following way: (i) among 219 000 series R Shares planned for issuance, 171 750 of these shares have been taken up, (ii) among 273 000 series U Shares planned for issuance, 225 750 of these shares have been taken up, (iii) among 124 023 series W Shares planned for issuance, 98 315 of these shares have been taken up. The value of the completed issuance of Shares (the product of the number of the Shares and their issue price) amounted to PLN 49 581.50. The cumulative costs that have been reported as costs of Shares issuance include preparation and conduct of the issuance and amounted to PLN 16 248.00. The average cost of conducting Shares issuance per one share reached PLN 0.03. The costs associated with issuance will be settled in the accounting books and included in the Company's financial statement according to Article 36 section 2b of the accounting act, namely Shares issuance costs sustained when increasing the share capital will reduce the Company's reserve capital to the amount of the share premium, and their outstanding amount will be included in financial costs.

NOTE 43 Significant litigation as on 31 December 2018

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	Respondent/ Debtor	Subject Matter/ Value of the Subject Matter	Expected Costs of Proceedings	Current State of Proceedings
Work Service SA	Dominik U. Maciej C. Lechosław O.	PLN 366,029.98	Court fee and prepayment for the execution, there may be more prepayments for the execution.	Executive proceedings are conducted by Marek Przywecki, Bailiff with the District Court for Poznań - Grunwald and Jeżyce, against Maciej C., Dominik U. and Lechosław O., so far ineffective.
Work Service SA	Pielle Sp. z o. o.	PLN 122,465.49	Court fee.	Executive stage, two foreclosures. It is difficult to calculate the odds of satisfaction.
Outsourcing Solutions Partner Sp. z o.o.	Dawid Natkaniec running DAWID NATKANIEC GLOBAL BUSINESS GROUP	PLN 51,786.00	If execution proves ineffective, the company may consider addressing another bailiff, which may result in the need to pay PLN 200-300 of their fee in advance.	District Court for Kraków-Śródmieście in Kraków W.IV, suit for payment, IV GNc 1857/14/S, order for payment of 11.04.2014, enforced collection.
Elżbieta N.	Work Service SA	PLN 50,000.00	As of now, the proceedings have not generated any costs.	Case in progress, currently at the stage of preparation of the opinion by court experts.

STU Ergo Hestia SA	Sellpro Sp. z o.o.	PLN 52,641.22	As of now, the proceedings have not generated any costs.	Case in progress, currently at the stage of preparation of the opinion by court experts.
Marzena S.	Industry Personnel Services Sp. z o.o.	PLN 139,800.00	As of now, the proceedings have not generated any costs.	Case in progress, currently at the stage of preparation of the opinion by court experts.
Monika P.	Work Service SA (remaining respondent: Samsung Electronics Poland Manufacturing Sp. z o.o.)	PLN 65,335.33	As of now, the proceedings have not generated any costs.	Case in progress, currently at the stage of preparation of the opinion by court experts.
Ewa M.	Industry Personnel Services Sp. z o.o.	PLN 144,000.00	As of now, the proceedings have not generated any costs.	Case under an appeal from employment contract termination in progress, currently expects the first date of the hearing to be fixed.
Antal Sp. z o.o.	Olsa Poland Sp. z o.o.	PLN 113,652.00	The remaining filing fee – PLN 4,262, PLN 500 net, for the solicitor's fee + costs of travelling to the Regional court in Gorzów Wielkopolski (predicted number of hearings: 3-5). If the case is lost – reimbursement of the respondent's legal representation costs of PLN 7,200.	Case transferred to the Regional Court in Gorzów Wielkopolski on 15 March 2017 by the Lublin-Zachód Regional Court in Lublin (EPU).
Antal Sp. z o.o.	MS Strategy Capital s.r.o. (former name Universal Media Corporation)	PLN 52,032.86	At the present stage only the lawsuit submission cost.	The Parties expect the date of the hearing to be fixed
Antal Sp. z o.o.	Dariusz Graf (former President of Adviseon Capital Management)	PLN 53,143.08	At the present stage only the lawsuit submission cost.	The Parties expect the date of the hearing to be fixed
Antal Sp. z o.o.	QSG S.A.	PLN 79,952.16	Court fee – PLN 842, fee for power-of-attorney – PLN 85, expected costs of execution – PLN 750	District Court for the Capital City of Warsaw in Warsaw, on 27 February 2018, issued a payment order, which, due to the defendant filing an objection, has not become enforceable. Currently, the Parties expect the planned date of the hearing to be fixed.
Antal Sp. z o.o.	QSG Sp. z o.o.	PLN 126,753.16	Court fee – PLN 1,432, fee for power-of-attorney – PLN 85, expected costs of execution – PLN 750	District Court for the Capital City of Warsaw in Warsaw issued a payment order in the procedure by writ of payment for the benefit of the plaintiff company. The plaintiff party submitted an application for a declaration of enforceability.
Haitong Bank SA	Work Service SA	PLN 796,136.00	As of now, the proceedings have not generated any costs.	Suit brought in court on 28.06.2017 On 24.11.2017 Work Service SA filed a response to the suit. Next hearing date set at 23.05.2019.

Stadion Wrocław Sp. z o.o.	Industry Personnel Services Sp. z o.o. (remaining respondents: Stadion Catering Sp. z o.o. and Jozef Nawrot)	PLN 330,359.41	As of now, the proceedings have not generated any costs.	On 09.10.2017, an order for payment has been issued in writ-of-payment proceedings. On 24.11.2017, IPS Sp. z o.o. objected. The date of the first hearing has not yet been set.
Stadion Wrocław Sp. z o.o.	Industry Personnel Services Sp. z o.o. (pozostali pozwani Stadion Catering Sp. z o.o. oraz Pan Jozef Nawrot)	PLN 115,728.03	As of now, the proceedings have not generated any costs.	On 03.09.2018, an order for payment has been issued in writ-of-payment proceedings. On 17.09.2018, IPS Sp. z o.o. objected. The date of the first hearing has not yet been set.
Work Service SA	Neo Group Sp. z o.o.	PLN 342,727.81	As of now, the proceedings have not generated any costs.	The claim for payment is fully justified. The defendant has not paid the remuneration due to the claimant, in spite of not questioning the quality and the quantity of the services performed. The case was won, by a final and binding sentence, by Work Service SA and forwarded to the debt collector.
Sellpro Sp. z o.o.	Egips Sp. z o.o.	PLN 167,918.93	Court fee. As of now, the proceedings have not generated any costs.	A writ of payment was issued in the case, the defendant filed an objection. The court procedure is currently in progress. The claim for payment is fully justified. The defendant has not paid the remuneration due to the claimant, in spite of not questioning the quality and the quantity of the services performed.
Sellpro Sp. z o.o.	Fashion Marketing Investment Group Sp. z o.o.	PLN 586,693.07	As of now, the proceedings have not generated any costs.	The claim for payment is fully justified. The defendant has not paid the remuneration due to the claimant, in spite of not questioning the quality and the quantity of the services performed. The case was won, by a final and binding sentence, by Sellpro Sp. z o.o. and forwarded to the debt collector.
Outsourcing Solutions Partner Sp. z o.o.	SAS LEG NEWAL 14 rue de poitiers 57970 YOUTS	€ 97,904.83	-	Redressement juidicier - recovery procedure, the receivable reported to Mandataire Judiciaire SELARL Gangloff & Nardi 36 rue de Jardines 57050 le Ban St Martin.
BCT – Bałtycki Terminal Kontenerowy Sp. z o.o.	Work Service SA	PLN 122,000.00	A cassation complaint was submitted in the case - the amount payable to the plaintiff was paid in connection with the case being lost in both instances.	The case was defeated. On 31 January 2018 the Court of Appeal rejected the appeal of Work Service SA. The amount payable was paid to BCT – Bałtycki Terminal Kontenerowy Sp. z o.o. On 25 July 2018 the

				company Work Service SA submitted a cassation complaint to the Supreme Court.
Work Service SA	PAYPRO SA Intercash Polska Sp. z o.o.	PLN 97,821.73	As of now, the proceedings have not generated any costs.	The case at the stage of court procedure. The claim for payment is fully justified. The defendant has not paid the remuneration due to the claimant, in spite of not questioning the quality and the quantity of the services performed.
Work Service SA	Vision Group Sp. z o.o.	PLN 99,455.00	As of now, the proceedings have not generated any costs.	The case at the stage of court procedure. Subsequent date of the hearing 26.06.2019 The defendant Vision Group Sp. z o.o. in the course of the cooperation, did not report overtime hours, which resulted in the need to pay the related fees to the employees. The amounts due to the employees have been confirmed by legal sentences of labor courts, which the plaintiff - Work Service SA has paid in full.
Work Service SA	Matras SA	PLN 114,940.58	As of now, the proceedings have not generated any costs.	The case at the stage of the bankruptcy procedure
Work Service SA	Agencja Ochrony Mienia Inter-Pol Security Sp. z o.o.	PLN 130,099.87	As of now, the proceedings have not generated any costs.	The case at the stage of court procedure. The claim for payment is fully justified. The defendant has not paid the remuneration due to the claimant, in spite of not questioning the quality and the quantity of the services performed.
Work Service SA	Conbelts Bytom SA	PLN 153,822.37	As of now, the proceedings have not generated any costs.	The case at the stage of the self-cleaning procedure. The claim for payment is fully justified. The defendant has not paid the remuneration due to the claimant, in spite of not questioning the quality and the quantity of the services performed.
Work Service SA	Wioletta K. Karolina K.	PLN 81,079.32	As of now, the proceedings have not generated any costs.	The case at the stage of court procedure. The claim for payment is fully justified.
Konrad M.	Work Service SA	PLN 85,950.00	As of now, the proceedings have not generated any costs.	The case at the stage of the court procedure – the application for summoning the parties to attempt settlement of 08.11.2018 The Company questions the grounds for the claims of Mr. Konrad M.
Work Express Sp. z o.o.	PFRON	PLN 125,202.46	As of now, the proceedings have not generated any costs.	Decision of PFRON (State Fund for Rehabilitation of the Disabled) about the funding amount for 10/2017. Submitted application for re-examination of the case. PFRON fixed 25.05.2019 as the day of examining the application.
PFRON	Work Express Sp. z o.o.	PLN 3,452,933.88	As of now, the proceedings have not generated any costs.	Call for return of the funding in the amount of PLN 3 452 933.88 As a result of re-examination of the case, on 08.04.2019 PFRON issued a decision in which it reduced the aforementioned amount to PLN 1 273 599.50 We will submit an application to the President of PFRON (State Fund for Rehabilitation of the Disabled) for re-examination of the case.
Trybunał Administracyjny	Work Express Sp. z o.o.	€ 12,000.00	As of now, the proceedings have not generated any costs.	Administrative fine imposed on the Company. An appeal has been submitted. No resolution until now.

Work Express Sp. z o.o.	PFRON	PLN 60,331.96	As of now, the proceedings have not generated any costs.	Submitted application for determining the funding amount for 10/2018. On 01.04.2019 PFRON's notice on initiation of the procedure was received. 18/04 the documentation expected by PFRON was submitted.

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 adopted in these consolidated financial statements were applied on a continuous basis and are compliant with the accounting principles applied in the last audited annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) approved by the European Union for the year ended 31 December 2016, apart from changes described below.
The change in the accounting policy regards the manner of presenting costs in the income statement.

The management board of Work Service SA decided that from 1 January 2017 costs will be presented using the nature of expense method. In the opinion of the management board, such information will be more useful and adequate to the shareholders.

The change in the accounting policy is voluntarily, it was intended to ensure that the information presented in the consolidated financial statements of the Work of service Capital Group is more useful and reliable.

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.

NOTE 47 Branches

The Company does not have self-balancing branches.

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

In 2017-2018, 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

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 2017 and 2018 is presented in the following table. Audits for those years were conducted by the company Grant Thornton Polska sp. z o.o. sp. k.

50. Remuneration of the entity authorised to conduct the audit	Year ended as on 31.12.2017	Year ended as on 31.12.2018
Mandatory audit and review of the financial statements	427 000,00	195 036,50
Other	10 134,00	0,00
Total	437 134,00	195 036,50

SIGNATURES:

1. **1.** Iwona Szmitkowska President of the Management Board ………………...……………………………

2. Paul Christodoulou Vice President of the Management Board …..……………………………..……….

3. Jarosław Dymitruk Vice President of the Management Board …..……………………………..……….

Wrocław, 30 April 2018