FINANCIAL STATEMENTS
OF
WORK SERVICE
Spółka Akcyjna

for the period from 1 January 2016 to 31 December 2016

Wrocław, 24 April 2017

ADDITIONAL INFORMATION ON ACCOUNTING POLICIES ADOPTED

1. Company identification data.

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

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

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

The core business of Work Service SA includes:

a) temporary work — offering work for temporary employees;

b) merchandising and promotions — professional services related to the sales process;

c) recruitment of employees;

d) personnel counselling;

e) personnel and payroll services;

f) outsourcing.

As at the balance sheet date of 31 December 2016, the Management Board of Work Service SA was composed of the following persons:

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

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

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

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

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

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

As at 31 December 2016, the Supervisory Board of Work Service SA was composed of the following persons:

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

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

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

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

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

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

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

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

Work Service SA is the parent company and prepares consolidated financial statements for the following Companies.
As on 31 December 2016 the Work Service Capital Group comprised of the following economic entities:

Companies with share capital of Work Service SA - direct					
Name of the Company	Registered office	Date of acquisition of control	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Finance Care Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	29.12.2005	100,00%	100,00%	Full
Industry Personnel Services Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	30.11.2003	100.00%	100.00%	Full
Exact Systems SA	42-200 Częstochowa, ul.Focha 53	24.09.2007	69.09%	69.09%	Full
(Antal Sp. z o.o. (previous name: People Care Sp. z o.o.)	53-413 Wrocław, ul. Gwiaździsta 66	30.04.2007	100.00%	100.00%	Full
Work Service International Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	06.07.2006	100.00%	100.00%	Full
Proservice Worldwide (Cypr) Ltd.	Nicosia, Agiou Pavlou 15, Ledra House, Agios Andreas P.C.1105	04.04.2008	100.00%	100.00%	Full
Clean Staff Sp. z o.o. (previous name: Medi Staff Sp. z o.o.)	53-413 Wrocław, ul. Gwiaździsta 66	19.02.2010	100.00%	100.00%	Full
Sellpro Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	20.03.2009	100.00%	100.00%	Full
Virtual Cinema Studio Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	20.12.2002	50.00%	50.00%	Not subject to consolidation
Krajowe Centrum Pracy Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	16.05.2011	75.00%	75.00%	Full
IT Kontrakt Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	05.04.2012	84.18%	84.18%	Full
Prohuman 2004 Kft.	194 Budapest, Kiss János altábornagy utca 32.	21.12.2013	75.00%	75.00%	Full
Work Express Sp. z o.o.	40-265 Katowice, ul. Murckowska 14	02.01.2014	100.00%	100.00%	Full
Work Service SPV Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	29.01.2014	76.90%	76.90%	Full
Work Service Czech s.r.o.	Londýnská 730/59, Vinohrady, 120 00 Praha 2	30.01.2004	100.00%	100.00%	Full

Name of the Company	Registered office	Date of acquisition of control	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Companies related by Proservice Worldwide (Cypr) Ltd.					
ZAO Work Service Russia	Moskwa, Biuro 45 Olkhovskaya ST, bld.1 105066	04.04.2008	99.00%	99.00%	Full
ProService Worldwide Limited, British Virgin Islands	British Virgin Islands, Office of Aleman, Cordero,Galindo &Lee Trust (BVI) Limited, skr.poczt.3175,Road Town Tortola	04.04.2008	100.00%	100.00%	Full
Janveer Limited (BVI)	Quijano Chambers, P.O. Box 3159, Road Town, Tortola, BVI	01.04.2015%	100.00%	100.00%	Full

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

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

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

Name of the Company	Registered office	Date of acquisition of control	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the	Method of consolidation
Companies related by Exact Systems SA					
Automotive Assembly Systems Sp.z o. o.	53-413 Wrocław, ul. Gwiaździsta 66	01.03.2007	100.00%	100.00%	Full
Exact Systems Czech Republik s.r.o.	Štramberská 2976/25, Ostrava - Vitkovice, PSC 703 00	29.01.2007	100.00%	100.00%	Full
Exact Systems Slovakia s.r.o.	010 01 Zilina, Jána Kalinčiaka 22	17.10.2006	100.00%	100.00%	Full
AO Exact Systems Russia	24 Surikova Street, 125080 Moscow	21.03.2011	100.00%	100.00%	Full
Exact Systems Kalite Kontrol Ltd. Sti.	Akdeniz Mah. Vali Kazim Dirik Cad. No: 32/32 Konak Izmir	03.04.2012	99.00%	99.00%	Full
Exact Systems s.r.l. Rumunia	Blv. Aviatorilor, No. 18, Floor 1, Apt. 3, Bucharest, Romania	24.09.2007	99.97%	99.97%	Full
Exact Systems Ltd.	Afroditis, 25 Clarion Business Centre 1060 Nicosia Cyprus	19.12.2012	100.00%	100.00%	Full
Exact Systems Ltd. (UK)	Unit 1, Cottesbrook Park, Heartlands Business Park, Daventry, NN118YL, England	15.11.2013	100.00%	100.00%	Full
Work Service SPV Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	29.01.2014	6.99%	6.99%	Full
Exact Systems Hungary LLC	Hungaria krt.140-144, 1146 Budapest	10.07.2015	100.00%	100.00%	Full
Control + Rework Service NV	Hoogstraat 69 3600 Genk Belgia	15.09.2015	100.00%	100.00%	Full
Control + Rework Service Polska Sp. z o.o.	44-102 Gliwice ul. Portowa 16L apt.420	15.09.2015	100.00%	100.00%	Full
Exact Systems China Ltd	3F Qianjiang Tower, 971 Dong Fang Rd. Pudong District, Shanghai, PR China, 200122	19.02.2016	100%	100%	Full

Companies related by Industry Personnel Services Sp. z o.o.					
Work Service Slovakia s.r.o.	831 03 Bratysława, Škultétyho 1	05.05.2011	46,5%	46,5%	Full
Krajowe Centrum Pracy Sp. z o.o.	53-413 Wrocław, Gwiaździsta 66	28.03.2013	25.00%	25.00%	Full

Companies related by Work Service Slovakia s.r.o.					
Work Service Outsorcing Slovakia s.r.o.	831 03 Bratysława, Škultétyho 1	05.09.2011	100.00%	100.00%	Full
Work Service SK s.r.o.	831 03 Bratysława, Škultétyho 1	01.06.2016	100.00%	100.00%	Full
Antal International s.r.o.	831 03 Bratysława, Škultétyho 1	01.04.2016	100.00%	100.00%	Full

Name of the Company	Registered office	Date of acquisition of control	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Companies related by Automotive Assembly Systems Sp. z o.o.					
Exact Systems Kalite Kontrol Ltd. Sti.	Akdeniz Mah. Vali Kazim Dirik Cad. No: 32/32 Konak Izmir	03.04.2012	1.00%	1.00%	Full
Exact Systems s.r.l. Rumunia	Blv. Aviatorilor, No. 18, Floor 1, Apt. 3, Bucharest, Romania	24.09.2007	0.03%	0.03%	Full

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

Companies related by Prohuman 2004 Kft					
Prohuman Outsourcing Kft.	1194 Budapest, Kiss János altábornagy utca 32.	21.12.2013	100.00%	100.00%	Full
Human Existence Kft.	3525 Miskole, Arany Janos ter.1. mfsz 18.	08.07.2014	100.00%	100.00%	Full
Enloyd Kft.	1194 Budapesr, Kiss Janos altabornagy utca 32, Hungary	16.02.2015	100.00%	100.00%	Full
HR GLOBAL d.o.o.	Ljubljana, Cesta 24. Junija 25, 1231 Ljubljana-Crnuce	03.12.2015	100.00%	100.00%	Full
HR Rent Kft	7743 Romonya, Béke utca 51	10.12.2015	100.00%	100.00%	Full
Profield 2008 Kft	2724 Újlengyel, Ady Endre utca 41	17.12.2015	100.00%	100.00%	Full

Name of the Company	Registered office	Date of acquisition of control	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Companies related by HR GLOBAL d.o.o.					
Naton kadrovsko svetovanje d.o.o.	Ljubljana, Cesta 24. Junija 25, 1231 Ljubljana-Crnuce	03.12.2015	100.00%	100.00%	Full

Companies related by Work Express Sp. z o.o.					
Outsorcing Solutions Partner Sp. z o.o.	ul. Murckowska 14, 40-265 Katowice	02.01.2014	100.00%	100.00%	Full
Clean24h Sp. z o.o.	ul. Bankowa 20, 42-320 Niegowa	02.01.2014	100.00%	100.00%	Full
LogistykaPL Sp. z o.o.	ul. Warszawska 1, 42-350 Koziegłowy	02.01.2014	100.00%	100.00%	Full
Workbus Sp. z o.o.	Batalionów Chłopskich 8, 42-425 Kroczyce	02.01.2014	100.00%	100.00%	Full

Companies related by Work Service Gmbh & Co.KG					
Exact Systems GmbH Germany	02826 Gorlitz, Emmerichstr.43	12.08.2009	100.00%	100.00%	Full
IT Kontrakt Gmbh	An den Treptowers 1 D-12435 Berlin	05.04.2012	100.00%	100.00%	Full
Work Service 24 Gmbh	An den Treptowers 1 D-12435 Berlin	23.08.2011	100.00%	100.00%	Full
Work Service Deutschland Gmbh	Mainzer Strasse 178, 67547 Worms	26.06.2014	100.00%	100.00%	Full
Work Service Outsorcing Deutschland Gmbh	Domhof 8, 48268 Greven	26.06.2014	100.00%	100.00%	Full
Work Service GP Gmbh	Gauermanngasse 2 1010 Wiedeń	24.03.2014	100.00%	100.00%	Full
Enloyd GmbH	Berlin, An den Treptowers 1, 12435	21.11.2014	100.00%	100.00%	Full

Companies related by Work Service SPV Sp. z o.o.					
Work Service Gmbh & Co.KG	c/o CMS Hasche Sigle, Breite Str. 3, 40213 Düsseldorf	26.06.2014	74.00%	74.00%	Full

Companies related by Work Service Deutschland GmbH					
Work Service Fahrschule Gmbh	Domhof 8, 48268 Greven	29.07.2015	100.00%	100.00%	Full

Name of the Company	Registered office	Date of acquisition of control	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Companies related by Krajowe Centrum Pracy Sp. z o.o.					
Kariera.pl Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	03.11.2016	51,00%	51,00%	Full

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

Related entities of the Parent Company are the entities included in the consolidated financial statements, i.e. all Capital Group companies except for Virtual Cinema Studio sp. z o.o
Due to the fact that Work Service SA does not have control over Virtual Cinema Studio sp. z o.o., understood in accordance with § 19 of IFRS 3, as “the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities”, it is not consolidated by applying the purchase method. On the other hand, the application of the principle of materiality referred to § 31 of IAS 1 disables this company from consolidation under the equity method as a related entity.
The exclusion of the abovementioned company from consolidation does not affect the economic decisions taken by users on the basis of the financial statements.

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

The financial statements were prepared in Polish zloty.

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

1. Exchange rate as at the last day of each period.

2. Average exchange rate for each period, calculated as an arithmetic average of rates prevailing on the last day of each month in a period, and where justified, calculated as an arithmetic average of rates prevailing on the last day of the preceding period.

3. The highest and lowest exchange rate in each period.

a) exchange rate as at the last day of each period:
- 31 December 2016 — exchange rate announced by the NBP — Table 252/A/NBP/2016 of 30 December 2016, i.e. PLN 4.4240
- 31 December 2015 — exchange rate announced by the NBP — Table 254/A/NBP/2015 of 31 December 2015, i.e. PLN 4.2615
b) average exchange rate in the period calculated as an arithmetic average of rates prevailing on
the last day of each month in a period:
2016 — PLN 4.3757
2015 — PLN 4.1848

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

Currency	31 December 2016	31 December 2015
GBP	5,1445	5.7862
CZK	0,1637	0.1577
RON	0,9749	0.9421
RUB	0,0680	0.0528
EUR	4,4240	4.2615
USD	4,1793	3.9011

2. Duration of the Company.

The Company's duration is unlimited.

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

The financial year of Work Service SA is the calendar year.
The financial statements cover the period from 1 January to 31 December 2016.
The financial statements containing comparative data were prepared for the period from 1 January to 31 December 2015.

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

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

5. Information about the Company's going concern.

The financial statements of Work Service SA were prepared on the assumption that the Company will continue as a going concern for at least 12 consecutive months. There are no circumstances indicating a threat to the Company's going concern.

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

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Union ("EU"), and in the scope not regulated by the above standards — in accordance with requirements of the Accounting act of 29 September 1994 (Journal of Laws of 2016, item 1047 as amended) and secondary regulations issued based thereon.

The financial statements for 2016 comprise:

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

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

b) Accounting principles

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

Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

Borrowing costs

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

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

Leases

In the case of a finance lease agreement, which transfers substantially all of the risks and rewards of ownership of an asset to the Company, the leased asset is recognized under assets at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term.

Lease payments are apportioned between finance charges and repayment of principal instalments (taking into account fixed interest rate on the liability). Finance charges are recorded directly in the income statement. Assets leased under finance leases are depreciated using the methods applied for own assets. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Intangible assets

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

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

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

Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment on an annual basis in relation to individual assets or at the level of the cash-generating unit. Other intangible assets are reviewed each year to assess whether there are any indicators of their impairment.
Research costs are expensed in the income statement as incurred. Development expenditure incurred on an individual project is carried forward to the next period, when its future recoverability may be regarded as assured. Following the initial recognition of development expenditure, the historical cost model is applied, which requires the asset to be carried at acquisition cost less any accumulated amortisation and accumulated impairment losses (write-downs).
Any expenditure carried forward is amortised over the period of expected future sales from the related project.
Development costs are reviewed for impairment annually when the asset is not yet in use, or more frequently when an indication of impairment is identified during the reporting period, which may suggest that the carrying amount may not be recoverable.

Financial instruments
A financial instrument is any agreement that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
The Company classifies financial instruments in a hierarchical manner, in line with the three main levels of measurement at fair value, which reflect the basis for the measurement of each of the instruments. The fair value hierarchy is as follows:
Level 1 **—** quoted market prices in active markets for identical assets and liabilities (such as quoted shares and bonds);
Level 2 **—** prices in active markets, but other than quoted market prices — determined directly (by comparison with actual transactions) or indirectly (through valuation techniques based on actual transactions) — e.g. majority of derivatives;
Level 3 **—** prices not originating from active markets.
The position of a financial instrument in the fair value hierarchy depends on the lowest measurement basis affecting the determination of the fair value.

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

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

Financial liabilities are divided into:

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

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

Financial assets

Financial assets are measured upon their recognition in the books at the fair value. The initial measurement is increased by transaction costs except for financial assets classified as measured at fair value through profit or loss. The transaction costs of a possible disposal of an asset are not taken into account in the subsequent measurement of financial assets. A financial asset is recognised in the balance sheet when the Company becomes a party to an agreement (contract), from which such a financial asset follows.
An assessment is made at each balance sheet date in order to determine whether there is any evidence that a financial asset or a group of financial assets may be impaired. In the case of instruments classified as available for sale, in determining whether an impairment has taken place the significant or extended decrease of the fair value of a security below cost is taken into consideration.

Financial assets at fair value through profit or loss

This category includes two groups of assets: financial assets held for trading and financial assets which, upon their initial recognition, are measured at the fair value through profit or loss. A financial asset is classified in the category of assets held for trading if it was acquired for the purpose of selling it in the near term, is a part of a portfolio generating short-term profits or is a derivative instrument with a positive fair value.
In the Company, this category includes primarily derivative instruments (the Company does not apply hedge accounting) and debt or equity instruments acquired for resale in the near term.
Assets classified as financial assets at fair value through profit or loss are measured at each reporting date at fair value and any gains or losses are recognised in finance income or expenses. Derivative instruments are measured at the fair value as at the balance sheet date and at the end of each reporting period on the basis of valuations performed by banks effecting the transactions. Other financial assets measured at fair value through profit or loss are measured with the use of stock exchange quotations and, if there are none, with appropriate valuation techniques which comprise: the use of the prices from recent transactions or of bid prices, a comparison with similar instruments, and option valuation models. The fair value of debt instruments represents future cash flows discounted at the current market interest rate for similar instruments.

Loans and receivables

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

Financial assets held to maturity

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

Financial assets available for sale

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

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

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

This category includes two groups of liabilities: financial liabilities held for trading and financial liabilities elected upon their initial capture as ones carried at fair value through profit or loss.

Financial liabilities held for trading include liabilities which have been incurred primarily for sale or repurchase in the near future, or are part of a portfolio of specified financial instruments which are managed jointly and for which generation of short-term profits can be confirmed, or which constitute derivative instruments.

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

Financial liabilities measured at amortised cost

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

Derivative instruments

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

Embedded derivatives

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

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

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

Inventories

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

Short-term and long-term receivables

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

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

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

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

Cash and cash equivalents

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

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

Prepayments and deferred costs

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

Equity

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

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

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

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

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

Interest-bearing bank loans and debt securities

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

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

Trade and other liabilities

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

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

Provisions for liabilities

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

Deferred income tax

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

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

Accruals

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

Revenue

Revenue is recognized to the extent to which it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

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

- **Sales of goods and products**

Sales of goods and products are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and where the amount of sales revenue can be determined in a reliable manner. The exception here is revenue from services recognised by reference to the stage of completion of the transaction.

- **Interest**

Revenue is recognised as interest accrues to the net carrying amount of the financial asset.

- **Dividends**

Dividends are recognised when the shareholder's right to receive payment is established.

- **Other operating income and expenses, finance income and expenses**

Other operating income and expenses are income and expenses not related directly to operating activities. Other finance income and costs relate to the Company's financing activities and include, among other items: interest related to granted and utilised loans and borrowings, late payment interest paid and received, FX differences, commissions paid and received, gains and losses from the sale of securities, released and recognised provisions charged to operating expenses.

Taxes

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

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

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

The accounting principles (policies) applied in the preparation of these separate financial statements for the financial year ended 31 December 2016 are consistent with those applied in preparing the separate financial statements for the financial year ended 31 December 2015. The same principles were applied for the current and comparative period, unless the applicable standard or interpretation required exclusively prospective application.

<u>Changes resulting from IFRS amendments</u>

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

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

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

The main consequences of application of the new regulations:

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

The changes to IRFS 11 were published on 6 May 2014 and apply to annual periods commencing on 1 January 2016 or thereafter. The changes aim at providing detailed guidelines as to the recognition of interest acquisitions in joint operations constituting ventures. The changes require application of principles identical to those for business combinations.

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

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

The changes to IAS 16 *Tangible fixed assets* and IAS 39 *Intangible assets* were published on 12 May 2014 and apply to annual periods commencing on 1 January 2016 or thereafter. The change consists in additional explanations as to the permitted depreciation methods. The changes aim to demonstrate that the revenue-based method of calculation of the depreciation of tangible fixed assets and intangible assets is not appropriate but may be applied in specific circumstances in the case of intangible assets.

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

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

The changes to IAS 16 and 41 were published on 30 June 2014 and apply to annual periods commencing on 1 January 2016 or thereafter. The change requires that bearer plans should be recognized the same way as tangible fixed assets under IAS 16. Therefore, bearer plants will be within the scope of IAS 16 instead of IAS 41. Agricultural products growing on a bearer plant remain within the scope of IAS 41.

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

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

The changes to IAS 27 were published on 12 August 2014 and apply to annual periods commencing on 1 January 2016 or thereafter. The changes restore to IFRS the option of recognition in individual financial statements of investments in subsidiaries, joint ventures and associated entities under the equity method. If the method is selected, it must be applied to each investment within a category.

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

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

The changes to IRFS 10, IFRS 12 and IAS 28 were published on 18 December 2014 and apply to annual periods commencing on 1 January 2016 or thereafter. They aim at specifying the requirements on investment entities' accounting.

The Group applied these changes as of the date determined by the European Union as the effective date of the standard, i.e. as of 1 January 2016.

The application of the amended standards does not affect the financial statement of the Company.

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

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

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

- Changes to IAS 1: *Disclosure initiative*

On 18 December 2014, within an extensive initiative aimed at improvement of presentation and disclosures in financial reports, changes to IAS 1 were published. The changes are further to encourage entities to apply professional judgment when identifying information to be disclosed in their financial statements. For example, the changes specify that materiality pertains to the whole of financial statements, and that disclosure of immaterial information may reduce the usability of strictly financial disclosures. Besides, the changes also specify the requirement that entities should apply professional judgment when defining the place and order of presentation of information when disclosing financial information.

The published changes are also accompanied by a draft amendment of IAS 7 *Statement of cash flows*, which increases the requirements as to disclosure of flows from financial activity and of the entity's cash and cash equivalents.

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

- **Changes introduced by the Company**

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

Standards not yet in effect (new standards and interpretations)

In these financial statements, the Company has not decided to apply published standards or interpretations in ahead of their actual effective date.

The following standards and interpretations were published by the International Accounting Standards Board (IASB) or the International Financial Reporting Interpretation Committee but have not yet become effective as at the balance sheet date:

- IFRS 9 *Financial instruments*

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

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

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

- IFRS 14 *Regulatory Deferral Accounts*

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

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

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

- IFRS 15 *Revenue from contracts with customers*

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

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

- IFRS 16 *Leasing*

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

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

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

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

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

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

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

The changes to IAS 12 were published on 19 January 2014 and apply to annual periods commencing on 1 January 2017 or thereafter. They aim at specifying the requirements for disclosure of deferred tax assets pertaining to financial debt instruments valuated in their fair value.

In the Company's opinion, application of the changed standard will have no material influence on its financial statements.

- Amendments to IAS 7: *Disclosure Initiative*

Amendments to IAS 7 were published on 29 January 2016 and are effective for annual periods beginning on or after 1 January 2017. The objective of the amendments was to broaden the range of information conveyed to the recipients of financial statements regarding the entity's financial activity through additional disclosures of changes in the carrying amount of liabilities related to the financing of the entity's activity.

In the assessment of the Group, the application of the amended standard will not significantly affect the financial statements of the Company, apart from the change in the range of disclosures presented in the financial statements.

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

The clarification of provisions of IFRS 15 was published on 12 April 2016 and is effective for annual period beginning on or after 1 January 2018 (in accordance with the effective date of the entire standard). The aim of the amendments to the standard was to clarify doubts occurring during the pre-implementation analyses regarding: the identification of the performance obligation, the standard application guidelines regarding the identification of a principal/agent and the revenue from licences regarding intellectual property, or transitional periods in the first application of the new standard.

In the assessment of the Group, the application of the amended standard will not significantly affect the financial statements of the Group.

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

Amendments to IFRS 2 were published on 20 June 2016 and are effective for annual periods beginning on or after 1 January 2018.

The objective of the amendments to the standard was to clarify the method of recognition of certain types of share-based payment transactions.

In the assessment of the Group, the application of the amended standard will not significantly affect the financial statements of the Group.

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

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

In the assessment of the Group, the application of the amended standard will not affect the financial statements of the Group.

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

On 8 December 2016, as a result of a review of IFRS, minor amendments were made to the following 3 standards:

- IFRS 1 *Interim financial reporting* — deletion of several exemptions contained in that standard that are no longer applicable,

- IFRS 12 *Disclosure of Interests in Other Entities* — clarification of requirements concerning the disclosure of information on shares, regardless whether or not they are classified as held for sale, for distribution as a dividend and discontinued operations,

- IAS 28 *Investments in Associates and Joint Ventures* — clarification of the moment when investment entities (e.g. venture capital entities) may decide that shares in associates or joint ventures are to be measured at fair value and not using the equity method.

They apply predominantly to annual periods beginning on or after 1 January 2018 (some of them already to periods beginning on 1 January 2017).

In the assessment of the Group, the application of the amended standards will not significantly affect the financial statements of the Group.

- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

The new interpretation was published on 8 December 2016 and is effective for annual periods beginning on or after 1 January 2018. The purpose of the interpretation is to indicate how to determine the transaction date for the purpose of establishing the appropriate exchange rate for a foreign currency transaction when an entity pays or receives an advance payment in a foreign currency.

The Group will apply the new interpretation as of 1 January 2018.

As at the date of these financial statements, it is impossible to assess reasonably the impact of applying the new interpretation. The Group has started an analysis of the effects of applying the new interpretation.

- Amendment to IAS 40 *Transfers of Investment Property*

The amendment to IAS 40 was published on 8 December 2016 and is effective for annual periods beginning on or after 1 January 2018. It is aimed at clarifying that a transfer of a real property to or from investment property may take place when, and only when, there is evidence of a change in use of the property.

The Group will apply the amended standard as of 1 January 2018.

In the assessment of the Group, the application of the amended standard will not significantly affect the financial statements of the Group.

IFRS in their share approved by the EU do not differ significantly today from the regulations adopted by the International Accounting Standards Board (IASB) except the following standards, interpretations and changes thereto, which have not yet been adopted for application in the EU as at the date of approval of these financial statements:

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

7. Material assumptions and judgements

The preparation of the financial statements in accordance with IFRS requires that the Management Board makes certain significant accounting estimates and judgements. The key areas in which the estimates and judgements have a material impact on the financial statements include:

- provisions for unused annual leave — they are determined based on the number of unused leave days on a given day and the average salary of an employee per day, increased by social security contributions of the employer;
- estimates of write-downs on receivables — the level of write-downs on 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 expectations;

- estimates relating to the determination of deferred tax assets in accordance with IAS 12 — the basis for deferred tax assets are, inter alia, tax losses; forecasts assumed by the Company, indicate the possibility of using these amounts due to the high volatility of the economic situation; there may be a situation in which actual results and income may be different than planned;
- fair value of derivatives and other financial instruments — the Company presents the models and assumptions used to determine fair value;
- goodwill impairment write-downs — they are estimated based on assumptions of the Management board regarding the determination of the recoverable amount. The Company discloses the major indications of impairment, the models applied, discount rates and growth rates;
- estimation of the potential costs associated with fiscal and court proceedings pending against the Company — 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 provisions for potential losses are created – however, one cannot exclude the risk that a court or a tax authority will issue a judgment or a decision different from the expectations of entity and provisions established may not be sufficient.

Estimates and judgments are subject to the Company's periodic verification. Information on the estimated values relating to provisions, deferred income tax assets and liabilities are provided in notes 7.1, 20, and 20.1, 20.2 of these financial statements. Information on the managers programme is provided below.

Managers programme

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

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

The Incentive Programme will be implemented in years 2013-2017. Within its framework up to 2.5% of the total number of shares as at the date of adoption of the program, i.e. 1,498,700 shares can be issued. These shares will be distributed in the following way:

- entitled Key Managers will cover warrants for the duration of the Programme on an annual basis,
- warrants will be converted into shares on 30 June 2018 with the exception of warrants granted to entitled key Managers, who were employed by the Company for less than 18 months during the Programme - warrants shall be transferred to the reserve and will be used at the discretion of the Supervisory Board,
- warrants will be issued on 30 June of each calendar year beginning on 30 June 2014. Based on the audited results for 2013 to 30 June 2018 based on the audited results for 2017 in five separate emissions,
- number of warrants subscribed for by Entitled Key Managers each year will depend on the implementation of the budget for the year in relation to the Business Plan, with maximal number of warrants to be issued for each year is 291,000. Furthermore:
    - if the actual value of the EBIT at the consolidated level will be equal to the value of the planned EBIT or exceeds this value, the maximum number of warrants will be issued,

  - if the actual value of EBIT, on a consolidated level will fall within the range of 85% to 100% of the planned value of EBIT, number of warrants issued for the year will rise in proportion from 0% for the implementation of the plan at 85% or below 85%, to 291,000 for the implementation of the plan at 100% or more,
- all warrants, which will not be distributed for any reason, will be transferred to the reserve, which may be allocated by the Supervisory Board at its discretion,
- the shares, to which the warrants will be exchanged, will be subject to blockade preventing their disposal
  until the disposal of all the shares of the Company by WorkService Investments S. à r l.
- additional condition for determining acquisition of rights is remaining in the employment relation for the duration of the Programme. If the Entitled Key Manager resigns from work for serious health reasons and will be unable to work or will be dismissed during the Programme, he will be entitled to subscribe for warrants under the Programme only for the period of his employment with the Company (100% of the warrants vested to the last day of work). If the Entitled Key Manager resign for reasons other than health during the Programme, he will be entitled to subscribe for 50% of warrants under Programme for the period of his employment.

The costs of Incentive Programme - description plus valuation.

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

The basic assumptions of the valuation

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

Assumptions for option pricing

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

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

Given the above, the total number of options to be issued on the balance sheet date, i.e. 31 December 2016 is 742,006 which at the value of option of the valuation based on the model used – PLN 7,63, gives the value of Incentive Programme equal to PLN 5,664,115.32

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

Valuation of Incentive Programme - as on 31 December 2016

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

Statement of financial position of Work Service Spółka Akcyjna

ASSETS	Note	as at 31.12.2016	as at 31.12.2015
NON-CURRENT ASSETS		**607 077 354,87**	**503 601 744,88**
Intangible assets	**8**	36 230 028,37	34 870 992,09
Property, plant and equipment	**10**	12 225 191,40	14 082 402,84
Investment properties		0,00	0,00
Other financial assets	**11**	538 840 964,25	442 709 196,64
Other non-current assets		4 234 660,00	4 571 802,74
Other long-term financial assets		3 075 000,00	0,00
Deferred tax assets	**7.1**	12 065 856,14	6 736 001,53
Prepayments and deferred costs		405 654,71	631 349,04
CURRENT ASSETS		**248 046 390,96**	**240 927 520,84**
Inventories	**12**	9 666 322,01	7 706 123,08
Trade and other receivables	**13**	70 313 132,73	71 952 218,95
Other financial assets	**14a**	161 364 592,84	144 471 166,00
Other current assets	**14b**	4 830 026,08	7 052 762,89
Cash and cash equivalents	**14c**	161 019,56	985 588,17
Prepayments and deferred costs	**15**	1 711 297,74	8 759 661,75
TOTAL ASSETS		***855 123 745,83***	***744 529 265,72***
EQUITY AND LIABILITIES			
EQUITY		**291 275 509,88**	**292 368 263,39**
Share capital	**16**	6 509 482,30	6 509 482,30
Supplementary capital	**18**	287 458 678,33	270 989 281,45
Net profit (loss)		-2 692 650,75	14 869 499,64
LIABILITIES AND PROVISIONS			
Provisions for liabilities	**20**	**3 900 774,70**	**3 206 568,34**
Deferred tax liability	**20.1**	1 888 415,10	1 331 604,41
Provision for pensions and similar benefits		983 893,75	666 149,40
Other current provisions		1 028 465,85	1 208 814,53
Long-term liabilities	**21**	**217 447 133,13**	**207 636 672,78**
1. To related entities		**0,00**	**0,00**
2. To other entities		**217 447 133,13**	**207 636 672,78**
Long-term loans and borrowings		123 588 042,21	147 144 295,13
Issue of debt securities		91 797 244,30	57 649 945,64
Other financial liabilities		1 889 298,78	2 669 884,17
Other liabilities		172 547,84	172 547,84
Short-term liabilities	**22**	**342 493 328,12**	**241 317 761,21**
1. To related entities		**195 766 764,74**	**84 787 927,91**
2. To other entities		**146 726 563,38**	**156 529 801,68**
Issue of debt securities		19 691 508,89	54 833 308,89
Other financial liabilities		8 720 371,85	13 676 649,72
Loans and borrowings	**23**	25 029 249,90	15 442 875,76
Trade liabilities		8 118 060,37	6 689 020,73
Liabilities in respect of taxes, customs duties, insurance and other benefits		57 570 763,16	41 881 058,91
Payroll liabilities		20 666 079,93	16 489 491,71
Other liabilities		6 930 529,28	7 517 395,96
3. Special funds		**0,00**	**31,62**
Accruals and deferred income		**7 000,00**	**0,00**
TOTAL EQUITY AND LIABILITIES		***855 123 745,83***	***744 529 265,72***

Statement of comprehensive income of Work Service Spółka Akcyjna

	Note	01.01.2015–31.12.2015	01.01.2014–31.12.2014
Revenue	**1**	**580 771 109,85**	**483 492 981,83**
Net revenue from sales of products		**580 771 109,85**	**483 492 981,83**
Net revenues from sales of goods and materials		0.00	0.00
Cost of sales	**2**	**536 392 207,64**	**436 091 898,35**
Cost of products sold		**536 392 207,64**	**436 091 898,35**
Value of goods and materials sold		0.00	0.00
Gross profit (loss) on sales		**44 378 902,21**	**47 401 083,48**
Selling costs		**11 111 468,01**	**12 304 116,52**
General and administrative expenses		**45 676 096,33**	**31 209 503,03**
Profit (loss) on sales		**-12 408 662,13**	**3 887 463,93**
Other operating income	**3**	**11 476 232,66**	**10 118 184,68**
Other operating expenses	**4**	**9 184 953,83**	**8 146 056,54**
Operating profit (loss)		**-10 117 383,30**	**5 859 592,07**
Finance income	**5**	**33 962 061,48**	**46 710 082,27**
Finance costs	**6**	**31 095 315,85**	**37 706 085,52**
Gross profit		**-7 250 637,67**	**14 863 588,82**
Result of extraordinary events		***0.00***	***0.00***
Income tax	**7**	**-4 557 986,92**	**-5 910,82**
Net profit (loss)		**-2 692 650,75**	**14 869 499,64**
Other comprehensive income			
Items that will not be reclassified to profit or loss in subsequent periods:			
- none			
Items that may be reclassified to profit or loss in subsequent periods :			
- none			
Total other comprehensive income		0,00	0,00
Comprehensive income for the period		**-2 692 650,75**	**14 869 499,64**

Net profit (loss) attributable to shareholders:		**-2 692 650,75**	**14 869 499,64**
Earnings per share from continuing and discontinued operations attributable to shareholders during the year (in PLN)			
From continuing operations:			
- basic	**25**	-0,04	0,23
- diluted		-0,04	0,23
From discontinued operations:			
- basic		0,00	0,00
- diluted		0,00	0,00

Statement of cash flows of Work Service Spółka Akcyjna

	01.01.2016–31.12.2016	01.01.2015–31.12.2015
A. Cash flows from operating activities		
I. Net profit / (loss)	-2 692 650,75	14 869 499,64
II. Total adjustments	31 935 956,52	-9 976 462,93
1. Amortisation and depreciation	5 388 915,16	3 727 677,58
2. Foreign exchange gains (losses)	-13 428 061,43	4 551 681,42
3. Interest and shares in profits (dividends)	-958 258,71	-29 262 789,75
4. Profit (loss) on investing activities	0,00	16 065,17
5. Change in provisions	1 722 672,21	278 070,81
6. Change in inventories	-1 990 396,10	-1 656 512,82
7. Change in receivables	4 327 269,75	-21 404 033,20
8. Change in short-term liabilities, except for loans and borrowings	37 271 982,28	39 594 067,57
9. Change in prepayments, accruals and deferred income	-1 998 063,88	-6 898 695,06
10. Other adjustments	1 599 897,24	1 078 005,35
III. Net cash flows from operating activities (I+II)	***29 243 305,77***	***4 893 036,71***
B. Cash flows from investing activities		
I. Inflows	463 130 925,08	629 544 306,34
1. Disposal of intangible assets and property, plant and equipment	0,00	18 427,66
2. Disposal of investments in real property and intangible assets	0,00	0,00
3. From financial assets, including:	463 130 925,08	629 525 878,68
a) in related entities	381 530 424,19	565 953 941,75
b) in other entities	81 600 500,89	63 571 936,93
- disposal of financial assets		0,00
- dividends and profit sharing		0,00
- repayment of long-term borrowings granted	81 449 417,29	63 273 503,09
- interest	151 083,60	298 433,84
- other inflows from financial assets		0,00
4. Other investment inflows		
II. Outflows	549 980 894,21	774 114 266,63
1. Purchase of intangible assets and property, plant and equipment	4 890 740,00	14 049 363,59
2. Investments in real property and intangible assets	0,00	0,00
3. For financial assets, including:	545 090 154,21	756 833 488,74
a) in related entities	460 225 336,20	589 179 326,29
b) in other entities	84 864 818,01	167 654 162,45
- purchase of financial assets	0,00	96 164 570,20
- long-term borrowings granted	84 864 818,01	71 489 592,25
4. Other investment outflows	0,00	3 231 414,30
III. Net cash flows from investing activities (I-II)	***-86 849 969,13***	***-144 569 960,29***
C. Cash flows from financing activities		

I. Inflows	166 442 848,29	177 840 358,09
1. Net inflows from issue of shares and other equity instruments and additional contributions to equity		5 531,60
2. Loans and borrowings	86 442 848,29	144 984 826,49
3. Issue of debt securities	80 000 000,00	32 850 000,00
4. Other financial inflows		
II. Outflows	109 660 753,54	37 760 997,25
1. Purchase of treasury shares	0,00	0,00
2. Dividends and other payments to shareholders	0,00	10 406 321,12
3. Outflows in respect of appropriation of profit other than payments to shareholders	0,00	0,00
4. Repayment of loans and borrowings	8 550 000,00	8 145 153,05
5. Redemption of debt securities	80 000 000,00	0,00
6. Due to other financial liabilities	0,00	0,00
7. Payments of liabilities under finance lease agreements	2 403 802,97	1 824 356,97
8. Interest	16 765 670,95	13 981 666,67
9. Other financial outflows	1 941 279,62	3 403 499,44
III. Net cash flows from financing activities (I-II)	***56 782 094,75***	***140 079 360,84***
D. Total net cash flows (A.III.+B.III+C.III)	**-824 568,61**	**402 437,26**
E. Balance sheet change in cash, including:	-824 568,61	402 437,26
- change in cash due to exchange differences	0,00	0,00
F. Cash as at the beginning of the period	985 588,17	583 150,91
G. Cash as at the end of the period (F+D), including	***161 019,56***	***985 588,17***

In 2016 year the company didn’t pay the income tax.

OTHER ADJUSTMENTS:	**2016**	**2015**
Managers programme	1,599,897.24	1,078,005.25
TOTAL	**1,599,897.24**	**1,078,005.25**

Statement of changes in equity of Work Service Spółka Akcyjna

01.01.2016–31.12.2016	Share capital	Other capital / supplementary capital	Retained earnings	Equity
As at 1 January 2016	**6,509,482.30**	**270,989,281.45**	**14,869,499.64**	**292,368,263.39**
Net profit (loss) for the financial year	0.00	0.00	-2,692,650.75	**-2,692,650.75**
Capital increase	0.00	0.00	0.00	**0.00**
Managers programme	0.00	1,599,897.24	0.00	**1,599,897.24**
Distribution of result for 2015 to supplementary capital, of which:	0.00	14,869,499.64	-14,869,499.64	**0.00**
payment of dividend	0.00	0.00	0.00	**0.00**
As at 31 December 2016	**6,509,482.30**	**287,458,678.33**	**-2,692,650,75**	**291,275,509.88**

01.01.2015–31.12.2015	Share capital	Other capital / supplementary capital	Retained earnings	Equity
As at 1 January 2015	**6,503,950.70**	**256,800,810.02**	**23,516,787.30**	**286,821,548.02**
Net profit (loss) for the financial year	0.00	0.00	14,869,499.64	**14,869,499.64**
Capital increase	5,531.60	0.00	0.00	**5,531.60**
Managers programme	0.00	1,078,005.25	0.00	**1,078,005.25**
Distribution of result for 2014 to supplementary capital, of which:	0.00	23,516,787.30	-23,516,787.30	**0.00**
reclassification to supplementary capital	0.00	13,110,466.18	0.00	**13,110,466.18**
payment of dividend	0.00	-10,406,321.12	0.00	**-10,406,321.12**
As at 31 December 2015	**6,509,482.30**	**270,989,281.45**	**14,869,499.64**	**292,368,263.39**

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

Specification	**31.12.2016**	**31.12.2015**
Equity	291 275 509,88	292 368 263,39
Balance sheet total	855 123 745,83	744 529 265,72
Equity ratio	0,34	0,39

Key economic data of Work Service SA

SPECIFICATION	**01.01.2016-31.12.2016**	**01.01.2015-31.12.2015**	**01.01.2016-31.12.2016**	**01.01.2015-31.12.2015**
Work Service SA	**in PLN '000**	**in PLN '000**	**in EUR '000**	**in EUR '000**
Sales revenue	580 771	483 493	132 727	115 536
EBITDA (operating profit + depreciation and amortisation)	-4 728	9 587	-1 081	2 291
Profit on sales	-12 409	3 887	-2 836	929
Operating profit (EBIT)	-10 117	5 860	-2 312	1 400
Gross profit (loss)	-7 251	14 864	-1 657	3 552
Net profit (loss)	-2 693	14 869	-615	3 553
Net cash flows from operating activities	29 243	4 893	6 683	1 169
Net cash flows from investing activities	-86 850	-144 570	-19 848	-34 547
Net cash flows from financing activities	56 782	140 079	12 977	33 474
Total net cash flows	-825	402	-188	96
	31.12.2016	**31.12.2015**	**31.12.2016**	**31.12.2015**
Assets	855 124	744 529	193 292	174 711
Liabilities and provisions for liabilities	563 848	452 161	127 452	106 104
Long-term liabilities	217 447	207 637	49 152	48 724
Short-term liabilities	342 493	241 318	77 417	56 627
Equity	291 276	292 368	65 840	68 607
Share capital	6 509	6 509	1 471	1 528
Supplementary capital	287 459	270 989	64 977	63 590

Selected financial data was presented in EUR in accordance with § 85 sec. 7 of the Regulation of the Minister of Finances of 19 February 2009 (Journal of Laws 2014, item 133).
Balance sheet items were translated using the exchange rate applicable as at the last day, and items of the income statement and cash flow statement were translated using the average exchange rate in the period.

	Average EUR exchange rate in the period	EUR exchange rate as at the last day of the period
01.01-31.12.2016	4,3757	4,4240
01.01-31.12.2015	4,1848	4,2615

ADDITIONAL NOTES AND EXPLANATIONS

1. Operating segments

An operating segment is a component of an entity:
a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
c) for which discrete financial information is available.
IFRS 8 stipulates that operating segments should be identified based on internal reports on those elements which are regularly reviewed by persons allocating funds to the individual segments and evaluating their financial results.
Due to the fact that the Company's business is homogeneous in terms of types of services provided, key customers and legal environment, the Company has defined all of its operations as the temporary work segment (accounting for 94% of all services provided). Therefore, the Company does not identify reporting segments that would meet the above requirements stipulated by IFRS 8.

NOTES TO THE FINANCIAL STATEMENTS

Note 1

1. Net revenue from sales of services (by type)	31.12.2016	31.12.2015
Sales of services	580 771 109,85	483,492,981.83
- including: from related parties	72 099 536,86	81,617,747.28
Total revenue from sales of services	**580 771 109,85**	**483,492,981.83**
Net revenue from sales of services (by territory)	**31.12.2016**	**31.12.2015**
a) domestic	579 281 643,50	481 357 994,79
b) export	1 489 466,35	2 134 987,04
Net revenue from sales of services	**580 771 109,85**	**483,492,981.83**

Note 2

2. Costs by type	31.12.2016	31.12.2015
a) amortisation and depreciation	5 388 915,16	3,727,677.58
b) consumption of materials and energy	2 170 521,91	1,962,887.67
c) external services	122 414 139,12	109,078,674.85
d) taxes and charges	760 985,08	861,191.03
e) payroll	383 054 139,09	300,577,281.00
f) social security and other benefits	72 907 460,92	57,468,866.99
g) other costs by type	8 498 044,50	7,569,186.04
Total costs by type	**595 194 205,78**	**481,245,765.16**
Balance of inventories, products, prepayments and accruals	2 014 433,80	1,640,247.26
Cost of products sold	536 392 207,64	436,091,898.35
Selling expenses (negative value)	11 111 468,01	12,304,116.52
General and administrative costs (negative value)	45 676 096,33	31,209,503.03

Note 3

3. Other operating income	31.12.2016	31.12.2015
a) gain on disposal of non-financial non-current assets, of which:	0,00	0.00
- fixed assets and fixed assets under construction	0,00	0.00
b) subsidies	0,00	0.00
c) other, including:	11 476 232,66	10,118,184.68
- penalties, compensations	355 552,78	286,015.32
- reimbursement of costs of court proceedings	5 942,15	5,044.20
- reinvoices	6 360 380,65	3 285 540,12
- other	4 754 357,08	6 541 585,04
Total other operating income.	**11 476 232,66**	**10,118,184.68**

Note 4

4. Other operating expenses	31.12.2016	31.12.2015
a) loss on disposal of non-financial non-current assets	0,00	16,065.17
- fixed assets and fixed assets under construction	0,00	0.00
b) revaluation of non-financial assets	0,00	143,500.44
c) other, including:	9 184 953,83	7,986,490.93
- penalties, criminal fines and compensations	101 960,03	625,776.56
- costs of court proceedings	15 520,20	46,125.19
- reinvoices	5 774 124,76	5 403 754,69
- other	3 293 348,84	1 910 834,49
Total other operating expenses	**9 184 953,83**	**8,146,056.54**

Note 5

5. Finance income	31.12.2016	31.12.2015
a) interest, including:	5 914 793,63	4,630,390.22
- from related entities	5 175 841,29	4,096,284.51
- from other entities	587 868,74	265,554.63
- bank interest	151 083,60	268,551.08
b) income on disposal of investments	0,00	
c) dividends and shares in profits	15 147 369,82	40,912,706.04
d) other income	12 899 898,03	1,166,986.01
- net currency exchange gains	12 582 818,48	0.00
- released provisions	0,00	0.00
- other	317 079,55	1,166,986.01
Total finance income	**33 962 061,48**	**46,710,082.27**

In 2016, the Company received dividend in the total amount of 15,147,369.82, including 862,186.57 from Finance Care Sp. z o.o., 13,229,225.33 from Exact Systems S.A., 626,221.60 from WS Cyprus Limited and 429,736.32 from Antal International Sp. z o.o.

Note 6

6. Finance costs	31.12.2016	31.12.2015
a) Interest, including:	22 014 232,28	16,404,718.59
- interest for related companies	6 836 801,30	4,177,836.10
- interest for other counterparties	0,00	33,087.05
- budgetary interest	699 200,52	548,557.09
- bank interest	6 978 789,07	5,600,528.99
- interest on bonds	7 213 081,86	5,795,823.65
- other interest	286 359,53	248,885.71
b) value of disposed investments	0,00	0.00
c) other finance costs	9 081 083,57	21,516,166.93
- net currency exchange losses	0,00	6,302,494.64
- commissions on bonds, factoring	3 642 656,80	2 687 731,62
- other	5 438 426,77	12 311 140,67
Total finance costs	**31 095 315,85**	**37,706,085.52**

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

Note 7

7. Income tax	2016	2015
A. Gross profit	(7 250 637,67)	14,863,588.82
B. current income tax	0,00	0.00
C. deferred income tax	(4 773 043,92)	(5,910.82)
D. Income tax cfc	215 057,00	0,00
Total income tax	(4 557 986,92)	(5,910.82)
Net profit	**(2 692 650,75)**	**14,869,499.64**

7.1. CHANGE IN DEFERRED TAX ASSETS	31.12.2016	31.12.2015
1. Balance of deferred tax assets as at the beginning of the period, of which:	**6 736 001,53**	**6,382,352.63**
a) recognised in profit or loss	3 265 926,57	2,531,579.41
- provisions for future costs	0,00	0.00
- revaluation write-downs on receivables	0,00	0.00
- provision for social security contributions and remuneration	3 265 926,57	2,531,579.41
- other	0,00	0.00
b) recognised in profit or loss for the period in relation to tax loss	3 470 074,96	3,850,773.22
2. Increases	7 297 488,33	919,075.06
a) recognised in profit or loss in relation to deductible temporary differences	2 283 872,61	0.00
- provisions for future costs	0,00	0.00
- revaluation write-downs on receivables	0,00	0.00
- provision for social security contributions and remuneration	2 266 928,35	919,075.06
- other	16 944,26	0.00
b) recognised in profit or loss for the period in relation to tax loss	5 013 615,72	0.00
c) recognised in equity in relation to deductible temporary differences	0,00	0.00
d) recognised in equity in relation to tax loss	0,00	0.00
e) recognised in goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost in relation to deductible temporary differences	0,00	0.00
3. Decreases	1 967 633,72	565,426.16
a) recognised in profit or loss in relation to deductible temporary differences	232 596,24	0.00
- provisions for future costs	0,00	0.00
- revaluation write-downs on receivables	0,00	0.00
- provision for social security contributions and remuneration	232 596,24	184,727.90
- other	0,00	0.00
b) recognised in profit or loss for the period in relation to tax loss	1 735 037,48	380,698.26
c) recognised in equity in relation to deductible temporary differences	0,00	0.00
d) recognised in equity in relation to tax loss	0,00	0.00
e) recognised in goodwill in relation to deductible temporary differences	0,00	0.00
4. Balance of total deferred tax assets as at the end of the period, of which:	**12 065 856,14**	**6,736,001.53**
a) recognised in profit or loss	5 317 202,94	3,265,926.57
- provisions for future costs	0,00	0.00
- revaluation write-downs on receivables	0,00	0.00
- provision for social security contributions and remuneration	5 300 258,68	3,265,926.57
- other	16 944,26	0.00
b) recognised in profit or loss for the period in relation to tax loss	6 748 653,20	3,470,074.96

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

2017	2018	2019	2020	2021	TOTAL
321 164,09	774 984,42	1 880 859,66	2 506 807,85	1 264 837,18	6 748 653,20

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

Tax settlements may be subject to tax inspection for a period of five years from the end of the year in which the tax payment was made. As a result of such inspections, additional tax liabilities may be assessed with respect to the tax settlements made by the Company. In the Company's opinion, appropriate provisions for the identified and quantifiable tax risk were recognised as at 31 December 2016.

Note 8

8.1. Changes in intangible assets in 2016	**Development costs**	**Goodwill**	**Concessions, patents and licences**	**Computer software**	**Other**	**Total**
Gross value as at the beginning of the period	**0.00**	**0.00**	**0.00**	**5 085 328,89**	**35 255 634,58**	**40 340 963,47**
Increases, including:	0.00	0.00	0.00	49 578,89	4 528 301,32	4 577 880,21
- acquisition	0.00	0.00	0.00	49 578,89	3 691 645,45	3 741 224,34
- internal transfer	0.00	0.00	0.00	0,00	836 655,87	836 655,87
- other	0.00	0.00	0.00	0,00	0,00	0,00
Decreases	0.00	0.00	0.00	0,00	1 427 976,98	1 427 976,98
- liquidation	0.00	0.00	0.00	0,00	0,00	0,00
- revaluation	0.00	0.00	0.00	0,00	0,00	0,00
- sale	0.00	0.00	0.00	0,00	1 412 752,54	1 412 752,54
- internal transfer	0.00	0.00	0.00	0,00	15 224,44	15 224,44
- other	0.00	0.00	0.00	0,00	0,00	0,00
Gross value as at the end of the period	**0.00**	**0.00**	**0.00**	**5 134 907,78**	**38 355 958,92**	**43 490 866,70**
Accumulated amortisation as at the beginning of period	**0.00**	**0.00**	**0.00**	1 183 977,68	4 285 993,70	5 469 971,38
Current amortisation — increases	0.00	0.00	0.00	604 629,66	1 186 237,29	1 790 866,95
Accumulated amortisation — decreases	0.00	0.00	0.00	0,00	0,00	0,00
- liquidation	0.00	0.00	0.00	0,00	0,00	0,00
- sale	0.00	0.00	0.00	0,00	0,00	0,00
- internal transfer	0.00	0.00	0.00	0,00	0,00	0,00
- other	0.00	0.00	0.00	0,00	0,00	0,00
Total amortisation as at the end of the period	0.00	0.00	0.00	1 788 607,34	5 472 230,99	7 260 838,33
Net book value as at the end of period	**0.00**	**0.00**	**0.00**	**3 346 300,44**	**32 883 727,93**	**36 230 028,37**

In 2016, the portal Kariera.pl, with the value of PLN 1,412,752.54, was sold. Other intangible assets also include disclosure about intangible assets under development. The following activities had the largest impact on the increase: extension of Asseco HR – by PLN 1.3 million, M&A project – by PLN 1.2 million and RMS Developing – by PLN 1.1 million. As at the balance sheet date of 31 December 2016, intangible assets under construction amount to PLN 11,990,732.54.

8.2. Changes in intangible assets in 2015	**Development costs**	**Goodwill**	**Concessions, patents and licences**	**Computer software**	**Other**	**Total**
Gross value as at the beginning of the period	**0.00**	**0.00**	**0.00**	**3,714,685.29**	**30,469,845.88**	**34,184,531.17**
Increases, including:	0.00	0.00	0.00	1,370,643.60	9,455,199.16	10,825,842.76
- acquisition	0.00	0.00	0.00	1,370,643.60	9,455,199.16	10,825,842.76
- internal transfer	0.00	0.00	0.00	0.00	0.00	0.00
- other	0.00	0.00	0.00	0.00	0.00	0.00
Decreases	0.00	0.00	0.00	0.00	4,669,410.46	4,669,410.46
- liquidation	0.00	0.00	0.00	0.00	0.00	0.00
- revaluation	0.00	0.00	0.00	0.00	0.00	0.00
- sale	0.00	0.00	0.00	0.00	0.00	0.00
- internal transfer	0.00	0.00	0.00	0.00	4,669,410.46	4,669,410.46
- other	0.00	0.00	0.00	0.00	0.00	0.00
Gross value as at the end of the period	**0.00**	**0.00**	**0.00**	**5,085,328.89**	**35,255,634.58**	**40,340,963.47**
Accumulated amortisation as at the beginning of period	**0.00**	**0.00**	**0.00**	907,768.40	2,982,040.58	3,889,808.98
Current amortisation — increases	0.00	0.00	0.00	276,209.28	1,303,953.12	1,580,162.40
Accumulated amortisation — decreases	0.00	0.00	0.00	0.00	0.00	0.00
- liquidation	0.00	0.00	0.00	0.00	0.00	0.00
- sale	0.00	0.00	0.00	0.00	0.00	0.00
- internal transfer	0.00	0.00	0.00	0.00	0.00	0.00
- other	0.00	0.00	0.00	0.00	0.00	0.00
Total amortisation as at the end of the period	0.00	0.00	0.00	1,183,977.68	4,285,993.70	5,469,971.38
Net book value as at the end of period	**0.00**	**0.00**	**0.00**	**3,901,351.21**	**30,969,640.88**	**34,870,992.09**

In 2015, the following components of intangible assets were released into operation: customer base with the value of PLN 2,490,745.00, W@ system with the value of PLN 874,188.16 and e-archive software with the value of PLN 1,286,529.30 Other intangible assets also include disclosure about intangible assets under development. They include, among others: Asseco HR, RMS Developing, Career Project. As at the balance sheet date of 31 December 2015, their value is PLN 8,890,408.20. Other intangible assets include, among others: ServiceDeskPlus with the value of PLN 13,248.00.

Note 9

9.1. Changes in fixed assets in 2016	**Own land**	**Right of perpetual usufruct of land**	**Buildings and structures**	**Plant and machinery**	**Vehicles**	**Other fixed assets**	**Total**
Gross value as at the beginning of the period	**0.00**	**0.00**	**7 363 018,35**	**8 146 022,27**	**3 963 993,80**	**1 438 850,11**	**20 911 884,53**
Increases, including:	0.00	0.00	968 719,13	1 923 970,91	183 283,60	957 159,65	4 033 133,29
- acquisition	0.00	0.00	0,00	0,00	0,00	0,00	0,00
- internal transfer	0.00	0.00	968 719,13	1 923 970,91	183 283,60	957 159,65	4 033 133,29
- other	0.00	0.00	0,00	0,00	0,00	0,00	0,00

Decreases, including:	0.00	0.00	0,00	0,00	64 672,13	0,00	64 672,13
- liquidation	0.00	0.00	0,00	0,00	0,00	0,00	0,00
- revaluation	0.00	0.00	0,00	0,00	0,00	0,00	0,00
- sale	0.00	0.00	0,00	0,00	64 672,13	0,00	64 672,13
- internal transfer	0.00	0.00	0,00	0,00	0,00	0,00	0,00
- other	0.00	0.00	0,00	0,00	0,00	0,00	0,00
Gross value as at the end of the period	**0.00**	**0.00**	8 331 737,48	10 069 993,18	4 082 605,27	2 396 009,76	24 880 345,69
Accumulated depreciation as at the beginning of period	0.00	0.00	883 563,33	5 690 317,61	2 128 856,42	937 912,70	9 640 650,06
Current depreciation — increases	0.00	0.00	749 566,17	1 876 774,25	545 501,12	426 206,67	3 598 048,21
Decreases, including:	0.00	0.00	0,00	0,00	64 672,13	0,00	64 672,13
- liquidation	0.00	0.00	0,00	0,00	0,00	0,00	0,00
- sale	0.00	0.00	0,00	0,00	64 672,13	0,00	64 672,13
- internal transfer	0.00	0.00	0,00	0,00	0,00	0,00	0,00
- other	0.00	0.00	0,00	0,00	0,00	0,00	0,00
Accumulated depreciation as at the end of the period	0.00	0.00	1 633 129,50	7 567 091,86	2 609 685,41	1 364 119,37	13 174 026,14
Net book value	**0.00**	**0.00**	**6 698 607,98**	**2 502 901,32**	**1 472 919,86**	**1 031 890,39**	**11 706 319,55**

The table presents changes in fixed assets by aggregation groups, together with opening and closing balances, with depreciation and net value as at the end of 2016. In 2016, investments in a third-party facility in which regional offices are located, in the total amount of PLN 968,719.13, were completed. Fixed assets used under finance lease agreements are depreciated in the Company's accounting books. Leased assets include mainly IT equipment.

9.2. Changes in fixed assets in 2015	**Own land**	**Right of perpetual usufruct of land**	**Buildings and structures**	**Plant and machinery**	**Vehicles**	**Other fixed assets**	**Total**
Gross value as at the beginning of the period	**0.00**	**0.00**	**2,736,175.99**	**6,039,035.33**	**2,554,584.25**	**1,089,963.95**	**12,419,659.52**
Increases, including:	0.00	0.00	4,786,705.66	2,109,507.04	1,569,732.23	376,933.66	8,842,878.59
- acquisition	0.00	0.00	0.00	585,981.91	155,629.61	0.00	741,611.52
- internal transfer	0.00	0.00	4,786,705.66	1,523,525.13	1,414,102.62	376,933.66	8,101,267.07
- other	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Decreases, including:	0.00	0.00	159,863.30	2,520.10	160,322.68	27,947.50	350,653.58
- liquidation	0.00	0.00	159,863.30	0.00	0.00	0.00	0.00
- revaluation	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- sale	0.00	0.00	0.00	0.00	160,322.68	27,250.00	187,572.68
- internal transfer	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- other	0.00	0.00	0.00	2,520.10	0.00	697.50	3,217.60
Gross value as at the end of the period	**0.00**	**0.00**	7,363,018.35	8,146,022.27	3,963,993.80	1,438,850.11	20,911,884.53
Accumulated depreciation as at the beginning of period	0.00	0.00	750,795.00	4,568,842.68	1,762,228.21	727,429.74	7,809,295.63
Current depreciation — increases	0.00	0.00	260,658.90	1,121,474.93	526,950.89	238,430.89	2,147,515.18

Decreases, including:	0.00	0.00	127,890.57	0.00	160,322.68	27,947.50	316,160.75
- liquidation	0.00	0.00	127,890.57	0.00	0.00	0.00	127,890.57
- sale	0.00	0.00	0.00	0.00	160,322.68	27,947.50	187,572.68
- internal transfer	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- other	0.00	0.00	0.00	0.00	0.00	697.50	697.50
Accumulated depreciation as at the end of the period	0.00	0.00	883,563.33	5,690,317.61	2,128,856.42	937,912.70	9,640,650.06
Net book value	**0.00**	**0.00**	**6,479,455.02**	**2,455,704.66**	**1,835,137.38**	**500,937.41**	**11,271,234.47**

Note 10

10. Property, plant and equipment	**31.12.2016**	**31.12.2015**
a) fixed assets, including:	11 706 319,55	11,271,234.47
- land (including right to perpetual usufruct of land)	0,00	0.00
- Buildings, premises and civil engineering structures	6 698 607,98	6,479,455.02
- plant and machinery	2 502 901,32	2,455,704.66
- vehicles	1 472 919,86	1,835,137.38
- other fixed assets	1 031 890,39	500,937.41
b) fixed assets under construction	518 871,85	2,811,168.37
c) prepayments for fixed assets under construction	0,00	0.00
Total property, plant and equipment	**12 225 191,40**	**14,082,402.84**

The item “fixed assets under construction” includes disclosure about IT equipment acquired under a lease agreement and not released by the balance sheet date, with the value of PLN 441,220.55.

Note 11

11.1. Changes in long-term investments in 2015	Real property, intangible assets	Long-term financial assets	a) in related entities, of which:			b) in other entities, of which:		Total long-term investments
			Total	Shares or equities	Other long-term financial assets	Shares or equities	Other long-term financial assets	
Opening balance	**0.00**	**442,709,196.64**	**442,699,196.64**	**442,699,196.64**	**0.00**	**10,000,00**	**0.00**	**442,709,196.64**
at purchase price	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Increases of which:	0.00	99 206 767,61	99 206 767,61	96 131 767,61	3 075 000,00	0,00	0,00	99 206 767,61
- acquisition	0.00	3 327 500,00	3 327 500,00	252,500.00	3 075 000,00	0,00	0,00	3 327 500,00
- revaluation adjustments	0.00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
- internal transfer	0.00	3 949 267,61	3 949 267,61	3 949 267,61	0,00	0,00	0,00	3 949 267,61
- increase in capital	0.00	91 930 00,00	91 930 000,00	91 930 000,00	0,00	0,00	0,00	91 930 000,00
-other	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Decreases	0.00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
- sale	0.00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
- revaluation adjustments	0.00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
- internal transfer - other	0.00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Closing balance	**0.00**	**541 915 964,25**	**541 905 964,25**	**538 830 964,25**	**3 075 000,00**	**10 000,00**	**0,00**	**541 915 964,25**
at purchase price	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

11.2. Changes in long-term investments in 2015	Real property, intangible assets	Long-term financial assets	a) in related entities, of which:			b) in other entities, of which:		Total long-term investments
			Total	Shares or equities	Other long-term financial assets	Shares or equities	Other long-term financial assets	
Opening balance	**0.00**	**409,830,140.14**	**408,974,140.14**	**408,974,140.14**	**0.00**	**10,000.00**	**846,000.00**	**409,830,140.14**
at purchase price	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Increases of which:	0.00	41,461,814.36	41,461,814.36	41,461,814.36	0.00	0.00	0.00	41,461,814.36
- acquisition	0.00	41,461,814.36	41,461,814.36	41,461,814.36	0.00	0.00	0.00	41,461,814.36
- revaluation adjustments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- internal transfer	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Decreases	0.00	6,058,144.26	7,736,757.86	7,736,757.86	0.00	0.00	0.00	8,582,757.86
- sale	0.00	0.00	1,678,613.60	1,678,613.60	0.00	0.00	0.00	1,678,613.60
- revaluation adjustments	0.00	6,058,144.26	6,058,144.26	6,058,144.26	0.00	0.00	0.00	6,058,144.26
- internal transfer - other	0.00	0.00	0.00	0.00	0.00	0.00	846,000.00	846,000.00
Closing balance	**0.00**	**442,709,196.64**	**442,699,196.64**	**442,699,196.6**	**0.00**	**10,000.00**	**0.00**	**442,709,196.64**
at purchase price	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

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

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

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

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

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

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

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

Execution of the term sheet for the acquisition transaction by a subsidiary
On 15 July 2016, a subsidiary of Work Service SA, i.e. Exact Systems S.A. with its registered office in Częstochowa (“Subsidiary”) signed the “term sheet” document (“Term Sheet”) concerning to the operations relating to the future acquisition transaction, involving acquisition of 100% of the existing shares of the French limited liability company, acquisition of 100% of the existing shares in the Romanian limited liability company, acquisition of 100% of the existing shares in the Turkish limited liability company and acquisition of 100% of the existing shares in the Moroccan limited liability company (“Target Companies”), operating in the outsourcing industry and specializing in quality control for the automotive industry ("Potential Transaction"), while the Potential Transaction assumes — in the first place — the acquisition of 75% of the existing shares in the Target Companies ("First Stage of Potential Transaction"), followed by the acquisition by the Subsidiary, by means of Call Option or by the current shareholders of the Target Companies by means of Put Option under the terms of the Term Sheet, of the remaining 25% of the existing shares in the Target Companies ("Second Stage of Potential Transaction").
Based on the Term Sheet, the parties agreed to conduct negotiations and due diligence examination to agree on the final terms of the Potential Transaction.

The total price of the First Stage of Potential Transaction relating to the Target Companies was established in the amount of EUR 8,000,000 (the "Basic Price of the First Stage of Potential Transaction") with the earn-out mechanism provided for in the Term Sheet which is 75% x 5.15x EBITDA indicator of the Target Companies for the financial year ending on 31 December 2016 decreased by EUR 8,000,000, while EBITDA is to be defined by the Parties to the Potential Transaction in the preliminary contract of sale of shares.

The Parties to the Potential Transaction envisage also correcting mechanisms to the price of the First Stage of Potential Transaction.

Execution of the Call Option by the Subsidiary, as provided for in the Second Stage of the Potential Transaction will be guaranteed and it will be possible to execute it by 31 December 2021.

Execution of the Put Option provided for in the Second Stage of the Potential Transaction by the current shareholders of the Target Companies it will be possible to execute it in the period between 1 March 2019 and 31 December 2021.

The conclusion of the preliminary agreement of sale of shares in the Target Companies is subject to the following conditions: (i) positive outcome of the financial, tax and legal due diligence examination in the Target Companies, (ii) completion of the negotiations on transaction documentation by the Parties, (iii) consent to carry out the Potential Transaction by the Supervisory Board of the Subsidiary.

The fulfilment of the above conditions does not, however bind any of the parties to execute the Potential Transaction. The final terms and conditions of the Potential Transaction will be included in the preliminary contract of sale of shares in the Target Companies.

The potential Transaction is an element of the acquisition strategy of the Subsidiary.

Change of the name People Care Sp. z o.o.

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

Conclusion of a share purchase agreement

On 13 December 2016, Work Service SA, as the buyer, concluded an agreement with Profólió Projekt Tanácsadó Kft. (the “Seller”) with its registered office in Budapest, Hungary, a new, conditional agreement on the purchase of 25% of shares in the share capital of Prohuman 2004 Kft. with its registered office in Budapest, Hungary (“Prohuman”) of total value of HUF 6,100,000,000.00 representing 25% votes on meeting of shareholders of Prohuman (the “Shares”) (“Agreement”) which replaced the existing option agreement concluded between the Work Service SA and the Seller on 28 March 2014 regarding 25% of shares in the share capital of Prohuman.

The subject of the Agreement is a conditional sale of Shares to Work Service SA, as a result of which Work Service SA on the day of completion of the Agreement, i.e. 27 June 2017 (the “Completion Date”) will acquire 25% of shares in the share capital of Prohuman, which together with currently held shares gives 100% in the share capital of Prohuman.

Detailed information on this agreement was announced in CR No 69/2016 on 13 December 2016.

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

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

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

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

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

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

Note 12

12. Inventories	31.12.2016	31.12.2015
a) materials	12 319,09	36,356.79
b) semi-finished goods and work in progress	9 654 002,92	7,669,766.29
Total inventories	**9 666 322,01**	**7,706,123.08**

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

Note 13

13. Trade and other receivables	31.12.2016	31.12.2015
a) from related entities	19 428 223,36	21,770,928.93
- trade receivables, due within 12 months	10 856 185,72	16,511,931.02
- other	8 572 037,64	5,258,997.91
b) receivables from other entities	50 884 909,37	50,181,290.02
- trade receivables, due within 12 months	7 522 454,39	3,432,503.90
- in respect of taxes, subsidies, customs duties, social security, health insurance and other benefits	0,00	0.00
- other	43 362 454,98	46,748,786.12
- claimed at court	0,00	0.00
Total net current receivables	**70 313 132,73**	**71,952,218.95**

As at the balance sheet day of 31 December 2016, trade receivables from related and other parties amounts to PLN 18,378,640.11. Revaluation write-downs on receivables were created according to the Company's best knowledge and experience, by way of a detailed analysis of risk related to repayment of these receivables and amounted to PLN 760,931.15 as at the balance sheet date.
Costs and income related to creation and reversal of revaluation write-downs are recognised in the income statement under other operating activities.

Note 14

14.1. Other financial assets	31.12.2016	31.12.2015
a) in subsidiaries	145 127 822,28	131,649,796.16
b) in other entities	16 236 770,56	12,821,369.84
Total other financial assets	**161 364 592,84**	**144,471,166.00**

14.2. Other short-term assets	31.12.2016	31.12.2015
a) other short-term assets	4 830 026,08	7,052,762.89
Total other short-term assets	**4 830 026,08**	7,052,762.89

14.3. Cash and other monetary assets	31.12.2016	31.12.2015
a) cash and other monetary assets	161 019,56	985,588.17
- cash in hand and at bank	161 019,56	985,588.17
- other cash	0,00	0.00
- other monetary assets	0,00	0.00
Total cash and other monetary assets	**161 019,56**	**985,588.17**

Note 15

15. Prepayments	31.12.2016	31.12.2015
- property insurance	237 473,69	150,540.71
- IT services	60 675,78	142,993.22
- trainings	2 265,00	239.40
- advisory	671 529,44	619,523.89
- rental	0,00	0.00
- healthcare services	15 406,53	43,518.82
- advertising	107 592,93	536,333.31
- other	43 655,98	837,263.52
- acquisitions	0,00	3,949,267.61
- capital acquisition	570 092,62	2,467,591.69
- materials	2 605,77	12,389.58
- prepaid finance costs	0,00	0.00
Total prepayments	**1 711 297,74**	**8,759,661.75**

Note 16

16.1. Share capital (structure) as at 31 December 2016

Series / emission	type of share	Type of preference of shares	Restrictions on shares	No. of shares	Value of series issued at nominal value	Coverage of capital	Date of registration	Right to dividend (since)
A	bearer shares	ordinary	-	750 000	75 000	cash	14.12.2000	14.12.2000
B	bearer shares	ordinary	-	5 115 000	511 500	cash	14.11.2002	01.01.2003
C	bearer shares	ordinary	-	16 655 000	1 665 500	cash	20.11.2006	20.11.2006
D	bearer shares	ordinary	-	100 000	10 000	cash	06.09.2007	06.09.2007
E	bearer shares	ordinary	-	100 000	10 000	cash	21.11.2007	21.11.2007
F	bearer shares	ordinary	-	7 406 860	740 686	compensation	20.05.2008	20.05.2008
G	bearer shares	ordinary	-	2 258 990	225 899	cash	26.06.2009	26.06.2009
H	bearer shares	ordinary	-	9 316 000	931 600	cash	13.01.2010	13.01.2010
K	bearer shares	ordinary	-	1 128 265	112 827,5	cash	26.01.2011	31.12.2011
L	bearer shares	ordinary	-	5 117 881	511 788,1	cash	26.04.2012	26.04.2012
N	bearer shares	ordinary	-	12 000 000	1 200 000	cash	30.04.2013	30.04.2013
P	bearer shares	ordinary	-	91 511	9 151,1	cash	14.10.2014	14.10.2014
S	bearer shares	ordinary	-	5 000 000	500 000	cash	28.11.2014	28.11.2014
T	bearer shares	ordinary	-	55 316	5 532	cash	06.08.2015	Starting from dividend for 2015
Total number of shares					**65 094 823**			
Total share capital in PLN						**6.509.482,30**		
The nominal value of one share in PLN					**0.1**			

16.2. Share capital (structure) as at 31 December 2015								
Series / issue	**Type of shares**	**Type of preference**	**Type of limitations of rights to shares**	**Number of shares**	**Value of series / issue at nominal**	**Method of capital coverage**	**Registration date**	**Dividend right (as of)**
A	bearer shares	Ordinary	-	750,000	75,000	cash	14.12.2000	14.12.2000
B	bearer shares	Ordinary	-	5,115,000	511,500	cash	14.11.2002	01.01.2003
C	bearer shares	Ordinary	-	16,655,000	1,665,500	cash	20.11.2006	20.11.2006
D	bearer shares	Ordinary	-	100,000	10,000	cash	06.09.2007	06.09.2007
E	bearer shares	Ordinary	-	100,000	10,000	cash	21.11.2007	21.11.2007
F	bearer shares	Ordinary	-	7,406,860	740,686	netting	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 the dividend for 2015
Total number of shares				**65,094,823**				
Total share capital in PLN						**6.509.482,30**		
Nominal value of one share in PLN					**0.1**			

Share capital in 2016

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

Share capital in 2015

In 2015, the share capital was increased from PLN 6,503,950.70 to PLN 6,509,482.30 through the issue of series T shares.

On 22 June 2015, the Annual General Meeting of Work Service SA adopted resolution No 27/2015, under which the share capital of the company was increased by PLN 5,531.60 through the issue, as a private placement, of 55,316 ordinary series T shares, with the exclusion of all pre-emptive rights of the existing shareholders.

The issue has been described in note 18 of these consolidated financial statements.

Note 17

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

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

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

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

Shareholder	Number of shares	Share in the share capital	Number of votes	Share in the total number of votes
PROLOGICS UK LLP	18 514 621	28,44%	18 514 621	28,44%
WorkSource Investments S.a.r.l.	13 714 286	21,07%	13 714 286	21,07%
Tomasz Misiak	9 534 861	14,65%	9 534 861	14,65%
Tomasz Hanczarek	3 255 000	5,00%	3 255 000	5,00%
MetLife PTE S.A.	3 254 743	5,00%	3 254 743	5,00%
Other	16 821 312	25,84%	16 821 312	25,84%
Total	**65 094 823**	**100,00%**	**65 094 823**	**100,00%**

Note 18

18. Other capital	**31.12.2016**	**31.12.2015**
a) supplementary capital	287,458,678.33	270,989,281.45
b) other reserves	0.00	0.00
c) foreign exchange differences	0.00	0.00
Total other capital	287,458,678.33	**270,989,281.45**

18.1. Supplementary capital	**31.12.2016**	**31.12.2015**
Supplementary capital as at the beginning of the period	**270 989 281,45**	**256,800,810.02**
a) share premium	0,00	0.00
- share premium	0,00	0.00
- costs of issue	0,00	0.00
b) statutory capital from acquisition of companies	0,00	0.00
c) established according to statute/articles of association, above the statutory (minimum) value	0,00	0.00
d) from additional contribution of shareholders/partners	0,00	0.00
e) from profit	14 869 499,64	13,110,466.18
f) from redemption of shares	0,00	0.00
g) managers programme	1 599 897,24	1,078,005.25
g) other	0,00	0.00
Total supplementary capital	**287 458 678,33**	**270,989,281.45**

Note 19

19. Retained earnings	31.12.2016	31.12.2015
Retained earnings (IFRS adjustment)	0.00	0.00
Retained earnings	**0.00**	**0.00**

As at 31 December 2016 and 31 December 2015, shares in Work Service SA were not held by subordinated entities. In the years 2016–2015, no deduction from net profit were made during the financial year.

20. Provisions for other liabilities and other charges	31.12.2016	31.12.2015
a) short-term portion, of which:	**2 012 359,60**	**1,874,963.93**
- provision for not-mature liabilities towards the State Treasury	0,00	0.00
- provision for remuneration costs	0,00	0.00
- provision for unused leaves	983 893,75	666,149.40
- other	1 028 465,85	1,208,814.53
b) long-term portion, of which:	**0,00**	**0.00**
- accruals, of which:	0,00	0.00
- other provisions	0,00	0.00
Total provisions for other liabilities and other charges	**2 012 359,60**	**1,874,963.93**
Deferred tax liabilities	**1 888 415,10**	**1,331,604.41**
Total provisions for liabilities	**3 900 774,70**	**3,206,568.34**

20.1. Change in provisions	31.12.2015	Increase	Utilisation	Reversal	31.12.2016
1. Deferred tax liabilities	1,331,604.41	556 810,69	0,00	0,00	1 888 415,10
2. Provision for unused leaves	666,149.40	317 744,35	0,00	0,00	983 893,75
3. Other provisions	1,208,814.53	2 991 054,51	0,00	3 171 403,19	1 028 465,85
Total	**3,206,568.34**	**3 865 609,55**	**0,00**	**3 171 403,19**	**3 900 774,70**

20.2. CHANGE IN DEFERRED INCOME TAX LIABILITIES	31.12.2016	31.12.2015
1. Deferred tax liabilities as at the beginning of the period, of which:	**1 331 604,41**	**983,866.33**
a) recognised in profit or loss	1 331 604,41	983,866.33
- unrealised interest on borrowings	1 331 604,41	983,866.33
- difference in the value of fixed assets	0,00	0.00
b) recognised in equity	0,00	0.00
c) recognised in goodwill	0,00	0.00
2. Increases	556 810,69	347,738.08
a) recognised in profit or loss	556 810,69	347,738.08
- unrealised interest on borrowings	392 632,10	347,738.08
- difference in the value of fixed assets	0,00	0.00
- other	164 178,59	0.00
b) recognised in equity	0,00	0.00
c) recognised in goodwill	0,00	0.00
3. Decreases	0,00	0.00
a) recognised in profit or loss	0,00	0.00
- unrealised interest on borrowings	0,00	0.00
- difference in the value of fixed assets	0,00	0.00
b) recognised in equity	0,00	0.00
c) recognised in goodwill	0,00	0.00

4. Deferred tax liabilities as at the end of the period, of which:	1 888 415,10	1,331,604.41
a) recognised in profit or loss	1 888 415,10	1,331,604.41
- unrealised interest on borrowings	1 724 236,51	1,331,604.41
- difference in the value of fixed assets	0,00	0.00
- other	164 178,59	0.00
b) recognised in equity	0,00	0.00
c) recognised in goodwill	0,00	0.00

Note 21

21. Other long-term liabilities	31.12.2016	31.12.2015
a) to subsidiaries	0.00	0.00
b) to other entities	217 447 133,13	207,636,672.78
- loans and borrowings	123 588 042,21	147,144,295.13
- due to issue of debt securities	91 797 244,30	57,649,945.64
- other financial liabilities	1 889 298,78	2,669,884.17
- other long-term liabilities	172 547,84	172,547.84
Total long-term liabilities	**217 447 133,13**	**207,636,672.78**

Other financial liabilities comprise the long-term portion of lease liabilities. Other long-term liabilities includes the long-term portion of liabilities due to acquisition of companies.

Note 22

22. Short-term liabilities	31.12.2016	31.12.2015
a) to subsidiaries	195 766 764,74	84,787,927.91
b) to other entities	146 726 563,38	156,529,801.68
- loans and borrowings	25 029 249,90	15,442,875.76
- due to issue of debt securities	19 691 508,89	54,833,308.89
- other financial liabilities	8 720 371,85	13,676,649.72
- trade liabilities, due within 12 months	8 118 060,37	6,689,020.73
- in respect of taxes, customs duties, insurance and other benefits	57 570 763,16	41,881,058.91
- payroll liabilities	20 666 079,93	16,489,491.71
- other	6 930 529,28	7,517,395.96
c) special funds (by title)	0,00	31.62
Total trade and other liabilities	**148 811 189,54**	**148,222,537.27**
Loans and borrowings	**193 682 138,58**	**93,095,223.94**
Total short-term liabilities	**342 493 328,12**	**241,317,761.21**

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

22.1. Nominal lease liabilities	31.12.2016	31.12.2015
Up to 1 year	2 358 532,97	2,427,384.44
1–5 years	1 942 931,91	2,766,667.04
More than 5 years	0,00	0.00
Total	**4 301 464,88**	**5,194,051.48**

Liabilities due to bonds

The table below presents data on the amount of liabilities arising from the issue of bonds in the value of the adjusted purchase price and the nominal value as on 31.12.2016.

Series	Number	Interest rate	Nominal price	Date of purchase	The nominal value of the bonds in PLN	Earlier purchase / purchase	The value of liabilities resulting from the adjusted purchase price
S	20 000	variable(*)	1 000	2017-03-30	20 000 000		19 947 876.34
T	12 850	variable(**)	1 000	2018-12-04	12 850 000	call option of the Issuer (after 18M from the date of issue of bonds)	12 741 679.32
U	80 000	variable(***)	1 000	2018-10-03	80 000 000		78 799 197.53
balance as on 31.12.2016 (net)					**112 850 000**	**TOTAL, including:**	**111 488 753.19**
						short-term	19 691 508.89
						long-term	91 797 244.30

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

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

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

Issuance of non-equity securities

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

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

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

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

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

The date of Bonds issuance shall be 3 October 2016.

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

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

On 4 October 2016 Work Service S.A. redeemed bonds Q series ISIN number - PLWRKSR00050 (the "Bonds") with a total nominal value of 55 million zlotys, as announced by the Issuer in Current Report No 55/2016.

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

Issuance of equity securities

On 27 June 2016 the Ordinary General Meeting adopted resolution no. 25/2016 on the issue of up to 123,042 series E registered subscription warrants ("**E Subscription Warrants"**).

E Subscription Warrants shall be issued in the form of a document, and may be issued in collective sections.

E Subscription Warrants shall be issued free of charge.

One E Subscription Warrant shall entitle to subscribe for 1 (one) W Series Share (as defined below).

Rights to acquire shares of Series W under E Subscription Warrants can be exercised no earlier than 30 June 2018 and no later than 31 July 2018, with the exception of E Subscription Warrants granted to Entitled Key Managers (as defined below), who have been employed in the company for no less than 18 months during the Management Options Programme (i.e. the period from 1 January 2013 to 31 December 2017). These Warrants shall be transferred to Reserve under the Management Option Programme, for the use at the discretion of Supervisory Board in accordance with § 1, clause III, subclause 2 of Resolution No. 24/2013 of Ordinary General Meeting of Work Service S.A. held on 27 June 2013.

Management Board shall be authorised to issue Series E Subscription Warrants entitling to subscribe for Series W Shares in the period from 30 June 2016 to 31 July 2016. 7. Series E Subscription Warrants, from which the right to acquire shares of Series W has not been exercised within the period specified in § 1 section 5, shall expire.

Series E Subscription Warrants shall be offered for subscription by way of private placement addressed to the Entitled Key Managers of the Company:

Series E Subscription Warrants are non-transferable.

Pursuant to art. 432, 433 § 2, 448 § 1 and 2, item 3 and art. 449 of CCC, the increase in the share capital of Work Service in the amount not higher than PLN 12,304,20 (twelve thousand three hundred and four PLN 20/100) through the issuance of not more than 123.042 (say: one hundred twenty- three thousand and forty two) of ordinary bearer shares of series W, with the nominal value of PLN 0.10 (ten grosz) each ("Series W Shares") is hereby resolved.

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

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

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

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

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

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

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

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

Note 23

23. Loans and borrowings	31.12.2016	31.12.2015
a) loans	148 617 292,11	162,587,170.89
including: short-term loans	25 029 249,90	15,442,875.76
b) borrowings from other and related parties	168 652 888,68	77,652,348.18
including: short-term borrowings	168 652 888,68	77,652,348.18
Total loans and borrowings	**317 270 180,79**	**240,239,519.07**
Total long-term loans and borrowings	**123 588 042,21**	**147,144,295.13**
Total short-term loans and borrowings	**193 682 138,58**	**93,095,223.94**

Note 24

24. Loans by maturity	31.12.2016	31.12.2015
Up to 1 year	25 029 249,90	15,442,875.76
Total loans, of which:	**148 617 292,11**	**162,587,170.89**
- long-term	123 588 042,21	147,144,295.13
- short-term	25 029 249,90	15,442,875.76

Note 25

25. Earnings per share	31.12.2016	31.12.2015
Calculation of basic earnings per share		
Earnings		
(A) Profit attributable to the shareholders of the Company	(2 692 650,75)	14,869,499.64
Number of shares		
(B) Number of ordinary shares of the Company for the purposes of calculating earnings per share	65 061 785	65,061,785
Basic earnings per share in PLN = (A)/(B)		**0.23**
Book value		
(C) Shareholders’ equity	291 275 509,88	292,368,263.39
Book value per share in PLN = (C)/(B)		**4.49**
(D) Number of diluted shares		65,767,885
Diluted earnings per share in PLN =(A)/(D)		**0.23**

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

Diluted earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders (net of 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). The dilution of earnings is effected by managers program, as described in Note 7.

Note 26
Long-term financial assets of Work Service SA

The table below presents shares held by Work Service SA in subsidiaries as at 31 December 2016 and 31 December 2015.Acquisitions made in 2016 are described in Note 11 of these financial statements.

	31.12.2016		31.12.2015	
Company name	Value of shares held	Percentage of share capital held	Value of shares held	Percentage of share capital held
Finance Care Sp. z o.o.	1.607.331.00	100%	780,031.00	100%
Industry Personnel Services Sp. z o.o.	29 042 490,00	100%	27,670,490.00	100%
Exact Systems S.A.	14,223,016.95	69.9%	14,223,016.95	76%
Antal Sp. z o.o. (previous name People Care Sp. z o.o.)	21 461 964,29	100%	800,000.00	100%
Virtual Cinema Studio Sp. z o.o.	25,000.00	50%	25,000.00	50%
Work Service International Sp. z o.o.	22 660 328,80	100%	660,328.80	100%
Sellpro Sp. z o.o.	57 599 597,20	100%	9,599,597.20	100%
Work Service Acquisitions Ltd	1,777,032.29	100%	1,777,032.29	100%
Proservice Worldwide (Cyprus) Ltd	81,245,128.72	100%	81,245,128.72	100%
Clean Staff Sp. z o.o. (previous name: Medi Staff Sp. z o.o.)	17 477 500,00	100%	8,225,000.00	83.3%
Krajowe Centrum Pracy Sp. z o.o.	2 799 915,20	75.0%	1,569,215.20	75.0%
Work Service IP Cyprus Ltd	4,560.00	100%	4,560.00	100%
IT Kontrakt Group	60,516,474.21	84.2%	60,516,474.21	84.2%
Antal International Sp. z o.o.	0,00	0.00%	10,661,964.30	100%
Work Express Group	67,604,819.00	100%	67,604,819.00	100%
Prohuman 2004 Kft	122 179 078,29	75.0%	121,808,231.28	75.0%
Work Service SPV Sp. z o.o.	32 056 714,60	76.9%	28,478,294.00	76.9%
Work Service Finance Sp. z o.o.	0.00	0.00%	500,000.00	100%
Work Service Czech s.r.o.	6,550,013.69	100%	6,550,013.69	100%
TOTAL	**538 830 964,25**		**442,699,169.64**	

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

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

Credit risk

Assets that are mostly exposed to credit risk are, primarily, receivables for services rendered. These receivables are characterised by a relatively high concentration, which results from the nature of the portfolio of customers. The Management Board of the Company reduces the credit risk by entering into collaboration with partners of a renowned position and good financial standing. This risk is further limited by

the use of credit risk management instruments such as factoring or insurance of receivables. The Management Board believes that credit risk faced by the company have been properly assessed. It was reflected in the books by making appropriate write-downs.

Liquidity risk

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

Other market risks

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

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

Foreign exchange/currency risk

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

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

  The risk of conversion is of a "paper" nature, which means that it does not affect the cash flows unless the items exposed to the risk are realized.
- Economic risks relating to changes in exchange rates, which may permanently affect the competitiveness and market value of the company through an increase in the cost or decrease in the planned income from foreign commercial operations. Economic risk is equated with the long-term risk, very difficult to quantify and forecast.
- The transaction risk, also called contractual risk, is a result of breach of contractual obligations by the transaction participants as well as a result of circumstances beyond their control, having the nature of force majeure events. Basic transaction risks, which do not belong to the circumstances of force

majeure, are expressed primarily in choosing dishonest partner (counterparty), or one who, for reasons largely beyond its control, fails to comply with the agreement. Consequence of the choice of such a partner may include the lack of or incomplete payment for a service, or delay in settling payments. Contractual risk may also arise from differences of interpretation in relation to individual contract data. To reduce the risk, conclusion of the contract is preceded by obtaining relevant information about a counterparty and its financial condition, as well as an analysis of contractual clauses to prevent the possibility of their different interpretation. The contract risk level specifies the size of the capital employed, both direct and indirect, associated with the possibility of incurring losses due to non-performance or improper performance of obligations of the counterparty. The risk management in the Company comes down to not admitting to enter into contracts with counterparties whose financial condition does not guarantee the repayment of capital employed in the execution of the contract, or, e.g. implemented policy on insuring trade receivables.

- Foreign currency risk occurs when there is an imbalance between the amount of assets and liabilities denominated in the same foreign currency and with the same maturity (open currency position). Depending on which side prevails (assets or liabilities) we are talking about a long or short position in the currency. Where:
  a) assets denominated in foreign currency = liabilities denominated in foreign currency —> closed currency position,
  b) assets denominated in foreign currency > liabilities denominated in foreign currency —>open long foreign currency position,
  c) assets denominated in foreign currency < liabilities denominated in foreign currency —> open short currency position.

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

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

Interest rate risk

The Company has financial assets in bank accounts, receivables from borrowings granted, as well as liabilities under factoring, leasing, bank credit and bonds issued. Interest rate risk is related to interest payments resulting from financial instruments for which interest rate is based on a variable interest rate. Short-term trade receivables and liabilities are not exposed to interest rate risk because the revenues and expenses of these titles are irrelevant. At the reporting date, the Company used the tools of hedging against changes in interest rates, as described in item “Interest rate risks as at 31 December 2016”. All assets and great majority of financial liabilities bear interest determined for PLN.

Interest rate risk as at 31 December 2016

Financial instruments by maturities as at 31 December 2016

27.1. Specification	< 1 year	1-5 years	>5	Total
Variable interest rate				
- cash and cash equivalents	161 019,56	0,00	0,00	**161 019,56**
- borrowings granted	121 261 721,23	3 075 000,00	0,00	**124 336 721,23**
- borrowings received	168 652 888,68	0,00	0,00	**168 652 888,68**
- loans taken	25 029 249,90	123 588 042,21	0,00	**148 617 292,11**
- bonds	19 691 508,89	91 797 244,30	0,00	**111 488 753,19**

Financial risk management

Financial risk factors

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

Market risk

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

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

Credit risk

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

Company, the recipients pay particular attentionto timely meeting of their obligations, hence the relatively low proportion of trade receivables which are subject to collection activities of the Company's financial services.

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

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

The following table presents main financial instruments used by the Company in the years 2015-2016

27.1.1. Categories of financial instruments:	**31.12.2016**	**31.12.2015**
Financial assets	**194 810 873,52**	**186,270,272.81**
cash and cash equivalents	161 019,56	985,588.17
trade and other receivables	70 313 132,73	71,952,218.95
borrowings granted.	124 336 721,23	113,332,465.69
Financial liabilities	**473 665 714,00**	**381 941 966,29**
bank loans	148 617 292,11	162 587 170,89
loan liabilities	168 652 888,68	77 652 348,18
bonds	111 488 753,19	112 483 254,53
factoring	6 415 392,45	11 055 280,35
zobowiązania z tytułu leasingu	4 194 278,18	4 980 025,55
trade and other liabilities	34 297 109,39	13 183 886,79

27.1.2.	Contracted cash flows 2016				
Financial assets	**Present value**	**Total**	**up to 1 year**	**1–5 years**	**>5 years**
Measured at fair value through profit or loss	161 019,56	161 019,56	161 019,56	0,00	0.00
Measured at amortised cost	194 649 853,96	194 649 853,96	191 574 853,96	3 075 000,00	0.00

27.1.3.	Contracted cash flows 2016				
Financial liabilities	**Present value**	**Total**	**up to 1 year**	**1–5 years**	**>5 years**
Measured at fair value through profit or loss	168 652 888,68	168 652 888,68	168 652 888,68	0,00	0.00
Measured at amortised cost	298 597 432,87	298 597 432,87	51 322 847,58	217 274 585,29	0.00

27.1.4.	Contracted cash flows 2015				
Financial assets	**Present value**	**Total**	**up to 1 year**	**1–5 years**	**>5 years**
Measured at fair value through profit or loss	985,588.17	985,588.17	985,588.17	0.00	0.00
Measured at amortised cost	186,270,272.81	186,270,272.81	186,270,272.81	0.00	0.00

27.1.5.	Contracted cash flows 2015				
Financial liabilities	**Present value**	**Total**	**up to 1 year**	**1–5 years**	**>5 years**
Measured at fair value through profit or loss	311 227,99	311 227,99	311 227,99	0,00	0.00
Measured at amortised cost	370 575 457,95	370 575 457,95	367 905 573,78	2 669 884,17	0.00

27.1. Liabilities due to loans as at 31 December 2016							
Entity business name	**Amount of loan/borrowing according to the agreement**		**Outstanding amount of loan/borrowing**		**Interest rate conditions**	**Maturity date**	**Collaterals**
Loans:	PLN	waluta	PLN	waluta			
Bank Zachodni WBK S.A.	32 000 000,00	PLN	27 888 901,99	PLN	WIBOR 1M + bank margin	18.11.2018	Guarantee, pledge on bank accounts, assignment of rights under insurance policy, contractual pledges on assets, contractual pledges on shares, mortgage. Declaration on submission to enforcement
Bank Millennium S.A.	32 000 000,00	PLN	29 594 276,62	PLN	WIBOR 1M + bank margin	18.11.2018	as above
BGŹ BNP Paribas S.A.	32 000 000,00	PLN	21 951 382,61	PLN	WIBOR 1M + bank margin	18.11.2018	as above
Raiffeisen Bank Polska S.A	32 000 000,00	PLN	27 841 162,73	PLN	WIBOR 1M + bank margin	18.11.2018	as above
Bank Zachodni WBK S.A.	14 250 000,00	PLN	12 112 500,00	PLN	WIBOR 3M + bank margin	25.11.2018	Guarantee, pledge on bank accounts, assignment of rights under insurance policy, contractual pledges on assets, contractual pledges on shares, mortgage. Declaration on submission to enforcement
Bank Millennium S.A.	14 250 000,00	PLN	12 112 500,00	PLN	WIBOR 3M + bank margin	25.11.2018	as above
Raiffeisen Bank Polska S.A	14 250 000,00	PLN	12 112 500,00	PLN	WIBOR 3M + bank margin	25.11.2018	as above
BGŻ BNP Paribas S.A.	14 250 000,00	PLN	12 112 500,00	PLN	WIBOR 3M + bank margin	25.11.2018	as above
Powszechna Kasa Oszczędności Bank Polski S.A.	55 000 000,00	PLN	0,00	PLN	WIBOR 1M + bank margin	30.08.2019	Pledge on shares in the Hungarian company, statement of submission to enforcement proceedings

TOTAL LOANS		
TOTAL LOANS	149 726 385,74	PLN
ADJUSTMENT TO ADJUSTED ACQUISITION PRICE	1 109 093,63	PLN
TOTAL LOANS	148 617 292,11	PLN

27.2. Liabilities due to loans as at 31 December 2015							
Entity business name	**Amount of loan/borrowing according to the agreement**		**Outstanding amount of loan/borrowing**		**Interest rate conditions**	**Maturity date**	**Collaterals**
Loans:	PLN	currency	PLN	currency			
Bank Zachodni WBK S.A.	32,000,000.00	PLN	23,523,463.69	PLN	WIBOR 1M + bank margin	18.11.2018	Guarantee, pledge on bank accounts, assignment of rights under insurance policy, contractual pledges on assets, contractual pledges on shares, mortgage. Declaration on submission to enforcement
Millennium Bank S.A.	32,000,000.00	PLN	31,761,442.25	PLN	WIBOR 1M + bank margin	18.11.2018	as above
BGŻ BNP Paribas S.A.	32,000,000.00	PLN	20,810,266.85	PLN	WIBOR 1M + bank margin	18.11.2018	as above
Raiffeisen Bank Polska S.A	32,000,000.00	PLN	31,882,696.14	PLN	WIBOR 1M + bank margin	18.11.2018	as above
Bank Zachodni WBK S.A.	14,250,000.00	PLN	14,250,000.00	PLN	WIBOR 3M + bank margin	25.11.2018	Guarantee, pledge on bank accounts, assignment of rights under insurance policy, contractual pledges on assets, contractual pledges on shares, mortgage. Declaration on submission to enforcement
Millennium Bank S.A.	14,250,000.00	PLN	14,250,000.00	PLN	WIBOR 3M + bank margin	25.11.2018	as above
Raiffeisen Bank Polska S.A	14,250,000.00	PLN	14,250,000.00	PLN	WIBOR 3M + bank margin	25.11.2018	as above
BGŻ BNP Paribas S.A.	14,250,000.00	PLN	14,250,000.00	PLN	WIBOR 3M + bank margin	25.11.2018	as above

TOTAL LOANS		
TOTAL LOANS	164,977,868.93	PLN
ADJUSTMENT TO ADJUSTED ACQUISITION PRICE	2,390,698.04	PLN
TOTAL LOANS	162,587,170.89	PLN

	FC	IPS	ANT	WSI	czWS	skWS	rumEXT	gerKON	EXT	AAS
Revenue	3 464 681,32	4 693 702,63	4 189 712,79	682 112,06	2 021 153,01	388 531,03	0,00	500,00	15 440 167,83	339 907,13
Costs	221 029,62	36 879 273,76	964 007,26	14 491 844,61	969 045,64	8 405,32	0,00	0,00	621 865,72	0,00
Receivables	1 262 233,98	0,00	889 828,32	0,00	1 979 824,79	822 183,44	134 627,39	0,00	31 344,49	99 516,23
Long-term liabilities	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Short-term liabilities	3 840 677,68	17 029 104,87	4 051 873,71	11 336 051,28	227 653,24	0,00	0,00	0,00	15 582 553,78	0,00
Borrowings granted	1 517 552,41	0,00	1 517 328,83	0,00	5 967 546,06	1 545 078,97	0,00	0,00	38 813 284,95	0,00

	cyPRO	zaoPRO	SEL	gerEXT	CLEAN	ruEXT	KCP	ger24WS	skoutWS	itKON
Revenue	448 498,08	2 407 637,59	49 520 814,05	0,00	384 314,68	0,00	3 242 967,99	50 248,36	8 400,00	2 515 664,75
Costs	0,00	22,04	5 104 534,35	0,00	371 970,86	10 326,31	18 605 424,12	8 400,00	8 405,32	1 136 408,52
Receivables	40 615 684,26	9 034 203,47	0,00	3 190,00	27 895,17	0,00	276 401,24	407 496,94	0,00	99 523,32
Long-term liabilities	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Short-term liabilities	0,00	0,00	22 512 038,37	0,00	5 945 209,44	0,00	1 898 279,94	51 129,09	0,00	33 023 752,76
Borrowings granted	11 696 134,11	24 075 998,92	0,00	0,00	308 094,02	0,00	1 934 599,30	22 436,02	0,00	0,00

	cyLWS	cyLEXT	presWS	presBUS	presLOG	presCL	presOSP	humPRO	humOUT	fiegSPV
Revenue	654 007,50	0,00	5 806 058,99	43 455,10	810 771,89	44 841,54	2 076 632,72	51 663,44	8 400,00	331 576,35
Costs	0,00	0,00	3 431 926,14	81 499,72	4 775 811,98	231 794,65	300 858,65	2 803 250,38	8 400,00	0,00
Receivables	0,00	5 827,07	527 103,42	6 588,85	6 418,28	6 834,18	0,00	23 598,24	8 400,00	84 084,00
Long-term liabilities	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Short-term liabilities	0,00	0,00	26 308 466,22	103 944,32	1 789 094,97	213 388,12	21 189,42	50 090 287,12	8 400,00	0,00
Borrowings granted	0,00	0,00	8 531 599,88	0,00	0,00	0,00	0,00	0,00	0,00	10 338 241,80

	fiegOUT	fiegKG	humEXI	antCZ	antGER	antSK	antHU	trKON	crsPEXT	natSLV
Revenue	8 400,00	33 735,39	8 400,00	500,00	10 121,53	6 975,22	14 719,39	0,00	161 383,28	1 860,00
Costs	8 400,00	8 400,00	8 400,00	0,00	8 400,00	0,00	8 400,00	0,00	0,00	0,00
Receivables	8 400,00	30 917,69	8 400,00	500,00	17 123,58	6 975,22	8 400,00	5 706,30	1 343,76	50,56
Long-term liabilities	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Short-term liabilities	8 400,00	145 741,59	8 400,00	0,00	0,00	0,00	8 400,00	200 134,00	0,00	0,00
Borrowings granted	0,00	3 531 085,07	0,00	0,00	0,00	0,00	0,00	0,00	3 086 125,60	0,00

	humFIE	skWSK	KAR	skEXT	sterKON	fiegWS	humHR	fiegKG	skWSK	Total
Revenue	8 400,00	545 449,46	465 721,08	0,00	24 800,00	129 329,45	8 400,00	33 735,39	545 449,46	101 054 615,63
Costs	8 400,00	0,00	0,00	314 851,14	1 864 024,18	8 400,00	8 400,00	8 400,00	0,00	93 280 640,29
Receivables	8 400,00	550 699,52	572 836,93	0,00	16 359,00	127 929,44	8 400,00	30 917,69	550 699,52	57 725 249,08
Long-term liabilities	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Short-term liabilities	8 400,00	0,00	0,00	314 188,58	364 886,95	0,00	8 400,00	145 741,59	0,00	195 100 045,45
Borrowings granted	0,00	0,00	0,00	0,00	0,00	0,00	0,00	3 543 168,74	0,00	108 099 950,67

Glossary — Work Service Capital Group Companies

ABBREVIATION	NAME
WSSA	Work Service S.A.
IPS	I Industry Personnel Services Sp. z o.o.
ANT	ANTAL Sp.z o.o.
FC	Finance Care Sp. z o.o.
WSI	Work Service International Sp. z o.o.
SEL	Sellpro Sp. z o.o.
CLEAN	Clean Sp.z o.o.
KCP	Krajowe Centrum Pracy Sp.z o.o.
EXT	Exact Systems S.A.
AAS	Automotive Assembly Systems Sp. z o.o.
skEXT	Exact Systems S owacja s.r.o.
czEXT	Exact Systems Czech Republic s.r.o.
gerEXT	Exact Systems GmbH
ruEXT	Zao Exact Systems
rumEXT	Exact Systems s.r.l.
turEXT	Exact Systems Kalite Kontrol Ltd. Sti.
skWS	Work Service Slovakia s.r.o.
skoutWS	Work Service Slovakia Outsourcing s.r.o.
czWS	Work Service Czech s.r.o.
ger24WS	Work Service 24 GmbH
cyPRO	Proservice Worldwide Limited
bviPRO	Proservice Worldwide Limited (BVI)
zaoPRO	ZAO Work Service Russia
itKON	IT Kontrakt
gerKON	IT Kontrakt Gmbh
sterKON	Stermedia sp. z o.o.
cyLEXT	Exact Systems Ltd
presWS	WorkExpress Sp.z o.o.
ukEXT	Exact Systems Ltd (UK)
presBUS	Workbus Sp.z o.o.
presLOG	LogistykaPL Sp.z o.o.
presCL	Clean24h Sp.z o.o.
presOSP	Outsourcing Solutions Partner Sp.o.o.
humPRO	Prohuman 2004 Kft
humOUT	Prohuman Outsourcing Kft
fiegSPV	Work Service SPV Sp.z o.o.
fiegGP	Work Service GP GmbH
fiegWS	Work Service Deutschland GmbH
fiegOUT	Work Service Outsourcing Deutschland GmbH
fiegKG	Workservice GmbH & Co.KG
humEXI	Human Existence Kft
swissKON	IT Kontrakt AG
antGER	Enloyd GmbH
antCZ	Antal International s.r.o.(Czechy)
antSK	Antal International s.r.o. (S owacja)
antHU	Enloyd Kft
mgtPRO	OOO EMG-Management

leasPRO	OOO EMG-Leasing
hunEXT	Exact Systems Hungary Kft
trKON	IT Service Sp. z o. o
janePRO	Janeever
fiegWSF	Work Service Fahrschuhe QC GmbH
crsPEXT	Control+Rework Service Sp. z o. o.
crsBEXT	Control+Rework Service NV
natHR	HR Global d.o.o.
natSLV	Naton kadrovsko-svetanoje d.o.o.
humHR	HR-Rent Kft
humFIE	Profield 2008 rt kes t s T mogat Kft.
itkPRO	IT Kontrakt OOO
chnEXT	Exact Systems China Limited
skWSK	Work Service SK s.r.o.
malKON	It Kontrakt Services Sendirian Berhad
KAR	Kariera.pl Sp.zo.o.
humFC	Finance Care Hungar Kft

Note 28.1 Transactions with personally related entities

2016	Hubert Rozpędek	Prologics UK	PTM Pawlos Mandzios	Pawlos Mandzios	Rochamn Dariusz GRUPA AIDE	Everett Kamin	Workseource Investments S.A.R.L.
Revenue	500,00	178 365,76	856,87	175,49	20 603,02	4 415,66	
Costs		913 531,72					
Receivables	500,00	978 365,76	856,87	175,49	20 603,02	4 415,66	
Liabilities							587 810,61

2016	Christodoulos G. Vassiliades and Co LLC	Panos N. Sofianos	Hanna Witucka	Dariusz Rochman	Tomasz Hanczarek	Ewa Misiak	Tomasz Misiak
Revenue							
Costs	4 712,42		6 899,07		256 834,38		560 460,54
Receivables				97,76	52 424,13	15 301,62	39 478,13
Liabilities	4 712,42	63 001,88	6 899,07	2 070,16		1 815,98	

2016	Tomasz Ślęzak	Robert Knights	Maciej Witucki	Paul Christodoulou	Tomasz Hanczarek Doradztwo	**Total**
Revenue						204 916,80
Costs	409,17					1 742 847,30
Receivables		250 967,66	1 980,46	425 679,33	15 000,00	1 805 845,89
Liabilities	409,17					666 719,29

2015	Prologic UK	PTM Pawlos Mandzios	Pawlos Mandzios	Everett Kamin	Workseource Investments S.A.R.L.	Panos N. Sofianos	Dariusz Rochman
Revenue	0,00	1 029,49	175,49		0,00		
Costs	266 013,29	0,00		73 438,14	72 899,35	63 001,88	
Receivables	0,00	1 029,49	175,49		0,00		156 289,55
Liabilities	0,00	0,00		73 438,14	0,00	63 001,88	

2015	Tomasz Hanczarek	Ewa Misiak	Tomasz Misiak	Tomasz Ślęzak	Robert Knights	Paul Christodoulou	**Total**
Revenue							**1 204,98**
Costs	50 359,84		142 622,56	403,70	484,00		**669 222,76**
Receivables	50 000,00	14 168,27	12 451,41		251 451,66	561 954,96	**1 047 520,83**
Liabilities				403,70	484,00		**137 327,72**

Note 29

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

No differences.

Note 30

List of off-balance sheet liabilities

30.1. Contingent liabilities			
Title of contingent liability	**Type of collateral**	**31.12.2016**	**31.12.2015**
	transfer of ownership of the financed assets	-	-
	assignment of receivables	-	-
	blank promissory note with a blank promissory note agreement	-	-
	surety	82 880 000,00	82 880 000,00
	bank enforcement title	315 000 000,00	216 000 000,00
	registered pledge on movable property	-	-
Loan collateral*	registered pledge on assets	-	-
	blank promissory note with a blank promissory note agreement	4 144 375,13	4 878 476,94
Lease collateral	endorsement	-	-
Performance guarantee	guarantee	9 294 100,46	4 360 296,87

*** up to the actual amount of loans taken, together with additional costs, i.e. up to the amount of bank performance titles issued.**

<u>Investment agreement of 5 August 2016 concluded between Work Service S.A., Exact Systems S.A., Paweł Gos, Lesław Walaszczyk, Tomasz Wojciech Misiak, Tomasz Hanczarek and other investors</u>

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

In order to implement the investment agreement, on 4 August 2016, the General Meeting of Shareholders of the Company adopted resolution to increase the Company's share capital by issuing 56,950 registered shares of the Company of series B, BA, BB, BC, BD, BE, BF, BG, BH ("Series B Shares") with exclusion of pre-emptive rights, and the Company offered these shares to the investors at an issue price of PLN 300 per share ("Issue Price") to obtain funds for acquisitions and for the implementation of its organic growth, as well as for the optimisation if its financing structure.

The investors took up all the Company shares offered, representing approximately 5.3881% of the total number of shares in Exact Systems S.A. and accounting for approximately 5.3881% of votes at the General Meeting for the total amount of PLN 17,085,000 with the intention of obtaining a favourable return on investment in the Company by selling the Company's shares on the private market (to the Company, to a majority shareholder of the Company or to a strategic investor) or regulated market (in the case of introducing the Company's shares to trading on a regulated market).

Pursuant to the agreement, the investors guarantee that the Company may acquire — after the period of 6 months from the date of signing the Agreement and until 18 November 2018 — Series B Shares at the Company's request (Call Option), on condition of receiving a fixed remuneration from the Company. Acquisition by the Company of Series B Shares, i.e. exercising of the Call Option, will be carried out — according to the decision of the Management Board — pursuant to Article 362 § 1 item 8 of the Code of Commercial Companies (for further resale) or pursuant to Article 362 §1 item 5 of the Code of Commercial Companies (for redemption). The Management Board has the right to decide how many shares to acquire and in what mode. The sale price of Series B Shares for the purpose of exercising the Call Option was determined in accordance with the formula set out in the investment agreement, depending on the date of execution of the Call Option. On 21 September 2016, the Company made a statement in which it committed itself to the investors not to exercise the Call Option. The commitment not to exercise the Call Option is effective from the date of approval of the Prospectus to the date of completion of 90% of issue objectives indicated by the Company in the Prospectus.

The agreement will remain in force as long as any of the investors is a shareholder of the Company, but no longer than until 31 December 2020.

<u>Investment agreement of 24 November 2016 concluded between Work Service, Exact Systems S.A., Paweł Gos, Lesław Walaszczyk, Tomasz Wojciech Misiak, Tomasz Hanczarek and other investors.</u>

On 24 November 2016, Work Service, Exact Systems S.A., Paweł Gos, Lesław Walaszczyk, Tomasz Wojciech Misiak, Tomasz Hanczarek and other investors concluded an investment agreement defining the terms of investors' investments in shares of Exact Systems S.A., lock-up of the ability to dispose of or pledge the shares of the Company acquired by the investors and exit of the investors from this investment.

In order to implement the investment agreement, on 24 November 2016, the General Meeting of Shareholders of the Company adopted resolution to increase the Company's share capital by issuing 43,500 registered shares of the Company of series C, CA, CB, CC, CD, CE, CF, CG, CH ("Series C Shares") with exclusion of pre-emptive rights, and the Company offered these shares to the investors at an issue price of PLN 30 per share ("Issue Price") to obtain funds for acquisitions and for the implementation of its organic growth, as well as for the optimisation if its financing structure.

The investors took up all the Company shares offered, representing approximately 3,914% of the total number of shares in Exact Systems S.A. and accounting for approximately 3,914% of votes at the General Meeting for the total amount of PLN 12,915,000 with the intention of obtaining a favourable return on investment in the Company by selling the Company's shares on the private market (to the Company, to a majority shareholder of the Company or to a strategic investor) or regulated market (in the case of introducing the Company's shares to trading on a regulated market).

Pursuant to the agreement, the investors guarantee that the Company may acquire — after the period of 6 months from the date of signing the Agreement and until 18 November 2018 — Series C Shares at the Company's request (Call Option), on condition of receiving a fixed remuneration from the Company. Acquisition by the Company of Series C Shares, i.e. exercising of the Call Option, will be carried out — according to the decision of the Management Board — pursuant to Article 362 § 1 item 8 of the Code of Commercial Companies (for further resale) or pursuant to Article 362 §1 item 5 of the Code of Commercial Companies (for redemption). The Management Board has the right to decide how many shares to acquire and in what mode. The sale price of Series C Shares for the purpose of exercising the Call Option was determined in accordance with the formula set out in the investment agreement, depending on the date of execution of the Call Option. The estimate exercise value of the Call Option for all Series C Shares ranges from PLN

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

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

valuation of the Put II Option in PLN	series B	series C	total
as at 31 December 2016	22 236 241.40	16 537 614.45	38 773 855.85

As at 31 December 2016, the Company disclosed the value of the Put II Option valuation as a contingent liability.

On 24 February 2016, a Factoring Agreement (with client's policy) and Factoring Agreement (without policy) were signed by Work Service SA.
The subject matter of the Agreement is:
Financing Work Service SA and its subsidiaries (IT Kontrakt Sp. z o.o., Work Express Sp. z o.o.) in the amount of PLN 37,000,000 by Raiffeisen Bank Polska S.A.
The Agreement provides for establishing of standard collateral for this type of agreements, including in particular:
1. Assignment of rights to compensation under the policy in relation to counterparties' liabilities covered by the Factoring Agreement.
2. Promissory note declaration pursuant to the Civil Law issued to Work Service SA.
3. Authorisation to bank accounts.
The Factoring Agreement does not deviate from market standards followed in similar factoring agreements. The said Agreement meets the criteria for recognition as valid agreement due to the fact that its value exceeds the equivalent of at least 10% of Work Service SA's equity.

On 15 June 2016, Work Service SA signed Annex No 3 to the Framework Agreement on concluding treasury transactions at Bank Millennium S.A. together with the agreement on transfer of ownership of monetary amounts No 4686/13/410/04 of 12 June 2013.
The Subject matter of the Annex is:
Increasing the Treasury Limits granted to Work Service SA,
Establishing collateral for the Framework Agreement in the form of a Notarial Deed,
Introducing changes to the wording of the "Rules for Spot, Futures and Derivative Transactions in Bank Millennium S.A." within the scope of the definitions of Interest Basis, DREF/BREF and the formulas for calculating the interest periods.
Detailed conditions of the Annexes to the Agreement within the scope of concluding treasury transactions do not differ from market standards used in similar agreements.

On 18 November 2015, a loan agreement was signed between Bank BGŻ BNP Paribas S.A. as the creditor and agent, banks: Millennium S.A., Raiffeisen Bank Polska S.A., Bank Zachodni WBK S.A. as creditors and Work Service SA as the borrower, and guarantors.
Under this agreement, the above creditors granted a working capital loan aimed at financing working capital of the Work Service Group, including in particular for the refinancing of repaid debt and debt repaid in 2015, as well as refinancing loan for refinancing of an acquisition loan. On 30 December 2016, a working capital credit agreement was signed with PKO BP Bank Polski. Under this agreement, the bank provided the Company with cash to be used for the financing of working capital needs or acquisition liabilities. Main liabilities under the refinancing loan and working capital loan, in accordance with the loan agreement, are presented in the following table:

Creditor	Liabilities under the refinancing loan	Liabilities under the working capital loan
Bank BGŻ BNP Paribas S.A	12 112 500 PLN	PLN 32,000,000
Bank Millennium S.A.	12 112 500 PLN	PLN 32,000,000
Bank Zachodni WBK S.A.	12 112 500 PLN	PLN 32,000,000
Raiffeisen Bank Polska S.A.	12 112 500 PLN	PLN 32,000,000
Powszechna Kasa Oszczędności Bank Polski S.A.		PLN 55,000,000

Collaterals to the loan agreement

- Assignment of receivables,
- Pledge on bank accounts,
- Pledge on shares,
- Pledge on receivables,
- Authorisation to bank accounts,
- Submission to enforcement,
- Subordination agreement,
- Mortgages.

No.	Surety on behalf of	Promissory note beneficiary	Surety subject	Agreement date	Agreement expiry date	Amount covered by the surety (gross)
1.	Sellpro Sp. z o.o.	BNP PARIBAS factor Sp. z o.o.	Amount receivable under a factoring agreement	Annex increasing the limit dated 19 October 2015	Indefinite term	41 800 000,00
2.	Finance Care Sp. z o.o.	BNP PARIBAS factor Sp. z o.o.	Amount receivable under a factoring agreement	Annex increasing the limit dated 19 October 2015	Indefinite term	41 800 000,00
3.	Industry Personnel Services Sp. z o.o.	BNP PARIBAS factor Sp. z o.o.	Amount receivable under a factoring agreement	Annex increasing the limit dated 19 October 2015	Indefinite term	41 800 000,00
4.	Work Service International Sp. z o.o.	BNP PARIBAS factor Sp. z o.o.	Amount receivable under a factoring agreement	Annex increasing the limit dated 19 October 2015	Indefinite term	41 800 000,00
5.	IT Kontrakt Sp. z o.o.	BNP PARIBAS factor Sp. z o.o.	Amount receivable under a factoring agreement	1 October 2014/ launching + Annex increasing the limit dated 19 October 2015	Indefinite term	41 800 000,00
6.	Work Express Sp. z o.o.	BNP PARIBAS factor Sp. z o.o.	Amount receivable under a factoring agreement	1 October 2014/ launching + Annex increasing the limit dated 19 October 2015	Indefinite term	41 800 000,00
7.	Industry Personnel Services Sp. z o.o.	BZWBK Factor Sp. z o.o.	Amount receivable under a factoring agreement	23 November 2015/ launching	30.09.2017	37 500 000,00
8.	Finance Care Sp. z o.o.	BZWBK Factor Sp. z o.o.	Amount receivable under a factoring agreement	23 November 2015/ launching	30.09.2017	37 500 000,00
9.	Sellpro Sp. z o.o.	BZWBK Factor Sp. z o.o.	Amount receivable under a factoring agreement	23 November 2015/ launching	30.09.2017	37 500 000,00
10	Industry Personnel Services Sp. z o.o.	Bank Millennium S.A.	Amount receivable under a factoring agreement	Annex increasing the limit dated 3 June 2016	09.05.2017	41 800 000,00
11	Sellpro Sp. z o.o.	Bank Millennium S.A.	Amount receivable under a factoring agreement	Annex increasing the limit dated 18 August 2015	09.05.2017	41 800 000,00
12	Finance Care Sp. z o.o.	Bank Millennium S.A.	Amount receivable under a factoring agreement	Annex increasing the limit dated 2 June 2016	09.05.2017	41 800 000,00

13	Exact Systems S.A.	Bank Millennium S.A.	Amount receivable under a factoring agreement	Annex increasing the limit dated 30May 2016	09.05.2017	41 800 000,00
14	Automotive Assembly Systems Sp. z o.o.	Bank Millennium S.A.	Amount receivable under a factoring agreement	Annex increasing the limit dated 30May 2016	09.05.2017	41 800 000,00
15	Work Service International Sp. z o.o.	Bank Millennium S.A.	Amount receivable under a factoring agreement	Annex increasing the limit dated 16 June 2016	09.05.2017	41 800 000,00
16	Antal Sp. z o.o.	Bank Millennium S.A.	Amount receivable under a factoring agreement	Annex increasing the limit dated 16 June 2016	09.05.2017	10 000 000,00
17	Krajowe Centrum Pracy Sp. z o.o.	Bank Millennium S.A.	Amount receivable under a factoring agreement	Annex increasing the limit dated 23 June 2016	09.05.2017	10 000 000,00
18	Logistyka Sp. z o.o.	Bank Millennium S.A.	Amount receivable under a factoring agreement	Annex increasing the limit dated 16 June 2016	09.05.2017	10 000 000,00
19	Outsourcing Solutions Partner Sp. z o.o.	Bank Millennium S.A.	Amount receivable under a factoring agreement	Agreement concluded on 13 April 2015 + Annex increasing the limit dated 26 June 2015. Annex increasing the limit dated 16 June 2016	09.05.2017	41 800 000,00
20	Work Express Sp. z o.o.	Bank Millennium S.A.	Amount receivable under a factoring agreement	Agreement concluded on 9 April 2015 + Annex increasing the limit dated 26 June 2015. Annex increasing the limit dated 18 July 2016	09.05.2017	10 000 000,00
21	IT Kontrakt Sp. z o.o.	Raiffeisen Bank Polska S.A.	Amount receivable under a factoring agreement	2 September 2014/ launching + Annex increasing the limit dated 9 February 2016	09.05.2019	37 000 000,00
22	Work Express Sp. z o.o.	Raiffeisen Bank Polska S.A.	Amount receivable under a factoring agreement	2 September 2014/ launching + Annex increasing the limit dated 4 February 2016	09.05.2019	37 000 000,00

On 19 October 2015, Work Service SA, Industry Personnel Service Sp. z o.o., Sellpro Sp. z o.o., Finance Care Sp. z o.o., Work Service International Sp. z o.o., Work Express Sp. z .o.o. and IT Kontrakt Sp. z .o.o signed annexes to factoring agreements with BNP Paribas Factor Sp z o.o. under which the global factoring limit was increased to PLN 41,800,000.00.
On 12 May 2014 the following companies concluded a factoring agreement with Bank Millenium S.A.: Work Service International Sp. z o.o., Automotive Assembly Systems Sp. z o.o., Exact Systems S.A. (non-recourse/recourse factoring) Medi Staff Sp. z o.o., People Care Sp. z o.o. and Krajowe Centrum Pracy Sp. z o.o.(recourse factoring).
On 26 June 2015, all Work Service Capital Group companies who had or concluded new factoring agreements with Bank Millenium S.A. signed an annex increasing the global factoring limit to PLN 41,800,000. Additional collateral for the increase of the global factoring limit for Bank Millenium S.A. were sureties of the Parent Company for Group companies and assignment of rights under insurance policy.
On 2 September 2015, IT Kontrakt Sp. z o.o. and Work Express Sp. z o.o. signed a factoring agreement with Raiffeisen Bank Polska S.A. On 18 August 2015, these companies signed an annex under which the global factoring limit was increased to PLN 23,000,000 for both companies. An additional collateral for the Factor is a blank promissory note and endorsement between companies in the Group.
On 23 November 2015, Work Service Capital Group companies concluded a factoring agreement with BZ WBK Sp. z o.o. under which they were granted a global factoring limit of PLN 37,500,000.00. The agreement is secured with a blank promissory note and assignment of rights under insurance policy.

Note 31

Information on average employment by occupational group.

Average employment in each year	**2016**	**2015**
White collar employees	373	296
Blue-collar workers	0	0
Total	**373**	**296**

Note 32

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

Remuneration	**2016**	**2015**
Remuneration paid by the Company under employment contracts and supervision agreements:	**2 587 202,76**	**4,720,893.18**
- Management Board	2 253 202,76	4,594,393.18
- Supervisory Board	334 000,00	126,500.00
Remuneration paid by the Company for business services provided:	**2 658 282,30**	**471,064.35**
- Management Board	2 658 282,30	471,064.35
- Supervisory Board	0,00	0.00
Total	**5 245 485,06**	**5,191,957.53**

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

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

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

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

Note 33
Material court cases as at 31 December 2016

Claimant/ Creditor	Defendant/ Debtor	Subject matter of the dispute/ Value of the subject of the dispute	Anticipated costs of court proceedings	Current status of proceedings
Work Service SA	Dominik Urbański Maciej Czysz Lechosław Olszewski	PLN 366,029.98	Incurred costs of court entry and prepayments in the enforcement. The enforcement may involve additional prepayments.	The court proceedings against Maciej Czysz are pending, currently at the stage of the appeal proceedings, the next hearing on 30 March 2017; the payment order in the proceedings by writ of payment issued by the District Court in Poznań, 9th Commercial Division, against Dominik Urbański and Lechosław Olszewski became final on 02.02.2015 (file no.: IX GNc1544/14) and the enforcement proceedings against Marek Przywecki are pending by the Court Enforcement Officer at the District Court Poznań-Grunwald and Jeżyce in Poznań (file no.: KM 482/15 and KM 755/15). So far, both proceedings have been ineffective.
Work Service SA	Pielle sp. z o. o.	PLN 122,465.49	Court registration costs incurred.	Case at the stage of the enforcement proceedings, currently two real properties have been seized. It is difficult to estimate chances for the settlement.
Tomasz Bernecki	Work Service SA	PLN 188,587.00	At the moment, the proceedings are not generating any costs.	Case in progress, the next court hearing was scheduled for 29 March 2017.
BCT – Bałtycki Terminal Kontenerowy sp. z o. o.	Work Service SA	PLN 122,000.00	At the moment, the proceedings are not generating any costs. If Work Service loses the case, it will be obliged to pay PLN 6,925 on account of the costs of the proceedings before the Court of First Instance and the amount awarded by the Court of Appeal.	On 22 December 2016, the decision was issued which ordered the payment of PLN 122,000.00 to the claimant. WSSA petitioned for the justification of the decision. The appeal will be filed in connection with the case.
Elżbieta Niewolik	Work Service SA	PLN 50,000.00	At the moment, the proceedings are not generating any costs.	Case in progress, the date of the first hearing has not been set yet.

Note 34
Material events after the balance sheet date.

On 31 January 2017, the Management Board of Work Service SA informed that, in relation to a credit agreement concluded by Work Service SA as the borrower with Bank BGŻ BNP Paribas S.A., Bank Millenium S.A., Bank Zachodni WBK S.A. and Raiffeisen Bank Polska S.A. as the lenders (The “Lenders”) on 18 November 2015, the conclusion of which was announced by Work Service SA in Current Report No 43/2015 of 19 November 2015 (“Credit Agreement”), the following additional collateral was established:
a) conclusion of a registered pledge agreement in favour of Bank BGŻ BNP Paribas S.A. and financial pledges in favour of Bank BGŻ BNP Paribas S.A., Bank Millenium S.A., “Bank Zachodni WBK S.A.”, Raiffeisen Bank Polska S.A. on newly created shares held by the Issuer in the subsidiary — Finance Care Sp. z o. o. with its registered office in Wrocław (“Finance Care”) with a value of PLN 395,563.60;
b) conclusion of the registered pledge agreement in favour of Bank BGŻ BNP Paribas S.A. and financial pledges in favour of Bank BGŻ BNP Paribas S.A., Bank Millenium S.A., “Bank Zachodni WBK S.A.”, Raiffeisen Bank Polska S.A. on 100% shares held by the Issuer in the subsidiary — Antal Sp. z o.o. with its registered office in Wrocław (“Antal”) with a value of PLN 21,461,964.29;
c) conclusion of the registered and financial pledge agreements on the rights resulting from the bank accounts between the Lenders as pledgees and Antal as pledger;
d) the agreement for the transfer of rights for the silent assignment between Antal as assignor and Bank BGŻ BNP Paribas S.A. and assignee.
e) declaration submitted by Antal on the voluntary submission to the enforcement with respect to the guaranteed liablity, to the amount of PLN 69,375,000.00;
f) conclusion of the registered and financial pledge agreement on the rights resulting from the bank accounts (acquired by Finance Care from Work Service Finance Sp. z o.o. with its registered office in Wrocław, in relations to the merge of the Companies) between the Lenders as pledgees and Finance Care as pledger.

On 31 January 2017, the Management Board of Work Service SA informed that the company Work Service Acquisitions Ltd with its registered office in London was dissolved. Work Service SA held 100% of shares in the share capital of this company. Liquidation of the Subsidiary is related to the implementation of the development strategy of Work Service SA providing for consolidation and optimisation of the use of existing resources within the Capital Group. Due to the inactive nature of the Subsidiary, the Work Service SA has decided to dissolve it.

On 20 March 2017, Work Service SA received information about the fulfillment of the condition precedent provided for in the agreement on sale of 25% of the share capital of Prohuman 2004 Kft. seated in Budapest, Hungary (“Prohuman”) of total value HUF 6,100,000,000.00 representing 25% votes on meetings of shareholders of Prohuman (“Shares”), concluded with Profólió Projekt Tanácsadó Kft. ("Seller"), seated in Budapest, on 13 December 2016. i.e. issue by the Hungarian competition authority of a positive decision on the acquisition of sole control over Prohuman by Work Service SA.

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

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

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

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

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

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

Note 35

Financial statements adjusted for inflation rate

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

Note 36

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

Since the end of the last reporting period, there have been no significant changes in the financial position of Work Service SA.

Note 37

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

The accounting principles (policies) applied in the preparation of these separate financial statements for the financial year ended 31 December 2016 are consistent with those applied in preparing the separate financial statements for the financial year ended 31 December 2015. The same principles were applied for the current and comparative period, unless the applicable standard or interpretation required exclusively prospective application.

Note 38

Remuneration of the statutory auditor or entity entitled to audit financial statements, paid or due for the audit of financial statements for the financial year 2016.

Specification	Net value in 2016	Net value in 2015
Statutory audit of the separate annual financial statements and interim review of the separate financial statements	65 000,00	70 000,00
Other assurance services	0,00	0,00
Tax advisory services	0,00	0,00
Other services	0,00	0,00
Total	**65 000,00**	**70 000,00**

SIGNATURES:

1. **Maciej Witucki — President of the Management Board ...……………………………….**

2. **Piotr Gajek — Vice-President of the Management Board …………………………………**

3. **Tomasz Ślęzak — Vice-President of the Management Board …………………………………**

4. **Robert Knights — Vice-President of the Management Board …………………………………**

5. **Paul Christodoulou — Vice-President of the Management Board …………………………………**

6. **Iwona Szmitkowska — Vice-President of the Management Board …………………………………**

Wrocław, 24 April 2017