BENEFIT SYSTEMS GROUP

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2015

WARSAW, 7TH MARCH, 2016

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All amounts in thousands of Polish zloty (unless otherwise stated)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	**31/12/2015**	31/12/2014
Non- current assets			
Goodwill	4	99,569	8,097
Intangible assets	5	10,191	9,399
Property, plant and equipment	6	100,714	26,196
Investments in associates accounted for using equity method	3	27,122	37,330
Long-term loans and receivables	8	36,023	91,794
Other long-term financial assets	8	110	0
Long-term prepayments	17	945	0
Deferred tax assets	9	9,939	8,759
Non- current assets		284,613	181,575
Current assets			
Inventories	10	5,065	1,329
Trade receivables and other receivables	12	58,921	31,286
Income tax receivable		24	0
Loans	8	8,776	27,166
Short-term prepayments	17	7,366	980
Cash and cash equivalents	12	23,977	6,825
Current assets		104,130	67,586
Total assets		**388,743**	**249,161**

All amounts in thousands of Polish zloty (unless otherwise stated)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT.)

EQUITY AND LIABILITIES	Notes	31/12/2015	31/12/2014
Equity			
Equity attributable to shareholders of the parent company:			
Share capital	13	2,555	2,555
Reserve capital	13	30,500	0
Share premium	13	41,458	35,040
Exchange differences on translation of foreign operations		(38)	0
Other capital	13	48,956	68,746
Retained earnings:		62,128	46,658
- accumulated earnings for the previous reporting periods		13,035	8,095
- net profit attributable to shareholders of the parent company for the reporting period		49,092	38,563
Equity attributable to shareholders of the parent company		185,558	152,999
Equity attributable to non-controlling interests	13	5,703	0
Total equity		191,262	152,999
Liabilities			
Non-current liabilities			
Interest-bearing bank loans, borrowings and debt securities	8	57,847	1,717
Long-term finance lease liabilities	7	16,515	4,246
Other liabilities	16	8,093	0
Deferred tax liabilities	9	5,161	1,897
Other long-term provisions	15	438	0
Non-current liabilities		88,054	7,860
Current liabilities			
Trade payables and other liabilities	16	35,413	10,486
Income tax payable		3,214	1,895
Interest-bearing bank loans, borrowings and debt securities	8	9,608	36,305
Finance lease liabilities	7	8,725	3,150
Liabilities to employees and provisions to post-employment benefits	14	9,676	5,032
Other short-term provisions	15	2,874	306
Accruals	17	39,917	31,128
Current liabilities		109,427	88,302
Total liabilities		197,481	96,162
Total equity and liabilities		**388,743**	**249,161**

Name of the group:	***Benefit Systems Group***		
Reporting period:	***01/01/2015 – 31/12/2015***	**Reporting currency:**	***Polish zloty (PLN)***
Rounding:	***All amounts in thousands of Polish zloty (unless otherwise stated)***		

CONSOLIDATED INCOME STATEMENT

	Notes	**From 01/01 to 31/12/2015**	From 01/01 to 31/12/2014
Continuing operations			
Sales revenue	**1**	**581,456**	**452,340**
Revenues from sales of products		0	11
Revenues from rendering services		574,119	452,321
Revenues from sales of goods and materials		7,337	8
Costs of sales		**431,291**	**345,404**
Cost of products sold		83	0
Cost of services rendered		424,862	345,399
Cost of goods and materials sold		6,347	5
Gross profit on sales		**150,165**	**106,936**
Selling expenses		35,269	24,491
General and administrative expenses		51,261	32,673
Other operating income	18	2,863	1,207
Other operating costs	18	11,598	1,193
Operating profit		**54,900**	**49,786**
Financial income	19	3,726	5,161
Financial costs	19	4,034	1,671
Share of profits of the associates accounted for using the equity method	3	8,332	(3,629)
Profit before tax		**62,924**	**49,647**
Income tax charge	20	14,265	11,100
Net profit from continuing operations		**48,659**	**38,547**
Discontinued operations			
Net profit from discontinued operations			
Net profit		**48,659**	**38,547**
Net profit (loss) attributable to:			
- shareholders of the parent company		49,092	38,563
- non-controlling shareholders		(433)	(16)

EARNINGS PER SHARE (IN PLN PER SHARE))

	Notes	**From 01/01 to 31/12/2015**	From 01/01 to 31/12/2014
from continuing operations	21		
- basic		19.22	15.41
- diluted		18.67	15.30
from continuing and discontinued operations	21		
- basic		19.22	15.41
- diluted		18.67	15.30

All amounts in thousands of Polish zloty (unless otherwise stated)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**From 01/01 to 31/12/2015**	From 01/01 to 31/12/2014
Net profit		**48,659**	**38,547**
Other comprehensive income			
Components that will not be reclassified to profit and loss		0	0
Components that will not be reclassified to profit and loss			
Financial assets available for sale:	8		
- Net profit/(loss) on valuation for the period		79	(260)
- Income tax relating to components of other comprehensive income	9	(15)	49
Other comprehensive income after tax		64	(211)
Total other comprehensive income		**48,723**	**38,336**
Total comprehensive income attributable to:			
- shareholders of the parent company		49,156	38,352
- non-controlling interests		(433)	(16)

All amounts are expressed in thousands of Polish zloty (unless otherwise indicated)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Equity attributable to shareholders of the parent company							Non-controlling interests	Total equity
		Share capital	Reserve capital	Share premium	Exchange differences on translation of foreign operations	Other capital	Retained earnings	Total		
As at 01/01/2015		**2,555**		**35,040**		**68,746**	**46,658**	**152,999**		**152,999**
Changes in equity in the period from 01/01 to 31/12/2015										
Share-based payment (valuation)				6,418				6,418		6,418
Transactions with non-controlling interests	13						17	17	6,136	6,153
Foreign currency translation differences					(38)			(38)		(38)
Dividends							(22,994)	(22,994)		(22,994)
Transfer of net profit to other capital						10,646	(10,646)	-		-
Transfer of supplementary to reserve capital			30,500			(30,500)		-		-
Total transactions with owners			30,500	6,418	(38)	(19,854)	(33,623)	(16,597)	6,136	(10,461)
Net profit (loss) for the year ended 31/12/2015							49,092	49,092	(433)	48,659
Other comprehensive income for the year ended 31/12/2015	13					64		64		64
Total other comprehensive income						64	49,092	49,156	(433)	48,723
As at 31/12/2015		**2,555**	**30,500**	**41,458**	**(38)**	**48,956**	**62,128**	**185,558**	**5,703**	**191,262**

All amounts are expressed in thousands of Polish zloty (unless otherwise indicated)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT.)

	Notes	Equity attributable to shareholders of the parent company						Non-controlling shares	Total equity
		Share capital	Reserve capital	Share premium	Other capital	Retained earnings	Total		
As at 01/01/2014		**2,486**		**28,510**	**59,961**	**32,061**	**123,018**	**(561)**	**122,457**
Changes in equity in the period from 01/01 to 31/12/2014									
Share issuance (execution of share-based payment programme)		69					6,599		6,599
Share-based payment (valuation)					5,496		5,496		5,496
Transactions with non-controlling interests	13			6,530		(577)	(577)	577	
Dividends						(19,889)	(19,889)		(19,889)
Transfer of net profit to other capital					3,500	(3,500)			
Transfer of supplementary to reserve capital									
Total transactions with owners		69		6,530	8,996	(23,967)	(8,372)	577	(7,795)
Net profit (loss) for the year ended 31/12/2014						38,563	38,563	(16)	38,547
Other comprehensive income for the year ended 31/12/2014	13				(211)		(211)		(211)
Total other comprehensive income					(211)	38,563	38,352	(16)	38,336
As at 31/12/2014		**2,555**		**35,040**	**68,746**	**46,658**	**152,999**		**152,999**

All amounts are expressed in thousands of Polish zloty (unless otherwise indicated)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	**From 01/01 to 31/12/2015**	From 01/01 to 31/12/2014
Cash flows from operating activities			
Profit before tax		**62,924**	**49,647**
Adjustments	22	13,067	10,962
Changes in working capital	22	4,261	3,955
Interest paid		(6)	(9)
Income tax paid		(8,689)	(8,375)
Net cash from operating activities		**71,557**	**56,180**
Cash flows from investment activities			
Purchase of intangible assets		(6,397)	(9,780)
Purchase of property, plant and equipment		(27,651)	(10,229)
Proceeds from the sale of property, plant and equipment		13,595	10,355
Acquisition of subsidiaries, net of cash acquired	2	(16,708)	(23)
Loans collected		3,258	2,421
Loans granted		(8,210)	(41,581)
Acquisition of other financial assets		(2,202)	(3,477)
Proceeds from the sale of other financial assets		243	0
Interest received	19	640	237
Dividends received	19	504	17
Net cash from investment activities		**(42,927)**	**(52,061)**
Cash flows from financing activities			
Net proceeds from the issue of shares		1,200	6,614
Proceeds from the issue of debt securities		50,000	0
Proceeds from loans and borrowings		1,741	14,967
Repayment of borrowings		(31,507)	(300)
Lease payments		(7,536)	(4,913)
Interest paid	19	(2,381)	(1,316)
Dividends paid	21	(22,994)	(19,889)
Net cash from financial activities		**(11,477)**	**(4,838)**
Net change in cash and cash equivalents		**17,152**	**(718)**
Cash and cash equivalents at beginning of period		6,825	7,543
Cash and cash equivalents at end of period		**23,977**	**6,825**

All amounts in thousands of Polish zloty (unless otherwise indicated)

ADDITIONAL INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS

General information

a) Information about the parent company

The parent company of Benefit Systems Group [hereinafter "the Group"] is Benefit Systems S.A. [hereinafter the "parent company"].
The parent company was established as a limited liability company and subsequently it was transformed into a joint stock company based on resolution No. 2/2010 of the General Shareholders' Meeting that took place on 3rd November, 2010. The parent company is entered in the Register of Entrepreneurs of the National Court Register kept by the District Court for the Capital City of Warsaw, XII Commercial Division as KRS number 0000254017. The parent company was assigned the REGON statistical ID number 750721670. The shares of the parent company are listed on the Warsaw Stock Exchange. The company's registered office is located at Plac Europejski 2 in Warsaw. The parent company's registered office is also the Group's primary operating office.

b) Composition of the Management Board and the Supervisory Board of the parent company

On the date of the approval of the consolidated financial statements for publication i.e. on 7th March, 2016, the composition of the Management Board of the parent company was as follows:

- Adam Kędzierski - member of the Management Board,
- Izabela Walczewska-Schneyder - member of the Management Board,
- Paweł Markowski - member of the Management Board,
- Grzegorz Mędza – member of the Management Board.

In the period from 1st January, 2015, to 7th March, 2016, the following changes took place in the composition of the Management Board of the parent company:

- On 13th February, 2015, Tomasz Józefacki resigned from the position of Chairman of the Supervisory Board for personal reasons,
- On 10th February, 2016, the Supervisory Board appointed Grzegorz Mędza as member of the Management Board of Benefit Systems S.A., responsible for strategy, communications and personnel policy at the company.

As of 7th March, 2016, the Supervisory Board of Benefit System S.A. was comprised of the following persons:

- James Van Bergh - Chairman of the Supervisory Board,
- Przemysław Gacek - Deputy Chairman of the Supervisory Board,
- Artur Osuchowski - Member of the Supervisory Board,
- Marcin Marczuk - Member of the Supervisory Board,
- Michael Sanderson - Member of the Supervisory Board.

In the period from 1st January, 2015, to 7th March, 2016, there were no changes in the composition of the Supervisory Board.

c) The Group's activities

Benefit Systems Group provides non-wage employee benefits with respect to: Sport and Recreation (the MultiSport card, MultiSport Kids, and the Fitness chain), as well as Culture and Entertainment (Cinema Programme, MultiTeatr). The Group has unique products in the form of "Cafeteria" products, which enable employees to freely choose a non-wage benefit from a list approved by their employer.
The primary business of the parent company, according to the Polish Classification of Activities is: Other activities not elsewhere classified (PKD 2007) 9609Z.
A more detailed description of the Group's activities is presented in Note 1 "Operating Segments".

d) Information about the Group

Benefit Systems Group consists of the parent company and the following subsidiaries:

Name of subsidiary	Place of business and country of registration	Business activity	% held by the Group in share capital of the entity as at	
			31/12/2015	**31/12/2014**
FitSport Polska S.A.	ul. Plac Europejski 2, 00-844 Warsaw	Sale of sports cards	100.00%	100.00%
Vanity Style Sp. z o.o.	ul. Jasna 24, 00-054	Sale of sports cards	100.00%	100.00%

All amounts in thousands of Polish zloty (unless otherwise indicated)

	Warsaw			
Benefit IP Sp. z o.o.	ul. Plac Europejski 2, 00-844 Warsaw	General Partner of the company Benefit IP Sp. z o.o. SK	100.00%	100.00%
Benefit IP Sp. z o.o. SK	ul. Plac Europejski 2, 00-844 Warsaw	Management of the Group's marketing activities and trademarks	100.00%	100.00%
MultiBenefit Sp. z o.o.	ul. Plac Europejski 2, 00-844 Warsaw	General Partner of the company MultiBenefit Sp. z o.o. SK	100.00%	100.00%
MultiBenefit Sp. z o.o. SK	ul. Plac Europejski 2, 00-844 Warsaw	Multikafeteria, Cinema Programme, MultiTeatr	100.00%	100.00%
Fit Invest Sp. z o.o.	ul. Plac Europejski 2, 00-844 Warsaw	Consolidation of the Group's Fitness segment	100.00%	100.00%
Benefit Partners Sp. z o.o.	ul. Plac Europejski 2, 00-844 Warsaw	Lease of fitness equipment for partners	100.00%	100.00%
Benefit Systems International Sp. z o.o.	ul. Plac Europejski 2, 00-844 Warsaw	Foreign operations	100.00%	-
Fitness Academy Sp. z o.o.	ul. Plac Europejski 2, 00-844 Warsaw	General Partner of Fitness Academy Sp. z o.o. SKA	100.00%	-
Fitness Academy Sp. z o.o. SKA	ul.Powstańców Śląskich 28/30, 53-333 Wrocław	Chain of fitness clubs	100.00%	19.17%
Fabryka Formy S.A.	ul. B. Krzywoustego 72, 61-144 Poznań	Chain of fitness clubs	66.06%	43.05%
MultiSport Benefit S.R.O.	Zeleny Pruh 95/98 14000 Prague 4	Sale of sports cards	74.00%	21.00%
MyBenefit Sp. z o.o.	Ul.Powstańców Śląskich 95, 53-332 Wrocław	Cafeteria platform	100.00%	48.97%
Benefit Systems Bulgaria EOOD	58 Bulgariablvd, Sofia 1680	Sale of sports cards	100.00%	-
Benefit Systems Slovakia S.R.O.	Karadzicova 8/A, 821 08 Bratislava	Sale of sports cards	100.00%	-
AM Classic Sp. z o.o.	Pl. Dominikański 3, 50-159 Wrocław	Chain of fitness clubs	100.00%	-
Nowe Benefity Sp. z o.o.	ul. Plac Europejski 2, 00-844 Warsaw	Supplier of incentive lunch programmes	100.00%	30.00%
Benefit Development Sp. z o.o.	ul. Plac Europejski 2, 00-844 Warsaw	Business incubator	100.00%	45.00%
Jupiter Sport Sp. z o.o.	ul. Żegiestowska 11, 50-542 Wrocław	Chain of fitness clubs	100.00%	-

Detailed information on subsidiaries listed above is presented in Note 3.

In the consolidated financial statements prepared as of 31st December, 2015, the investments in four entities have been valued using the equity method. Detailed information about these companies have been included in Note 3.

In the period covered by these consolidated financial statements, the following transactions took place that affected the Group's structure:

- On 12th February, 2015, the Group acquired 80.83% of the shares in Fitness Academy Sp. z o.o. SKA with its registered office in Wrocław, ul. Kutnowska 1, which is the owner of Fitness clubs. The purpose of the acquisition was a strengthening of its position on the fitness services market.
- On 30th March, 2015, the Group acquired 33.08% of the equity instruments in Fabryka Formy S.A. with its registered office in Poznań, ul. Bolesława Krzywoustego 72, which is the owner of Fitness clubs. The purpose of the acquisition was a strengthening of its position on the fitness services market.
- On 31st March, 2015, the Group acquired 53.00% of the equity instruments in MultiSport Benefit S.R.O. with its registered office in Prague, ul. Zelenypruh 95/97, 140 00 Prague 4, whose activity is presented in the Foreign Operations operating segment. The purpose of the acquisition was a strengthening of its position on the Sports Card market outside Poland.
- On 3rd April, 2015, the Group acquired 51.03% of the equity instruments in MyBenefit Sp. z o.o. with its registered office in Wroclaw, ul. Powstańców Śląskich 28/30, whose activity is presented in the Cafeteria operating segment. The purpose of the acquisition was a strengthening of its position on the Cafeteria services market.
- On 9th July, 2015, the Group acquired 100.00% of the equity instruments in AM Classic Sp. z o.o. with its registered office in Wroclaw, ul. Plac Dominikański 1, which is the owner of a fitness club. The purpose of the acquisition was a strengthening of its position on the fitness services market.

- On 21st October, 2015, the Group acquired 100.00% of the equity instruments in Jupiter Sport Sp. z o.o. with its registered office in Wroclaw, ul. Żegiestowska 11, which is owner of a fitness club. The purpose of the acquisition was a strengthening of its position on the fitness services market.
- On 20th November, 2015, the Group acquired 70.00% of the equity instruments in Nowe Benefity Sp. z o.o. with its registered office in Warsaw, Plac Europejski 2, whose activity is presented in the Cafeteria operating segment. The purpose of the acquisition was a strengthening of its position on the Cafeteria services market.
- On 18th December, 2015, the Group acquired 55.00% of the equity instruments in Benefit Development Sp. z o.o. with its registered office in Warsaw, Plac Europejski 2, established as an incubator for new ventures. The purpose of the acquisition is to simplify the Group's structure.

A more detailed description of the changes that have place within the Group and their impact on the Group's financial results and position is presented in Note 2.

All the Group's entities are established for an unlimited period of time.

e) Approval of the consolidated financial statements for publication

These consolidated financial statements for the year ended 31st December, 2015 (together with comparative data) were approved for publication by the Company's Management Board on 7th March, 2016 (see Note 29).

Basis for the preparation of the consolidated statements and accounting policies

a) Basis for the preparation of the consolidated financial statements

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (hereinafter "IFRS") as adopted by the European Union, applicable for annual periods beginning on 1st January, 2015.

The functional currency of the parent company and the presentation currency for these consolidated financial statements is Polish zloty, and all amounts are expressed in thousands of Polish zloty (unless indicated otherwise). For the purpose of preparing the consolidated financial statements, the financial statements of foreign subsidiaries are converted into Polish zloty according to the rules described in the accounting principles.

The consolidated financial statements have been prepared on the assumption that the Group companies will continue as going concerns in the foreseeable future. As at the date of approval of these consolidated financial statements, there are no circumstances that would indicate a threat to the continuing activity of any entity of the Group.

b) Changes to standards or interpretations

<u>Changes to standards or interpretations in effect and applied by the Group in 2015</u>

New or revised standards and interpretations, which are effective from 1st January, 2015, and their impact on the consolidated financial statements of the Group:

- The new IFRIC 21 "Levies"
  The new interpretation introduces rules for determining the moment for the recognition of liabilities for fees and taxes imposed by state authorities other than income tax regulated in IAS 12. The interpretation is a clarification of the principles outlined by IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". According to the decision of IASB, the interpretation is effective for annual periods beginning on 1st January, 2014, or later, but its entry into force in the European Union is mandatory for annual periods beginning on 17th June, 2014, or later, which is why the Group applied its rules from 2015. The Group has applied the interpretation, but its impact on the financial statements was not material.

- Amendments to IFRS 3, IFRS 13, IAS 40, resulting from the "Annual Improvements Project: Cycle 2011-2013", which entered into force for annual periods beginning on 1st July, 2014, or later. The amendments to the standards include:
  - IFRS 3: it provides the clarification that transactions to create joint arrangements in the statements of these joint arrangements are excluded from the scope of the standard. The change had no impact on the Group's financial statements.
  - IFRS 13: The Council clarified the scope of the exemption relating to the valuation of the portfolio of financial assets and liabilities on a net basis. The change had no impact on the Group's financial statements.
  - IAS 40: The Council clarified that, in the case of the acquisition of real estate for investment purposes, consideration should be given as to whether it is the acquisition of assets or a merger

of interests in accordance with the principles set out in IFRS 3. The change had no impact on the Group's financial statements.

The standards and interpretations, effective in the version published by the IASB but not endorsed by the European Union, are presented in the section below: Standards and interpretations, which have not yet entered into force.

Early application of a standard or interpretation

The Group has not carried out the early adoption of any standard or interpretation.

STANDARDS AND INTERPRETATIONS THAT HAVE BEEN ISSUED BUT ARE NOT EFFECTIVE FOR PERIODS BEGINNING ON 1ST JANUARY, 2015, YEAR AND THEIR IMPACT ON THE GROUP

By the date of preparing these consolidated financial statements, the following new or amended standards and interpretations were published, effective for annual periods following after 2015:

- The new IFRS 9 "Financial Instruments: Classification and Measurement"
  The new standard will replace the current IAS 39. The changes introduced by the accounting standard mainly include:
  - other categories of financial assets, which affect the valuation method of the designated assets; the allocation of financial assets to categories will depend on the business model relating to this asset,
  - new hedge accounting rules to reflect risk management to a greater degree,
  - a new model for impairment of financial assets based on expected losses and resulting in acceleration for cost recognition in the income statement.

  The standard is effective for annual periods beginning on 1st January, 2018, or later. The Group is currently assessing the impact of the standard on the consolidated financial statements.

- The amendments to IAS 19 "Employee Benefits"
  The changes involve clarifying the impact of the contribution made by employees to cover the costs of the specified benefits programme. The Group has assessed that the change will not affect its consolidated financial statements. The amendments are effective for annual periods beginning on 1st February, 2015, or later.

- Amendments to IFRS 2, IFRS 3, IFRS 8, IAS 16, IAS 24, IAS 38 resulting from the "Annual Improvements Project: Cycle 2010-2012", which are effective for annual periods beginning on 1st February, 2015, or later. The amendments to the standards include:
  - IFRS 2: The Council clarified the standard by changing or introducing new definitions for the following terms: market condition, the provision of services condition, the vesting condition, the performance condition. The Group believes the change will not affect its financial statements.
  - IFRS 3: The Council clarified the rules for contingent payment valuation, which falls after the acquisition date, to be compatible with other standards (primarily IFRS 9/IAS 39 and IAS 37). The Group believes the change will not affect its financial statements.
  - IFRS 8: The Council imposed on entities, which aggregate operating segments for reporting purposes, additional disclosure requirements to provide economic characteristics and the basis on which segments were combined. The Group is currently assessing the impact of the change on the consolidated financial statements.
  - IFRS 8: After the change the standard requires reconciliation of the total assets of segments with the assets disclosed in the balance sheet only if the value of the assets is reported by segments. The Group believes the amendment will not have a material impact on its financial statements.
  - IAS 16 and IAS 38: The Council adjusted the rule for calculating the gross amount and the accumulated depreciation (amortisation) of property, plant and equipment (an intangible asset) in the case of applying the fair value model. The Group believes the change will not affect its financial statements.
  - IAS 24: The definition of a related party has been extended to service providers of key management personnel and appropriate disclosure. The Group believes the change will not affect its financial statements.

- The new IFRS 14 "Regulatory Deferral Accounts"
  The new standard applies only to entities that will adopt IFRS and operate in sectors in which the state regulates the selling prices, such as natural gas, electricity or water. The standard allows for the continuation of revenue recognition policy as applied before the transition to IFRS, both in the first IFRS financial statement, and in subsequent statements. The new regulations will not affect the Group's

consolidated financial statements. The standard is effective for annual periods beginning on 1st January, 2016, or later, but has not yet been endorsed by the EU.

- The new IFRS 15 "Revenue from Contracts with Customers"
The new standard replaces the previous IAS 11 and IAS 18, providing a consistent revenue recognition model. The new 5-step model will make the recognition of revenue dependant on the customer gaining control over the good or service. In addition, the standard introduces additional disclosure requirements and guidance on several specific issues. The new standard may change the moment of recognition and the amount of revenues recognised by the Group, but the Group has not yet completed an analysis of its impact on the financial statements. The standard is effective for annual periods beginning on 1st January, 2018, or later.

- Amendment to IFRS 11 "Joint Arrangements"
Under the amendment, an entity acquiring an interest in a joint arrangement constituting a business (enterprise) will have to apply the rules specified in IFRS 3 for the recognition of assets and liabilities of the joint activity, and thus, among others, measure assets and liabilities at fair value and determine the goodwill. The Group does not expect the change to affect its financial statements. This change is effective for annual periods beginning on or after 1st January, 2016.

- Amendment to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible assets"
According to the amendment, the method for the depreciation of property, plant and equipment based on revenue that is generated by an activity that includes the use of the asset is not appropriate. In the case of intangible assets, the use of such methods has been limited. The Group does not expect the change to affect its financial statements. This change is effective for annual periods beginning on or after 1st January, 2016.

- Amendment to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"
The amendment states that bearer plants (e.g. vines, fruit trees) will be excluded from the scope of IAS 41 and included in the scope of IAS 16 as internally generated assets. Due to this change, the fair value determination at each balance sheet date will not be required, as required hitherto by IAS 41. The change does not apply to the Group's activities. This change is effective for annual periods beginning on or after 1st January, 2016.

- Amendment to IAS 27 "Separate Financial Statements"
According to the amendment, the shares in a subsidiary, joint venture or associate included in a separate financial statement, will be, as an option, accounted using the equity method. Before the change to IAS 27, only the application of the cost model was allowed or valuation in accordance with MSSF9 / IAS 39. The change does not apply to consolidated financial statements, and therefore, will have no impact on the Group. The company has not yet decided whether to use the alternative valuation method in the separate financial statement. The amendments are effective for annual periods beginning on or after 1st January, 2016.

- Amendment to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"
The hitherto rules governing the settlement of loss of control over a subsidiary foresaw that the profit or loss is recognised at this moment. In turn, the rules for applying the equity method state that the result of transactions with entities valued using the equity method are recognised only to the extent of the shareholdings held in those entities.
In a situation where the parent company sells or contributes shares in a subsidiary in the form of an in-kind contribution to an entity valued using the equity method in such a way that it loses control over it, the regulations cited conflict with each other. The amendment to IFRS 10 and IAS 28 eliminates this collision as follows:
    - if the entity, over which control was lost, is an enterprise (business), the result on the transaction is recognised in full,
    - if the entity, over which control was lost, is not a business, the result is recognised only to the extent of other investors holdings.

  This amendment is suspended - it has not yet been decided when it will be endorsed.

- Amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34 resulting from the "Annual Improvements Project: Cycle 2012-2014", which are effective for annual periods beginning on or after 1st January, 2016. The amendments to the standards include:
    - IFRS 5: The amendment to the standard stipulates that if a company has changed the designation of assets held for sale to “intended for distribution to owners” or from “intended for distribution to owners” to “intended for sale”, this means a continuation in the original plan and no reversal of adjustments previously made should be made. The Group does not expect the change to affect its financial statements.

  - IFRS 7: Thanks to the change in the standard a clarification was provided on the requirements, in effect from 2013, regarding the disclosure of information on items reported at net amounts, whereby they do not apply to condensed interim financial statements, unless this information must be disclosed under the general principles of IAS 34. The change will not affect the annual financial statements. The Group believes the amendment will not have a material effect on the interim financial statements.
  - IFRS 7: The amendment introduces a new indicator that allows an evaluation of whether it has maintained involvement in the transferred assets. If the entity has transferred the assets, but has entered into a service agreement in which remuneration is dependent on the amount and maturity of the asset transferred, this means that the entity's continuing involvement in the asset. The Group expects the change not to affect its financial statements.
  - IAS 19: The standard allows for the discounting of cash flows with interest rates appropriate for treasury securities, if the market for commercial securities is shallow. The change to the standard specifies that the depth of the market should be evaluated in terms of the currency of these securities, and not by the country. The Group does not expect the change to affect its financial statements.
  - IAS 34: The standard permits certain information required by IAS 34 for condensed interim financial statements to be presented in other documents that accompany such interim reports, for example, in the management's report on business operations. If the information is contained in the accompanying documents the interim financial statements must include a clear reference to the documents in which this information is disclosed. The additional documents must be available to users on the same terms and at the same time as the interim condensed financial statements. Otherwise, the interim condensed financial statements will be considered as incomplete. The change will not affect the annual financial statements of the Group. The Group does not expect the change to affect its interim condensed financial statements.

- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures"
  The IAS Council added another exemption from consolidation or application of the equity method in the case of investment units:
  - if the parent company is a mid-level subsidiary of an investment entity, which recognises its investments at fair value in accordance with IAS 39/IFRS 9, this mid-level parent company might not prepare consolidated financial statements,
  - if the investor is a subsidiary of an investment entity, which recognises its investments at fair value in accordance with IAS 39/IFRS 9, this investor may not apply the equity method in accounting for its investments in joint ventures and associates,
  - an investment entity is required to consolidate subsidiaries that provide ancillary services; however, if such a subsidiary is itself an investment entity, it is not consolidated.

  The amendments are effective for annual periods beginning on or after 1st January, 2016.
  The changes do not affect the consolidated financial statements of the Group as the parent company did not have the status of an investment entity.

- Changes to IAS 1 "Presentation of Financial Statements"
  The IAS council, as part of a larger project that will lead to greater transparency and to avoid excessive disclosures in financial statements, published a number of amendments to IAS 1. The changes cover the following aspects:
  - the council draws attention to the fact that inclusion in the financial statements of too much irrelevant information makes the financial statement unreadable and is contrary to the materiality concept,
  - the positions required by the standard in the income statement, other comprehensive income and statement of financial position may be disaggregated,
  - requirements were added relating to subtotals included in the income statement and other comprehensive income and in the statement of financial position,
  - the sequence of notes to the financial statements depends on the decision of the company, but comprehensiveness and comparability should be ensured in this respect.

  The Group is currently assessing the impact of the change on the consolidated financial statements. The amendments are effective for annual periods beginning on or after 1st January, 2016.

- New IFRS 16 "Leases"
  A new standard regulating lease agreements (including rental and lease agreements), which contains a new definition of a lease.
  The significant changes relate to lessees: the standard requires recognition in the balance sheet for each lease agreement of "the right to use the asset" and the corresponding financial liability. The right to use the asset is then depreciated, while the liability is measured at amortised cost. It provides for the simplification of short-term contracts (up to 12 months) and assets of low value.

The accounting treatment of leases from a lessor perspective is similar to the principles set out in the current IAS 17.
The Group estimates the new standard will not have a material impact on its financial statements, but it has not yet completed the impact analysis. The amendments are effective for annual periods beginning on or after 1st January, 2019.

The Group intends to implement these regulations within the time limits provided for by the standards or interpretations.

c) Accounting principles

The consolidated financial statements have been prepared under the historical cost convention, with the exception of land included in property, plant and equipment, investment property, derivative financial instruments and financial assets available for sale, which are measured at fair value.

Presentation of Financial Statements
The consolidated financial statements are presented in accordance with IAS 1. The Group presents a separate "Consolidated income statement", which is included immediately before the "Consolidated statement of comprehensive income".

The "Consolidated income statement" is presented in the calculation variant and the "Consolidated statement of cash flows" is drawn up using the indirect method.

In the case of retrospective changes in accounting policies, or the accounting for errors, the Group presents an additional statement of financial position prepared at the beginning of the comparative period, if these changes are significant. In such a situation, the presentation of notes to the third statement of financial position is not required.

Operating segments
The Management Board for the parent company distinguished operating segments based on product lines, which represent the main services and goods provided by the Group. Each of the segments is managed separately within each product line, due to the nature of the services provided, geographical area (Foreign), and products, requiring different technologies, resources and execution approaches.

In accordance with IFRS 8, the results of operating segments arise from internal reports verified periodically by the Management Board of the parent company (the main decision-making body in the Group). The parent company's Management Board assesses the performance of the operating segments at the level of profit (loss) from operating activity. The measurement of operating segments used in the management accounts coincides with the accounting policies applied in the preparation of the consolidated financial statements, except for the following areas:

- impairment of assets - impairment of property, plant and equipment, including goodwill, is not included when determining the result of a segment.

Sales revenues recognised in the consolidated income statement do not differ from the revenues presented in the operating segments, except for unallocated sales and the consolidation adjustments made between segments.

Consolidation
The consolidated financial statements include the financial statements of the parent company and the financial statements of companies over which the Group exercises control, i.e. subsidiaries, as at 31st December, 2015. Control is understood as an ability to influence the financial and operating policies of the subsidiary to obtain benefits from its activities.

The financial statements of the parent company and the subsidiaries included in the consolidated financial statements are drawn up on the same date i.e. on 31st December, 2015. Where necessary, the financial statements of subsidiaries are adjusted to standardize the accounting principles applied by the Group.

Subsidiaries, which are immaterial to the consolidated financial statements of the Group, can be excluded from consolidation. Investments in subsidiaries classified as held for sale are recognised in accordance with IFRS 5.

Subsidiaries are consolidated using the full method.
The full consolidation method consists of combining the financial statements of the parent company and subsidiaries by summing up, at the full value, the items of assets, liabilities, equity, income and expenses. In order to present the Group financial statements as if it was a single economic entity, the following adjustments are made:

- goodwill or profit according to IFRS 3 is recognised when control is gained,
- non-controlling interests are determined and presented separately,

- transactions (revenues, expenses, dividends) and balances between the Group's entities are eliminated,
- gains and losses on transactions within the Group, which are included in the carrying value of assets such as inventories and property, plant and equipment are eliminated. Losses resulting from intra-group transactions are analysed for impairment purposes from the Group's perspective,
- deferred taxes are recognised on temporary differences arising from eliminated profits and losses incurred on intra-group transactions (in accordance with IAS 12).

Non-controlling interests are recognised as a separate item of equity and represent the portion of total comprehensive income and net assets of subsidiaries that are attributable to entities other than companies of the Group. The Group allocates the total comprehensive income of subsidiaries to shareholders of the parent company and non-controlling shareholders on the basis of their share in the ownership.

Up to 1st January, 2010, the excess of losses attributable to non-controlling shareholders over the value of non-controlling interests, was allocated to the parent company. In accordance with IFRS 10, the Group did not make any retrospective restatement of the allocated losses, and hence the profits of subsidiaries generated in subsequent periods, will be allocated in the first instance to the parent company until it covers the losses previously absorbed from non-controlling interests.

Transactions with non-controlling entities, which do not result in a loss of control by the parent company, are treated as equity transactions:

- the partial sale of shares to non-controlling entities - the difference between the sale price and the carrying value of the net assets of subsidiaries attributable to the disposed shares, is recognised directly in equity in retained earnings.
- acquisition of shares from non-controlling entities - the difference between the purchase price and the carrying value of net assets acquired from non-controlling entities is recognised directly in equity in retained earnings.

<u>Business combinations</u>

Business combinations within the scope of IFRS 3 are accounted for using the acquisition method.
On the date when control is obtained, the assets and liabilities of the acquired entity are measured at fair value and in accordance with IFRS 3 the assets and liabilities are identified, regardless of whether they were disclosed in the financial statements of the entity acquired.

The purchase price paid in exchange for gaining control includes assets given, liabilities incurred and equity instruments issued, measured at fair value at the date of acquisition. A part of the purchase consideration can be a conditional payment, measured at fair value at the acquisition date. The costs related to the acquisition (consulting, valuation, etc.) do not constitute the purchase consideration and are recognized in the income statement when incurred.

Goodwill (profit) is calculated as the difference between two values:

- the sum of the purchase price paid in exchange for gaining control, the non-controlling interests (valued in proportion to the net assets acquired) and the fair value of the holdings (shares) held in the entity acquired prior to the acquisition date, and
- the fair value of the identifiable net assets acquired in the entity.

The excess value computed in the manner indicated above, over the fair value of the identifiable net assets acquired in the entity, is recognised in the non-currents assets in the consolidated financial statement as goodwill. Goodwill represents a payment made by the acquirer in anticipation of future economic benefits from assets that cannot be individually identified or separately recognised. After initial recognition, goodwill is measured at acquisition cost less any accumulated impairment losses.

In a situation where the value computed in the manner above is less than the fair value of the identifiable net assets acquired, the difference is recognised immediately in the income statement. The Group recognises the profit from the acquisition (badwill) in other operating income.

Up to 1st January, 2010, the Group applied the acquisition method to business combinations as stated in IFRS 3 (2004).

In business combinations under common control, the Group does not apply IFRS 3. Such transactions are accounted for using the pooling of interests method meaning as follows:

- the assets and liabilities of the acquired entity are recognised at the carrying value. The carrying value is considered to be the value that was originally determined by the controlling entity, rather than the values resulting from the separate financial statements of the acquired entity,
- intangible assets and contingent liabilities are recognised on the principles applied by the entity before the merger, in accordance with relevant IFRS,

- goodwill does not arise - the difference between the purchase consideration and the acquired net assets of the controlled entity is recognised directly in equity in retained earnings,
- non-controlling interests are valued in proportion to the carrying value of net assets in the controlled entity,
- the comparatives are restated in such a way as if the combination had taken place at the beginning of the comparative period. If the date of acquisition is later than the beginning of the comparative period, the comparatives are restated from the moment when control was obtained.

Investments in associates

Associates are entities over which the parent company does not exercise control, but over which it has significant influence, resulting in the ability to formulate their financial and operating policy.

Investments in associates are initially accounted at cost and are subsequently measured using the equity method. Goodwill as a difference between the acquisition cost over the Group's share of the net fair value of identifiable assets and liabilities of that associate is recognized on the acquisition date of the investment in an associate. Goodwill is included in the carrying value of such investment.

The carrying amount of investments in associates is increased or decreased by:

- the share of the parent company in the profit and loss of an associate,
- the share of the parent company in other comprehensive income of the associate, arising, among others, from the revaluation of property, plant and equipment and exchange differences on translation of foreign operations. These amounts are recognised in correspondence with the relevant position "Consolidated statement of other comprehensive income",
- gains and losses resulting from transactions between the Group and an associate, which are subject to elimination up to the level of its shareholding,
- payments of dividends, which reduce the carrying value of the investment.

The financial statements of the parent company and affiliated companies, included in the consolidated financial statements using the equity method, are prepared at the same balance sheet date, i.e. on 31st December.

Transactions in foreign currencies

The consolidated financial statements are presented in Polish zloty (PLN), which is also the functional currency of the parent company.

Transactions denominated in currencies other than Polish zloty are translated into Polish zloty at the exchange rate prevailing on the transaction date (spot rate).

On the balance sheet date, monetary items denominated in currencies other than Polish zloty are converted into Polish zloty using the closing rate at the end of the reporting period, i.e. the average exchange rate established by the National Bank of Poland.

Foreign currency non-monetary items valued at historical cost are recorded at the historical exchange rate from the transaction date.

Foreign currency non-monetary items valued at fair value are measured at the exchange rate from the date of determining the fair value, i.e. the average exchange rate established by the National Bank of Poland.

Foreign exchange differences arising from the settlement of transactions, or conversion of monetary items other than derivatives, are recognised respectively as financial income or costs at the net amount, except for exchange differences capitalised in the value of assets as specified in the accounting standards (described in the note relating to borrowing costs).

Foreign exchange differences arising from the valuation of derivative instruments are recognised in the income statement if they are not designated to cash flow hedges. Derivatives designated to cash flows hedge are recognised in accordance with the principles of hedge accounting.

At the balance sheet date, the assets and liabilities of foreign subsidiaries are converted into Polish currency at the closing rate prevailing on the balance sheet date, i.e. at the average exchange rate established by the National Bank of Poland.

Goodwill recognized in the result of the acquisition of a foreign entity is treated as an asset or liability of the foreign operation and is converted at the closing rate prevailing on the balance sheet date, i.e. at the average exchange rate established by the National Bank of Poland.

The income statement and statement of other comprehensive income of a foreign entity are converted at the average exchange rate for the current year, unless there are significant fluctuations in exchange rates. In the event of significant fluctuations in exchange rates, for transactions recognized in the income statement and statement of other comprehensive income, the exchange rate from the transaction date is used.

Foreign exchange differences arising from the conversion of the financial statements of a foreign entity are recognised in other comprehensive income and accumulated in a separate position of equity until the disposal of the foreign operation. On the disposal of a foreign entity the exchange rate differences from conversion accumulated in equity are reclassified to income statement and recognised as an adjustment to profit or loss from the disposal of the foreign entity.

Borrowing costs
Borrowing costs that can be directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the acquisition cost of that asset. Borrowing costs consist of interest expenses as well as foreign exchange gains or losses to the extent achievable by an adjustment of interest expense. These principles are applied by the Group prospectively from 1st January, 2009.

Goodwill
Goodwill is initially recognised in accordance with IFRS 3 (see the above paragraph on business combinations). Goodwill is not amortized, but tested for impairment in accordance with IAS 36 (see the paragraph on impairment of non-current assets).

Intangible assets
Intangible assets include trademarks, patents and licenses, computer software, development costs and other intangible assets that meet the recognition criteria specified in IAS 38. This balance sheet item covers intangible assets which are not yet available for use (intangible assets under construction).

As at balance sheet date intangible assets are measured at acquisition or production costs less accumulated amortization and impairment losses. Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives. The useful lives of specific intangible assets are subject to annual review, and, if necessary, are adjusted from the beginning of the next financial year.
The estimated useful life for individual groups of intangible assets is as follows:

Group	Period
Trademarks	15 - 20 years
Computer software	2 - 5 years
Other intangible assets	2 - 5 years

Software maintenance costs incurred in subsequent periods are recognised as an expense when incurred.

Research and development costs are recognised in the income statement when incurred.

In the Group's companies research and development work is carried out to implement and adapt IT support systems and introduce innovative solutions to non-wage benefits for customers.
Development costs are recognised as intangible assets only when the following criteria are met:

- the completion of the intangible asset is feasible from a technical point of view, so that it is fit for use or sale,
- the Group intends to complete the component and start its use or sale,
- the Group is able to use or sell the intangible asset,
- the intangible asset will bring economic benefits and the Group is able to prove the advantage, among others, by the existence of an active market or suitable use for the Group,
- technical, financial and other necessary resources are available to complete the development work in order to sell or use the asset,
- costs incurred during the developmental phase can be reliably measured and attributable to the intangible asset.

Development costs are carried forward when it is assessed that they will be recovered in the future. The assessment of future benefits takes place based on the principles set out in IAS 36.
After the initial recognition development costs are valued using the historical cost model in accordance with which assets are recorded at acquisition or production costs less accumulated amortisation and impairment losses. Completed development costs are amortized on a straight-line basis over the expected useful life, which on average is 3 years.

Gains or losses on the disposal of intangible assets are determined as the difference between the sales revenue and the net value of the intangible assets and are recognised in the income statement in other operating income or costs.

Property, plant and equipment
Property, plant and equipment are initially recognised at purchase or production cost. The acquisition cost is increased by the expenditures related directly to the purchase and adaptation of such asset to its intended use.

After initial recognition, items of property, plant and equipment, except land, are stated at purchase or production cost less accumulated depreciation and impairment losses. Property, plant and equipment under construction are not depreciated until the completion of construction or installation followed by transfer to the asset base.
Depreciation is calculated on a straight-line basis over the estimated useful life of the asset, which for groups of assets is as follows:

Group	Period
Machines and devices	3 - 7 years
Vehicles	3 - 5 years
Other assets	3 - 5 years

Depreciation commences in the month following that in which the asset is available for use. The economic useful life and depreciation method are reviewed once a year, resulting in a possible adjustment of depreciation in subsequent years.

Property, plant and equipment items are divided into components which are of significant value and to which a separate economic useful life can be assigned. The costs of general maintenance and significant spare parts are an integral part of the asset if they are used for more than a year. Ongoing maintenance costs incurred after the asset is available for use, such as maintenance and repair costs, are recognised in the income statement.

An item of property, plant and equipment is de-recognised 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 recognised in the consolidated income statement in other operating income or costs.

Leases

Finance lease agreements, under which all the risks and benefits incidental to ownership of the leased asset are transferred to the Group, are recognised in the statement of financial position at the commencement of the lease term. The value of assets and liabilities is determined at the inception of the lease at the lower of two values: the fair value of the leased assets or the present value of the minimum lease payments.
Minimum lease payments are apportioned between finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Contingent lease payments are recognised as costs in the period in which they are incurred.
Fixed assets used under finance leases are depreciated according to the same principles as applied to the Group's own assets. However, in a situation where there is reasonable assurance that the Group will obtain ownership by the end of the lease, the asset is depreciated over the shorter of two periods: the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Lease payments under operating leases are recognised as costs on a straight-line basis over the lease term.

Impairment of non-financial assets

The following assets are subject to an annual impairment test:

- goodwill, wherein the first impairment test is carried out by the end of the period, in which the business combination took place,
- intangible assets under construction.

Other non-current assets are subject to annual assessment if impairment indicators exists. When circumstances indicate a difficulty in recovering the carrying amount of an asset, its impairment is carried out.

For impairment testing purposes, assets are grouped at the lowest level at which they generate cash flows independently from other assets or groups of assets (so-called cash generating units). Assets that generate cash flows independently are tested individually.
Goodwill is allocated to these cash generating units, which expect to benefit from the synergies as a result of the business combination, wherein the cash generating units are at least operating segments.

If the carrying amount exceeds the estimated recoverable amount of the assets or cash generating unit to which those assets were allocated, the carrying amount is reduced to its recoverable amount. The recoverable amount is the higher of the following two values: the fair value less costs of sale or the value in use. In determining the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the value of money over time and the risks specific to the asset.

An impairment loss in the first place is allocated to goodwill. The remaining amount of the loss reduces pro rata the balance sheet value of the assets assigned to the cash generating unit.
Impairment losses are recognised in the income statement under other operating costs.
Impairment losses allocated to goodwill do not reverse in subsequent periods. At subsequent balance sheet dates, the Group determines whether there are any indications for reversal or reduction of an impairment charge that was recognized on a given asset in the prior periods.
The reversal of an impairment loss is recognised in the income statement under other operating income.

Financial instruments
A financial instrument is any contract that gives rise to a financial asset with one party and a financial liability or equity instrument with another party.

A financial asset or financial liability is recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Purchases or disposals of financial assets are recognized at the transaction date. A financial asset is derecognised from the statement of financial position if the economic benefits and the risks have been realized, expired or the Group has waived them.
A financial liability is derecognised from the statement of financial position when the liability is extinguished, that is when the obligation specified in the contract has been discharged, cancelled or has expired.

At initial recognition financial assets and liabilities are measured at fair value, which is usually the fair value of the payment in the case of an asset or the amount received in the case of a liability.

The Group includes transaction costs in the initial value of all financial assets and liabilities, except for financial assets and liabilities at fair value through profit or loss.

At the balance sheet date financial assets and liabilities are valued according to the rules set out below.

Financial assets
After initial recognition, financial assets other than hedge derivatives are classified by the Group into the following categories for the purpose of measurement:
- loans and receivables,
- financial assets at fair value through profit or loss,
- investments held to maturity, and
- financial assets available for sale.

These categories define the principles for valuation as of the balance sheet date and the recognition of gains or losses from the valuation in the income statement or in other comprehensive income. Gains or losses recognised in the income statement are presented as financial income or expenses, except for impairment losses of trade receivables, which are presented as other operating expenses.

All financial assets, except for those measured at fair value through profit or loss, are assessed at each balance sheet date for impairment. A financial asset is subject to impairment if there is objective evidence of a loss of its value. Impairment evidence is analysed for each category of financial assets separately, as presented below.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest rate method. Short-term receivables are valued at the amount to be received, without discounting due to immaterial effects.
Financial assets classified as loans and receivables are recognised in the statement of financial position as:
- non-current assets under "Loans and receivables", and
- current assets under "Loans", "Trade and other receivables" and "Cash and cash equivalents".

Allowances for doubtful receivables are estimated when collection of the full amount is no longer probable. Significant outstanding overdue balances are subject to individual assessment or when objective evidence has been obtained that the debtor cannot pay the receivable (due to the difficult financial situation of the debtor, a lawsuit against the debtor, adverse changes in the economic environment affecting the debtor). For outstanding receivables, which are not subject to individual assessment, evidence of impairment is analysed within the individual asset classes with regards to credit risk (e.g. due to the industrial sector, region or structure of customers). The indicator of impairment losses for each class is thus based on observed trends in the recent past about the difficulties of payments by debtors.

Shares of non-listed companies are measured at acquisition price less accumulated impairment losses as fair value cannot be estimated reliably. Impairment losses are recognised in the income statement.

All other financial assets available for sale are measured at fair value. Revaluation gains and losses are recognised as other comprehensive income and cumulatively presented in equity from the valuation of financial assets available for sale, except for impairment write-downs and foreign exchange differences on monetary assets, which are recognised in the income statement. The income statement includes interest that would have been recognised in the valuation of these financial assets at amortized cost using the effective interest method.
Reversals of impairment losses recognized on the valuation of financial assets available for sale are presented in other comprehensive income, with the exception of impairment losses on debt instruments, for which reversal is recognised in the income statement if the increase in the value of the debt instrument can be objectively matched with circumstances that occurred after the impairment loss was recognised.

When an asset is derecognised, the accumulated gains and losses previously recognised in other comprehensive income are transferred to the income statement and are presented in other comprehensive income as a reclassification due to the transfer to profit or loss.

Financial liabilities
Financial liabilities other than hedge derivatives are presented under following sections of the statement of financial position:

- interest-bearing bank loans, borrowings and other debt instruments,
- finance leases,
- trade payables and other liabilities, and
- derivative financial instruments.

After initial recognition, financial liabilities are measured at amortized cost using the effective interest method, except for financial liabilities held for trading or designated as at fair value through profit or loss. The Group classifies derivatives other than hedge instruments as financial liabilities measured at fair value through profit or loss. Short-term trade payables are measured at the value to be paid without discounting due to immaterial effects. Gains and losses on the valuation of financial liabilities are recognised in the income statement in financial activities.

Inventories
Inventories are valued at the lower of two values: acquisition / production cost or net realizable value. The acquisition or production cost comprises of costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.
The production cost of finished goods and work in progress includes direct costs (mainly materials and labour) increased by production overheads based on normal utilization for production capacity.
Finished goods are distributed using the weighted average cost formula. Materials and goods are distributed using the "first in - first out" (FIFO) cost method.
Net realizable value is the estimated selling price determined in the ordinary course of business, less the costs of completion and costs necessary to make the sale.

Cash and cash equivalents
Cash and cash equivalents comprise of cash in hand and on bank accounts, deposits available at request and short-term highly liquid investments (up to 3 months), easily convertible into cash, for which the risk of a change in value is negligible.

Assets held for sale
Non-current assets or groups of non-current assets are classified as held for sale when their carrying value is recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition, its sale must be highly probable and the company intends to complete the sale transaction within one year from the date of such classification. Fixed assets that have been classified as held for sale are measured at the lower of their carrying value and fair value less costs to sell. Some assets classified as held for sale, such as financial assets and deferred tax liabilities, are measured using the same accounting principles as were applied by the Group before re-classification. Non-current assets classified as held for sale are not depreciated.

Equity
Share capital is disclosed at the nominal value of issued shares in accordance with the statutes of the parent company and the entry in the National Court Register.

The shares of the parent company acquired and held by the parent company or subsidiaries are deducted from equity. Treasury shares are valued at acquisition cost.

The share premium constitutes the surplus of proceeds from the sale of shares above their nominal value, net of issuance costs.

Other equity elements include:

- equity element recognized due to the valuation of share-based payment programmes, and
- equity elements representing accumulated other comprehensive income, including:
  - the revaluation of property, plant and equipment to fair value (see the paragraph on property, plant and equipment),
  - the valuation of financial assets available for sale (see the paragraph on financial instruments),
  - the valuation of cash flow hedges (see the paragraph on hedge accounting),
  - the exchange differences on the conversion of foreign subsidiaries (see the paragraph on foreign currency transactions),
  - participation in other comprehensive income of associates valued using the equity method (see the paragraph on investments in associates).

Retained earnings presents accumulated results from previous years (including earnings transferred to equity on the basis of shareholder resolutions) and the financial results of the current reporting period.

All transactions with owners of the parent company are presented separately in the "Consolidated statement of changes in equity".

<u>Share-based payments</u>
The Group implements incentive programmes according to which key members of the management personnel are granted options convertible into shares of the parent company.

The value of remuneration is determined indirectly by reference to the fair value of the equity instruments granted. The fair value of the options is measured at the grant date, wherein non-market conditions (to achieve a certain level of profit) are taken into account in estimating the fair value.

The cost of remuneration and the corresponding equity element are recognised on the basis of the estimated number of options which will vest over a given period. In determining the number of options which will vest, non-market conditions are taken into account.
The Group adjusts these estimates, if subsequent information indicates that the number of options granted is different from previous estimates. Adjustments to the estimated number of options granted are recognised in the income statement in the current period - no adjustments are made to prior periods.

When options are exercised, the equity element relating to valuation is transferred to share premium, net of share issuance costs.

<u>Employee benefits</u>
Payables toward employees and provisions for employee benefits recognised in the income statement include following:

- short-term employee benefits including remuneration (including bonuses) and related social security contributions,
- provisions for unused annual leave, and
- long-term employee benefits including jubilee awards and retirement benefits.

Short-term employee benefits
In the statement of financial position, short -term employee benefits are presented at the amount due for payment, on an undiscounted basis.

Provisions for unused holidays
The Group recognises a provision for accumulated compensated absences, which are incurred as a result of unused entitlement and where this entitlement is valid at the balance sheet date. The provision for unused annual leave is presented as a short-term provision and is not discounted.

Retirement benefits and jubilee awards
According to the remuneration systems, employees of the Group are entitled to jubilee awards and retirement benefits. Jubilee awards are paid to employees after serving a number of years. Retirement benefits are paid in a single payment on the date of retirement. The amount of retirement benefits and jubilee awards depends on the years of service and average salary of the employee.
The Group recognises a provision for future retirement benefits and jubilee awards in order to allocate costs to the periods in which the entitlement was acquired.
The present value of the obligation is estimated by an independent actuary at each balance sheet date. The total value of provision equals the discounted payments that will be settled in the future and relate to the period up to the balance sheet date. Demographic information and information on staff turnover are based on historical data.
Changes in the provision for retirement benefits and jubilee awards are recognised in the income statement.

<u>Provisions, contingent liabilities and contingent assets</u>
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, if it is 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. The provision is of uncertain timing or amount.

Provisions are created, among others, for the following:

- guarantees provided for after-sales service of products and services rendered,
- pending litigation and disputes,
- restructuring, only if separate regulations apply or the Group has entered into binding agreements to carry out the process.

There are no provisions for future operating losses.

A provision is the best estimate of the expenditure required to settle the present obligation, based on the most reliable evidence available at the balance sheet date, including the risks and uncertainties that surround the underlying events. If the effect of the time value of money is material, provisions are determined by discounting the estimated future cash flows to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. If a method based on discounting was applied, the increase in the provision due to the passage of time is recognised as a finance cost.

If the Group expects the costs of the provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. However, the value of the asset cannot exceed the value of the provision.

If the settlement of the present obligation is not probable, the contingent liability is not recognised in the statement of financial position, except for contingent liabilities identified in a business combination in accordance with IFRS 3. Information on contingent liabilities is included in Note 24. The Group additionally presented information about contingent liabilities arising from operating lease agreements (Note 7).

Future economic benefits that do not meet the criteria for asset recognition, are classified as contingent assets, which are not disclosed in the statement of financial position. Information on contingent assets is disclosed in the explanatory notes.

<u>Prepayments and accruals</u>
In the consolidated statement of financial position, under the “Prepayments” section, the Group presents expenses incurred before the balance sheet date that relate to future periods, primarily rents.

In the consolidated statement of financial position, under the “Accruals” section, the Group presents deferred income and subsidies for non-current assets accounted in accordance with IAS 20 "Government grants". Accrued expenses are disclosed under "Trade payables and other liabilities".

Subsidies are recognised only when there is reasonable assurance that the Group will comply with the conditions attached to such grants and that such grants will be received. If a grant is related to a specific cost item, it shall be recognized as income (or as a reduction of expense) proportionally to the costs that the grant is intended to compensate.
If a grant is related to a specific asset, its fair value is systematically updated by way of equal annual write-offs, recognized in the income statement over the estimated useful life of the related asset. . In the consolidated statement of financial position grants are presented on a gross basis, i.e. the Group does not deduct its value from the carrying amount of the asset and discloses them as deferred income under "Accruals".

<u>Sales revenues</u>
Sales revenues are recognised at the fair value of the payment received or to be received and represents the value of products, goods and services provided in the normal course of business, net of discounts, value-added tax and other sales-related taxes (excise tax). Sales revenues are recognised when it’s probable that any future economic benefit associated with the item of revenue will flow to the entity, and the amount of revenue can be reliably measured.
in the amount in which it is probable that the Group will attain the economic benefits associated with the transaction and if the amount of the revenue can be measured reliably.

Sales of goods and products
Sales of goods and products are recognised if the following conditions are met:
- the Group has transferred to the buyer the significant risks and rewards of ownership. The condition is deemed to be satisfied upon undisputed delivery of the goods or products to the customer,
- the amount of revenue can be measured reliably,
- it is probable that the economic benefits associated with the transaction will flow to the Group, and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sales of services
Sales of services are recognised if the following conditions are met:
- the amount can be reliably measured,
- it is probable that the economic benefits associated with the transaction will flow to the Group,
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest and dividends
Interest income is recognised over the time in accordance with the effective interest rate method. Dividends are recognised when the shareholder's right to receive payment is established.

<u>Operating costs</u>

Operating costs are recognised in the income statement according to the matching concept. The Group prepares its consolidated income statement in the functional manner (i.e. by cost centres).

Income tax (including deferred tax)
The income tax charge includes corporate income tax and deferred tax, which has not been recognised in other comprehensive income or directly in equity.

The current tax liability is calculated on the basis of the tax result (the tax base) for the fiscal year. The tax profit (loss) differs from the accounting profit (loss) before tax due to the temporary (tax deductible income and costs, which will be settled in future periods) and permanent differences (non-taxable income and costs). Tax charge is calculated based on the tax rate applicable in a given year.

Deferred tax is calculated using the liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts.

Deferred tax liabilities are recognised for all temporary differences subject to taxation, while a deferred tax asset is recognised to the extent that it is probable that taxable profit will be available against which the deductible can be utilised. No deferred tax liability is recognised for the temporary difference arising from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of its occurrence affects neither the taxable profit nor the accounting profit. No deferred tax liability is recognised on goodwill, which is not subject to amortization based on tax law.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted at the reporting date.
The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or a part of the deferred income tax asset to be utilised.

Professional judgement of the Management Board and estimates
.
The preparation of consolidated financial statements requires making estimates and assumptions which have an impact on the application of accounting policies and data disclosed in the financial statements. These estimates and assumptions have been adopted based on the Group's best knowledge of current activities and occurrences, and the actual results may differ from those anticipated.
Presented below are the main areas which in the process of applying our accounting policies were subject not only to accounting estimates, but also to the management's professional judgement.

Economic useful life
The parent company's Management Board performs annual reviews of the economic useful lives of assets, that are subject to amortization and depreciation. As at 31st December, 2015, the Management Board estimates that the amortization and depreciation rates applied by the Group reflect the period of expected economic benefits generated by these assets. However, the actual periods of expected benefits might differ from estimated ones, for example due to technological obsolescence. The carrying value of non-current assets that are amortized or depreciated is presented in Notes 5 and 6.

Deferred tax assets
The realization of deferred tax assets is based on the budgets approved by the Management Board of the parent company. If the forecasted income statement shows that the Group's companies will achieve taxable income, deferred tax asset is recognised.

Impairment of non-financial assets
In order to determine value in use the Management Board estimates future cash flows and determines a discount rate in order to calculate the present value of those cash flows (see the paragraph on impairment of non-financial assets). To estimate the present value of future cash flows, assumptions are made in respect of projected financial results. These assumptions relate to future events and circumstances. Actual results may differ from estimated ones, which in subsequent reporting periods may lead to significant adjustments in the value of the Group's assets.

Adjustment of errors and changes to accounting principles
In 2015, there were no changes in accounting policies. No errors were detected in the consolidated financial statements for previous periods.

1. Operating segments
Starting from 2014, Benefit Systems Group presents its results based on operating segments. A comparison of operating segments results with historical data is presented in the Management Board's Report on the Group's Operations for the 12 months ended 31st December, 2015, on page 14.

All amounts in thousands of Polish zloty (unless otherwise indicated)

The obligation to disclose operating segments does not apply to the Benefit Systems Group. Currently the thresholds specified in IFRS 8 are not met thus no obligation exists. However, the Group decided to present results by segments as it is expected that the threshold will be exceeded in the following reporting periods, and also to enhance and improve the transparency and quality of financial information.

The Group monitors its activities in the following operating segments:
- "Sports Cards" Operating Segment,
- "Cafeteria" Operating Segment,
- "Fitness" Operating Segment,
- "Foreign" Operating Segment,
- Other.

The operating segments include the following activities offered through the companies listed below:
- The "Sports Cards" segment includes a group of sports cards offered by the following companies: Benefit Systems S.A., FitSport Polska S.A., and Vanity Style Sp. z o.o.
- The "Cafeteria" segment includes non-wage incentive systems implemented through cafeteria platforms, offering users a wide range of products supplied by the companies MultiBenefit Sp. z o.o., MyBenefit Sp. z o.o., and Nowe Benefity Sp. z o.o.
- The "Fitness" segment includes fitness clubs networks, such as Calypso Fitness S.A., Fabryka Formy S.A., Fitness Academy S.K.A., Zdrofit Sp. z o.o. SKA, and the lease of fitness equipment for the partners of Benefit Partners Sp. z o.o.,
- The "Foreign" segment includes the activities of the Benefit Systems Group outside the Polish market, i.e. the companies consolidated through Benefit Systems International Sp. z o.o. including the following entities: MultiSport Benefit S.R.O. in the Czech Republic, Benefit Systems Slovakia S.R.O. and Benefit Systems Bulgaria EOOD,
- Other activities include sales revenues other than those listed above and indirect costs that are not allocated to the above segments. Sales revenues represent the reconciliation of sales transactions carried out between segments. Costs represent general and administrative expenses, costs of strategic activities and the cost of the Incentive Programme.

Sales revenue recognised in the consolidated income statement do not differ from the sales revenue presented in the operating segments, except for unallocated income and the consolidation adjustments of transactions between segments.

2. Changes in the Group's structure

Business combinations

The business combinations carried out by the Group in 2015, as a result of which the Group acquired control over entities, are described in the general information to the consolidated financial statements (paragraph d).
The amounts of goodwill and badwill recognized in 2015 arose on business combination accounted for using the purchase method. Badwill is presented in "Other operating income" in the consolidated income statement. The column "Retained earnings" presents the result of business combinations carried out, which, according to the accounting policies used by the Group are accounted using the pooling of interest method (see paragraph c "Basis for preparation and accounting policies").

	Date of acquisition	Share acquired	Payment:		Net assets acquired (fair value)	Goodwill	Retained earnings (business combinations under common control)
			Acquiring party	Non-controlling interests			
Fitness Academy Sp. z o.o. S.K.A	12/02/2015	80.83%	Fit Invest Sp. z o.o.	0.00%	791	12,712	(18,795)
Fabryka Formy S.A.	30/03/2015	33.08%	Fit Invest Sp. z o.o.	23.87%	7,220	11,072	(2,748)
MultiSport Benefit S.R.O.	31/03/2015	53.00%	BSI Sp. z o.o.	26.00%	(1,026)	5,795	(1,816)
MyBenefit Sp. z o.o.	03/04/2015	51.03%	Benefit Systems S.A.	0.00%	4,122	29,712	42
AM Classic Sp. z o.o.	09/07/2015	100.00%	Fit Invest Sp. z o.o.	0.00%	423	3,291	(3)
Jupiter Sport Sp. z o.o.	21/10/2015	100.00%	Fit Invest Sp. z o.o.	0.00%	469	2,594	14
Nowe Benefity Sp. z o.o.	20/11/2015	70.00%	Benefit Systems S.A.	0.00%	(585)	998	(4,928)
Benefit Development Sp. z o.o.	18/12/2015	55.00%	Benefit Systems S.A.	0.00%	(5,593)	25,298	(25,298)

On 12th February, 2015, the Group acquired 80.83% of shares in Fitness Academy Sp. z o.o. SKA with its registered office in Wrocław, ul. Kutnowska 1, which is the owner of Fitness clubs. The purpose of the acquisition was a strengthening of its position on the fitness services market.
The purchase consideration amounted to 402,550 PLN and was settled in cash.

On 30th March, 2015, the Group acquired 33.08% of the equity instruments in Fabryka Formy S.A. with its registered office in Poznań, ul. Bolesława Krzywoustego 72, which is the owner of Fitness clubs. The purpose of the acquisition was a strengthening in its position on the fitness services market.
The purchase consideration resulting from the share sale agreement in the amount of 12,546,000 PLN was settled by acquiring the repaid debts of the seller in amount of 15,546,000 PLN.

On 31st March, 2015, the Group acquired 53.00% of the equity instruments in MultiSport Benefit S.R.O. with its registered office in Prague, ul. Zelenypruh 95/97, 140 00 Prague 4, whose activity is presented in Foreign Operations operating segment. The purpose of the acquisition was a strengthening in its position on the Sports Card market outside Poland.
The purchase consideration in the amount of 2,650,000 PLN was settled by releasing the seller from the obligations arising from loans granted on 1st February, 2013, 5th February, 2013, 9th April, 2013, and 21st October, 2013, with a total value of 2,650,000 PLN as at 31st March, 2015.

On 3rd April, 2015, the Group acquired 51.03% of the equity instruments in MyBenefit Sp. z o.o. with its registered office in Wroclaw, ul. Powstańców Śląskich 28/30, whose activity is presented in the Cafeteria operating segment. The purpose of the acquisition was a strengthening of its position on the cafeteria services market. The purchase consideration amounted to 15,672,400 PLN

On 9th July, 2015, the Group acquired 100.00% of the equity instruments in AM Classic Sp. z o.o. with its registered office in Wroclaw, ul. Plac Dominikański 1, which is the owner of a fitness club. The purpose of the acquisition was a strengthening of its position on the fitness services market. The purchase consideration amounted to 178,200 PLN and was settled in cash.

On 21st October, 2015, the Group acquired 100.00% of the equity instruments in Jupiter Sport Sp. z o.o. with its registered office in Wroclaw, ul. Żegiestowska 11, which is the owner of a fitness club. The purpose of the acquisition was a strengthening in its position on the fitness services market. The purchase consideration amounted to 2,969,600 PLN and was settled in cash.

On 20th November, 2015, the Group acquired 70.00% of the equity instruments in Nowe Benefity Sp. z o.o. with its registered office in Warsaw, Plac Europejski 2, whose activity is presented in the Cafeteria operating segment. The purpose of the acquisition was a strengthening in its position on the cafeteria services market.
The purchase consideration amounted to 70,000 PLN and was settled in cash.

On 18th December, 2015, the Group acquired 55.00% of the equity instruments in Benefit Development Sp. z o.o. with its registered office in Warsaw, Plac Europejski 2, established as an incubator for new ventures. The purpose of the acquisition is to simplify the Group's structure. The purchase consideration amounted to 2,700 PLN and was settled in cash.

Goodwill

Goodwill arising as a result of the acquisition of: Fitness Academy Sp. z o.o. S.K.A., Fabryka Formy S.A., MultiSport Benefit S.R.O., MyBenefit Sp. z o.o., AM Classic Sp. z o.o., Jupiter Sport Sp. z o.o., Nowe Benefity Sp. z o.o., and Benefit Development Sp. z o.o. represents the synergies that are expected from the merger of its activities with the parent company and could not have been recognised as separate assets in accordance with IAS 38 (employees and their knowledge). Goodwill was allocated to cash-generating units and is assigned to the operating segments.
Goodwill arising from business combinations does not impact the income tax base.

Sales revenues and net profit/(loss) of acquired companies
The sales revenues and net profit (loss) of the acquired companies after the acquisition date included in the consolidated financial statements of the Group's income statement for 2015 amounted to 68,284,000 PLN and (3,192,000) PLN respectively.

Loss of control

In the period covered by the consolidated financial statements the Group has not lost control over subsidiaries.

3. Investments in subsidiaries and associates

Investments in subsidiaries

The following table presents the list of the Group's investments in subsidiaries:

All amounts in thousands of Polish zloty (unless otherwise indicated)

	31/12/2015				31/12/2014			
	Equity attributable to shareholders of the parent company	Non-controlling interests	Profit (loss) attributable to shareholders of the parent company	Net profit (loss) attributable to non-controlling interests	Equity attributable to shareholders of the parent company	Non-controlling interests	Profit (loss) attributable to shareholders of the parent company	Net profit (loss) attributable to non-controlling interests
FitSport Polska S.A.	22,552		11,448		11,107		8,775	
Vanity Style Sp. z o.o.	2,913		2,385		2,587		2,060	
Benefit Partners Sp. z o.o.	(92)		(538)		446		700	
Benefit IP Sp. z o.o.	(21)		(10)		(11)		(10)	
Benefit IP Sp. z o.o. S.K.	68,794		5,699		66,953		6,342	
Benefity Sp. z o.o./ MultiBenefit Sp. z o.o.	(97)		(122)		24		(16)	
Fit Invest Sp. z o.o.	47,048		(37)		(15)		(17)	
Travel Benefity Sp. z o.o. S.K. / MultiBenefit Sp. z o.o. S.K.	(7,211)		(9,751)		(965)		(29)	
Benefit Systems International Sp. z o.o.	2,814		(911)					
Fitness Academy Sp. z o.o.	20		15					
Fitness Academy Sp. z o.o. SKA	(2,203)		(2,994)					
Fabryka Formy S.A.	6,642	4,262	(1,497)	(769)				
MultiSport Benefit S.R.O.	239	1,443	956	336				
MyBenefit Sp. z o.o.	6,470		2,347					
Benefit Systems Bulgaria EOOD	(582)		(593)					
Benefit Systems Slovakia S.R.O.	(584)		(598)					
AM Classic Sp. z o.o.	423		(30)					
Nowe Benefity Sp. z o.o.	(1,200)		(342)					
Benefit Development Sp. z o.o.	(5,593)		0					
Jupiter Sport Sp. z o.o.	435		(23)					

All amounts in thousands of Polish zloty (unless otherwise indicated)

Investments in associates and other entities

All the Group's investments in associates are valued using the equity method (see the section "Basis of preparation and accounting policies").

The table below presents information about the Group’s significant associates:

	Principal place of business and country of registration	Percentage of share capital	Share of voting rights	**31/12/2015**		31/12/2014	
				Carrying amount	Market value*	Carrying amount	Market value*
Baltic Fitness Center Sp. z o.o.	ul. Puławska 427, 02-801 Warsaw, Poland	49.95%	49.95%	0	0	0	0
Calypso Fitness S.A.	ul. Puławska 427, 02-801 Warsaw, Poland	33.33%	33.33%	15,782	15,782	12,583	12,583
Get Fit Katowice II Sp. z o.o.	ul. Uniwersytecka 13, Katowice 40-007, Poland	20.00%	20.00%	0	0	0	0
X-code Sp. z o.o.	ul. Klaudyny 21/ 4, Warsaw 01-684, Poland	46.15%	46.15%	2,807	2,807	2,465	2,465
Instytut Rozwoju Fitness Sp. z o.o.	ul. Puławska 427, 02-801 Warsaw, Poland	48.10%	48.10%	1,441	1,441	815	815
LangMedia Sp. z o.o.	ul. Skwierzyńska 25/3, 53-521 Wrocław, Poland	24.50%	24.50%	2,970	2,970	1,000	1,000
Zdrofit SKA	ul. Mangalia 4, Warsaw, Poland	28.38%	28.38%	3,138	3,138	2,790	2,790
Zdrofit Sp. z o.o.	ul. Mangalia 4, Warsaw, Poland	26.69%	26.69%	3	3	3	3
Notatek.pl Sp. z o.o.	ul. Kielecka 28/2, 31-523 Kraków, Poland	12.00%	12.00%	981	981	0	0
Others				0	0	17,674	17,674
				27,122	**27,122**	**37,330**	**37,330**

In 2015, the value of investments in associates changed due to acquisitions of majority holdings in associated companies in 2014, such as Fabryka Formy S.A., Fitness Academy SKA, MultiSport Benefit S.R.O. and MyBenefit Sp. z o.o. In 2015, these companies are consolidated using the full method.

Key financial data for significant associates are as follows:

	Assets	Liabilities	Equity	Net profit/(loss) for the period	Sales revenues
Baltic Fitness Center Sp. z o.o.	1,734	1,801	(67)	(158)	2,108
Calypso Fitness S.A.	74,640	41,381	33,259	6,946	64,670
Get Fit Katowice II Sp. z o.o.	436	834	(398)	(25)	1,868
X-code Sp. z o.o.	3,276	673	2,603	629	5,735
Instytut Rozwoju Fitness Sp. z o.o.	11,397	7,745	3,652	192	11,661
LangMedia Sp. z o.o.	608	386	222	680	3,089
Zdrofit SKA	6,595	3,438	3,157	2,914	17,522
Zdrofit Sp. z o.o.	13	11	2	(18)	94
	98,699	**56,269**	**42,430**	**11,160**	**106,747**

All amounts in thousands of Polish zloty (unless otherwise indicated)

The cumulative loss for Baltic Fitness Center Sp. z o.o. and Get Fit Katowice II Sp. z o.o. contributed to the negative values of the equity for these companies, therefore, the Group ceased to recognise its share of losses in these affiliated company.

The contingent liabilities of the Group for all or part of the purchase obligations for associates has been presented in Note 24.

<u>Investments in structured units subject and not subject to consolidation</u>
The Group has no investments in structured units.

4. Goodwill

In 2015, the value of goodwill presented in the consolidated statement of financial positions changed significantly due to the acquisitions of the following entities: MyBenefit Sp. z o.o., Benefit Development Sp. z o.o., Fitness Academy Sp. z o.o. SKA, Fabryka Formy S.A., MultiSport Benefit S.R.O. The accounting policies in respect of the calculation of goodwill has been described in Note 2 Business combinations. Changes in the carrying value of goodwill in the period covered by the consolidated financial statements are presented in the table:

	From 01/01 to 31/12/2015	From 01/01 to 31/12/2014
Gross value		
Gross value at beginning of period	8,097	6,097
Business combinations	91,472	2,000
Gross value at end of period	**99,569**	**8,097**
Impairment write-downs		
Impairment write-down at the end of the period	0	0
Goodwill - carrying amount at end of period	**99,569**	**8,097**

Goodwill presented in the balance sheet relates to the following business acquisitions:

	31/12/2015	31/12/2014
FitSport Polska S.A.	3,930	3,930
Vanity Style Sp. z o.o.	2,993	2,993
Fit Invest Sp. z o.o.	1,174	1,174
Fitness Academy SKA	12,712	0
Fabryka Formy S.A.	11,072	0
MultiSport Benefit S.R.O.	5,795	0
MyBenefit Sp. z o.o.	29,712	0
AM Classic Sp. z o.o.	3,291	0
Nowe Benefity Sp. z o.o.	998	0
Benefit Development Sp. z o.o.	25,298	0
Jupiter Sport Sp. z o.o.	2,594	0
Total goodwill	**99,569**	**8,097**

To perform annual impairment testing, goodwill is allocated to cash-generating units, which are also separate operating segments (see also Note 1). Goodwill was assigned to specific segments as follows:

	31/12/2015	31/12/2014
Sports cards	32,221	2,993
Cafeteria	30,710	0
Fitness	30,843	0
Foreign	5,795	0
Other items and arrangements.	0	5,104
Total goodwill	**99,569**	**8,097**

All amounts are expressed in thousands of Polish zloty (unless otherwise indicated)

5. Intangible assets

Intangible assets used by the Group include trademarks, patents and licenses, computer software, internally generated development costs and other intangible assets. Intangible assets that are not yet ready for use are presented as "Intangible assets under construction".

	Trademarks	Computer software	Development costs	Other intangible assets	Intangible assets under construction	Total
As at 31/12/2015						
Gross value	2,915	5,606	2,313	1,646	3,096	15,575
Accumulated amortization and impairment losses	(243)	(2,794)	(1,412)	(934)	0	(5,384)
Net book value	**2,672**	**2,811**	**901**	**712**	**3,096**	**10,191**
As at 31/12/2014						
Gross value	2,915	4,984	0	775	3,202	11,876
Accumulated amortization and impairment losses	(49)	(2,284)	0	(144)	0	(2,477)
Net book value	**2,866**	**2,700**	**0**	**631**	**3,202**	**9,399**

	Trademarks	Computer software	Development costs	Other intangible assets	Intangible assets under construction	Total
For the period from 01/01 to 31/12/2015						
Net book value as at 01/01/2015	2,866	2,700	0	631	3,202	9,399
Additions (acquisitions, manufacturing, leasing)	0	119	319	3,651	4,810	8,899
Reductions (sale, liquidation) (-)	0	(1,094)	0	(3,932)	(1,800)	(6,826)
Other changes (reclassifications, repostings, etc.).	0	1,622	0	0	(3,116)	(1,494)
Amortization (-)	(194)	(686)	(53)	(1,357)	0	(2,290)
Other changes	0	150	635	1,719	0	2,504
Net book value as at 31/12/2015	**2,672**	**2,811**	**901**	**712**	**3,096**	**10,191**
for the period from 01/01 to 31/12/2014						
Net book value as at 01/01/2014	0	2,176	0	725	913	3,814
Additions (acquisitions, manufacturing, leasing)	2,915	69	0	30	6,614	9,268
Other changes (reclassifications, repostings, etc.).	0	1,294	0	0	(4,325)	(3,031)
Amortization (-)	(49)	(839)	0	(123)	0	(1,011)
Net book value as at 31/12/2014	**2,866**	**2,700**	**0**	**631**	**3,202**	**9,399**

The most important intangible asset is a trade mark with a net book value as of 31st December, 2015, of 2,672,000 PLN (2014: 2,866,000 PLN). The remaining amortisation period of this component is 13 years.

The amortisation of intangible assets is presented in the consolidated income statement in the following positions:

- "Cost of sales" - 2015: 214,000 PLN (2014: 0 PLN),
- "General and administrative expenses" - 2015, 706,000 PLN (2014: 645 PLN),
- "Selling expenses" - 2015, 1,370,000 PLN (2014: 366 PLN).

In 2015, the Group did not make any impairment write-downs.

As at 31st December, 2015, no intangible assets serve as collateral for the Group's liabilities. Information about collateral and securities has been presented in Note 8.4.

All amounts in thousands of Polish zloty (unless otherwise indicated)

6. Property, plant and equipment

	Buildings and structures	Machines and devices	Vehicles	Other tangible assets	Tangible fixed assets under construction	Total
As at 31/12/2015						
Gross value	44,086	22,431	4,040	57,449	6,261	134,267
Accumulated depreciation and impairment losses	(4,975)	(9,011)	(1,543)	(18,023)	(0)	(33,552)
Net book value	**39,111**	**13,420**	**2,497**	**39,426**	**6,260**	**100,714**
As at 31/12/2014						
Gross value	0	13,892	2,129	19,118	282	35,422
Accumulated depreciation and impairment losses	0	(5,007)	(798)	(3,420)	(0)	(9,225)
Net book value	**0**	**8,885**	**1,331**	**15,698**	**282**	**26,196**

	Buildings and structures	Machines and devices	Vehicles	Other tangible assets	Tangible fixed assets under construction	Total
For the period from 01/01 to 31/12/2015						
Net book value as at 01/01/2015	0	8,885	1,331	15,698	282	26,197
Additions (acquisitions, manufacturing, leasing)	8,863	1,845	1,475	30,994	13,625	56,801
Reductions (sale, liquidation) (-)	(41)	(326)	(99)	(14,073)	(3,538)	(18,077)
Other changes (reclassifications, repostings, etc.).	(1,287)	2,926	0	(311)	(8,998)	(7,670)
Depreciation (-)	(1,734)	(3,601)	(859)	(7,058)	(0)	(13,252)
Other changes	33,310	3,691	650	14,176	4,890	56,716
Net book value as at 31/12/2015	**39,111**	**13,420**	**2,497**	**39,426**	**6,260**	**100,714**
For the period from 01/01 to 31/12/2014						
Net book value as at 01/01/2014	0	5,548	994	10,772	208	17,522
Additions (acquisitions, manufacturing, leasing)	0	2,014	875	16,985	1,387	21,262
Reductions (sale, liquidation) (-)	0	(484)	(306)	(13,785)	(1,210)	(15,785)
Other changes (reclassifications, repostings, etc.).	0	3,639	240	3,849	(103)	7,625
Depreciation (-)	0	(1,832)	(471)	(2,124)	(0)	(4,428)
Net book value as at 31/12/2014	**0**	**8,885**	**1,331**	**15,698**	**282**	**26,196**

All amounts in thousands of Polish zloty (unless otherwise indicated)

Depreciation of tangible assets was recognised in the consolidated income statement and the statement of financial position as follows:

	From 01/01 to 31/12/2015	From 01/01 to 31/12/2014
Costs of sales s	8,717	5
General and administrative expenses	3,812	4,422
Selling expenses	723	0
Total depreciation of tangible fixed assets	**13,252**	**4,427**

As at 31st December, 2015, none of the tangible assets serve as collateral for the Group's liabilities. Information about collateral and securities has been presented in Note 8.4

7. Leases

7.1. Financial leases

The Group leases tangible assets under financial lease agreements. Changes in net book value of leased assets are presented below:

	Machines and devices	Vehicles	Other tangible assets	Total
As at 31/12/2015				
Gross value	2,013	3,299	38,583	43,895
Accumulated depreciation and impairment losses	(781)	(1,136)	(12,736)	(14,652)
Net book value	**1,232**	**2,163**	**25,848**	**29,242**
As at 31/12/2014				
Gross value	499	2,007	1,072	3,578
Accumulated depreciation and impairment losses	(249)	(716)	(175)	(1,140)
Net book value	**250**	**1,291**	**897**	**2,438**

The future minimum lease payments under finance leases and the present value of the net minimum lease payments are as follows:

	Lease payments to be settled within:			
	up to 1 year	from 1 year to 5 years	over 5 years	Total
As at 31/12/2015				
Future minimum lease payments	4,978	9,688		14,666
Financial costs (-)	3,688	6,887		10,574
The present value of future minimum lease payments	**8,665**	**16,575**	**-**	**25,240**
As at 31/12/2014				
Future minimum lease payments	709	1,252		1,961
Financial costs (-)	2,268	3,167		5,435
The present value of future minimum lease payments	**2,977**	**4,419**	**-**	**7,396**

The most important arrangements relate to leases of fitness equipment with an initial value of the leased asset of 12,257,000 PLN signed between the Group and mLeasing Sp. z o.o., and with an initial value of the leased asset of 13,263,000 PLN signed between the Group and Millennium Leasing Sp. z o.o. The lease agreements include the sale and leaseback clause in arrangements between the Group and its partners.
The lease agreements were concluded for a period of 3 - 5 years with an option to buy back leased equipment after the expiry of the contracts. Lease instalments bear interest at a variable interest rate calculated based on WIBOR. A detailed list of collateral of the Group has been presented in Note 8.4. The lease agreements do not impose additional requirements on the Group to maintain the debt ratio.

In the period covered by the consolidated financial statements no costs were included as contingent leasing payments or sublease payments, due to the fact that all leased assets are used exclusively by the Group.

7.2. Operating leases

The Group leases tangible assets under operating lease agreements. The future minimum lease payments under non-cancellable operating leases are as follows:

All amounts in thousands of Polish zloty (unless otherwise indicated)

	31/12/2015	31/12/2014
Future minimum payments under non-cancellable operating lease agreements:		
Paid during the period up to 1 year	761	
Paid during the period from 1 year to 5 years	2,585	
Payable over 5 years		
Total	**3,346**	**-**

In 2015, the Group recognised operating lease payments in the amount of 46,000 PLN (2014: 0 PLN). This amount includes only the minimum payments. In the period covered by the consolidated financial statements there were no contingent payments or sublease payments.

An operating lease arrangement was concluded by the subsidiary Fabryka Formy S.A. and relates to f fitness equipment.

8. Financial assets and liabilities

8.1. Categories of financial assets and liabilities

The value of financial assets in the consolidated statement of financial position relates to the following categories of financial instruments specified in IAS 39:

1 - loans and receivables (L&R)	2 - assets outside the scope of IAS 39 (In addition to IAS 39)

	Note	*Categories of financial instruments according to IAS 39		Total
		L&R	Outside IAS 39	
As at 31/12/2015				
Non-current assets:				
Loans and receivables	8.2	36,023		36,023
Current assets:				
Trade and other receivables	11	55,161	3,760	58,921
Loans	8.2	8,776		8,776
Cash and cash equivalents	12	23,977		23,977
Total		**123,937**	**3,760**	**127,697**
As at 31/12/2014				
Non-current assets:				
Loans and receivables	8.2	91,794		91,794
Current assets:				
Trade and other receivables	11	28,797	2,490	31,287
Loans	8.2	27,166		27,166
Cash and cash equivalents	12	6,825		6,825
Total		**154,582**	**2,490**	**157,072**

The following items of financial assets presented in the consolidated statement of financial position relates to the following categories of financial instruments as specified in IAS 39:

1 - Financial liabilities at fair value through profit and loss - held for trading (LFVPL-T)	3 - liabilities outside the scope of IAS 39 (In addition to IAS 39)
2 - financial liabilities measured at amortized cost (LMAC)	

	Note	*Categories of financial instruments according to IAS 39			Total
		LFVPL-T	LMAC	Outside IAS 39	
As at 31/12/2015					
Long-term liabilities:					
Interest-bearing bank loans, borrowings and debt securities	8.3		57,847		57,847
Financial leases	7			16,515	16,515
Other liabilities	16		8,093		8,093
Short-term liabilities:					

	Note	*Categories of financial instruments according to IAS 39			Total
		LFVPL-T	LMAC	Outside IAS 39	
Trade payables and other liabilities	16	56	30,789	4,568	35,413
Interest-bearing bank loans, borrowings and debt securities	8.3		9,608		9,608
Financial leases	7			8,725	8,725
Financial liabilities category total		**56**	**106,336**	**29,808**	**136,200**
As at 31/12/2014					
Long-term liabilities:					
Interest-bearing bank loans, borrowings and debt securities	8.3		1,717		1,717
Finance leases	7			4,246	4,246
Short-term liabilities:					
Trade payables and other liabilities	16		7,350	3,136	10,486
Interest-bearing bank loans, borrowings and debt securities	8.3		36,305		36,305
Finance leases	7			3,150	3,150
Financial liabilities category total		**-**	**45,372**	**10,531**	**55,904**

8.2. Loans and receivables

The Group distinguishes the class of loans and receivables (IFRS 7.6) for the purposes of presentation in the consolidated statement of financial position. Within non-current assets in the statement of financial position receivables and loans are presented in one position. Within the current assets, in accordance with IAS 1, the Group separately presents trade and other receivables. The following items of receivables and loans presented in the consolidated statement of financial position relates to the following categories of financial instruments. Disclosures relating to receivables are presented in Note 11.

	31/12/2015	31/12/2014
Non-current assets:		
Receivables	1,652	1,481
Loans granted	34,371	90,313
Long-term receivables and loans	36,023	91,794
Current assets:		
Trade and other receivables	58,921	31,287
Loans	8,776	27,166
Short-term receivables and loans	67,697	58,452
Loans and receivables, including:	**103,720**	**150,247**
Receivables (Note 11)	60,574	32,768
Loans (Note 8.2)	43,147	117,479

Loans granted are measured at amortized cost using the effective interest rate method. The carrying amount is considered a reasonable approximation of fair value (see Note 8.5 on fair value).
As at 31st December, 2015, loans granted in PLN with a carrying amount of 43,147,000 PLN (2014: 117,479,000 PLN) bore interest at a variable interest rate based on WIBOR plus a margin from 1.75 to 8.00 percentage points. The maturity dates for the loans fall between 2016 and 2026.

The change in net book value of the loans, including impairment write-offs, is as follows:

	From 01/01 to 31/12/2015	From 01/01 to 31/12/2014
Gross value		
Balance at beginning of period	117,479	73,799
Loans granted in the period	8,210	39,923
Interest accrued at effective interest rate	2,897	4,502
Loan repayments (-)	(3,258)	(745)
Other changes	(82,182)	0

All amounts in thousands of Polish zloty (unless otherwise indicated)

	From 01/01 to 31/12/2015	From 01/01 to 31/12/2014
Gross value at end of period	**43,147**	**117,479**
Impairment write-offs		
Impairment write-offs at the end of the period	-	-
Net book value at the end of the period	**43,147**	**117,479**

8.3. Interest-bearing bank loans, borrowings and other debt instruments

The carrying amount of interest-bearing bank loans, borrowings and other debt instruments recognised in the consolidated financial statements includes:

	Current liabilities		Non-current liabilities	
	31/12/2015	31/12/2014	**31/12/2015**	31/12/2014
Financial liabilities measured at amortized cost:				
Interest-bearing bank loans	687		1,899	
Overdraft facility	8,921	36,305		
Loans (borrowings)			5,854	1,718
Debt securities			50,094	
Financial liabilities measured at amortized cost	9,608	36,305	57,847	1,718
Interest-bearing loans, borrowings and other debt instruments in total	**9,608**	**36,305**	**57,847**	**1,718**

Financial liabilities measured at amortized cost

The Group does not classify any interest-bearing loans and borrowings as designated at fair value through profit or loss. All interest-bearing bank loans, borrowings and other debt instruments are measured at amortized cost using the effective interest rate.

Information about the nature and risks to which the Group is exposed due to interest-bearing bank loans, borrowings and other debt instruments is presented in the table below (see also Note 25 concerning risks):

	Currency	Interest	Maturity	Balance sheet value		Liability	
				in foreign currency	in PLN	short-term	long-term
As at 31/12/2015							
Overdraft facility	PLN	Variable		-	8,921	8,921	
Interest-bearing bank loans	PLN	Variable		-	2,586	687	1,899
Loan	PLN	10.5%	2016/12/31	-	5,854		5,854
Bonds	PLN	Variable	2018/06/01	-	50,094		50,094
Interest-bearing bank loans, borrowings and other debt instruments as at 31/12/2015					**67,455**	**9,608**	**57,847**
As at 31/12/2014							
Overdraft facility	PLN	Variable		-	36,305	36,305	
Loan	PLN	7.00%	2015/10/12	-	1,718		1,718
Interest-bearing bank loans, borrowings and other debt instruments as at 31/12/2014					**38,023**	**36,305**	**1,718**

Most of the bank loans bear interest at variable interest in reference to WIBOR 3M, which as at 31st December, 2015, stood at 1.72% (2014: 2.06%).

All amounts in thousands of Polish zloty (unless otherwise indicated)

8.4. Securities of repayments

Interest-bearing bank loans, borrowings, debt securities and finance leases drawn by the Group are subject to the following security for repayment (as at the balance sheet date):

- promissory notes with a promissory note declaration up to the amount of the debt plus interest (2014: up to the amount of the debt plus interest),
- declaration of submission to enforcement.

At 31st December, 2015, no assets of the Group constituted security for the repayment of liabilities.
Apart from these securities, the bank loan t agreements impose on the Group additional requirements that must be met throughout the respective period:

- maintaining a return on asset ratio at a minimum level of 25%,
- achieving a net profit margin respectively of 0% at the end of the first quarter, 3% at the end of the second quarter, 6% of the end of the third and fourth quarters,
- maintaining net financial liabilities to the annual EBITDA ratio at a level of no higher than 3.

8.5. Other information about financial instruments

8.5.1. Information about fair value of financial instruments

A comparison of the carrying amounts of financial assets and liabilities with their fair value is as follows:

Class of financial instrument	Note No.	**31/12/2015**		31/12/2014	
		Fair value	Carrying amount	Fair value	Carrying amount
Assets:					
Loans granted	8.2	43,147	43,147	117,479	117,479
Trade and other receivables	11	58,921	58,921	31,287	31,287
Shares of listed companies	9.4	0	0	421	421
Stocks and shares of non-listed companies*	9.4	27,232	27,232	36,909	36,909
Cash and cash equivalents	13	23,977	23,977	6,825	6,825
Liabilities:					
Interest-bearing bank loans	8.3	2,586	2,586	0	0
Overdraft facility	8.3	8,921	8,921	36,305	36,305
Interest-bearing loans	8.3	5,854	5,854	0	0
Debt securities	8.3	50,094	50,094	0	0
Finance leases	7	25,240	25,240	7,396	7,396
Trade payables and other liabilities	16	35,412	35,412	10,486	10,486

* This item does not include stocks and shares valued at acquisition cost as their fair value cannot be reliably determined.

a) Loans granted
All loans granted were valued at amortized cost.

b) Contingent payment for controlling interests
The contingent payment for controlling interests of MyBenefit Sp. z o.o. was classified as a financial liability measured at fair value.
The fair value of contingent payment reflects the current value of future cash flows weighted with the degree of probability as estimated by the parent company. To determine the initial fair value, the company's Management Board accepted a probability at a level of 100% i.e. on the assumption that conditions will occur fully. The fair value at the balance sheet date was carried out in the same way, with unchanged assumptions. If the parent company assumed that the probability would have decreased by 10 percentage points, the contingent payment would have decreased by 423,000 PLN.

8.5.1. Reclassification

The Group did not reclassify any financial assets that would result in a change of the valuation method between the fair value and acquisition or amortized cost.

9. Deferred tax assets and liabilities and income tax recognised in other comprehensive income

Deferred tax assets and liabilities affect the consolidated financial statements in the following way:

	Note No.	**31/12/2015**	31/12/2014

Balance at beginning of period:			
Deferred tax asset		8,759	9,761
Deferred income tax liability		1,897	1,001
Net deferred tax at beginning of period		**6,863**	**8,760**
Change in the reporting period:			
Income statement (+/-)	20	(4,888)	(1,947)
Other comprehensive income (+/-)	13	(15)	49
Other (including net foreign exchange differences)		2,818	0
Net deferred tax at the end of the period, including:		**4,778**	**6,862**
Deferred tax asset		9,939	8,759
Deferred income tax liability		5,161	1,897

Deferred tax asset:

Temporary differences	At the beginning of period	Change of: income statement	other comprehensive income	business combination	At the end of period
As at 31/12/2015					
Assets:					
Property, plant and equipment	3,943	(3,577)	(15)		351
Trade receivables	292	(62)			230
Liabilities:					
Provisions for employee benefits	627	257			884
Other provisions	883	(365)			518
Trade payables		4			4
Interest –bearing loans, borrowings and other debt instruments		140			140
Other liabilities	3,014	1,647		1,810	6,471
Other:					
Tax losses		1,341			1,341
Total	**8,759**	**(614)**	**(15)**	**1,810**	**9,939**
As at 31/12/2014					
Assets:					
Property, plant and equipment	6,852	(2,924)	15		3,943
Trade receivables	276	15			292
Liabilities:					
Provisions for employee benefits	147	480			627
Other provisions	709	174			883
Other liabilities	1,777	1,237			3,014
Total	**9,761**	**(1 017)**	**15**	**0**	**8,759**

All amounts in thousands of Polish zloty (unless otherwise indicated)

Deferred tax liability:

Temporary differences	At the beginning of period	Change of: income statement	Change of: other comprehensive income	Change of: business combination	At the end of period
As at 31/12/2015					
Assets:					
Property, plant and equipment		516			516
Other assets	1,897	3,757		(1,009)	4,645
Liabilities:					
Total	**1,897**	**4,273**	**0**	**(1 009)**	**5,161**
As at 31/12/2014					
Assets:					
Other assets	1,001	930	(34)		1,897
Liabilities:					
Total	**1,001**	**930**	**(34)**	**0**	**1,897**

Deferred tax recognized in other comprehensive income:

	From 01/01 to 31/12/2015			From 01/01 to 31/12/2014		
	Gross	Tax	Net	Gross	Tax	Net
Other comprehensive income:						
Items not transferrable to income statement						
Financial assets available for sale:						
- gains (losses) recognised in the reporting period	79	(15)	64	(260)	49	(211)
Total	**79**	**(15)**	**64**	**(260)**	**49**	**(211)**

10. Inventories

The following items of inventory are included in the consolidated financial statements of the Group:

	31/12/2015	31/12/2014
Materials	44	
Goods	5,020	1,329
Carrying amount of inventories in total	**5,065**	**1,329**

In 2015, the Group recognised in the consolidated income statement the costs of inventories sold and unallocated production overheads in the amount of 5,825,000 PLN (2014: 0 PLN).

Inventory impairment write-offs amounted in 2015 to 55,000 PLN (2014: 0 PLN) and were charged to other operating costs of the consolidated income statement.

As at 31st December, 2015, no inventories served as security for the Group's liabilities. Information on secured liabilities has been presented in Note 8.4.

All amounts in thousands of Polish zloty (unless otherwise indicated)

11. Trade and other receivables

Trade and other receivables, recognised by the Group in receivables and loans (see Note 8.2) include:

Non-current receivables:

	31/12/2015	31/12/2014
Deposits paid	1,652	1,481
Non-current receivables	**1,652**	**1,481**

Current receivables:

	31/12/2015	31/12/2014
Financial assets (IAS 39):		
Trade receivables	42,426	23,505
Allowance for trade receivables (-)	(1,800)	(1,298)
Net trade receivables	**40,626**	**22,207**
Other receivables	14,573	6,589
Allowance for other financial receivables (-)	(38)	0
Other financial receivables net	14,535	6,589
Financial receivables	**55,161**	**28,797**
Non-financial assets (excluding IAS 39):		
Tax r and other benefits receivables	3,760	2,490
Other non-financial receivables	1	0
Non-financial receivables	3,761	2,490
Total current receivables	**58,921**	**31,287**

The carrying amount of trade receivables is considered by the Group as a reasonable approximation of fair value (see Note 8.5).

The Group assessed recoverability of the receivables with the established accounting policy (see section C) under "Basis of preparation and accounting policies"). Impairment write-downs, which in 2015 were charged to other operating costs in the consolidated income statement amounted to:

- in relation to long-term receivables - 0 PLN (2014: 0 PLN),
- in relation to current financial receivables - 1,838,000 PLN (2014: 1,298,000 PLN).

Changes in receivables impairment write-downs in the period covered by the consolidated financial statements are presented in the table below:

Impairment write-downs of current financial receivables (i.e. trade receivables and other financial receivables):

	From 01/01 to 31/12/2015	From 01/01 to 31/12/2014
Balance at beginning of period	1,298	1,826
Balance at beginning of period for newly consolidated companies	1,451	
Impairment write-downs charged in reporting period	729	227
Reversal of impairment write-downs recognised in the reporting period (-)	(223)	(87)
Utilization of impairment write-downs (-)	(901)	
Other changes (net foreign exchange differences)	(516)	(668)
Balance at end of period	**1,838**	**1,298**

Further analysis of the credit risk, including aging of the overdue, but not impaired, receivables is presented in Note 25.

As at 31st December, 2015, no receivables constituted security for the Group's liabilities. Information about secured liabilities has been presented in Note 8.4.

12. Cash and cash equivalents

	31/12/2015	31/12/2014
Cash in PLN on bank accounts	11,212	6,179
Cash in foreign currency on bank accounts	3,126	633

All amounts in thousands of Polish zloty (unless otherwise indicated)

	31/12/2015	31/12/2014
Cash in hand	287	13
Short-term deposits	9,303	
Other	48	
Cash and cash equivalents in total	**23,977**	**6,825**

As at 31st December, 2015, no cash was subject to restrictions on disposal. Information about secured liabilities has been presented in Note 8.4.

For the purpose of the consolidated statement of cash flows, the Group classifies cash as in the statement of financial position. The reconciliation of cash disclosed in the statement of financial position and statement of cash flows has been presented in Note 22.

13. Equity

13.1. Share capital

As at 31st December, 2015, the share capital of the parent company amounted to 2,555,000 PLN (2014: 2,555,000 PLN) and was divided into 2,554,842 shares (2014: 2,554,842) with a nominal value of 1 PLN each. All shares have been fully paid up.
All shares participate equally in the distribution of dividends and each share gives the right to one vote at the General Meeting of Shareholders.

Changes in the number of shares in the period covered by the consolidated financial statements result from the following transactions with owners:

	From 01/01 to 31/12/2015	From 01/01 to 31/12/2014
Shares issued and fully paid up:		
Number of shares at the beginning of the period	2,554,842	2,554,842
The issue of shares in connection with the execution of options (share-based payment programme)		
Issue of shares		
Redemption of shares (-)		
Number of shares at the end of the period	**2,554,842**	**2,554,842**

At the balance sheet date, neither the parent company nor subsidiaries and associates owned shares in the company.

13.2. Share premium

In 2015, the parent company did not issue shares.

13.3. Share based payment programmes

The Group has started the following incentive programmes in which employees receive options convertible into shares of the company:
Since 1st January, 2014, the employees of the Group have participated in a three-year Incentive Program 2014-2016, where they can obtain the right to acquire 120,000 warrants convertible into shares of the Company. The strike price under the programme is 150.51 PLN. Market price values of the shares on the grant dates were as follows: for 2014 - quotation from 31/03/2014 - 277.40 PLN, for the year 2015 - quotation from 02/12/2015 - 308.55 PLN.

The condition for acquiring the rights to an option is compliance with the following three criteria:
- loyalty - remains in unterminated employment at the end of the calendar year for which the options are granted,
- quality - assessed after achieving the agreed levels of EBITDA by the Group,
- judgemental - understood as a positive evaluation of the Eligible Person under the internal rules adopted by the Company and the planned annual goals.
In the event of failing to exercise the options, their maturity expires on 1st October, 2017.

The fair value of options was established based on the Black - Scholes analytical model. The fair value of options and the input data for the valuation model used (in addition to the above mentioned parameters of the share-based payments programme) are presented in the table below:

	Incentive Programme for 2015	Incentive Programme for 2014

Fair value of 1 option measured at the grant date	**160.45**	**130.53**
Assumptions used in the valuation model at fair value:		
Expected volatility of shares (%)	31.48	33.17
Risk-free interest rate (%)	1.73	3
Projected duration (life) of the options (in years)	1	1

The expected volatility was based on historical quotations of the Company's shares on the Warsaw Stock Exchange for the period 02/01/2013 - 31/12/2013 (options for 2014) and for the period 02/01/2014 - 31/12/2014 (options for 2015).

13.4. Non-controlling shares

Non-controlling shares presented in the Group's statement of changes in equity relate to the following subsidiaries:

	31/12/2015	31/12/2014
Fabryka Formy S.A.	4,260	0
MultiSport Benefit S.R.O.	1,443	0
Total non-controlling shares	**5,703**	**0**

In the period covered by the consolidated financial statements the value of non-controlling interests has changed as a result of changes in the Group's structure and allocation of comprehensive income attributable to non-controlling entities, as shown in the following table:

	From 01/01 to 31/12/2015	From 01/01 to 31/12/2014
Balance at the beginning of the period		
Change in Group structure (transactions with non-controlling entities):		
Acquisition of non-controlling interests by the Group (-)	6,136	0
Other comprehensive income:		
Net profit (loss) for the period (+/-)	(433)	0
The balance of non-controlling interests at the end of the period	**5,703**	**0**

14. Employee benefits

14.1. Costs of employee benefits

	From 01/01 to 31/12/2015	From 01/01 to 31/12/2014
Payroll costs	57,374	30,461
Social security costs	13,435	10,261
Cost of share-based payment programmes	6,418	5,496
Costs of retirement benefits (provisions for jubilee awards, retirement payments)	65	0
Total employee benefits costs	**77,291**	**52,218**

The Group implements incentive programmes in which employees are remunerated in shares of the parent company. The amount of employee remuneration for participation in incentive programmes is determined by the fair value of the equity instruments. Detailed information about the share-based payment programmes are described in Note 13.3.

14.2. Liabilities and provisions for employee benefits

Liabilities and provisions for employee benefits recognised in the consolidated statement of financial position include:

	Short-term provisions and liabilities		Long-term provisions and liabilities	
	31/12/2015	31/12/2014	**31/12/2015**	31/12/2014
Short-term employee benefits:				

All amounts in thousands of Polish zloty (unless otherwise indicated)

	Short-term provisions and liabilities		Long-term provisions and liabilities	
	31/12/2015	31/12/2014	**31/12/2015**	31/12/2014
Salary payments	2,509	25		
Social security payments	1,764	1,385		
Provisions for unused holidays	5,403	3,622		
Short-term employee benefits	**9,676**	**5,032**	**0**	**0**

15. Other provisions

The value of provisions recognised in the consolidated financial statements and their changes between periods were as follows:

	Short-term provisions		Long-term provisions	
	31/12/2015	31/12/2014	**31/12/2015**	31/12/2014
Other provisions	2,874	0	438	0
Other provisions in total	**2,874**	**0**	**438**	**0**

	Provisions for:			
	Lawsuits	Restructuring costs	Other	Total
For the period from 01/01 to 31/12/2015				
Balance at the beginning of the period			306	306
Increase			1,768	1,768
Release (-)			(92)	(92)
Increase due to business combinations			1,329	1,329
Provisions as at 31/12/2015	**0**	**0**	**3,311**	**3,311**
For the period from 01/01 to 31/12/2014				
Balance at the beginning of the period			0	0
Increase			6	6
Other changes (net foreign exchange differences)			300	300
Provisions as at 31/12/2014	**0**	**0**	**306**	**306**

16. Trade payables and other liabilities

Trade payables and other liabilities (see also Note 8) include:

Non-current liabilities:

	31/12/2015	31/12/2014
Other financial liabilities	8,093	0
Other long-term liabilities in total	**8,093**	**0**

Current liabilities:

	31/12/2015	31/12/2014
Financial liabilities (IAS 39):		
Trade payables	21,705	7,118
Other financial liabilities	9,140	232
Financial liabilities	30,845	7,350
Non-financial liabilities (excluding IAS 39):		
Tax and other payables	3,593	3,136
Other non-financial liabilities	975	0
Non-financial liabilities	4,568	3,136
Current liabilities	**35,413**	**10,486**

All amounts in thousands of Polish zloty (unless otherwise indicated)

The carrying amount of trade payables is considered by the Group as a reasonable approximation of fair value (see Note 8.5).

17. Prepayments and accruals

	Prepayments and accruals		Prepayments and accruals	
	31/12/2015	31/12/2014	**31/12/2015**	31/12/2014
Assets - prepayments:				
Other prepaid expenses	7,366	980	945	0
Assets - prepayments in total	**7,366**	**980**	**945**	**0**
Liabilities – accruals:				
Subsidies received	114	0		
Deferred income	8,064	323		
Other accruals	31,739	30,805		
Liabilities – accruals in total	**39,917**	**31,128**	**0**	**0**

The subsidiary Jupiter Sports Sp. z o.o. received an EU subsidy to finance the purchase of fixed assets. The subsidy is amortized over the depreciation period of related assets, i.e. 7 years. In 2015, the Group recognised in other operating income the amount of 114,000 PLN. At the balance sheet date, no conditions exist that could lead to the return of the subsidy.

18. Sales revenues and operating costs

18.1. Costs by type

	Note	**From 01/01 to 31/12/2015**	From 01/01 to 31/12/2014
Amortization and depreciation	5.6	15,543	5,439
Employee benefits	14	77,292	52,218
Materials and energy		6,351	1,726
External services		395,891	336,939
Taxes and charges		1,530	1,168
Other costs		10,365	5,136
Costs by type in total		**506,973**	**402,626**
Costs of goods and materials sold		6,357	5
Change in stock positions		4,491	(63)
Cost of sales, selling expenses, general and administrative expenses		**517,821**	**402,568**

18.2. Other operating income

	Note	**From 01/01 to 31/12/2015**	From 01/01 to 31/12/2014
Profit from sale of property, plant and equipment		0	340
Reversal of allowance for impaired financial receivables	11	223	87
Release of provisions	15	2	0
Subsidies received	17	114	0
Other income		2,524	780
Other operating income in total		**2,863**	**1,207**

All amounts in thousands of Polish zloty (unless otherwise indicated)

18.3. Other operating costs

	Note	**From 01/01 to 31/12/2015**	From 01/01 to 31/12/2014
Loss on the disposal of property, plant and equipment		199	0
Allowance for impaired financial receivables	11	689	227
Impairment write-downs of non-financial receivables		40	0
Impairment write-downs of inventories	10	55	0
Increase in provisions	15	278	0
Penalties and damages paid		2	0
Other costs		10,335	966
Other operating expenses in total		**11,598**	**1,193**

19. Financial income and expenses

19.1. Financial income

	Note	**From 01/01 to 31/12/2015**	From 01/01 to 31/12/2014
Interest from financial instruments not valued at fair value through profit or loss:			
Cash and cash equivalents (deposits)	12	103	146
Loans and receivables	92.11	2,897	4,564
Interest income from financial instruments not valued at fair value through profit or loss		3,000	4,710
Valuation and settlement of financial instruments measured at fair value through profit or loss:			
Valuation and settlement of financial instruments measured at fair value through profit or loss		0	0
Foreign exchange differences:			
Foreign exchange differences		0	0
Dividends from financial assets available for sale		27	17
Other financial income		698	434
Total financial income		**3,726**	**5,161**

The Group has no financial instruments valued on initial recognition at fair value through profit or loss. Gains and losses from financial instruments measured at fair value through profit or loss relate entirely to financial instruments held for trading.

19.2. Financial expenses

	Note	**From 01/01 to 31/12/2015**	From 01/01 to 31/12/2014
Interest costs from financial instruments not valued at fair value through profit or loss:			
Finance leases	7	376	0
Overdraft facility	8.3	1,046	1,009
Interest-bearing loans	8.3	857	304
Debt securities	8.3	905	0
Trade payables other liabilities	16	74	139
Interest costs from financial instruments not measured at fair value through profit or loss		3,258	1,452
Valuation and settlement of financial instruments measured at fair value through profit or loss:			
Valuation and settlement of financial instruments measured at fair value through profit or loss		0	0
Foreign exchange differences:			
Foreign exchange differences:		0	0
Impairment write-downs of receivables and loans	82.11	524	0

All amounts in thousands of Polish zloty (unless otherwise indicated)

	Note	**From 01/01 to 31/12/2015**	From 01/01 to 31/12/2014
Other financial expenses		252	220
Total financial expenses		**4,034**	**1,671**

Impairment write-downs of receivables from operating activities are recognised by the Group as other operating expenses (see Note 18).

20. Income tax charge

	Note	**From 01/01 to 31/12/2015**	From 01/01 to 31/12/2014
Current tax:			
Corporate income tax for the reporting period		10,398	9,147
Current income tax		10,938	9,147
Deferred tax:			
Creation and reversal of temporary differences	9	3,867	1,953
Deferred tax		3,867	1,953
Income tax charge		**14,265**	**11,100**

The reconciliation of income tax charge computed at the rate of 19% on profit before tax with the income tax charge recognised in the consolidated income statement is as follows:

	Note	**From 01/01 to 31/12/2015**	From 01/01 to 31/12/2014
Pre-tax profit		62,924	49,647
Statutory tax rate used by the parent company		19%	19%
Corporate income tax computed at the statutory tax rate		11,956	9,433
Reconciliation of effective income tax rate:			
Non-taxable sales revenues (-)		(670)	8,908
Permanent cost differences (+)		1,409	(1,963)
Utilisation of previously unrecognised tax losses (-)		(293)	0
Unrecognised deferred tax assets from temporary differences (+)	9	0	(1,849)
Unrecognised deferred tax assets from tax losses (+)	9	(455)	650
Adjustments to the tax charge for previous periods (+/-)		2,577	(4,079)
Income tax charge		14,265	11,100
Applied average tax rate		23%	22%

The tax rates used by the Group's companies were as follows:

	From 01/01 to 31/12/2015	From 01/01 to 31/12/2014
Poland	19%	19%
Czech Republic	19%	
Slovakia	22%	
Bulgaria	10%	

Information about income tax recognised in other comprehensive income is presented in Note 9.

All amounts in thousands of Polish zloty (unless otherwise indicated)

21. Earnings per share and dividends paid

21.1. Earnings per share

Earnings per share is calculated by dividing the net profit attributable to the parent company's shareholders by the weighted average number of ordinary shares available in the period.

When calculating basic and diluted earnings (loss) per share, the Group used as the amount of net profit (loss) attributable to shareholders of the parent company, i.e. there is no dilutive effect influencing the amount of profit (loss).
In the calculation of diluted earnings per share the denominator takes into account the dilutive effect of stock options convertible to shares (see Note 13).

The calculation of basic and diluted earnings (loss) per share, together with a reconciliation of the weighted average diluted number of shares is presented below.

	From 01/01 to 31/12/2015	From 01/01 to 31/12/2014
Number of shares		
Weighted average number of ordinary shares	2,554,842	2,503,067
Dilutive effect of stock options convertible to shares	74,532	18,074
Diluted weighted average number of ordinary shares	2,629,374	2,521,141
Continuing operations		
Net profit from continuing operations	48,659	38,547
Basic earnings per share (PLN)	19.22	15.41
Diluted earnings per share (PLN)	18.67	15.30
Discontinued operations		
Net profit from discontinued operations		
Basic earnings per share (PLN)	-	-
Diluted earnings per share (PLN)	-	-
Continuing and discontinued operations		
Net profit	49,092	38,563
Basic earnings per share (PLN)	19.22	15.41
Diluted earnings per share (PLN)	18.67	15.30

21.2. Dividends

According to the resolution of the Annual General Meeting of Shareholders dated 12th June, 2015, the parent company paid out a dividend to shareholders for 2014 in the amount of 22,994,000 PLN, which per share amounts to 9.00 PLN.
Included in the comparative periods is the payment of a dividend to shareholders for 2013 in the amount of 19,889,000 PLN, which per share amounted to 8.00 PLN. The Annual General Meeting of Shareholders approving the dividend payment from the profit for 2013 was held on 25th June, 2014.

By the date on which these financial statements were published, the Management Board had presented to the Supervisory Board a proposal to exchange the distribution of profit in the form of a dividend payment to the redemption of its shares, on which at least 50% of the standalone net profit remaining at the disposal of the parent company would be allocated.

All amounts in thousands of Polish zloty (unless otherwise indicated)

22. Cash flow

In order to determine the cash flow from operating activities, the following adjustments to profit (loss) before tax were made:

	From 01/01 to 31/12/2015	From 01/01 to 31/12/2014
Adjustments:		
Depreciation and impairment write-downs of property, plant and equipment	13,253	4,428
Amortization and impairment write-downs of intangible assets	2,291	1,011
Change in fair value of investment property	0	(360)
Profit on financial instruments valued at fair value through profit or loss	593	0
Profit on sale of property, plant and equipment	82	0
Loss on sale of financial assets (other than derivatives)	(60)	0
Gains (losses) on foreign exchange differences	49	(1)
Interest expense	2,367	1,601
Interest and dividends received	(3,415)	(4,809)
Share based payment (incentive programmes)	6,418	5,496
Share in profits (losses) of associates	(8,332)	3,629
Other adjustments	(178)	(33)
Total adjustments	**13,067**	**10,962**
Change in inventories	(2,382)	(238)
Change in receivables	(21,468)	(3,795)
Change in liabilities	21,849	(16,133)
Change in provisions, prepayments and accruals	6,261	24,120
Changes in working capital	**4,261**	**3,955**

For the purpose of the consolidated statement of cash flows, the Group classifies cash as in the statement of financial position (see Note 12). The difference in the value of cash presented in the statement of financial position and the statement of cash flows comprises the following:

	31/12/2015	31/12/2014
Cash and cash equivalents in the statement of financial position	23,977	6,825
Cash and cash equivalents in the cash flow statement	**23,977**	**6,825**

23. Transactions with related parties

Related parties include key management personnel, associates, not consolidated subsidiaries and others, as well as entities controlled by the owners of the parent company. The most significant other related parties of the Group are:

Entity	Type of relationship	Comment
Cal Capital Sp. z o.o. (formerly e-Katalyst S.A.)	equity type, personal	James van Bergh - Chairman of the issuer's Supervisory Board, and is also the president of the company Agnieszka van Bergh - the wife of the issuer's Supervisory Board Chairman, she owns 100% of the shares in the company Monika Hertel – the company proxy is also a proxy of the Issuer
Benefit Invest LTD. (formerly Company Assistance LTD.)	equity type, personal	Shareholder of the issuer, holds 23.24% of the shares Agnes van Bergh holds 99% of the shares in the company James van Bergh holds the position of CEO in the company
Marek Kamola	equity type	Shareholder of the issuer, holds10.49% of the shares

All amounts in thousands of Polish zloty (unless otherwise indicated)

James van Bergh	equity type, personal	Currently, James van Bergh holds directly 24.20% of the issuer's shares He holds the position of chairman in the issuer's Supervisory Board
Cal Company Assistance Sp. z o. o.	Personal	James van Bergh - Chairman of the issuer's Supervisory Board. He is also president of the company Cal Capital Sp. z o.o. holds 100% of the shares in the company
Calnet Sp. z o.o.	Personal	Monika Hertel - a proxy for the Issuer is a proxy of the company

Outstanding balances are generally settled in cash.

Contingent liabilities relating to related parties are disclosed in Note 24.

23.1. Transactions with key management personnel

The key management personnel of the Group includes members of the Management Board of the parent company and its subsidiaries. Remuneration of key personnel during the period covered by the consolidated financial statements amounted to:

Short-term benefits for key management personnel	**From 01/01 to 31/12/2015**	From 01/01 to 31/12/2014
Short-term employee benefits	346	0
Total	**346**	**0**

Detailed information on the remuneration of the parent company's Management Board is presented in Note 27.

No interest-bearing loans were received by or granted to key management personnel of the Group in the period covered by the consolidated financial statements.

In 2015, the Group did not conclude any purchase transactions with entities controlled by key management personnel. (2014: 0 PLN).

In 2015, the Group did not conclude any sale transactions with entities controlled by key management personnel. (2014: 0 PLN).

23.2. Transactions with associates and other related parties

In the period covered by the consolidated financial statements the following amounts of income from sales and receivables from affiliates and other related entities were included:

	Sales revenue	
Sales to:	**From 01/01 to 31/12/2015**	From 01/01 to 31/12/2014
Associates	564	732
Other related parties	16	763
Total	**580**	**1,495**

	Receivables	
Sales to:	**31/12/2015**	31/12/2014
Associates	254	203
Other related parties	0	94
Total	**254**	**296**

Any receivables from related parties were impaired, and therefore no related costs were incurred.

In the period covered by the consolidated financial statements the following transactions with related parties were concluded:

All amounts in thousands of Polish zloty (unless otherwise indicated)

	Purchases (costs, assets)	
	From 01/01 to 31/12/2015	From 01/01 to 31/12/2014
Purchases from:		
Associates	20,466	11,702
Other related parties	1,054	6,150
Total	**21,519**	**17,853**

	Liabilities	
	31/12/2015	31/12/2014
Purchases from:		
Associates	64	9,102
Other related parties	1	5,272
Total	**65**	**14,374**

In the period covering by the financial statements, the Group granted loans to the following related parties:

	31/12/2015		31/12/2014	
	Granted in the reporting period	Total balance	Granted in the reporting period	Total balance
Loans granted to:				
Associates	2,000	27,728	21,805	71,391
Other related parties	217	217	14,700	35,920
Total	**2,217**	**27,945**	**36,505**	**107,311**

The terms of these loans are presented in Notes 9.2 and 9.5.

24. Contingent assets and liabilities

As at the end of each reporting period, the value of contingent liabilities (including related parties) is as follows:

	31/12/2015	31/12/2014
To associates:		
Repayment guarantee	23,063	23,452
Total	23,063	23,452
To other related parties:		
Total	0	0
To other entities:		
Guarantees	2,928	
Total	2,928	
Total contingent liabilities	**25,991**	**23,452**

Contingent liabilities granted to associates include: Risks related to financial instruments.

25. Risks related to financial instruments

The Group may be exposed to risks associated with financial instruments. Financial assets and liabilities of the Group by category are presented in Note 8.1. The risks which may affect the Group are:

- market risk, including currency risk and interest rate risk,
- credit risk, and
- liquidity risk.

The Group's financial risk management is coordinated by the parent company. In the risk management process the most important objectives are:

- securing short-term and medium-term cash flow,
- stabilizing the financial result of the Group,
- achieving the financial forecasts by meeting the budgeted assumptions,
- achieving a return on long-term investments together with securing optimal sources of financing for investment activities.

The Group does not enter into transactions for speculative purposes. On the economic side, the transactions are aimed at hedging against specific risks.

The following are the most significant risks, which may affect the Group.

25.1. Market risk

Currency risk sensitivity analysis

Most transactions concluded by the Company are carried out in PLN. The only foreign exchange transactions are loans granted to a subsidiary in CZK and the rent for the office in Warsaw expressed in EUR.

The Group's financial assets and liabilities, other than derivatives denominated in foreign currencies, converted to PLN using the closing exchange rate prevailing at the balance sheet date, are as follows:

	Note	Value in the currency (in thousands)	Value in PLN
		CZK	
As at 31/12/2015			
Financial assets (+):			
Interest-bearing loans	8.2	0	0
Total exposure to currency risk		**0**	**0**
As at 31/12/2014			
Financial assets (+):			
Interest-bearing loans	8.2	5,338	820
Total exposure to currency risk		**5,338**	**820**

The following table demonstrates the sensitivity of the Group's financial income/expense to reasonably possible CZK exchange rates fluctuations, assuming an increase or decrease in CZK/PLN exchange rates of 10% in relation to the closing rate at each balance sheet date.

	Currency fluctuations	Impact on income statement :			Impact on other comprehensive income:		
		CZK	USD	Total	CZK	USD	Total
As at 31/12/2015							
Increase in the exchange rate	10%	0		0			0
Decrease in the exchange rate	-10%	0		0			-
As at 31/12/2014							
Increase in the exchange rate	10%	82		82			0
Decrease in the exchange rate	-10%	(82)		(82)			0

Currency risk exposure is subject to change during the year depending on the volume of transactions. Nevertheless, the above analysis shows the that Group is not exposed to currency risk.

Interest rate risk sensitivity analysis

Interest rate risk management is focused on minimizing fluctuations in interest payments arising from financial assets and liabilities bearing interest at variable interest rates. The Group is exposed to interest rate risk in connection with the following categories of financial assets and liabilities:

- Loans granted,
- Interest-bearing bank loans, borrowings and other debt instruments,
- finance leases.

The characteristics of these instruments, including variable and fixed interest rates, are presented in Notes 8.2 and 8.3.

Other market risks sensitivity analysis

25.2. Credit risk

The Group's maximum exposure to credit risk is determined by the carrying amount of the following off-balance sheet financial assets and liabilities:

	Note	**31/12/2015**	31/12/2014
Interest-bearing loans	8.2	43,147	117,479
Trade receivables and other financial receivables	11	58,921	11,724
Cash and cash equivalents	12	23,977	6,825
Contingent liabilities from guarantees and warranties	24	25,991	23,452

All amounts in thousands of Polish zloty (unless otherwise indicated)

Total exposure to credit risk		**152,036**	**159,480**

The Group continuously monitors outstanding payments from customers and creditors, analysing the individual credit risk or within classes of assets determined by the assigned credit risk (e.g. arising from the industrial sector, region or customers' structure). In addition, as part of credit risk management, the Group enters into transactions with counterparties whose creditworthiness is confirmed.

In the Management Board's opinion, these financial assets, which are not overdue nor impaired at each balance sheet date, can be assessed as assets with good credit quality. For this reason the Group has not established collateral and other tools to improve credit conditions.

The receivables' analysis as the most important category of assets exposed to credit risk, in terms of aging and aging of overdue but not impaired receivables, is presented in the following tables:

	31/12/2015		31/12/2014	
	Current	Overdue	Current	Overdue
Short-term receivables:				
Trade receivables	24,223	18,193	11,724	11,781
Allowance for trade receivables (-)	0	(1,800)	0	(1,298)
Trade receivables net	24,223	16,393	11,724	10,483
Other financial receivables	14,535	38	6,589	0
Allowance for other financial receivables (-)	0	(38)	0	0
Other financial receivables net	14,535	0	6,589	0
Financial receivables	**38,759**	**16,392**	**18,314**	**10,483**

	31/12/2015	31/12/2014
	Trade receivables *	Trade receivables *
Overdue short-term receivable:		
Up to 1 month	11,782	8,337
From 1 to 6 months	3,559	1,884
From 6 to 12 months	481	224
Over 1 year	571	38
Overdue financial receivables	**16,392**	**10,483**

With respect to trade receivables, the Group is not exposed to credit risk resulting from a single major counterparty or group of counterparties with similar characteristics. Based on historical trends, not impaired overdue receivables do not show downward trend in their quality - most of them are in the range of up to a month and there is no doubt about their recoverability.

The credit risk of cash and cash equivalents, marketable securities and derivative financial instruments is considered negligible due to the high reliability of the entities that are parties to the transactions, which are primarily banks.

Allowances for financial assets exposed to credit risk are disclosed in detail in Notes 8.2, 8.3 and 11.

25.3. Liquidity risk

The Group is not exposed to liquidity risk, i.e. the timely servicing of financial commitments. The Group manages liquidity risk by monitoring payment dates and required cash levels to settle short-term payments (monitored on a weekly basis) and long-term payments (monitored based on cash flow forecasts updated monthly). The demand for cash is compared with the available sources of financing (including in particular an assessment of the availability of external loans) and compared with the return of investment from free cash flows.

At the balance sheet date, the Group's financial liabilities, other than derivatives, are within the following maturity ranges:

All amounts in thousands of Polish zloty (unless otherwise indicated)

	Note	Short-term: up to 6 months	Short-term: 6 to 12 months	Long-term: 1 to 3 years	Long-term: 3 to 5 years	Long-term: over 5 years	Total, undiscounted
As at 31/12/2015							
Interest-bearing bank loans	8.3	687					687
Overdraft facility	8.3	8,921					8,921
Interest-bearing loans	8.3			5,854			5,854
Debt securities	8.3			50,094			50,094
Finance leases	7		8,725	16,516			25,240
Trade payables and other financial liabilities	16	35,413					35,413
Total exposure to liquidity risk		**45,021**	**8,725**	**72,463**	**0**	**0**	**126,209**
As at 31/12/2014							
Overdraft facility	8.3		21,338				21,338
Interest-bearing loans	8.3	1,200	730				1,930
Finance leases	7		507	664			1,171
Trade payables and other financial liabilities	16	22,810					22,810
Total exposure to liquidity risk		**24,010**	**22,575**	**664**	**0**	**0**	**47,249**

The table shows the value of contractual obligations (undiscounted), hence the reported amounts may differ from those presented the consolidated statement of financial position.

Furthermore, at each balance sheet date the Group had unused overdraft limits to the following values:

	31/12/2015	31/12/2014
Overdraft limits	75,000	56,000
Used overdrafts limits	7,283	36,305
Unused overdraft limits	**67,717**	**19,695**

26. Capital management

The primary objective of the Group's capital management is to ensure a going concern ability of the Groups' entities and the expected return rate in order to support shareholder and stakeholders value.

The Group monitors the level of its capital using the carrying amount of equity increased by subordinated loans received from owners and decreased by the equity element representing the cash flow hedge valuation. On the basis of such a defined equity element the Group calculates the equity to total source of financing ratio. The Group expects to maintain this ratio at a level no lower than 0.5.

In addition, in order to monitor the debt servicing level, the Group calculates the debt ratio (i.e. including lease liabilities, borrowings and other debt instruments) to EBITDA (earnings before interest, tax, depreciation and amortisation) ratio. The Group expects to maintain the debt to EBITDA ratio at a level of no higher than 3.0 (in accordance with applicable bank covenants).

These objectives of the Group are in line with the requirements imposed by the loan agreements, which were presented in detail in Note 8.4.

Neither the Group nor the parent company are subject to external equity requirements.

In the period covered by the consolidated financial statements the ratios described above are as follows:

	31/12/2015	31/12/2014
Equity:		
Total equity	191,262	152,999
Equity I	191,262	152,999
Total sources of financing:		
Equity	191,262	152,999
Interests bearing loans, borrowings and other debt instruments	67,455	38,022

All amounts in thousands of Polish zloty (unless otherwise indicated)

	31/12/2015	31/12/2014
Finance leases	25,240	7,396
Total sources of financing	283,956	198,417
Equity to total financing ratio	**0.67**	**0.77**
EBITDA		
Operating profit	54,900	49,786
Amortization and depreciation	15,869	5,439
EBITDA	70,770	55,225
Debt:		
Interests bearing loans, borrowings and other debt instruments	67,454	38,022
Finance leases	25,240	7,396
Total debt	92,694	45,418
Debt to EBITDA ratio	**1.32**	**0.82**

In both periods, the levels of the ratios were as expected by the Group. The decrease of equity to total financing ratio resulted from the issue of bonds to the amount of 50,000,000 PLN in 2015.

27. Events after the balance sheet date

After 31st December, 2015, the following events took place, however they did not require recognition in the financial statements for 2015:

- **A lease agreement with Ghelamco Warsaw Spire Sp. z o.o. -** on 23rd January, 2015, the parent company signed a lease agreement with Ghelamco Warsaw Spire Sp. z o.o., the subject of which is part of the office building located in Warsaw at Plac Europejski. The annual value of the contract estimated by the Management Board for the parent company is approximately 7,500,000 PLN net.
- **The appointment of auditor for 2016** - on 10th February, 2016, the Supervisory Board of the parent company appointed Grant Thornton Frackowiak Sp. z o.o. S.K. to review the condensed consolidated financial statements of the Group as of 30th June, 2016, and the consolidated financial statements of the Group for the year ended 31st December, 2016.
- **The appointment of a new member of the Management Board** - on 10th February, 2016, the Supervisory Board appointed Mr Grzegorz Mędza as member of the Management Board. Mr Grzegorz Mędza will be responsible for strategy, communications and employee affairs.
- **The decision of the Inspector General for Personal Data Protection** - on 12th February, 2016, the parent company received a decision from the Inspector General dated 10th February, 2016 (hereinafter referred to as the "Decision"), based on which, on the request of the parent company, the decision of the Inspector General, dated 11th September, 2015 (ref. DIS/DEC-749/15/83430), was changed in the part relating to the date of execution as stated in point I of the final decision.
  According to the Decision, the Inspector General has revised the date of execution as defined in its decision from 11th September, 2015, by extending the deadline from six to ten months from the date on which the decision becomes final, due to the obligation of the parent company to collect consents from MultiSport cardholders for the processing of their personal data within the meaning of the act of 29th August, 1997, on the protection of personal data.
- **An annex to loan agreement with Bank Zachodni WBK S.A.** - on 23rd February, 2016, the parent company signed an annex to the loan agreement with Bank Zachodni WBK S.A. and as a result was given access to a multicurrency credit line. The annex changed the repayment date and extended it 30th April, 2016, provided that guarantees cannot be exercised later than by 30th October, 2017. The agreement is considered to be significant as its value exceeds 10% of the equity of the parent company.
- **New lease agreements** - on 28th January, 2016, the parent company signed a lease agreement, the subject of which is equipment and furniture in the new premises of the parent company. The agreement is concluded for a 3 year period and amounts to 1,951,000 PLN. In addition, on 1st February, 2016, the parent company signed a 5 year contract with PEKAO Leasing for the leasing of fitness equipment with a value of 4,475,000 PLN.

28. Other information

28.1. Selected financial data in EUR

In the periods covered by these consolidated financial statements, the following average exchange rates, established by the National Bank of Poland, were adopted for the conversion of selected financial data:

- the rate applicable on the last day of the reporting period: 31/12/2015 - 4.2615 PLN/EUR, 31/12/2014 - 4.2623 PLN/EUR.

All amounts in thousands of Polish zloty (unless otherwise indicated)

- the average exchange rate in the period, calculated as the arithmetic average of the rates prevailing on the last day of each month in the period: 01/01 - 31/12/2015 - 4.1848 PLN/EUR, 01/01 - 31/12/2014 - 4.1893 PLN/EUR.

The highest rate applicable in each period was as follows: 01/01 - 31/12/2015 - 4.2652 PLN/EUR, 01/01 - 31/12/2014 - 4.3138 PLN/EUR.
The lowest rate applicable in each period was as follows: 01/01 - 31/12/2015 - 4.0337 PLN/EUR, 01/01 - 31/12/2014 - 4.0988 PLN/EUR.

The essential items of the consolidated statement of financial position, consolidated income statement and the consolidated statement of cash flows converted into EURO are presented in the table below:

	From 01/01 to 31/12/2015	From 01/01 to 31/12/2014	**From 01/01 to 31/12/2015**	From 01/01 to 31/12/2014
	thousands of PLN		**thousands of EUR**	
Income statement				
Sales revenues	581,456	452,340	138,945	107,975
Operating profit	54,900	49,786	13,119	11,884
Profit before tax	62,924	49,647	15,036	11,851
Net profit	48,659	38,547	11,628	9,201
Net profit attributable to parent company shareholders	49,092	38,563	11,731	9,205
Earnings per share (PLN)	19.22	15.41	4.59	3.68
Diluted earnings per share (PLN)	18.67	15.30	4.46	3.65
Average exchange rate PLN/EUR in the period	X	X	4.1848	4.1893
Statement of changes in cash-flow				
Net cash from operating activities	71,557	56,180	17,099	13,410
Net cash from investment activities	(42,927)	(52,061)	(10,258)	(12,427)
Net cash from financial activities	(11,477)	(4,838)	(2,743)	(1,155)
Net change in cash and cash equivalents	17,152	(718)	4,099	(171)
Average exchange rate PLN/EUR in the period	X	X	4.1848	4.1893

	31/12/2015	31/12/2014	**31/12/2015**	31/12/2014
	thousands of PLN		**thousands of EUR**	
Statement of financial position				
Total assets	388,743	249,161	91,222	58,457
Non-current liabilities	88,054	7,860	20,663	1,844
Current liabilities	109,427	88,302	25,678	20,717
Equity	191,262	152,999	44,881	35,896
Equity attributable to shareholders of the parent company	185,558	152,999	43,543	35,896
PLN/EUR exchange rate at the end of the period	X	X	4.2615	4.2623

All amounts in thousands of Polish zloty (unless otherwise indicated)

28.2. Share capital ownership structure

	Number of shares	Number of votes	Nominal value of shares	Share in the capital
As at 31/12/2015				
James van Bergh	618,180	618,180	618	24.20%
Benefit Invest Ltd.	593,784	593,784	594	23.24%
Marek Kamola	267,878	267,878	268	10.49%
MetLife Otwarty Fundusz Emerytalny and MetLife Dobrowolny Fundusz Emerytalny	330,000	330,000	330	12.92%
ING Otwarty Fundusz Emerytalny	240,000	240,000	240	9.39%
Others	505,000	505,000	505	19.77%
Total	**2,554,842**	**2,554,842**	**2,555**	**100.00%**
As at 31/12/2014				
James van Bergh	618,180	618,180	618	24.20%
Benefit Invest Ltd.	593,784	593,784	594	23.24%
Marek Kamola	267,878	267,878	268	10.49%
Amplico Otwarty Fundusz Emerytalny and MetLife Dobrowolny Fundusz Emerytalny	330,000	330,000	330	12.92%
ING Otwarty Fundusz Emerytalny	210,391	210,391	310	8.23%
Others	534,609	534,609	535	20.93%
Total	**2,554,842**	**2,554,842**	**2,555**	**100.00%**

In 2015, there were no changes in the ownership structure representing more than 5% of shares in the share capital.

28.3. Remuneration for the parent company's Management Board

The total value of remuneration and other benefits for members of the Management Board of the parent company amounted to:

	In the parent company:		In subsidiaries and associates:		Total
	Remuneration	Other benefits	Remuneration	Other benefits	
Period from 01/01 to 31/12/2015					
Izabela Walczewska-Schneyder (member of the Management Board)	511	6			517
Adam Kędzierski (member of the Management Board)	531	8			539
Paweł Markowski (member of the Management Board)	479	7			486
Total	**1,521**	**21**	**-**	**-**	**1,542**
Period from 01/01 to 31/12/2014					
Tomasz Józefacki (CEO)	652				652
Izabela Walczewska-Schneyder (member of the Management Board)	435				435
Adam Kędzierski (member of the Management Board)	436				436
Paweł Markowski (member of the Management Board)	76				76
Total	**1,599**	**-**	**-**	**-**	**1,599**

Other information about key management personnel, including loans granted, is presented in Note 23.1.

Furthermore, the members of the Management Board were granted warrants of series D and E, to which the following persons were entitled at the end of 2015:

	Series D warrants granted in 2015 for 2014	Series E warrants granted for 2015	Total	Value in PLN*
Tomasz Józefacki	8,000	3,500	11,500	1,603,895
Adam Kędzierski (member of the Management Board)	5,500	5,500	11,000	1,599,070

All amounts in thousands of Polish zloty (unless otherwise indicated)

	Series D warrants granted in 2015 for 2014	Series E warrants granted for 2015	Total	Value in PLN*
Izabela Walczewska-Schneyder (member of the Management Board)	3,500	4,000	7,500	1,097,815
Paweł Markowski (member of the Management Board)		3,000	3,000	481,350
Total	**17,000**	**16,000**	**33,000**	**4,782,130**

*The fair value of D series warrants was established by reference to the terms and condition from 2014 (130.29 PLN). The fair value of E series warrants was established by reference to the terms and condition from 2015 (160.45 PLN).

28.4. Remuneration of Supervisory Board members

The remuneration and other benefits for Supervisory Board members of the parent company amounted to:

	In the parent company:		Total
	Remuneration	Other benefits	
Period from 01/01 to 31/12/2015			
Gacek Przemysław	42		42
Marczuk Marcin	24		24
Osuchowski Artur	24		24
Sanderson Michael	24		24
James van Bergh	120		120
Total	**234**	**-**	**234**
Period from 01/01 to 31/12/2014			
Gacek Przemysław	42		42
Marczuk Marcin	24		24
Osuchowski Artur	24		24
Sanderson Michael	24		24
James van Bergh	12	0	120
Total	**234**	**-**	**234**

28.5. The remuneration of the entity authorized to audit financial statements

The company authorized to provide audit services for the Group is Grant Thornton Frackowiak Sp. z o.o. SK. The auditor's remuneration by service category amounted to:

	From 01/01 to 31/12/2015	From 01/01 to 31/12/2014
Audit of annual financial statements	36	24
Review of financial statements	29	30
Tax consultancy	137	140
Total	**202**	**194**

28.6. Employment

The average employment, its structure and staff turnover within the Group were as follows:

	From 01/01 to 31/12/2015	From 01/01 to 31/12/2014
White-collar workers	664	551
Manual workers	0	0
Total	**664**	**551**

	From 01/01 to 31/12/2015	From 01/01 to 31/12/2014
Number of employees engaged	240	177
Number of dismissed employees (-) / transferred due to change of workplace	(127)	(145)
Total	**113**	**32**

29. Approval for publication

The consolidated financial statements for the year ended 31st December, 2015 (including comparative data), were approved for publication by the Management Board o the company on 7th March, 2015.

Signatures of all the Members of the Board			
Date	Forename and surname	Position	Signature
7th March, 2016	Izabela Walczewska-Schneyder	Member of the Management Board	
7th March, 2016	Adam Kędzierski	Member of the Management Board	
7th March, 2016	Paweł Markowski	Member of the Management Board	
7th March, 2016	Grzegorz Mędza	Member of the Management Board	
Person responsible for the preparation of the consolidated financial statements			
Date	Forename and surname	Position	Signature
7th March, 2016	Arkadiusz Szczygielski	Head of Financial Controlling Department	