CONSOLIDATED FINANCIAL STATEMENTS OF BENEFIT SYSTEMS GROUP

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2021

BENEFIT systems

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ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF POLISH ZLOTY (UNLESS INDICATED OTHERWISE)

CONSOLIDATED FINANCIAL STATEMENTS OF THE BENEFIT SYSTEMS GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	December 31st 2021	December 31st 2020
Goodwill	6	446,395	363,330
Intangible assets	7	101,324	72,998
Property, plant and equipment	8	327,277	333,727
Right-of-use assets	9	786,453	782,871
Investments in associates	10	5,367	4,411
Trade and other receivables	11	10,212	8,848
Loans and other non-current financial assets	12, 30	20,617	26,939
Deferred tax assets	13	30,312	27,649
Non-current assets		**1,727,957**	**1,620,773**
Inventories	14	4,377	4,140
Trade and other receivables	11	193,423	183,818
Current tax assets		491	3,298
Loans and other current financial assets	12, 30	1,535	8,494
Cash and cash equivalents	15	253,015	223,780
Current assets		**452,841**	**423,530**
Total current assets		**452,841**	**423,530**
Total assets		**2,180,798**	**2,044,303**

ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF POLISH ZLOTY (UNLESS INDICATED OTHERWISE)

EQUITY AND LIABILITIES	Notes	**December 31st 2021**	**December 31st 2020**
Equity attributable to owners of the parent:			
Share capital	16	2,934	2,894
Treasury shares (-)		0	(118,157)
Share premium		291,378	272,107
Exchange differences on translation of foreign operations		(7,416)	(4,562)
Retained earnings		316,851	372,245
Equity attributable to owners of the parent		603,747	524,527
Non-controlling interests	16.4	(2,070)	(1,527)
Total equity		**601,677**	**523,000**
Employee benefit provisions	18	270	379
Other provisions	19	10,767	10,767
Total long-term provisions		**11,037**	**11,146**
Trade and other payables	20	2,279	24
Deferred tax liability	13	3,063	2,151
Other financial liabilities	21	38,394	15,178
Borrowings, other debt instruments	22	91,443	188,084
Lease liabilities	9	748,500	752,853
Contract liabilities	23	107	0
Non-current liabilities		**894,823**	**969,436**
Employee benefit provisions	18	2,701	3,221
Other provisions	19	5	77
Total short-term provisions		**2,706**	**3,298**
Trade and other payables	20	321,537	234,719
Current income tax liabilities		2,858	10,570
Other financial liabilities	21	25,502	29,884
Borrowings, other debt instruments	22	130,492	73,417
Lease liabilities	9	188,335	178,845
Contract liabilities	23	12,868	21,134
Current liabilities		**684,298**	**551,867**
Total current liabilities		**684,298**	**551,867**
Total liabilities		**1,579,121**	**1,521,303**
Total equity and liabilities		**2,180,798**	**2,044,303**

ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF POLISH ZLOTY (UNLESS INDICATED OTHERWISE)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	January 1st – December 31st 2021	January 1st – December 31st 2020
Continuing operations			
Revenue	**5**	**954,938**	**1,033,736**
Revenue from sales of services		943,620	1,021,415
Revenue from sales of merchandise and materials		11,318	12,321
Cost of sales	**5**	**(774,038)**	**(815,215)**
Cost of services sold		(767,455)	(809,097)
Cost of merchandise and materials sold		(6,583)	(6,118)
Gross profit/(loss)		**180,900**	**218,521**
Selling expenses	5	(81,889)	(80,055)
Administrative expenses	5	(121,772)	(112,383)
Other income	24	32,506	18,281
Other expenses	24	(13,755)	(47,751)
Operating profit/(loss)		**(4,010)**	**(3,387)**
Finance income	25	14,782	9,928
Finance costs	25	(21,955)	(63,815)
Impairment losses on financial assets	25	(6,913)	(35,126)
Share of profit/(loss) of equity-accounted entities (+/-)	10	956	1,768
Profit/(loss) before tax		**(17,140)**	**(90,632)**
Income tax	26	(6,715)	(8,060)
Net profit/(loss) from continuing operations		**(23,855)**	**(98,692)**

Net profit/(loss)		**(23,855)**	**(98,692)**
Net profit/(loss) attributable to:			
- owners of the parent		(25,140)	(100,034)
- non-controlling interests		1,285	1,342

ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF POLISH ZLOTY (UNLESS INDICATED OTHERWISE)

EARNINGS/(LOSS) PER ORDINARY SHARE (PLN)

	January 1st – December 31st 2021	January 1st – December 31st 2020
Earnings/(loss) per share		
Basic earnings/(loss) per share from continuing operations	(8.86)	(36.43)
Basic earnings/(loss) per share from discontinued operations	0.00	0.00
Earnings/(loss) per share	**(8.86)**	**(36.43)**
Diluted earnings (diluted loss) per share from continuing operations	(8.82)	(36.07)
Diluted earnings (diluted loss) per share from discontinued operations	0.00	0.00
Diluted earnings/(loss) per share	**(8.82)**	**(36.07)**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	January 1st – December 31st 2021	January 1st – December 31st 2020
Net profit/(loss)	**(23,855)**	**(98,692)**
Other comprehensive income	**(2,962)**	**(3,932)**
Items not reclassified to profit or loss	**0**	***0***
Items reclassified to profit or loss	**(2,962)**	***(3,932)***
- Exchange differences on translation of foreign operations	(2,962)	(3,932)
Comprehensive income	**(26,817)**	**(102,624)**
Comprehensive income attributable to:		
- owners of the parent	(27,994)	(103,871)
- non-controlling interests	1,177	1,247

ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF POLISH ZLOTY (UNLESS INDICATED OTHERWISE)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Treasury shares	Share premium	Exchange differences on translation of foreign operations	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at January 1st 2021		**2,894**	**(118,157)**	**272,107**	**(4,562)**	**372,245**	**524,527**	**(1,527)**	**523,000**
Changes in equity in the period January 1st to December 31st 2021									
Share issue in connection with exercise of options (share-based payment scheme)	16.2	40		19,271			19,311		**19,311**
Sale of treasury shares			118,157			(25,697)	92,460		**92,460**
Increase in shares in subsidiary due to acquisition of non-controlling interest without change of control						5,629	5,629	9	**5,638**
Valuation of put options attributable to minority shareholders	21					(10,186)	(10,186)		**(10,186)**
Dividends	17						0	(1,729)	**(1,729)**
Total transactions with owners		**40**	**118,157**	**19,271**	**0**	**(30,254)**	**107,214**	**(1,720)**	**105,494**
Net profit/(loss) for the period January 1st – December 31st 2021						(25,140)	(25,140)	1,285	**(23,855)**
Exchange differences on translation of foreign operations					(2,854)		(2,854)	(108)	**(2,962)**
Total comprehensive income		**0**	**0**	**0**	**(2,854)**	**(25,140)**	**(27,994)**	**1,177**	**(26,817)**
Total changes		40	118,157	19,271	(2,854)	(55,394)	79,220	(543)	**78,677**
Balance as at December 31st 2021		**2,934**	**0**	**291,378**	**(7,416)**	**316,851**	**603,747**	**(2,070)**	**601,677**

ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF POLISH ZLOTY (UNLESS INDICATED OTHERWISE)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT.)

	Notes	Share capital	Treasury shares	Share premium	Exchange differences on translation of foreign operations	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at January 1st 2020		**2,859**	**(118,157)**	**272,107**	**(725)**	**462,473**	**618,557**	**1,703**	**620,260**
Changes in equity in the period January 1st – December 31st 2020									
Share issue in connection with exercise of options (share-based payment scheme)		35	0	0	0	17,401	17,436	0	17,436
Cost of equity-settled share-based payment plan		0	0	0	0	923	923	0	**923**
Increase in shares in subsidiary due to acquisition of non-controlling interest without change of control		0	0	0	0	2,835	2,835	(3,707)	**(872)**
Valuation of put options attributable to minority shareholders		0	0	0	0	(11,353)	(11,353)	0	**(11,353)**
Dividends		0	0	0	0	0	0	(770)	**(770)**
Total transactions with owners		**35**	**0**	**0**	**0**	**9,806**	**9,841**	**(4,477)**	**5,364**
Net profit/(loss) for the period January 1st – December 31st 2020		0	0	0	0	(100,034)	(100,034)	1,342	**(98,692)**
Exchange differences on translation of foreign operations		0	0	0	(3,837)	0	(3,837)	(95)	**(3,932)**
Total comprehensive income		**0**	**0**	**0**	**(3,837)**	**(100,034)**	**(103,871)**	**1,247**	**(102,624)**
Total changes		**35**	**0**	**0**	**(3,837)**	**(90,228)**	**(94,030)**	**(3,230)**	**(97,260)**
Balance as at December 31st 2020		**2,894**	**(118,157)**	**272,107**	**(4,562)**	**372,245**	**524,527**	**(1,527)**	**523,000**

ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF POLISH ZLOTY (UNLESS INDICATED OTHERWISE)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	January 1st – December 31st 2021	January 1st – December 31st 2020
Cash flows from operating activities			
Profit/(loss) before tax		**(17,140)**	**(90,632)**
Adjustments:		**266,844**	**327,760**
Depreciation and amortisation of non-financial non-current assets	7,8,9	209,098	211,223
Measurement of liabilities arising from acquisition of shares	21	(3,092)	(7,674)
Change in impairment losses and write-off of assets	11,12,7,8	8,054	52,160
Effect of lease modifications	9	(23,633)	(19,742)
(Gains)/losses on sale and value of liquidated non-financial non-current assets	8	5,423	10,591
(Gains)/losses on disposal of financial assets	10	0	1,180
Foreign exchange gains/(losses)	25.2	(8,543)	41,294
Interest expense	25.2	19,018	19,510
Interest income	25.1	(2,994)	(2,149)
Cost of share-based payments (Incentive Scheme)	16.3	0	924
Share of profit/(loss) of associates	10	(956)	(1,768)
Change in inventories	14	75	1,419
Change in receivables	11	(3,894)	(3,304)
Change in liabilities	20	63,519	26,785
Change in provisions	19	(1,349)	10,093
Other adjustments		6,118	(12,782)
Cash flows provided by (used in) operating activities		**249,704**	**237,128**
Income tax paid	26	(9,133)	(15,009)
Net cash from operating activities		**240,571**	**222,119**
Cash flows from investing activities			
Purchase of intangible assets	7	(37,363)	(21,232)
Purchase of property, plant and equipment	8	(36,785)	(32,565)
Proceeds from sale of property, plant and equipment	8	5,205	3,239
Acquisition of subsidiaries, net of cash acquired	6.1	(58,867)	0
Repayments of loans	12	1,689	15,138
Loans	12	(137)	(9,037)
Proceeds from sale of other financial assets	10	0	9,181
Interest received	12	523	1,019
Dividends received	10	0	73
Net cash from investing activities		**(125,735)**	**(34,184)**
Cash flows from financing activities			
Net proceeds from issue of shares	16.2	19,311	17,436
Sale of treasury shares		92,460	0
Expenditure on transactions with non-controlling interests	16.5	(20,313)	(42,601)
Proceeds from issue of debt securities	22.2	0	98,624
Redemption of debt securities	22.2	0	(30,250)
Proceeds from borrowings	22.1	0	50,000
Repayment of borrowings	22.1	(55,170)	(34,406)
Payment of lease liabilities	8	(112,180)	(89,931)
Interest paid	21.1	(7,980)	(4,307)
Dividends paid	16.4	(1,729)	(770)
Net cash from financing activities		**(85,601)**	**(36,205)**
Net change in cash and cash equivalents before exchange differences		**29,235**	**151,730**
Exchange differences		0	0
Net change in cash and cash equivalents		**29,235**	**151,730**
Cash and cash equivalents at beginning of period		223,780	72,050
Cash and cash equivalents at end of period		**253,015**	**223,780**

ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF POLISH ZLOTY (UNLESS INDICATED OTHERWISE)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

1.1. The parent

The parent of the Benefit Systems Group (the "Group") is Benefit Systems S.A. (the "Company" or the "Parent"). Benefit Systems S.A. is the Group's ultimate reporting entity.
The Parent was established through transformation of a limited liability company into a joint-stock company. The transformation was effected pursuant to Resolution No. 2/2010 of the General Meeting of November 3rd 2010 (entry in the National Court Register maintained by the District Court for the city of Warsaw, 12th Commercial Division, under No. KRS 0000370919, on November 19th 2010). The Parent's Industry Identification Number (REGON) is 750721670. In the reporting period, the identification data of the reporting entity did not change. The shares of the Parent are listed on the Warsaw Stock Exchange.

The Parent's registered office is located at Plac Europejski 2, 00-844 Warsaw, Poland. It is also the principal place of business of the Group.

1.2. Composition of the Management Board and the Supervisory Board of the Parent

As at the date of authorisation of the consolidated financial statements for issue, i.e., April 15th 2022, the Management Board of the Parent was composed of:

- Bartosz Józefiak – Member of the Management Board,
- Emilia Rogalewicz – Member of the Management Board,
- Wojciech Szwarc – Member of the Management Board.

As at the date of authorisation of the consolidated financial statements for issue, i.e., April 15th 2022, the Supervisory Board of the Parent was composed of:

- James van Bergh – Chairman of the Supervisory Board,
- Marcin Marczuk – Deputy Chairman of the Supervisory Board,
- Artur Osuchowski – Member of the Supervisory Board,
- Michael Rohde Pedersen – Member of the Supervisory Board,
- Michael Sanderson – Member of the Supervisory Board.

On June 22nd 2021, Adam Radzki resigned as Member of the Company's Management Board with effect from June 23rd 2021. The composition of the Supervisory Board did not change in the reporting period.

1.3. Business of the Group

The Benefit Systems Group is a provider of non-pay employee benefit solutions, including in such areas as Sports and Recreation (MultiSport card, FitProfit, Fitness network), and culture and entertainment (Cinema Programme, MultiTeatr, MultiMuzeum). The Group also offers unique products, such as Cafeterias, which allow employees to choose any non-pay benefit from a set of benefits pre-approved by the employer.
The principal business of the Parent according to the Polish Classification of Activities (PKD) is: Other activities not classified elsewhere (PKD 2007) 9609Z.
For a detailed description of the Group's business, see the Directors' Report on the operations of the Benefit Systems Group in 2021.

1.4. General information about the Group

The Benefit Systems Group comprises the Parent and the following subsidiaries:

Subsidiary	Principal place of business and country of registration	Group's ownership interest*	
		December 31st 2021	December 31st 2020
Mybenefit Sp. z o.o. 1)	ul. Powstańców Śląskich 28/30, 53-333 Wrocław, Poland	0.00%	100.00%
YesIndeed Sp. z o. o. 2)	ul. Przeskok 2, 00-032 Warsaw, Poland	100.00%	0.00%
VanityStyle Sp. z o.o.	ul. Skierniewicka 16/20, 01-230 Warsaw, Poland	100.00%	100.00%

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Focusly Sp. z o.o. 3)	ul. Skierniewicka 16/20, 01-230 Warsaw, Poland	100.00%	0.00%
Benefit IP Sp. z o.o.	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	100.00%
Benefit IP Spółka z ograniczoną odpowiedzialnością sp.k.	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	100.00%
Benefit Partners Sp. z o.o.	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	100.00%
Fit Fabric Sp. z o.o. 4)	al. 1 Maja 119/121, 90-766 Łódź, Poland	100.00%	52.50%
Total Fitness Sp. z o.o.5)	Aleja Bohaterów Września 9, 02-389 Warsaw, Poland	88.23%	0.00%
Zdrowe Miejsce Sp. z o.o. 6)	ul. Biały Kamień 2, 02-593 Warsaw, Poland	80.00%	0.00%
Yes to move Sp. z o.o.	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	100.00%
Benefit Systems International Sp. z o.o.	ul. Młynarska 8/12, 01-194 Warsaw, Poland	97.20%	97.20%
Fit Invest International Sp. z o.o.	ul. Młynarska 8/12, 01-194 Warsaw, Poland	97.20%	97.20%
BSI Investments Sp. z o.o.	ul. Młynarska 8/12, 01-194 Warsaw, Poland	97.20%	97.20%
Form Factory Slovakia s.r.o. 7)	Ružová dolina 480/6 Bratislava - mestská časť Ružinov 821 08, Slovakia	97.20%	97.20%
Form Factory S.R.O.	Vinohradská 2405/190 Vinohrady, 130 00 Praha 3, Czech Republic	97.20%	97.20%
Next Level Fitness EOOD	Bul. Simeonovsko Shosse 35, 1700 Sofia, Bulgaria	97.20%	97.20%
Beck Box Club Praha S.R.O.	Vinohradská 2405/190 Vinohrady, 130 00 Praha 3, Czech Republic	97.20%	97.20%
MultiSport Benefit S.R.O. 8)	Lomnickeho 1705/9, 140 00 Praha 4, Czech Republic	95.26%	93.31%
Benefit Systems Slovakia S.R.O.	Ružová dolina 6 Bratislava - mestská časť Ružinov 821 08, Slovakia	95.26%	95.26%
Benefit Systems Bulgaria EOOD	11-13, Yunak Str., floor 1, 1612 Sofia, Bulgaria	93.31%	93.31%
Benefit Systems D.O.O. 9)	Zagreb (Grad Zagreb) Heinzelova ulica 44, Croatia	94.28%	95.74%
Benefit Systems, storitve, D.O.O.	Komenskega street 36, 1000 Lublana, Slovenia	92.34%	92.34%
Benefit Systems Spor Hizmetleri Ltd 10)	Eski Büyükdere Caddesi No: 7, GÑZ 2000 Plaza, Kat 4. 13. VE 14. Bağımsız Bölümler, Maslak, Sarıyer/ 34398 İstanbul, Turkey	90.40%	0.00%
Multisport Foundation 11)	ul. Racjonalizacji 5, 02-673 Warsaw, Poland	100.00%	0.00%
MW Legal Sp. z o.o. 12)	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	100.00%

** The table presents the Group's indirect ownership interest in its subsidiaries.*

1) On December 31st 2021, Benefit Systems S.A. merged with MyBenefit Sp. z o.o.

2) On June 17th 2021, the purchase of 100% of shares in YesIndeed Sp. z o.o. was effected, as a result of which Benefit Systems S.A. holds 100% of shares in the company.

3) On November 3rd 2021, the purchase of 100% of shares in Focusly Sp. z o.o. was effected, as a result of which Benefit Systems S.A. holds 100% of shares in the company.

4) Fit Fabric Sp. z o.o. has been consolidated since 2018 based on the assumption that the Group exercises full (100%) control, as agreements have been executed with the minority shareholders committing them to sell their residual interests. On May 18th 2021, the Parent signed an agreement with the minority shareholders of Fit Fabric Sp. z o.o., whereby it acquired 47.5% of the company's share capital, increasing its equity interest to 100%.

5) On November 4th 2021, 88.23% of shares in Total Fitness Sp. z o.o. were acquired. The company is consolidated based on the assumption that the Group exercises full (100%) control as agreements have been executed with the minority shareholders committing them to sell their residual interests.

6) On April 26th 2021, Benefit Systems S.A. acquired 80% of shares in Rehabilitacja i Ortopedia Sp. z o.o. Zdrowe Miejsce Sp. z o.o. was established following the transformation of Rehabilitacja i Ortopedia Sp. z o.o. on December 17th 2021.

7) Form Factory Slovakia s.r.o. was established following the transformation of Fit Invest Slovakia s.r.o. on November 16th 2021.

8) On September 21st 2020, agreements were signed obliging minority shareholders to dispose of the remaining shares, and therefore as of that date the company was consolidated on the assumption that the Group holds a 97.2% equity interest. On April 1st 2021, the sale of 2% of shares in Multisport Benefit S.R.O. was effected, as a result of which Benefit Systems International Sp. z o.o. holds 98% of shares in the company.

9) On July 13th 2021, Benefit Systems International Sp. z o.o. sold 3.5% of shares in Benefit Systems D.O.O. On October 25th 2021, Benefit Systems International Sp. z o.o. purchased 2% of shares in Benefit Systems D.O.O. Following the transactions, Benefit System International Sp. z o.o.'s equity interest in the company fell to 97%.

10) On August 16th 2021, Benefit Systems Spor Hizmetleri Ltd of Turkey was registered; 93% of its shares are held by BSI Investments Sp. z o.o.

11) On August 26th 2021, the Multisport Foundation was registered, with Benefit Systems S.A. as the sole founder.

12) The company is not consolidated as it does not conduct any business activity.

The Group's voting interest in the individual subsidiaries is consistent with the Group's interest in their share capital. The Parent and the consolidated entities were incorporated for indefinite time.

2. Basis of preparation and accounting policies

2.1. Basis of preparation of the consolidated financial statements

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (hereinafter referred to as "IFRS") approved by the European Union, valid for annual periods beginning on January 1st 2021, and to the extent not governed by the said standards – in accordance with the requirements of the Accounting Act of September 29th 1994 and secondary legislation issued on its basis, as well as the requirements concerning the issuers of securities admitted to trading on an official stock-exchange listing market.

The functional currency of the Parent and the presentation currency of these consolidated financial statements is the Polish złoty, and all amounts are expressed in thousands of Polish złoty (unless indicated otherwise). For consolidation purposes, the financial statements of foreign operations are translated into the Polish currency in accordance with the accounting policies presented below.

The consolidated financial statements have been prepared on the assumption that the Group companies will continue as going concerns in the foreseeable future. Despite the existing uncertainty regarding the risk of potentially material adverse impact of the pandemic on the Group's operations, if further restrictions on business activity are introduced as a consequence of new COVID variants, the Parent's Management Board does not identify any material uncertainty arising from such circumstances that would cast serious doubts as to the Parent or the Group continuing as a going concern.

In addition, in the economic environment in which the Group operates there is uncertainty related to the development of the situation in Ukraine. In the opinion of the Parent's Management Board, this situation will not have any material effect on the assumption that the Parent and the Group will continue as a going concern. For information on the impact of the military invasion on Ukraine on the Group's operations, see Note 33.

2.2. Impact of COVID-19 pandemic on the Group's business

In the year ended December 31st 2021, the Group's business was affected by the COVID-19 pandemic, with temporary government restrictions imposed in the Group's home markets, particularly affecting the operation of sports facilities. The Group's customers and cardholders used the option to suspend sport cards, and the Group did not charge membership fees. The Group companies, both in Poland and abroad, did not record any significant increase in contract terminations.

The management of the Group and its subsidiaries took a number of measures to secure and support revenue streams and reduce operating costs. Managing the Group's liquidity is of the highest priority, and the steps taken by the Group include securing access to various sources of financing, monitoring of debt repayments on an ongoing basis, reducing capital expenditure, using public aid instruments, and, where justified, extending payment deadlines and maintaining safe levels of the net debt and liquidity ratios.

As at the end of December 2021, the number of active sport cards was 842.1 thousand in the Poland segment, and 284.7 thousand in the foreign markets which were active in December 2021.

The sports facilities in all markets where the Group operates have been gradually resuming operations since February 2021. Poland was the last market where sports facilities resumed operations (on May 28th 2021).

In the opinion of the Group, the COVID-19 pandemic has not significantly affected the long-term prospects of the market's potential and the factors supporting the sale of sport cards.

The Group is expanding its offering of online products (such as sports, recreational and health exercises online, the workout platform and Yes2Move online shop, the new MultiLife card) and additional services (advice, diets, urban bicycles, special holiday offers), and is continuing to develop the partnership network, which is of strategic importance to the Group. In addition, optimisation measures were taken with a focus on: (i) new customer retention processes and sales of services, implementation of subscription contracts better suited to consumer preferences,

(ii) implementation of a new management structure and centralisation of functions across all networks (procurement, administration, back office), and (iii) implementation of restructuring plans at sports clubs with the least potential.

As at March 31st 2022, the number of active sport cards in the Poland segment was 940.5 thousand and in the Foreign Markets segment – 316.3 thousand.

Liquidity and debt

As at December 31st 2021, the current ratio amounted to approximately 0.66, compared with 0.77 as at December 31st 2020. The net debt to EBITDA ratio, was negative at (0.15). Net debt is defined as the sum of debt under borrowings and bonds less cash. EBITDA, was calculated as operating profit/(loss) for the 12 months ended December 31st 2021 plus depreciation and amortisation for the same period. The Group complied with the covenants under its credit facility agreements.

Despite reporting a net loss, the Group generated positive cash flows from operating activities in 2021 of PLN 250m (compared with PLN 237m in 2020). Cash outflows from investing activities rose by PLN 92m year on year and cash outflows from financing activities – by PLN 49m. The Group's cash balance at the end of 2021 increased by PLN 29m year on year, to PLN 253m.

As at September 30th 2021, the Group held PLN 253m of available funds in bank accounts and had access to PLN 125.3m of available and undrawn overdraft facilities.

2.3. Amendments to standards and interpretations

New and amended standards applied by the Group as of January 1st 2021

- *Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – the IBOR reform (Phase 2)*

  The amendments made under Phase 2 provide accounting arrangements to account for changes in contractual cash flows or changes in hedging relationships resulting from the application of the new reference rate at the stage of implementation of the IBOR reform and disclosure requirements for the impact of the reform. The IASB Board introduced practical expedients for IFRS 9 regarding the recognition of changes in cash flows required by the reform. These changes are recognised by updating the effective interest rate. The practical expedients can only be applied if the change in the reference rate results directly from the reform and where the new reference rate of the contract is economically equivalent to the previous rate prior to the reform.
  It was also proposed to allow the amendments required by the IBOR reform in the designation of hedged items and in the documentation relating to hedged items in accordance with IFRS 9 and IAS 39, without rendering certain hedge accounting requirements discontinued.
  New disclosure requirements were introduced, including the requirement to disclose: the manner in which an entity manages the transition to new rates; the carrying amount of financial assets and financial liabilities which continue to serve as the reference for the benchmarks that are the subject of the reform; the manner in which the entity has determined which modifications qualify for the application of a practical expedient.
  As the Group has floating rate debt, the practical expedient presented in the amendment to the standard may make it possible to limit the extent of recognition of the one-off gain or loss that may arise from the change in reference rates. The amendment has no material effect on the financial statements for 2021.
  As the Group does not use interest rate derivatives or hedge accounting, the amendment has no impact on its financial statements in this respect.
  The amendments are effective for annual periods beginning on or after January 1st 2021.

- *Amendment to IFRS 16 Leases: COVID-19-Related Rent Concessions*

  The Group elected to early apply the practical expedient provided by the amendment to IFRS 16 in the wake of the COVID-19 pandemic. The practical expedient gives the lessee the option not to assess whether a rent concession is a lease modification and to account for any change in lease payments resulting from the rent concession the same way it would account for the change if the change were not a lease modification. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only under certain conditions.
  The amendment does not affect lessors.
  The Group applied the amendment retrospectively, for the first time in 2020, with no effect the balance of retained earnings as at January 1st 2020. For information on the effect of the amendment in the period covered by these consolidated financial statements, see Note 9. In March 2021, the period of application of the practical expedient was extended by one year, i.e., with respect to lease payments due until June 30th 2022.

- *New IFRS 17 Insurance Contracts*

  The new standard governs recognition, measurement, presentation and disclosure of insurance and reinsurance contracts. The standard replaces IFRS 4.
  The new standard does not affect the Company's financial statements as the Company does not conduct any insurance activities.

Published standards and interpretations which were not yet effective for periods beginning on January 1st 2021 and their impact on the Company's financial statements

Until the day of preparing these full year consolidated financial statements, new or amended standards and interpretations have been published, effective for annual periods following 2021: They include amendments, standards and interpretations published by the IASB but not yet accepted by the European Union.

- *Amendment to IAS 1 Presentation of Financial Statements*

  The IASB clarified the rules for classifying liabilities as non-current or current primarily in two aspects: it clarified that the classification depends on the rights held by the entity at the reporting date; the management's intention to accelerate or delay payment of the obligation is not to be taken into account.
  As the Group already applies principles consistent with the amended standard, the changes will not affect its financial statements.
  The amendments are effective for annual periods beginning on or after January 1st 2023. The amendments have not yet been endorsed by the European Union.

- *Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures*

  Under previous guidance applicable to accounting for loss of control of a subsidiary, a gain or loss had to be recognised on the loss of control. In turn, in accordance with the rules of application of the equity method, any gain or loss from a transaction with an entity accounted for using the equity method could be recognised only to the extent of unrelated investors' interests.
  In the event that a parent would sell or contribute interests in a subsidiary to an entity accounted for using the equity method in such a manner that it would lose control of the subsidiary, the aforementioned regulations would be inconsistent. The amendments to IFRS 10 and IAS 28 resolve the conflict in the following manner:
    - if the entity over which control was lost constitutes a business, the gain or loss from the transaction is recognised in full;
    - if the entity over which control was lost does not constitute a business, the gain or loss is recognised only to the extent of the interests of other investors.

  The Group holds interests in equity-accounted associate Groups, but has not yet sold or contributed any shares in a subsidiary to an equity-accounted entity in such a way that it has lost control of the subsidiary. Therefore, the amendment will not affect the Company's financial statements.
  The effective date of these amendments has been deferred by the European Union.

The Group intends to implement the above regulations to the extent they apply to the Company at the time required by the standards or interpretations.

2.4. Accounting policies

Operating segments
In distinguishing operating segments, the Management Board of the Parent is guided by the product lines representing the main services and goods provided by the Group. Each of the segments is managed separately within a product line, given the nature of the Group's services and geographical area (Foreign Markets).
In accordance with IFRS 8, results of the operating segments are based on internal reports periodically reviewed by the Management Board of the Parent (the Group's chief operating decision maker). The Management Board of the Parent analyses the performance of the operating segments at the level of operating profit/(loss) and EBITDA (a non-standard measure defined by the Group as operating profit plus depreciation and amortisation).
Measurement of the operating segments' results used in the management calculations is consistent with the accounting policies applied in the preparation of the consolidated financial statements, except:

- Measurement of lease liabilities for the Poland, Foreign Markets and Cafeterias segments is presented as profit or loss of the Other Activities and Corporate segment,
- Costs of the Incentive Scheme for the key management personnel of the Poland segment are disclosed as profit or loss of the Other Activities and Corporate segment.

Consolidation
These consolidated financial statements include the financial statements of the Parent and the financial statements of the companies controlled by the Group, i.e., the subsidiaries, prepared as at December 31st 2021. The Group assesses whether it has control by applying the definition in IFRS 10. By definition, an investor has control over an investee if, because of his or her involvement in that investee, the investor is exposed to variable returns or has rights to variable returns and has the power to influence those returns by exercising control over the investee.

The financial statements of the Parent and the subsidiaries included in the consolidated financial statements are prepared as at the same date, i.e., December 31st. When necessary, the financial statements of the subsidiaries are adjusted to ensure consistency of the accounting policies applied by a given company with the policies applied by the Group.

Companies whose financial statements are immaterial to the consolidated financial statements of the Group may be excluded from consolidation. Investments in subsidiaries recognised as held for sale are accounted for in accordance with IFRS 5.

Subsidiaries are consolidated using the full method.
The full consolidation method consists in combining the financial statements of the Parent and its subsidiaries by adding together, in full, individual items of assets, liabilities, equity, income and expenses. In order to present the Group as if it were a single economic entity, the following exemptions are made:

- intra-group balances and transactions (income, expenses, dividends) are eliminated in their entirely;
- gains and losses resulting from intra-group transactions, which are included in the carrying amount of assets such as inventory or property, plant and equipment, are eliminated. Losses on intra-group transactions are analysed for impairment of assets from the Group's perspective,
- deferred tax on temporary differences that arise from the elimination of gains and losses resulting from intra-group transactions is recognised (in accordance with IAS 12).

Non-controlling interests are disclosed as a separate item under equity and they represent the portion of the subsidiary's comprehensive income and net assets that is not held by the Group. The Group allocates comprehensive income of its subsidiaries between to owners of the Parent and non-controlling interests on the basis of their respective ownership interests.

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

- partial sale of shares to non-controlling entities – the difference between the selling price and the carrying amount of the subsidiary's net assets attributable to the shares sold to non-controlling entities is recognised directly in retained earnings,
- purchase of shares from non-controlling interests – the difference between the purchase price and the carrying amount of the net assets acquired from non-controlling interests is recognised directly in equity as retained earnings.

<u>Business combinations</u>
Business combinations which fall within the scope of IFRS 3 are accounted for using the acquisition method.
As at the date of taking control, the acquiree's assets and liabilities are generally measured at fair value and, in accordance with IFRS 3, assets and liabilities are identified – regardless of whether they were disclosed in the financial statements of the acquiree before the acquisition.

The consideration transferred in exchange for control include the assets delivered, liabilities incurred and equity instruments issued, measured at the acquisition-date fair value. The consideration also includes contingent consideration measured at the acquisition-date fair value. Acquisition-related costs (advisory services, valuation etc.) are not part of consideration but are expensed as incurred.
Goodwill (gain on bargain purchase) is calculated as the difference between two amounts:

- the sum of the consideration transferred for control, non-controlling interests (measured in proportion to the net assets acquired) and the fair value of the holdings held in the acquiree before the acquisition date; and
- the fair value of the identifiable net assets acquired.

The excess of the sum so calculated above the fair value of the identifiable net assets acquired is recognised as goodwill in the consolidated statement of financial position. Goodwill represents the consideration paid by the acquirer in anticipation of future economic benefits from assets that cannot be individually identified and separately recognised. Following initial recognition, goodwill is measured at initial amount less accumulated impairment losses.

If the above amount is lower than the fair value of the acquired identifiable net assets, the difference is immediately recognised in profit or loss. The Group recognises acquisition gain on bargain purchase as other income.

<u>Call and put options on non-controlling interests</u>
Minority shareholders in the Group's subsidiaries hold put options to sell their shares to the Group. The exercise price of the option will be fixed or based on a formula (which is set out in the agreements between the Group and these shareholders) linked to the results delivered by the relevant subsidiaries.

In the case of a fixed exercise price, the liability is treated as a forward transaction and the change in measurement during the period is recognised as profit or loss on financing activities in the period. In the case of a formula-linked price, at initial recognition the liability is recognised in correspondence with equity any subsequent change in the valuation is also recognised as equity.

The Group also holds call options on shares held by minority shareholders, which may be exercised only if the minority shareholders breach the terms of the agreement or act to the detriment of the Group.

Investments in associates
Associates are entities which the Parent does not control but over which it has significant influence by participating in determination of their financial and operating policy.
Investments in associates are initially recognised at cost, and subsequently accounted for using the equity method. The carrying amount of investments in associates is increased or reduced by:

- the Parent's share in profit or loss of an associate,
- the Parent's share in the associate's other comprehensive income, resulting from, among other things, revaluation of property, plant and equipment and exchange differences from translation of foreign operations. These amounts are disclosed in correspondence with the relevant item "Consolidated statement of profit or loss and other comprehensive income",
- any gains and losses on transactions between the Group and the associates, eliminated to the extent of the Group's interest in those entities,
- any distributions of profit received from an associate, which reduce the carrying amount of the investment,
- impairment losses.

The financial statements of the Parent and the equity-accounted associates are prepared as of the same reporting date, i.e. December 31st.

Foreign currency transactions
The consolidated financial statements are presented in the Polish złoty (PLN), which is also the functional currency of the Parent.

As a rule, transactions denominated in currencies other than the functional currency of a given member of the Group are translated into the relevant functional currency at the rate of exchange prevailing on the transaction date (spot rate). However, if a sale or purchase transaction is preceded by the receipt or payment of an advance in a foreign currency, the advance payment at the date of payment is recognised at the rate of exchange on that date. Subsequently, when income or expense is recognised in the statement of profit or loss, these transactions are recognised at the rate of exchange on the date the prepayment is recognised, rather than at the rate of exchange on the date the income or expense or the asset is recognised.

As at the reporting date, monetary items expressed in currencies other than the functional currency are translated into the relevant functional currency at the relevant exchange rate effective for the end of the reporting period, e.g., the mid-exchange rate quoted for a given currency by the National Bank of Poland.
Non-monetary items recognised at historical cost denominated in foreign currencies are translated at the rate of exchange from the transaction date.
Non-monetary items carried at fair value in foreign currencies are translated at the exchange rate from the date on which the fair value was determined, i.e. the mid-rate quoted by the National Bank of Poland for a given currency.

Exchange differences arising from the settlement of transactions or the translation of monetary items other than derivative instruments are recognised as net finance income or cost, as appropriate, except for exchange differences capitalised in the value of assets in accordance with the applied accounting policies (presented in the section on borrowing costs).
Exchange differences arising from measurement of foreign-currency derivatives are recognised in profit or loss unless the derivatives serve as cash-flow hedges. Derivatives which serve as cash-flow hedges are disclosed in line with the principles of hedge accounting.

As at the reporting date, assets and liabilities of foreign subsidiaries are translated into the Polish currency at the closing rate of exchange effective for at the reporting date, i.e. at the mid-rate quoted by the National Bank of Poland for a given currency.
The statement of profit or loss and the statement of profit or loss and other comprehensive income of a foreign operation are translated at the average exchange rate for a given financial year, unless there were significant fluctuations in rates of exchange. In such a case, the exchange rate as at the date of the transaction is used to translate transactions recognised in the statement of profit or loss and other comprehensive income.

Foreign currency differences from translation of financial statements of a foreign operation are recognised in other comprehensive income and accumulated in a separate item of equity until disposal of the foreign operation. On disposal of a foreign operation, the exchange differences from translation accumulated in equity are reclassified to profit or loss and recognised as an adjustment to profit or loss on disposal of the foreign operation.

Borrowing costs
Borrowing costs which may be directly attributed to an acquisition, construction or production of a qualifying asset are capitalised as part of the cost of such asset. Borrowing costs consist of interest and foreign exchange gains or losses up to the amount that adjusts interest expense.

Goodwill
Goodwill is initially recognised in accordance with IFRS 3 (see section above on business combinations). Goodwill is not amortised, but instead is tested for impairment annually in accordance with IAS 36 (see section on impairment of non-financial fixed assets).

Intangible assets
Intangible assets include purchased trademarks, patents and licences, software, development costs and other intangible assets that meet the recognition criteria under IAS 38. This item also includes intangible assets which have not yet been placed in service (intangible assets under construction).

Intangible assets are recognised as at the reporting date at purchase price or production cost less amortisation and impairment losses. Intangible assets with useful lives are amortised using the straight-line method over their useful lives. Useful lives of individual intangible items are reviewed annually, and where necessary – adjusted from the beginning of the next financial year.

The expected useful lives for particular groups of intangible assets are presented below.

Group of assets	Useful life
Trademarks	15-20 years
Patents and licences	1-3 years
Software	2-5 years
Other intangible assets	2-5 years

Software maintenance costs incurred in subsequent periods are expensed when incurred.

Research costs are recognised in profit or loss when incurred.

The Group companies are engaged in development work involving implementation and adaptation of IT support systems for their own needs and modern solutions supporting the Group's offering.
Expenditure directly related to development work is recognised as intangible assets only if the following criteria are met:

- it is technically feasible to complete the intangible asset so that it is suitable for use or sale,
- a Group company intends to complete the intangible asset and then use it or sell it,
- a Group company is able to either use or sell the intangible asset,
- the intangible asset will generate economic benefits, and the Group can prove this benefit, including through the existence of a market or the usefulness of the asset for the Group's needs,
- technical, financial and other resources are available to complete the development work to sell or use the asset,
- the expenditure incurred in the course of development work can be measured reliably and attributed to a given item of intangible assets.

Expenditure on development work carried out under a given project is carried forward to the next period if it can be considered that it will be recovered in the future. Future benefits are estimated in accordance with IAS 36.

Following initial recognition of expenditure on development work, the historical cost model is used, according to which assets are carried at cost less accumulated amortisation and accumulated impairment losses. Completed development work is depreciated on a straight-line basis over the expected period of benefits obtained by incurring the development costs, which is 4 years on average.

Gains or losses on disposal of intangible assets are determined as the difference between net proceeds from the sale and the carrying amount of the transferred intangible asset. These gains and losses are recognised in profit or loss as other income or expenses when the buyer takes control of the transferred intangible asset in accordance with the requirements of IFRS 15 (see "Revenue" in this section of the Notes to the consolidated financial statements). The amount of consideration for disposal of an intangible asset is determined in accordance with the requirements of IFRS 15 for determining the transaction price.

Property, plant and equipment
Items of property, plant and equipment are initially recognised at cost. Such cost is increased by any expenses directly attributable to the purchase and preparation or adaptation of the item for use.

Following initial recognition, items of property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. An item of property, plant and equipment under construction are not depreciated until the construction or erection work is completed and the item is placed in use.

Property, plant and equipment are depreciated using the straight-line method over their estimated useful lives at:

Group of assets	Useful life
Leasehold improvements	5-10 years
Machinery and equipment	3-10 years
Vehicles	3-5 years
Other property, plant and equipment	3-5 years

Depreciation begins in the month following the month in which an item of property, plant and equipment becomes available for use. Useful lives and depreciation methods are reviewed once a year, with any adjustments applied in subsequent years.

An item of property, plant and equipment is divided into components of significant value with separate useful lives. Costs of major maintenance inspections and major spare parts and fittings can also be considered components of significant value, provided that they will be used for a period longer than one year. Day-to-day maintenance expenses incurred when the item is available for use, including costs of maintenance and repairs, are expensed as incurred.
The Group has no land, buildings or structures. Nor does it have other components of property, plant and equipment that would meet the material value condition for which a separate useful life could be attributed.

An item of property, plant and equipment may be removed from the statement of financial position if it is sold or if the company does not expect to realise any economic benefits from its further use. Any gains or losses arising from the sale, retirement or withdrawal from use are measured as the difference between proceeds from sale and the net carrying amount of a given item of property, plant and equipment. These gains and losses are recognised in profit or loss as other income or expenses when the buyer takes control of the transferred item of property, plant and equipment in accordance with the requirements of IFRS 15 (see "Revenue" in this section of the Notes to the consolidated financial statements). The amount of consideration for disposal of an item of property, plant and equipment is determined in accordance with the requirements of IFRS 15 for determining the transaction price.

Leases

The Group as a lessee

For each contract, the Group decides whether the contract is a lease or contains a lease. A lease is defined as a contract or part of a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To this end, three main aspects are analysed:

- whether a contract relates to an identified asset which is either clearly identified in the contract or in an implied manner when the asset is made available to the Group,
- whether the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use specified in the contract,
- whether the Group has the right to direct the use of an identified asset throughout the period of use.

As at the commencement date, the Group recognises a right-of-use asset and a lease liability. The lease commencement date is the date on which the lessor transfers the leased asset to the lessee.

A right-of-use asset is initially measured at cost consisting of the initial amount of the lease liability, initial direct costs incurred by the lessee, an estimate of the costs expected to be incurred to dismantle the underlying asset and the lease payments made at or before the commencement date, less any lease incentives.

After initial recognition, the Group depreciates right-of-use assets on a straight-line basis from the commencement date to the end of the right-of-use period or to the end of the lease term, whichever is earlier. If there is any indication that a right-of-use asset may have been impaired, the asset is tested for impairment in accordance with IAS 36. After initial recognition right-of-use assets may be adjusted for remeasurement of the lease liability due to either reassessment or modification of the lease.

Depreciation periods for right-of-use assets are as follows:

- right to use the property 2-13 years
- right to use fitness equipment 2-10 years
- right to use other assets (vehicles and office equipment) 2-4 years.

At the commencement date, the Group measures the lease liability at the present value of the outstanding lease payments using the interest rate of the lease, if this can be readily determined. If the rate cannot be readily determined, the lessee uses the lessee's incremental borrowing rate.

Lease payments included in the value of a lease liability consist of fixed (including substantially fixed) lease payments, variable lease payments based on an index or rate, expected amounts to be paid as a guaranteed residual value, payments for exercise of a call option and penalties for exercising a termination option if its exercise is reasonably certain.

After initial recognition, lease liabilities are reduced by payments made and increased by interest accrued at the effective interest rate. Measurement of a lease liability is updated to reflect changes in a lease contract and reassessment of the lease term, exercise of a purchase option, guaranteed residual value or lease payments based on an index or rate. As a rule, remeasurement is recognised as adjustment to the carrying amount of a right-of-use asset.

The lease term is irrevocable. periods covered by lease extension or termination options are included in the lease term if there is reasonable certainty that the lease will be extended or the contract will not be terminated early.

The Group applies the permitted practical expedients and recognises lease payments on a straight-line basis during the lease term for the following types of lease contracts:

- contracts whose lease term is less than 12 months (for individual asset classes),
- contracts where the underlying asset has a value of less than PLN 3 thousand (individually for each lease contract). At the Group, such contracts cover payment card readers installed at sports facilities.

In the statement of financial position the Group presents right-of-use assets as a separate item of non-current assets, in addition to property, plant and equipment with respect which it holds ownership title, and in addition to intangible assets.

Lease modification: rent concessions granted to lessee as a direct result of COVID-19 pandemic

For property lease contracts, the Group applied the practical expedient introduced to IFRS 16 in 2020 as a result of the COVID-19 pandemic. The practical expedient gives the lessee the option not to assess whether a rent concession that meets specific conditions is a lease modification and to account for any change in lease payments resulting from the rent concession the same way it would account for the change if the change were not a lease modification. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2022 and increased lease payments that extend beyond 30 June 2022); and
- there is no substantive change to other terms and conditions of the lease.

As a result, the lease liability is remeasured at an unchanged interest rate and the effect of the remeasurement is recognised in the statement of profit or loss in the core operating activities as a reduction of the respective operating expenses depending on where the costs of the respective lease contract are allocated.

The Group as a lessor/intermediate lessor

The Group classifies sublease contracts as an operating lease or a finance lease with respect to a right-of-use asset rather than with respect to the underlying asset. A lease is accounted for as a finance lease if it transfers substantially all the risks and rewards of the right-of-use asset arising from the head lease. Otherwise, it is classified as an operating lease. The same principles are applied to leasing contracts.
The Group is an intermediate lessor or a lessor with respect to fitness equipment leased to facilities which are the Group's partners, and with respect to office space. Such sublease contracts were classified as operating leases. The Group continues to recognise the right-of-use asset resulting from the head lease and the corresponding liability. Revenue from operating subleases and leases, where the company is the lessor, is recognised on a straight-line basis over the lease term.

<u>Impairment of non-financial non-current assets</u>
The following assets are tested for impairment on an annual basis:

- goodwill, with the first impairment test carried out by the end of the period in which the merger took place,
- intangible assets not yet available for use.

The Group does not hold any non-current assets with indefinite useful lives other than goodwill.
Non-financial assets, other than deferred tax assets and inventories, are assessed annually as to whether there is any indication of impairment. If there is any indication, the assets are tested for impairment.

For impairment testing, assets are grouped at the lowest level at which they generate cash inflows independently of other assets or asset groups (cash generating units). Assets which generate cash-flows independently from other assets are tested for impairment individually.
Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the business combination, provided that the cash-generating units are not larger than the operating segments.

If the carrying amount exceeds the estimated recoverable amount of the assets or cash generating units to which they belong, the carrying amount is reduced to the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. In determining 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 time value of money and the risks specific to the asset.

Impairment loss is first allocated to the carrying amount of goodwill. Then carrying amounts of the assets comprising the cash generating unit are reduced pro rata.
Impairment losses are recognised in profit or loss as other expenses.
Impairment losses on goodwill cannot be reversed in subsequent periods. For other assets, the circumstances indicating the possibility of reversal of impairment losses are assessed as at subsequent reporting dates. Reversal of impairment losses is recognised in profit or loss as other income.

Financial instruments
Any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity is a financial instrument.

Trade receivables and debt securities issued are recognised initially when they arise. Other financial assets or financial liabilities are initially recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Transactions to purchase or sell standardised financial instruments are recognised in the accounts at the trade date.

A financial asset is derecognised from the statement of financial position when contractual rights to cash flows from the asset expire or when the financial asset and substantially all risks and rewards related to it are transferred to another entity.
A financial liability is derecognised from the statement of financial position when it is extinguished, i.e. when the obligations specified in the contract are discharged, cancelled or expired.

Financial assets and liabilities are measured in accordance with the principles presented below.

Financial assets

On acquisition, the Group recognises financial assets at fair value, which is, in most cases, the fair value of the payment made. Transaction costs are included in the initial value of all financial assets, except in the case of financial assets at fair value through profit or loss. Exception to this rule is trade receivables, which the Group measures at transaction price within the meaning of IFRS 15, except for those items of trade receivables where the payment term is longer than one year and which include a significant financing component as defined in IFRS 15.
For the purpose of measurement subsequent to initial recognition, financial assets other than hedging derivatives are classified by the Group as:

- financial assets measured at amortised cost,
- financial assets at fair value through other comprehensive income,
- financial assets at fair value through profit or loss, and
- equity instruments measured at fair value through other comprehensive income.

Financial assets are classified upon initial recognition and the classification may only be changed if the business model for managing financial assets has changed. Classification categories define rules of measurement as at the reporting date and recognition of gains or losses on measurement in profit or loss or in other comprehensive income. The Group's classification of financial assets is based on the Group's business model of financial asset management and the contractual cash flows characteristic for a given financial asset.

A financial asset is measured at amortised cost if both of the following conditions are met (and the financial asset has not been designated on initial recognition as financial asset at fair value through profit or loss):

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the nominal amount outstanding.

Financial assets measured at amortised cost include:

- cash and cash equivalents
- loans,
- trade and other receivables (excluding trade and other receivables to which IFRS 9 does not apply),
- debt securities.

These classes of financial assets are presented in the consolidated statement of financial position, broken down into non-current and current assets under ‘Loans and other financial assets', 'Trade and other receivables’ and 'Cash and cash equivalents'. Short-term receivables are measured at amounts expected to be received, as the effect of discounting future receipts would be negligible.

Interest income calculated using the effective interest rate method is disclosed by the Group under 'Finance income'.
Impairment losses on trade receivables are recognised in other expenses, while impairment losses on other financial assets measured at amortised cost are recognised under 'Impairment losses on financial assets'. In both cases, the recognised losses are reduced by gains on reversal of impairment losses. Gains and losses arising on derecognition of assets in this category from the statement of financial position are recognised in profit or loss under 'Gains/(losses) on derecognition of financial assets measured at amortised cost'. Other gains and losses on financial assets recognised in profit or loss, including foreign exchange gains and losses, are presented as finance income or costs.

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:
- the financial asset is held within a business model whose objective is achieved by both contractual cash flows and sale of financial assets,
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the nominal amount outstanding.

Interest income, impairment gains and losses, and foreign exchange gains and losses on such assets are calculated and recognised in profit or loss in the same manner as in the case of financial assets measured at amortised cost. Other changes in the fair value of these assets are recognised through other comprehensive income. When a financial asset measured at fair value through other comprehensive income is derecognised, accumulated gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss.
In the reporting period, the Group did not hold any financial assets designated as measured at fair value though other comprehensive income.

Due to their business model and cash flow characteristics, financial assets designated as measured at amortised cost and at fair value through other comprehensive income are assessed at each reporting date in order to recognise expected credit losses, regardless of whether there is any indication of impairment. The method of making this assessment and estimating allowances for expected credit losses varies depending on the class of financial assets:
- For trade receivables, the Group applies a simplified approach based on the calculation of allowances for expected credit losses over the lifetime of the instrument. Allowances are estimated on a collective basis and the receivables are grouped according to the number of days past due and customer types (B2B, B2C). Allowances are estimated mainly on the basis of historical data on days past due, and an analysis of days past due and actual payments based on the available historical data.
- As for the other asset classes, in the case of instruments for which credit risk has not increased significantly since initial recognition or for which credit risk is low, the Group first recognises losses resulting from default losses for the next 12 months. If the increase in credit risk since initial recognition has been significant, lifetime losses of the instrument are recognised.

The Group has assumed that the risk increases significantly when the time past due exceeds 60 days.
For trade receivables, the Company may also determine expected credit losses on a case-by-case basis. In particular, this applies to receivables from debtors in liquidation or bankruptcy, past-due receivables disputed by debtors, other past due receivables, and receivables which are not past due but the risk of uncollectibility is significant according to the Management Board's individual assessment (in particular where the expected litigation and enforcement costs are equal to or higher than the amount claimed). In these circumstances, an impairment loss on receivables may be recognised up to 100% of their amount.

In accordance with the applied accounting policy, financial assets are written off, in whole or in part, when the Group has used practically all measures to collect them and determines that they cannot be reasonably expected to be recovered. This is usually the case when
- the asset is past due more than 360 days,
- the debtor has been declared bankrupt or has been liquidated,
- the debtor has become insolvent.

Financial liabilities

Financial liabilities are presented in the statement of financial position under the following items:
- borrowings, other debt instruments
- lease liabilities
- other financial liabilities

On acquisition, the Group measures financial liabilities at fair value which is, most frequently, the fair value of the amount received. Transaction costs are included in the initial value of all financial liabilities, except in the case of financial liabilities at fair value through profit or loss.
Following initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method, except for financial liabilities held for trading or designated as financial liabilities to be measured at fair value through profit or loss. Financial liabilities measured at fair value through profit or loss include derivatives other

than hedging instruments. Short-term trade payables are measured at amounts expected to be paid as the effect of discounting is immaterial.
Any gains or losses on measurement of financial liabilities are recognised in profit or loss under financing activities.

Hedge accounting
The Group does not hold derivatives designated as cash flow hedges or fair value hedges.

Inventories
Inventories are measured at the lower of cost and net realisable value. Cost includes costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. Costs of materials and merchandise are determined using the 'first in first out' method.
Net realisable value is the estimated selling price determined in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and cash at banks, demand deposits and highly liquid short-term investments (with maturities of up to three months), that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.
As part of a detailed analysis, the classification and impairment losses were determined in accordance with IFRS 9. Cash in bank accounts meets the SPPI test and the 'held to collect' business model test. Therefore, cash is measured at amortised cost.

Non-current assets classified as held for sale
Non-current assets (group of non-current assets) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction and not through continuing use of the asset. That condition is met only if an asset (or a disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets, and its sale is highly probable within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Some of the Group's non-current assets classified as held for sale, such as financial assets and deferred tax assets, are measured in accordance with the same accounting policies as those applied by the Group before they were classified as held for sale. Once classified as held for sale, the assets are no longer depreciated or amortised.

Equity
Share capital represents the nominal value of shares that have been issued, as specified in the Parent's articles of association and the relevant entry in the National Court Register.

Treasury shares acquired and held by the Parent or by subsidiaries reduce the amount of equity. Treasury shares are measured at cost.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Retained earnings include the following categories of equity: capital reserves, other components of equity and undistributed profit or loss from previous years.

Capital reserves are created from profit and are used to finance the Group's development, to cover special losses, or for other expenses. The General Meeting of the Parent decides on the use of capital reserves.

Other components of equity include:
- share-based payment reserve, and
- capital from accumulation of other comprehensive income including exchange differences from translation of foreign operations (see section on foreign currency transactions).

Undistributed profit or loss from previous years also includes profit or loss for the current year.

Transactions with owners of the Parent are disclosed separately in the consolidated statement of changes in equity.

Share-based payments
The Group operates incentive schemes under which the key management personnel are granted options convertible into shares of the Parent.

The amount of remuneration for the management staff is determined indirectly by reference to the fair value of the equity instruments granted. The fair value of options is measured as at the grant date, with the proviso that non-market vesting conditions (achievement of the required level of profit) are not included in the fair value estimate of the share options.

The cost of remuneration and the corresponding increase in equity are recognised based on the best available estimates of the number of options to be vested in a given period. In determining the number of options to be vested, non-market vesting conditions are taken into account.
The Group adjusts those estimates if subsequent information indicates that the number of options granted differs from previous estimates. Such adjustments are recognised in profit or loss for the current period – no adjustments are made for previous periods.

Employee benefits

Employee benefit obligations and provisions reported in the statement of financial position include:

- short-term employee benefits under salaries and wages (including bonuses and commissions) and social security contributions, employee capital plan benefits,
- provision for accrued holiday entitlements; and
- other long-term employee benefits, under which the Group presents provisions for retirement gratuity.

Short-term employee benefits

Short-term employee benefit obligations are measured at undiscounted amounts and reported in the statement of financial position at amounts payable in the period to which they relate.

Provision for accrued holiday entitlements

The Group recognises provision for the expected cost of accumulating paid absences, as a result of the unused holiday entitlement accrued as at the reporting date. The provision for accrued holiday entitlements is recognised as a short-term provision and is not discounted.

Retirement gratuity

In accordance with the remuneration systems in the Group, employees of the Group companies are entitled to retirement gratuity benefits. Retirement gratuity benefits are one-off benefits paid upon retirement. The amount of such benefits depends on the length of service and the average remuneration of the retiring employee. These benefits are recognised as other long-term employee benefits.
The Group recognises a provision for future retirement benefit obligations in order to allocate costs to the periods in which the benefits are vested.
Present value of the provisions as at the reporting date is assessed by an independent actuary. The amount of provision recognised in the statement of financial position is the present value of the benefit obligations as at the reporting date. Information on demographics and employment turnover is sourced from historical data.
Actuarial gains and losses arising from changes in actuarial assumptions (including changes in discount rate) and *ex post* actuarial adjustments are recognised in other comprehensive income.

Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present obligation (legal or constructive) resulting from past events, and when it is probable that the discharge of this obligation will cause an outflow of funds representing economic benefits, and the amount of the obligation may be reliably estimated. The timing and amount of the obligation may be uncertain.

Provisions are recognised for:

- pending litigations and disputes,
- losses from contracts with customers,
- restructuring, only if the Group is required to undertake the restructuring under separate regulations or a binding agreement.

No provisions are recognised for future operating losses.

Provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, based on the most reliable evidence available on the date on which the consolidated financial statements are prepared, including evidence as to risks and uncertainties. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the projected future cash flows to present value using a discount rate that reflects current market assessments of the time value of money and the risks, if any, associated with the liability. If discounting is used, any increase in the amount of the provision reflecting the passage of time is recognised as finance cost.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when it is virtually certain that reimbursement will be received if the entity settles the obligation. The amount recognised for the asset may not exceed the amount of the provision.

If an outflow of resources to settle a present obligation is unlikely, no contingent liability is recognised in the statement of financial position, except for contingent liabilities identifiable in a business combination in accordance with IFRS 3.
For information on contingent liabilities, see Note 29 to the consolidated financial statements.

Any possible inflows of economic benefits to the Group which do not yet meet the criteria to qualify as assets are classified as contingent assets and are not recognised in the statement of financial position. Information on contingent assets is disclosed in notes to the financial statements.

<u>Revenue</u>
Revenue represents income from contracts with customers falling within the scope of IFRS 15 (except for lease income earned by Benefit Partners Sp. z o.o. and the Parent, which are presented in accordance with IFRS 16). The method of recognising revenue in the Group's consolidated financial statements, including both the amount and time of recognition, is defined under the following five-step model:

- identifying the contract,
- identifying performance obligations,
- determining the transaction price,
- allocating the transaction price to performance obligations,
- recognising revenue when or as the performance obligations are satisfied.

Identifying the contract

The Group accounts for a contract with a customer only when all of the following criteria are met:

- the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
- the Group can identify each party's rights regarding the goods or services to be transferred;
- the Group can identify the payment terms for the goods or services to be transferred;
- the contract has commercial substance (i.e. the risk, timing or amount of the Group's future cash flows is expected to change as a result of the contract); and
- it is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Identifying performance obligations

At the inception of a contract, the Group assesses the goods or services that have been promised to the customer and identifies as a performance obligation each good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.
A good or service promised to a customer is distinct if both of the following criteria are met:

- the customer can benefit from the good or service on its own or in conjunction with other readily available resources; and
- the Group's obligation to transfer the good or service to the customer is separately identifiable from other obligations in the contract.

Determining the transaction price

When making this determination, the Group considers the contract terms and its customary business practices. Transaction price is the amount to which the Group expects to be entitled in exchange for the transfer of promised goods or services to a customer, excluding amounts collected on behalf of third parties. The consideration specified in a contract with a customer includes fixed amounts. There are no rebates or discounts on the sale of services or the right to reimbursement or insurance.

Allocating the transaction price to performance obligations

The Group allocates the transaction price to each performance obligation (or to a distinct good or service) in an amount that reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Recognising revenue when or as the performance obligations are satisfied

The Group recognises revenue, on an accrual basis, when the goods or services are transferred to a customer in an amount equal to the transaction price.

The Group's main revenue generating business is the sale of MultiSport cards. MultiSport cards give cardholders essentially unlimited access to a wide network of sports venues operated by the Group's partners and by the Group itself for the duration of the card's validity. Sport cards are usually prepaid by the cardholders' employers and are on a monthly or quarterly basis. Card users may cancel their membership with a notice period of 1-3 months. The

Group's settlements with external fitness/sports facilities operators for visits by holders of sport cards are made on a monthly basis, based statements of actual number of visits. The Group is exposed to risks related to the number of customer visits to clubs operated by external parties. The Group also operates its own clubs that can be used by cardholders. Consequently, the Group recognises revenue from sales of sport cards as the principal, on a gross basis. Card revenue is recognised evenly over the accounting period as the Group is committed to providing users with access to the sports facilities network throughout the term of the contract. Contract liabilities include pre-invoiced revenue relating to future periods.

Through its operations in own fitness clubs, the Group also generates revenues from B2C sales, which include sales of membership passes and merchandise. The passes provide access to clubs from certain chains and are billed and paid for monthly throughout the duration of the contract on the basis of signed contracts with customers. The customer may suspend the pass subject to the terms of the contract and may terminate the contract at any time, with termination effective at the end of the specified billing period. In addition, fitness clubs derive revenue from sales of goods (e.g., foodstuffs) on their premises. Through its online operations, the Group also generates revenue from B2C sales, which include sale of membership passes to the Yes2Move training platform. The Group generally recognises B2C revenue in the calendar month in which the service is provided or the goods are delivered (in the case of sales of merchandise in fitness clubs).

Acting as intermediary (agent)

In part of its business, the Group acts as an intermediary (agent), providing goods and services of other entities and receiving from them consideration in the form of sales commission. In this case, revenue is recognised only in the amount of the sales commission received. Sales of passes, vouchers and other third-party coupons are recognised in the month in which the coupon or code giving entitlement to the benefit is issued. This model is also applied to the sale of services traded in the Cafeterias segment (MyBenefit Sp. z o.o.). The margin on sales of own vouchers (such as MultiBilet, MultiTeatr, MultiZoo) is also included in the commission model given that MyBenefit Sp. z o.o. acts as agent in these transactions. The difference between revenue from the sale of these benefits and direct costs of the services (agent fee) is classified as revenue of the Cafeteria segment.

Contract liabilities include pre-invoiced revenue relating to future periods.

Interest and dividend income

Interest income is recognised as it accrues using the effective interest rate method. Dividends are recognised when the shareholders' right to receive the payment is established.

<u>Operating expenses</u>
Operating expenses are recognised in profit or loss according to the principle of matching income and expenses. In the financial statements they are disclosed by function of expense.

<u>Current income tax, deferred tax assets and liabilities, other taxes</u>
Tax expense on profit or loss includes current income tax and deferred income tax not applicable to items recognised in other comprehensive income or directly in equity.
The current portion of the income tax is calculated based on the net profit/(loss) (taxable income) for a given financial year. Tax profit/(loss) differs from accounting profit (loss) before tax due to temporary transfer of taxable income and tax-deductible expenses to other periods and elimination of income and expenses items that will never be taxable. Current tax is calculated based on the tax rates effective for the reporting period.
Deferred income tax is calculated as the tax payable or receivable in the future on differences between the carrying amounts of assets and liabilities and their tax bases.
Deferred tax liabilities are recognised against all taxable temporary differences, while deferred tax asset are recognised to the extent that they are probable to be used against future deductible temporary differences and tax losses. No deferred tax asset or liability is recognised if the temporary difference results from the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of its occurrence, affects neither the tax result nor the accounting result. No deferred tax liability is recognised for goodwill which is not amortisable under tax regulations.
Deferred tax is calculated using the tax rates that will apply when the asset is realised or the provision is settled, based on the legal regulations in force at the reporting date.
Deferred tax liabilities and assets are offset as long as both relate to the same tax jurisdiction.
The carrying amount of deferred tax assets is reviewed as at the end of each reporting period and is subject to appropriate reduction to the extent it is no longer probable that taxable income sufficient for a partial or full realisation of the deferred tax assets would be generated. At each reporting date, unrecognised deferred tax assets are reassessed and recognised to the extent reflecting the probability that future taxable income will allow the deferred tax assets to be recovered.

3. Subjective assessment of the Management Board and uncertainty of estimates

When preparing the consolidated financial statements, the Management Board of the Parent is guided by its judgement in making numerous estimates and assumptions that affect the accounting policies applied and the disclosed amounts of assets, liabilities, income and expenses. Actual amounts may differ from the Management Board's estimates. Information on the estimates and assumptions material to the consolidated financial statements is presented below.

Useful lives of non-current assets

The Management Board of the Parent verifies annually the economic useful life of depreciable non-current assets. In the Management Board's opinion, as at December 31st 2021, the useful lives of assets assumed by the Group for depreciation and amortisation purposes reflect the expected useful lives of the assets. However, the actual useful lives of the assets may differ from those assumed due to technical wear and tear, among other factors. For carrying amounts of depreciable assets, see Notes 7, 8 and 9.

Income tax settlements and deferred tax assets

The Polish tax legislation is subject to frequent changes, leading to significant differences in its interpretation and significant uncertainty in its application. The tax authorities are entitled to verify the tax base (in most cases for the last five financial years) and to impose penalties and fines. As of July 15th 2016, the tax legislation also takes into account the provisions of the General Anti-Abuse Clause (GAAR), which is intended to prevent the creation and use of artificial legal structures created to avoid taxation. The GAAR should be applied both with respect to transactions made after its effective date and with respect to the transactions which were made before its effective date in the case of which tax benefits continued or still continue after that date. Consequently, the determination of tax liabilities, deferred tax assets and deferred tax liabilities may require material judgements, including those relating to transactions already executed, and the amounts presented and disclosed in the financial statements may change in the future as a result of inspections by tax authorities.

The probability of accounting for a deferred tax asset against future taxable profit is determined based on the budget of the Group approved by the Parent's Management Board. If the planned financial results indicate that the Group's companies will generate taxable income, deferred tax assets are recognised in full.

Impairment of non-financial assets, including goodwill

In order to determine the recoverable amount, the Management Board estimates projected cash flows and the rate at which the cash flows are discounted to their present value. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the business combination, provided that the cash-generating units are not larger than the operating segments. The Group identifies cash-generating units for sales of sport cards and operation of fitness clubs at country level, given the complementary nature of these two business lines. The cafeteria business has been defined as a separate cash-generating unit. In the process of measuring the present value of future cash flows, assumptions are made concerning projected financial results. These assumptions relate to future events and circumstances. Actual amounts may differ from estimated amounts, which in subsequent reporting periods may result in significant adjustments to the value of the Group's assets. For information on the assumptions made in the calculation of recoverable amount in impairment tests and on the sensitivity of the calculation to reasonably possible changes in those assumptions, see Note 6.

Impairment losses on financial assets

As at each reporting date, the Management Board of the Parent determines the amount of impairment losses on receivables and loans. As of January 1st 2018, the impairment loss recognition policy is based on IFRS 9.
With respect to trade receivables, the Group applies a simplified approach to recognise allowances at amounts equal to lifetime expected credit losses over the entire lifetime of the receivables. This approach results from the fact that the Group's receivables do not contain a significant financing component within the meaning of IFRS 15. In order to calculate an impairment loss, the Group applies the provision matrix method, under which impairment losses are determined for various past due periods. This method takes into account historical data on credit losses and the possible impact of material and identifiable future factors (e.g., market or macroeconomic factors). The probability of default is estimated based on historical data on outstanding receivables. In order to estimate the counterparty's default parameter, the Group has identified four past due ranges:

1. Not past due up to 1 month,
2. Past due from 1 to 6 months,
3. Past due from 6 to 12 months,
4. past due over 12 months.

For each of the above ranges, the Group estimates the default ratio, which takes into account the historical data on invoice defaults by trading partners in the period for which the financial statements are prepared. The expected credit loss is calculated by multiplying the value of receivables in a given past due range by the calculated default parameter at each Group company.

For trade receivables, the Group may also determine expected credit losses on a case-by-case basis. In particular, this applies to receivables from debtors in liquidation or bankruptcy, past-due receivables disputed by debtors, other past due receivables, and receivables which are not past due but the risk of uncollectibility is significant according to the Management Board's individual assessment (in particular where the expected litigation and enforcement costs are equal to or higher than the amount claimed). In these circumstances, an impairment loss on receivables may be recognised at 100% of their amount.

Macroeconomic factors (GDP, unemployment) do not give rise to further portfolio write-downs on receivables as at the reporting date. The impact of the COVID-19 pandemic has already been factored into the ratios used to estimate the write-downs.

The Group applies a 3-stage classification of financial assets for impairment purposes, except for trade receivables:

- Stage 1 – where credit risk has not increased significantly since initial recognition and where the expected loss is determined based on the probability of default within 12 months (i.e. the total expected credit loss is multiplied by the probability that the loss will occur within the next 12 months);
- Stage 2 – where credit risk has increased significantly since initial recognition, but there is no objective indication of impairment and for which an expected loss is determined based on the probability of default over the entire contractual life of the asset;
- Stage 3 – balances with objective evidence of impairment.

The Group analysed the results of its associated companies, taking into account their development plans and expected operating cash flows. As a result of this analysis, impairment losses on investments in associates were left unchanged, as were impairment losses on loans advanced and receivables from associates as at December 31st 2021.

Leases

Recognition of lease contracts in accordance with IFRS 16 is based on the Management Board's subjective assessment which takes into account the current interpretations of IFRS 16. The Management Board's subjective assessment and estimates may change as a result of new interpretations of IFRS 16 issued by the International Accounting Standards Board and/or if the development of generally accepted accounting practices leads to more transparent interpretations in this respect.

The key judgements made in recognising lease contracts relate to:

- the lease term; When determining the lease term, the Group takes into account all the facts and circumstances that give the economic incentive to exercise the option to extend the contract or not to exercise the option to terminate the contract. The non-cancellable lease term includes periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option and periods covered by the option to terminate the lease if the lessee is reasonably certain not to exercise that option. The lease term is also determined based on the legal and customary regulations effective in Poland, as well as the nature of the Group's contracts. Reassessment of whether the Group is reasonably certain to exercise the extension option or not to exercise the termination option is made if significant events or changes in circumstances occur affecting such assessment, and the Group controls the circumstances.
- the structure of fixed and variable payments in the contract;
- the discount rate, i.e. the lessee's incremental borrowing rate. The discount rates applied by the Group for the purposes of measurement in accordance with IFRS 16 were based on reference rates and bank margins specific to the terms of a given lease contract (taking into account the underlying asset, the contract term and the lessee's circumstances).
- the possibility of applying the practical expedient introduced by the amendment to IFRS 16 following the COVID-19 pandemic. The practical expedient gives the lessee the option not to assess whether a rent concession is a lease modification and to account for any change in lease payments resulting from the rent concession the same way it would account for the change if the change were not a lease modification. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only under certain conditions.

The lease liability presented in the statement of financial position reflects the best estimates that take into account the most recent interpretations and practices of applying IFRS 16. However, a change in circumstances in the future may result in an increase or decrease in the amount of the lease liability and a corresponding adjustment to the right-of-use asset.

Share-based payments

The Group operates incentive schemes under which the key management personnel are granted options convertible into shares of the Parent. The Company applies IFRS 2 *Share-based Payment* to account for the current incentive scheme for key employees. The amount of remuneration for the management staff is determined indirectly by reference to the fair value of the equity instruments granted. The fair value of the options is measured as at the grant date, with non-market vesting conditions (achieving the required level of financial result) taken into account in estimating the number of share options to which employees will acquire rights. The cost of remuneration and the corresponding increase in equity are recognised based on the best available estimates of the number of options to be vested in a given period. In determining the number of options to be vested, non-market vesting conditions are taken into account. The Group adjusts these estimates if subsequent information indicates that the number of options to which employees will become eligible differs from previous estimates. Such adjustments are recognised in profit or loss for the current period – no adjustments are made for previous periods. For more information on the assumptions made in the valuation of the share-based payment scheme, see Note 16.

Fair value measurement of acquired assets and liabilities, determination of goodwill
The Management Board of the Parent identifies and measures the amount of acquired assets, liabilities and goodwill. The measurement takes into account a number of significant assumptions, such as: selection of an appropriate method of measurement or financial projections. The adopted assumptions may have a significant impact on the determination of fair value of the acquired assets and liabilities and the determination of goodwill. For information on accounting for the acquisition transactions, see Note 6 to these consolidated financial statements.

Liabilities under contingent consideration for acquired shares
The Group recognises a contingent consideration liability relating to shares in Fabryka Formy S.A. As at the end of the reporting period, the liability is measured using the Monte-Carlo model, with the use of assumptions concerning volatility of the Parent's share price, the risk-free rate and the discount rate. Amounts of actual payments made by the Group may be different from amounts resulting from the current measurements.

Valuation of put options attributable to minority shareholders
The Management Board of the Parent performs valuation of put options attributable to minority shareholders of certain subsidiaries in the Foreign Markets segment. The valuations are based on a number of assumptions including assumptions regarding the future results of individual subsidiaries (on which the option exercise price, calculated on the basis of financial ratios, will depend) and discount rates appropriate for calculating the present value of future payments under the options granted.

Provisions
Where there is uncertainty about the timing or amount of future expenditure required to settle an obligation/liability, the Group establishes provisions for liabilities. The amount value of the provision is based on estimates prepared by the management board of the parent and reflecting currently available information. Significant provisions as at December 31st 2021 include a provision for anti-trust proceedings (Notes 19 and 34.1) and a provision for settlement of billed revenue (Note 23). Estimates made in subsequent reporting periods, as a result of new information becoming available, as well as the final amount that the Group will be required to pay, may differ materially from the estimates made for the purpose of these consolidated financial statements.

4. Presentation adjustment and change of accounting policies

No corrections of presentation, errors or changes in accounting policies were made by the Group in the reporting period.

5. Operating segments

Operating segments

The Group presents information on operating segments in accordance with IFRS 8 *Operating Segments* for the current reporting period and the comparative period.

The Group presents results by segments reflecting its long-term investment strategy and the business management model, taking into account the nature of its business. The Group presents the following segments:

1. Poland,
2. Foreign Markets,
3. Cafeterias.

The Group generates income and expenses from the above business lines which are reviewed regularly by the operating decision makers and used to make decisions on resources allocated to each segment and the assess the segments' results.

The Group has separate financial information available for each of the segments.

The Group applies the same accounting policies for all operating segments. The Group accounts for inter-segment transactions on an arm's-length basis.

The segment's performance is assessed based on operating profit or loss and EBITDA (which is not a standard measure) defined by the Group as operating profit before depreciation and amortisation. In addition, the Group allocates to the operating segments interest on lease liabilities and share in the results of equity-accounted companies whose business is similar to that of a given segment.

In the reporting period, the Group did not identify any individual customer which would account for more than 10% of the Group's total revenue.

ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF POLISH ZLOTY (UNLESS INDICATED OTHERWISE)

Operating segments include the following activities:

- The Poland segment comprises sales of sport cards, as well as investing in and managing fitness clubs in Poland;
- The Foreign Markets segment includes the Benefit Systems Group's activities outside Poland, including sales of sport cards and management of fitness clubs;
- The Cafeterias segment includes non-pay incentive solutions offered through the cafeteria platforms, allowing users to choose from a wide range of products;
- The Corporate segment primarily includes eliminations of inter-segment transactions, with the most significant item being settlements for the provision of cafeteria platforms as sales channels for sport cards. Other income and expenses are related to support functions and other activities not allocated to the operating segments, including sublease of space, marketing activities and costs of the Incentive Scheme. The Corporate segment also includes amounts from elimination of the Group trademark amortisation expense. Eliminations of assets and liabilities include primarily inter-segment loans and trade receivables arising from inter-segment transactions.

Revenue disclosed in the consolidated statement of profit or loss does not differ from revenue presented by the operating segments, except for unallocated revenue and consolidation eliminations on inter-segment transactions. As of 2020, the segment data are presented down to the level of operating profit as financing decisions are made from the perspective of the Group as a whole.

Measurement of the operating segments' results used in the management calculations is consistent with the accounting policies applied in the preparation of the consolidated financial statements, except for the costs of the Incentive Scheme in the Poland segment, which are presented in profit or loss of the Corporate segment.

Results of the operating segments

The table below presents information on income, expenses, profit or loss, significant non-cash items and assets and liabilities of the operating segments.

	Poland	Foreign Markets	Cafeterias	Corporate	Total
January 1st – December 31st 2021					
Revenue	**646,171**	**255,912**	**59,130**	**(6,275)**	**954,938**
including from external customers	642,032	255,912	53,766	3,228	954,938
including inter-segment sales	4,139	0	5,364	(9,503)	0
Cost of sales	**(547,167)**	**(210,100)**	**(25,318)**	**8,547**	**(774,038)**
including practical expedient under IFRS 16	19,446	2,624	0	0	22,070
Gross profit	**99,004**	**45,812**	**33,812**	**2,272**	**180,900**
Selling expenses	(55,240)	(24,811)	(2,935)	1,097	(81,889)
Administrative expenses	(73,625)	(35,342)	(11,544)	(1,261)	(121,772)
Other income and expenses	(524)	19,612	(280)	(57)	18,751
Operating profit/(loss)	**(30,385)**	**5,271**	**19,053**	**2,051**	**(4,010)**
Share of profit of equity-accounted entities	956	0	0	0	956
Interest expense on lease liabilities	(10,015)	(1,348)	(99)	53	(11,409)
Depreciation and amortisation	169,650	33,572	7,191	(1,315)	209,098
EBITDA	**139,265**	**38,843**	**26,244**	**736**	**205,088**
Segment’s assets	1,944,330	271,845	213,287	(248,664)	2,180,798
Segment's liabilities	1,258,613	426,846	144,917	(251,255)	1,579,121
Investments in associates	5,367	0	0	0	5,367

ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF POLISH ZLOTY (UNLESS INDICATED OTHERWISE)

for the period January 1st – December 31st 2020	Poland	Foreign Markets	Cafeterias	Corporate	Total
Revenue	**702,962**	**295,969**	**40,404**	**(5,599)**	**1,033,736**
including from external customers	*700,814*	*295,969*	*35,313*	*1,641*	*1,033,736*
including provision for settlement of billed revenue	*(11,000)*	*0*	*0*	*0*	*(11,000)*
including inter-segment sales	*2,148*	*0*	*5,091*	*(7,239)*	*0*
Cost of sales	**(568,386)**	**(234,163)**	**(25,911)**	**13,245***	**(815,215)**
including practical expedient under IFRS 16	*13,294*	*2,601*	*0*	*0*	*15,895*
Gross profit	**134,576**	**61,806**	**14,493**	**7,646**	**218,521**
Selling expenses	(46,849)	(27,769)	(5,434)	(3)	(80,055)
Administrative expenses	(72,213)	(33,371)	(6,070)	(729)	(112,383)
including the Incentive Scheme	0	0	0	*(923)*	*(923)*
Other income and expenses	(30,751)	4,430	(2,865)	(284)	(29,470)
including impairment loss on intangible assets	*0*	*0*	*(3,424)*	*0*	*(3,424)*
*including effect of closure of fitness clubs in Poland***	*(8,635)*	*0*	*0*	*0*	*(8,635)*
including provision for legal risk	*(10,767)*	*0*	*0*	*0*	*(10,767)*
including impairment loss on lease receivables	*(12,101)*	*0*	*0*	*0*	*(12,101)*
Operating profit/(loss)	**(15,236)**	**5,095**	**124**	**6,630**	**(3,387)**
Share of profit of equity-accounted entities	68	0	0	1,700	1,768
Gain/(loss) on sale of shares in associates	0	0	0	(1,180)	(1,180)
Interest expense on lease liabilities	(13,095)	(1,596)	(154)	231	(14,614)
Depreciation and amortisation	177,037	35,436	6,161	(7,411)	211,223
EBITDA	**161,801**	**40,531**	**6,285**	**(782)**	**207,836**
Segment's assets	1,855,516	246,984	190,272	(248,469)	2,044,303
Segment's liabilities	1,234,597	386,811	147,823	(247,928)	1,521,303
Investments in associates	4,411	0	0	0	4,411

*Including PLN 4.4m elimination of trademark amortisation expense at the Group level.
**The total effect of the closure on profit or loss is PLN 12.4m, of which PLN 8.6m is a non-cash effect.

Reconciliation of total revenue, profit or loss, assets and liabilities of the operating segments to the corresponding items of the Group's consolidated financial statements:

	January 1st – December 31st 2021	**January 1st – December 31st 2020**
Segments' revenue		
Total revenue of operating segments	961,213	1,039,334
Unallocated revenue	3,228	1,641
Elimination of revenue from inter-segment transactions	(9,503)	(7,239)
Revenue	**954,938**	**1,033,736**
Segments' profit/(loss)		
Segments' operating profit/(loss)	(6,061)	(10,016)
Elimination of profit/(loss) from inter-segment transactions (IFRS 16)	901	836
Unallocated profit/(loss)*	1,150	5,793
Operating profit	**(4,010)**	**(3,387)**
Depreciation and amortisation	**209,098**	**211,223**
EBITDA	**205,088**	**207,837**
Finance income	14,782	9,928

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Finance costs (-)	(21,955)	(63,815)
Impairment losses on financial assets	(6,913)	(35,126)
Share of profit/(loss) of equity-accounted entities	956	1,768
Profit/(loss) before tax	**(17,140)**	**(90,632)**

**In the comparative period, PLN 4.4m was attributable to elimination of trademark amortisation expense at the Group level.*

Segments' assets	**December 31st 2021**	**December 31st 2020**
Total assets of operating segments	2,429,462	2,292,772
Unallocated assets	0	0
Elimination of intragroup balances and transactions	(248,664)	(248,469)
Total assets	**2,180,798**	**2,044,303**

Segments' liabilities	**December 31st 2021**	**December 31st 2020**
Total liabilities of operating segments	1,830,376	1,769,231
Unallocated liabilities	0	0
Elimination of intragroup balances and transactions	(251,255)	(247,928)
Total liabilities	**1,579,121**	**1,521,303**

Segments' revenue and non-current assets

for the period from January 1st to December 31st 2021 and as at December 31st 2021	Poland	Foreign Markets	Cafeterias	Corporate	Total
Revenue from external customers:	**642,032**	**255,912**	**53,766**	**3,228**	**954,938**
Poland	*642,032*	*210*	*53,766*	*3,228*	*699,236*
Czech Republic	*0*	*129,044*	*0*	*0*	*129,044*
Bulgaria	*0*	*89,757*	*0*	*0*	*89,757*
Other	*0*	*36,901*	*0*	*0*	*36,901*
for the period from January 1st to December 31st 2021 and as at December 31st 2021					
Non-current assets*:	**1,412,651**	**198,971**	**55,726**	**(532)**	**1,666,816**
Poland	*1,412,651*	*3,919*	*55,726*	*(532)*	*1,471,764*
Czech Republic	*0*	*117,766*	*0*	*0*	*117,766*
Bulgaria	*0*	*55,312*	*0*	*0*	*55,312*
Other	*0*	*21,974*	*0*	*0*	*21,974*

**Excluding financial instruments and deferred tax assets*

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for the period January 1st – December 31st 2020 and as at December 31st 2020	Poland	Foreign Markets	Cafeterias	Corporate	Total
Revenue from external customers:	**700,814**	**295,969**	**35,313**	**1,641**	**1,033,736**
Poland	700,814	251	35,313	1,641	738,018
Czech Republic		184,431			184,431
Bulgaria		71,559			71,559
Other		39,728			39,728
Non-current assets*:	**1,317,981**	**185,655**	**57,907**	**(3,353)****	**1,558,190**
Poland	1,317,981	4,775	57,907	(3,353)	1,377,310
Czech Republic		114,902			114,902
Bulgaria		54,806			54,806
Other		11,172			11,172

**Excluding financial instruments and deferred tax assets*
*** Reconciliations include assets related to the holding of shares in LangMedia Sp. z o.o. and X-Code Sp. z o.o., as well as elimination of inter-segment leases.*

Revenue by category:		**January 1st – December 31st 2021**	**January 1st – December 31st 2020**
Sale of sport cards in Poland	B2B	540,079	574,195
Sale of sport cards on foreign markets	B2B	237,683	273,062
Sale of cafeteria benefits	B2B	53,766	35,313
Sale of fitness clubs in Poland	B2B/B2C	95,350	119,123
Sale of fitness clubs on foreign markets	B2C	18,128	22,807
Other settlements	B2B	3,229	1,490
Revenue from contracts with customers (IFRS 15)		**948,235**	**1,025,990**
Revenue from IFRS 16		6,703	*7,746*
Total revenue		**954,938**	**1,033,736**
Trade receivables		*144,979*	*98,086*
Liabilities under contracts with customers		*12,975*	*21,134*

As part of revenue from contracts with customers, the Group accounts for revenue from sale of sport cards in Poland and abroad, as well as sales of fitness clubs in Poland and abroad, excluding revenue from sale of merchandise at clubs. Revenue from sales of cafeteria benefits and from sales of merchandise at clubs is recognised at the transaction date.

Operating expenses by segment

for the period January 1st to December 31st 2021	Note	Poland	Foreign Markets	Cafeterias	Corporate	Total
Depreciation and amortisation	7, 8, 9	169,650	33,572	7,192	(1,316)	209,098
including depreciation and amortisation IFRS 16	9	*108,641*	*20,590*	*1,868*	*(1,316)*	*129,783*
Employee benefits	18	127,222	56,689	17,088	(1,179)	199,820
Raw materials and consumables used		17,545	5,876	413	0	23,834
Services		337,556	163,299	12,798	(5,888)	507,765
Taxes and charges		4,158	209	168	0	4,535

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Research and development expense not recognised under intangible assets		0	0	0	0	0
Other expenses		15,968	9,228	868	0	26,064
Total expenses by nature of expense		672,099	268,873	38,527	(8,383)	971,116
Cost of merchandise and materials sold		3,933	1,380	1,270	0	6,583
Change in products, work in progress (+/-)		0	0	0	0	0
Cost of sales, selling expenses and administrative expenses		676,032	270,253	39,797	(8,383)	977,699

for the period January 1st – December 31st 2020	Note	Poland	Foreign Markets	Cafeterias	Corporate	Total
Depreciation and amortisation	7.8, 9	177,037	35,436	6,161	(7,410)	211,223
including depreciation and amortisation IFRS 16	*9*	*109,113*	*22,456*	*1,978*	*(3,016)*	*130,531*
Employee benefits	18	125,780	53,927	18,376	923*	199,007
Raw materials and consumables used		21,015	4,094	546	0	25,656
Services		342,589	195,976	11,344	(6,025)	543,884
Taxes and charges		3,332	260	222	0	3,814
Research and development expense not recognised under intangible assets		0	0	0	0	0
Other expenses		12,550	4,601	750	0	17,901
Total expenses by nature of expense		**682,302**	**294,294**	**37,399**	**(12,512)**	**1,001,483**
Cost of merchandise and materials sold		5,145	973	0	0	6,118
Change in products, work in progress (+/-)		0	36	16	0	52
Cost of sales, selling expenses and administrative expenses		**687,447**	**295,303**	**37,415**	**(12,512)**	**1,007,653**

**Cost of the Incentive Scheme*

The largest cost items recognised under Services are costs of visits of holders of sport cards to the MultiSport programme partner facilities, IT costs, legal expenses, costs of tax advisory services and marketing expenses. The reconciliations primarily comprise eliminations of commission expense related to the use of the cafeteria platforms as sales channels for sport cards, reversal of trademark amortisation expense, and elimination of amortisation expense on the lease of equipment of Benefit Partners Sp. z o.o. to foreign companies.

6. Goodwill and acquisition of control of subsidiaries

6.1. Acquisition of control of subsidiaries

In 2021, the amount of consolidation goodwill was affected by the transactions described below.

- *Acquisition of YesIndeed Sp. z o.o.*

On June 17th 2021, Benefit Systems S.A. signed an agreement to purchase 100% of shares in YesIndeed Sp. z o.o. for PLN 10.7m. The purchase price consists of PLN 8m, payable upon execution of the agreement, and two deferred payments totalling PLN 2.7m (recognised in the consolidated statement of financial position as other non-current financial liabilities), which will be made subject to the achievement of assumed business objectives by the purchased company.

YesIndeed Sp. z o.o. specialises in the development of comprehensive gamification systems based on the SaaS (software as a service) model , such as the WannaBuy cafeteria system, combining well being solutions and elements of gamification. Investment in gamification expands the Group's offering to include modern solutions and know-how which are a response to the needs of the Group's customers and fit with the Group's long-term strategy for product development. The goodwill arising from accounting for the transaction results from synergies expected to be derived from merging the company's operations with the Group's business and represents the value of assets that could not be recognised separately in accordance with IAS 38 (mainly the established position on the gamification market, employees and their knowledge). The goodwill was allocated to cash generating units in the Poland segment.

- *Acquisition of Focusly Sp. z* o.o.

On November 3rd 2021, Benefit Systems S.A. acquired 100% of shares in Focusly Sp. z o.o. from the Daftcode technology group. The purpose of the acquisition was to gain know-how in the strongly developing mental health segment and to strengthen the MultiLife programme with a mobile application, supporting the mental condition of employees.

The total purchase price at fair value is PLN 6.5m. In accordance with the agreement, the price will be settled in instalments:
(i) the first instalment, of PLN 4.5m, was paid on November 3rd 2021,
(ii) the second instalment, of PLN 2m, is to be paid upon fulfilment of the conditions defined in the agreement, within nine months from the acquisition date (disclosed in the consolidated statement of financial position as other current financial liabilities).

Under the agreement, the second instalment may be increased by a maximum amount equal to the difference between (a) PLN 0.5m, i.e., the amount of cash at Focusly Sp. z o.o. contributed by Daftcode as part of a share capital increase prior to the acquisition date, and (b) the amount of costs defined in the agreement, paid by Focusly Sp. z o.o. to Daftcode for business support services provided by Daftcode to keep the Focusly application operational until the settlement date of the second instalment. According to the Company's best estimates, the amount of the costs was defined at PLN 0.2m as at the acquisition date, and the amount of additional payment – at PLN 0.3m. For the purposes of accounting for the transaction in the Group's consolidated financial statements, the additional payment of PLN 0.3m is not treated as payment for the acquisition of a business and the cash at Focusly Sp. z o.o. is separated from the net assets of the acquired business as the Group has no control over it.

The goodwill was allocated to cash generating units in the Poland segment.

- *Acquisition of Total Fitness Sp. z o.o.*

On November 4th 2021, an agreement was signed whereby the Parent purchased 88.23% of shares in Total Fitness Sp. z o.o. and agreed to acquire the remaining 11.77% of the company's share capital. The company has been consolidated since the acquisition date based on the assumption that the Group exercises full (100%) control since under the agreement the minority shareholders are obliged to sell their residual interests.

The total purchase price of 100% of the shares in the company's share capital will be calculated in accordance with the terms of the agreement and depends on the 2022 or 2023 EBITDA and net debt of Total Fitness Sp. z o.o. calculated in accordance with the terms of the agreement (no less than PLN 75m and no more than PLN 85m), adjusted for the set-offs specified in the agreement. The final price, net of the set-offs, is no less than PLN 70.9m and no more than PLN 79.9m.

The price under the agreement is paid in the following instalments:
(i) the first instalment, of PLN 50m, was paid on November 4th 2021,
(ii) the second instalment, of PLN 15.9m (PLN 20m less the set-offs), was paid in January 2022,
(iii) the third instalment of PLN 5m less the set-offs plus any excess based on the 2022 or 2023 EBITDA and net debt of the company is to be paid on April 3rd 2023 or April 1st 2024, depending on the fulfilment of conditions set forth in the agreement.

As at the date of acquisition of control, according to the Company's best estimates of the fulfilment of the conditions set forth in the share purchase agreement, the fair value of the total purchase price is PLN 79.3m (the nominal value before discounting is PLN 80m), and the third instalment is to be paid on April 3rd 2023. Therefore, other current financial liabilities of PLN 15.9m and other non-current financial liabilities of PLN 13.4m were recognised in the consolidated financial statements as at the acquisition date.
To provisionally account for the acquisition of Total Fitness sp. z o.o., the Group allocated the excess of the price over the acquired net assets to intangible assets, in the amount of PLN 1,787 thousand, and PLN 71,357 thousand was allocated to goodwill.
As a result of the acquisition of Total Fitness Sp. z o.o., the Group's own club portfolio increased by 14 fitness clubs, situated in the main districts of Warsaw and in the towns of Piaseczno, Pruszków, Gdańsk and Radom, thus making the Group's main product – sport cards – more attractive to the existing and future customers. The goodwill was allocated to cash generating units in the Poland segment.

By the date of these consolidated financial statements, the acquisition price allocation process for the transactions described above had not been completed by the Group; in particular, the amount of future payments which are a component of the purchase price of Total Fitness is based on estimates concerning future results of the acquiree. Therefore the goodwill recognised on acquisition of Total Fitness Sp. z o.o., Focusly Sp. z o.o. and YesIndeed Sp.

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z o.o. may change within 12 months from the date of acquisition of the individual companies. The provisional amounts of identified assets and liabilities of the acquirees, recognised in the consolidated financial statements, are as follows:

Acquiree Acquisition date	YesIndeed Sp. z o.o. June 17th 2021	Focusly Sp. z o.o. November 3rd 2021	Total Fitness Sp. z o.o. November 4th 2021	Total
Purchase price	**10,652**	**6,800**	**79,310**	**96,762**
Net assets acquired:				
Intangible assets	4,804	1,629	2,157	8,590
Property, plant and equipment	0	14	17,156	17,170
Right-of-use assets	135	0	64,960	65,095
Non-current trade and other receivables	0	0	1,474	1,474
Deferred tax assets	0	0	218	218
Inventories	178	0	134	312
Current trade and other receivables	1,466	40	3,500	5,006
Cash	51	0	3,606	3,657
Non-current trade and other payables	0	0	(2,349)	(2,349)
Non-current borrowings, other debt instruments	(32)	0	(9,070)	(9,102)
Non-current lease liabilities	0	0	(56,945)	(56,945)
Current employee benefit provisions	0	0	(648)	(648)
Current trade and other payables	(1,037)	193	(3,033)	(3,877)
Current borrowings, other debt instruments	(32)	0	(5,192)	(5,224)
Current lease liabilities	(153)	0	(8,015)	(8,168)
Current contract liabilities	(1,142)	0	0	(1,142)
Total net assets	**4,238**	**1,876**	**7,953**	**14,067**
Goodwill	**6,414**	**4,924**	**71,357**	**82,695**

6.2. Goodwill

Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the business combination, provided that the cash-generating units are not larger than the operating segments. The Group identifies cash-generating units for sales of sport cards and operation of fitness clubs at country level, given the complementary nature of these two business lines. The cafeteria business has been defined as a separate cash-generating unit.

Changes in the carrying amounts of goodwill during the periods covered by these consolidated financial statements are presented below.

	January 1st – December 31st 2021	**January 1st – December 31st 2020**
Gross carrying amount		
Balance at beginning of period	363,330	363,330
Acquisitions and business combinations, including:	83,065	0
Total Fitness Sp. z o.o.	71,727	0
Focusly Sp. z o.o.	4,924	0
YesIndeed Sp. z o.o.	6,414	0
Gross carrying amount at end of period	**446,395**	**363,330**
Impairment losses		
Accumulated impairment losses at end of period	0	0
Goodwill – carrying amount at end of period	**446,395**	**363,330**

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Goodwill presented in the assets was allocated in accordance with the policies described above to the following cash-generating units:

	December 31st 2021	December 31st 2020
Poland	380,542	303,891
Cafeterias	37,124	30,710
Czech Republic	28,340	28,340
Bulgaria	389	389
Total goodwill	**446,395**	**363,330**

Allocation of goodwill to individual segments is presented below.

	December 31st 2021	December 31st 2020
Poland	380,542	303,891
Foreign Markets	28,729	28,729
Cafeterias	37,124	30,710
Total goodwill	**446,395**	**363,330**

The recoverable amounts of cash-generating units to which goodwill is allocated were determined on the basis of their value in use, using the discounted cash flow method.

The tests did not identify any impairment of the cash-generating units.

As this valuation is largely based on forecast operating results, the Management Board of the Parent points to an inherent uncertainty associated with the achievement of those forecasts due to the volatile conditions prevailing in the Group's economic environment.

The adopted estimates and assumptions are continuously reviewed and are based on historical data and best knowledge as at the date of the assessment. The Group makes estimates and assumptions about the future. The results of such estimates carry the risk of error.

The Poland segment, the most important cash-generating unit to which the highest goodwill has been allocated, has low sensitivity to movements in the weighted average cost of capital. WACC would have to increase by almost 7 pp for the valuation to equal the carrying amount of the assets allocated to this cash-generating unit. It is also insensitive to small fluctuations in the level of revenue, which would have to decline by nearly 5% over the forecast period (without a corresponding decrease in cost of sales) for the valuation to equal the carrying amount of the assets allocated to the cash-generating unit.

The Cafeterias cash-generating unit also demonstrates significant insensitivity to fluctuations in the weighted average cost of capital. WACC would have to increase by 24 pp for the carrying amount of this cash-generating unit's assets to exceed their recoverable amount, potentially resulting in the need to recognise a partial impairment of the goodwill allocated to the unit. The valuation also shows insensitivity to revenue fluctuations, with a decrease in revenue of more than 12% resulting in impairment of the goodwill allocated to the Cafeterias segment.

The recoverable amount of the most significant cash-generating unit within the Foreign Markets segment, i.e., the Czech Republic, is significantly higher than its carrying amount. In order for the recoverable amount to be equal to the value of assets allocated to the cash-generating unit, revenue would have to decrease by 16% (without a corresponding decrease in the cost of sales). The test does not reveal any sensitivity to changes in discount rates. Also, the test does not indicate any impairment of assets in the event of delay in gradual recovery of the operating margins to the pre-pandemic levels until 2024.

The Bulgaria cash-generating unit also demonstrates significant insensitivity to fluctuations in the weighted average cost of capital. WACC would have to significantly increase for the carrying amount to of this cash-generating unit to exceed its recoverable amount, which could result in the need to recognise impairment of assets allocated to the unit. The valuation shows greater sensitivity to fluctuations in the level of revenue, as an 8% decrease in revenue will cause the value of the assets tested to equal their recoverable amount. The Group monitors the recoverable amounts of its assets on an ongoing basis through regular analyses of any indication of impairment of assets and impairment testing.

The Group notes that the amount of revenue assumed for the purpose of cash flow projections depends, among other things, on the overall economic situation in Poland and in Europe. The level of revenue fluctuates depending on the phase of the economic cycle. Changes in such factors as GDP growth, unemployment rate, wages and consumption levels affect the purchasing power of the Group's customers and consumers of the Group's products and services. The economic situation in Poland is also sensitive to the political situation in the country and the related risk of legislative changes.

Estimates of the recoverable amount of an asset are also materially affected by the assumed discount rate and residual growth rate.

The key assumptions made for the purpose of the calculations were as follows:

- detailed forecast were prepared for the period of 5 years,

- for subsequent years, cash flows were extrapolated using the growth rates presented below. These rates do not exceed the average long-term growth rate for individual products, industries and countries, and are based on the Group's analysis of the potential of the markets on which the Group is present or plans to grow further.

- the discount rates used in the calculations are presented below.

The following inputs were used in the valuation:

For the Poland and Cafeterias segments:

WACC discount rate of 8.24% (2020: 7.3%)

Growth rate after the forecast period: 1.7% (2020: 1.7%)

For foreign cash-generating units:

WACC discount rate of 6.87% for the Czech Republic, (2020: 8.4%), 8.2% for Bulgaria (2020: 7.9%).

Growth rate after the forecast period: 0.5% for both cash-generating units (2020: 0.5%).

Forecasts assume a gradual recovery to pre-pandemic sales and operating results. Exceeding the 2019 sales level is assumed to take place in 2023.

The presented assumptions reflect past experience and are consistent with data derived from external sources.

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7. Intangible assets

Intangible assets used by the Group include trademarks, patents and licences, software, self-generated development work and other intangible assets. Intangible assets which had not been put into use by the reporting date are presented as intangible assets under development.

	Trademarks	Patents and licences	Software	Completed development work	Other intangible assets	Intangible assets underdevelopment	Total
As at December 31st 2021							
Gross carrying amount	5,420	1,382	7,724	73,411	30,748	35,266	153,951
Accumulated depreciation and impairment	(1,024)	(648)	(5,751)	(34,109)	(11,095)	0	(52,627)
Net carrying amount	**4,396**	**734**	**1,973**	**39,302**	**19,653**	**35,266**	**101,324**
As at December 31st 2020							
Gross carrying amount	5,420	159	5,790	60,007	23,822	14,631	109,829
Accumulated depreciation and impairment	(829)	(93)	(5,126)	(23,030)	(7,753)	0	(36,831)
Net carrying amount	**4,591**	**66**	**664**	**36,977**	**16,069**	**14,631**	**72,998**

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	Trademarks	Patents and licences	Software	Completed development work	Other intangible assets	Intangible assets underdevelopment	Total
for the period January 1st to December 31st 2021							
Net carrying amount as at January 1st 2020	4,591	66	664	36,977	16,069	14,631	72,998
Increase (purchase, construction)	0	0	90	0	140	35,736	35,966
Acquisition of control due to acquisition of a business	0	0	1,595	0	6,627	34	8,256
Decrease (disposal, liquidation) (-)	0	0	0	104	(23)	(200)	(119)
Other movements (reclassification, transfers, etc.)	0	1,223	249	13,300	163	(14,935)	0
Impairment losses (+/-)	0	0	(8)	20	0	0	12
Depreciation (-)	(195)	(555)	(617)	(11,099)	(3,342)	0	(15,808)
Net exchange differences (+/-)	0	0	0	0	19	0	19
Net carrying amount as at December 31st 2021	**4,396**	**734**	**1,973**	**39,302**	**19,653**	**35,266**	**101,324**
for the period January 1st to December 31st 2020							
Net carrying amount as at January 1st 2020	4,591	119	1,215	27,947	16,280	15,118	65,270
Increase (purchase, construction)	0	0	216	484	177	22,932	23,809
Decrease (disposal, liquidation) (-)	0	0	(17)	(149)	0	(370)	(536)
Other movements (reclassification, transfers, etc.)	0	0	(138)	18,721	1,664	(20,247)	0
Impairment losses (+/-)	0	0	0	(622)	0	(2,802)	(3,424)
Depreciation (-)	0	(53)	(671)	(9,404)	(2,073)	0	(12,201)
Net exchange differences (+/-)	0	0	59	0	21	0	80
Net carrying amount as at December 31st 2020	**4,591**	**66**	**664**	**36,977**	**16,069**	**14,631**	**72,998**

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The most important items of intangible assets are costs of completed development work of PLN 39.3m, intangible assets under development of PLN 35.3m and other intangible assets of PLN 19.6m. Development costs include mainly completed work related to internally developed IT systems (such as the ERP system, eMultiSport, user zone platform, Runner business and sales systems, CRM, optimisation of sales systems and the cafeteria system). Intangible assets under development include work on creating a comprehensive and at the same time more attractive new Cafeteria system, work on optimising and integrating the systems and adapting them to the applicable communication standards (PLN 3.2m), work on an online platform to serve MultiSport customers and on a user zone (PLN 1.7m), development of the sale system (PLN 2.8m), further development of the ERP system (PLN 1.9m), and implementation of systems and/or applications to operate and sell the Wellness product. Other intangible assets include PLN 10.5m worth of assets recognised as at the date of the acquisitions made as part of the fitness business (e.g., BBC, Fitness Place, Wesolandia, NewCo and Masovian), mainly customer bases and lease contracts, and intangible assets of PLN 4m recognised on the acquisition of YesIndeed and relationships with customers recognised in accounting for the purchase price of Total Fitness sp. z o.o. (PLN 1.6m as at the reporting date).

The Group tested assets under development by verifying the indications of impairment of these assets. The testing was also carried out at the level of the respective cash-generating units as part of asset impairment tests, as described in Note 6. Following the analysis, the Group concluded that there were no grounds for recognising an impairment loss on intangible assets under development. In the comparative period, the Group recognised an impairment loss of PLN 2.8m on the Sports Card Module project.

Amortisation of intangible assets is disclosed in the consolidated statement of profit or loss under:

	January 1st – December 31st 2021	**January 1st – December 31st 2020**
Cost of sales	11,445	9,222
Administrative expenses	2,956	2,197
Selling expenses	1,407	772
Other	0	10
Total amortisation of intangible assets	**15,808**	**12,201**

As at the reporting date, the Group performed a periodic review of the useful lives of intangible assets, following which it was concluded that there were no indications for recognising an additional impairment loss on intangible assets. No need to change the remaining useful lives of intangible assets was identified.
In the comparative period, the Group recognised an impairment loss of PLN 0.6m on early amortisation of certain intangible assets.

As at December 31st 2021, no intangible assets were pledged as security for the Group's liabilities. For information on security for liabilities, see Note 22.4. The Group does not use external financing to develop intangible assets.

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8. Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Vehicles	Other property, plant and equipment	Property, plant and equipment under construction	Total
As at December 31st 2021							
Gross carrying amount	721	332,319	57,775	491	193,019	36,173	620,498
Accumulated depreciation and impairment	0	(147,215)	(43,167)	(459)	(102,380)	0	(293,221)
Net carrying amount	**721**	**185,104**	**14,608**	**32**	**90,639**	**36,173**	**327,277**
As at December 31st 2020							
Gross carrying amount	721	308,065	50,690	1,466	184,555	17,523	563,020
Accumulated depreciation and impairment	0	(116,511)	(34,655)	(829)	(77,298)	0	(229,293)
Net carrying amount	**721**	**191,554**	**16,035**	**637**	**107,257**	**17,523**	**333,727**

ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF POLISH ZLOTY (UNLESS INDICATED OTHERWISE)

	Land	Buildings and structures	Machinery and equipment	Vehicles	Other property, plant and equipment	Property, plant and equipment under construction	Total
for the period January 1st to December 31st 2021							
Net carrying amount as at January 1st 2021	**721**	**191,554**	**16,035**	**637**	**107,257**	**17,523**	**333,727**
Acquisition of control due to acquisition of a business	0	13,854	2,060	1	1,256	0	17,171
Increase (purchase, construction)	0	3,052	584	0	5,441	38,003	47,080
Decrease (disposal, liquidation) (-)	0	(4,207)	(807)	(2)	(789)	(427)	(6,232)
Other movements (reclassification, transfers)	0	10,711	4,981	(978)	2,553	(18,737)	(1,470)
Impairment losses (+/-)	0	(512)	91	0	0	0	(421)
Depreciation (-)	0	(30,192)	(8,603)	370	(25,082)	0	(63,507)
Net exchange differences (+/-)	0	844	267	4	3	(189)	929
Net carrying amount as at December 31st 2021	**721**	**185,104**	**14,608**	**32**	**90,639**	**36,173**	**327,277**
for the period January 1st to December 31st 2020							
Net carrying amount as at January 1st 2020	**721**	**217,350**	**23,278**	**887**	**122,967**	**13,406**	**378,609**
Acquisition of control due to acquisition of a business							0
Increase (purchase, construction)	0	12,527	4,377	0	3,804	14,406	35,114
Decrease (disposal, retirement) (-)	0	(10,891)	(991)	(8)	(1,112)	(824)	(13,826)
Other movements (reclassification, transfers)	0	3,155	(3,588)	(6)	9,516	(9,077)	0
Impairment losses (+/-)	0	0	(26)	0	(123)	0	(149)
Depreciation (-)	0	(32,665)	(7,286)	(242)	(27,834)	(464)	(68,491)
Net exchange differences (+/-)	0	2,078	271	6	39	76	2,470
Net carrying amount as at December 31st 2020	**721**	**191,554**	**16,035**	**637**	**107,257**	**17,523**	**333,727**

ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF POLISH ZLOTY (UNLESS INDICATED OTHERWISE)

In 2021, the Group acquired several companies, which led to an increase in the carrying amount of property, plant and equipment (mainly the acquisition of Total Fitness Sp. z o.o. with its 14 own clubs). In 2021, the Group incurred expenditure to open new fitness clubs (two located in Poland and two abroad). After the lockdown was lifted, the Group decided not to open seven clubs operating in Poland or one club operating abroad. The effect of this decision on the statement of profit or loss is recognised in other expenses (Note 24.2 to these consolidated financial statements).

Depreciation of property, plant and equipment was recognised in the following items of the consolidated statement of profit or loss:

	January 1st – December 31st 2021	January 1st – December 31st 2020
Cost of sales	57,023	64,073
Administrative expenses	2,408	3,365
Selling expenses	4,076	1,053
Total depreciation of property, plant and equipment	**63,507**	**68,491**

As at 31 December 2021, property, plant and equipment was not pledged as collateral for the Group's liabilities. For information on security for liabilities, see Note 22.4.

9. Leases

9.1. Right-of-use assets

Carrying amount of the right-of-use assets was as follows:

for the period January 1st to December 31st 2021	Property	Fitness equipment	Other	Total
Net carrying amount as at January 1st 2021	**757,623**	**15,705**	**9,543**	**782,871**
New lease contracts	39,246	0	3,236	42,482
Recognition of right-of-use assets at acquired companies	62,912	2,018	165	65,095
Modifications, termination of contracts	28,242	(5,178)	(321)	22,743
Depreciation and amortisation	(121,708)	(3,720)	(4,355)	(129,783)
Exchange differences on translation of foreign operations	3,036	0	9	3,045
Net carrying amount as at December 31st 2021	**769,351**	**8,825**	**8,277**	**786,453**

for the period January 1st – December 31st 2020	Property	Fitness equipment	Other	Total
Net carrying amount as at January 1st 2020	**860,118**	**24,968**	**11,752**	**896,838**
New lease contracts	29,168	0	5,028	34,196
Modifications, termination of contracts	(16,168)	(3,413)	(3,033)	(22,614)
Depreciation and amortisation	(120,533)	(5,850)	(4,148)	(130,531)
Exchange differences on translation of foreign operations	5,038	0	(56)	4,982
Net carrying amount as at December 31st 2020	**757,623**	**15,705**	**9,543**	**782,871**

ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF POLISH ZLOTY (UNLESS INDICATED OTHERWISE)

9.2. Lease liabilities

	January 1st – December 31st 2021	January 1st – December 31st 2020
Balance at beginning of period	**931,698**	**956,128**
New lease contracts	41,122	34,196
Recognition of lease liabilities at acquired companies	65,095	0
Modifications, termination of contracts	28,277	(22,670)
Effect of application of COVID-19 practical expedient	(22,070)	(15,895)
Accrued interest	11,409	14,614
Exchange differences	(4,006)	49,937
Settlement of liabilities	(117,874)	(89,931)
Exchange differences on translation of foreign operations	3,184	5,319
Balance at end of period	**936,835**	**931,698**
Non-current	748,500	752,853
Current	188,335	178,845

Maturities of the lease liabilities as at December 31st 2021 and December 31st 2020 are presented below:

	Lease payments due in:			
As at December 31st 2021	up to 1 year	1 to 5 years	over 5 years	total
Lease payments	189,504	521,015	267,912	**978,431**
Finance costs (-)	(1,169)	(19,115)	(21,312)	**(41,596)**
Present value	**188,335**	**501,900**	**246,600**	**936,835**

	Lease payments due in:			
As at December 31st 2020	up to 1 year	1 to 5 years	over 5 years	total
Lease payments	179,901	502,841	298,557	**981,299**
Finance costs (-)	(1,056)	(20,628)	(27,917)	**(49,601)**
Present value	**178,845**	**482,213**	**270,640**	**931,698**

As at December 31st 2021, the Group was party to lease contracts concerning fitness clubs whose leases have not yet commenced. The contracts were not recognised in the measurement of lease liabilities. Potential future cash outflows under these contracts are estimated at PLN 99,710 thousand (2020: PLN 94,614 thousand).

In 2021, PLN 65,095 thousand of lease assets and liabilities were recognised under the lease contracts of Total Fitness Sp. z o.o., in which the shares were acquired in 2021.

For the other disclosures on lease liabilities, see Notes 30.1 and 30.2.

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9.3. Lease amounts disclosed in the reporting period

	January 1st – December 31st 2021	January 1st – December 31st 2020
Amounts disclosed in the consolidated statement of profit or loss		
Depreciation of right-of-use assets (recognised in cost of sales, selling expenses and administrative expenses)	(129,783)	(130,531)
Gain/(loss) on lease modifications (recognised in other income/expenses)	1,563	3,848
Application of the COVID-19 practical expedient (recognised in cost of sales)	22,070	15,895
Interest expense on lease liabilities (recognised in finance costs)	(11,409)	(14,614)
Exchange differences on lease liabilities denominated in foreign currencies (recognised in finance costs)	4,006	(49,937)
Total	**(113,553)**	**(175,340)**
Amounts disclosed in the consolidated statement of cash flows		
Lease payments (recognised in cash flow from financing activities)	(112,180)	(89,931)

In 2021, the amount of costs of short-term leases and leases of low-value assets not included in the measurement of lease liabilities but recognised expenses costs in the reporting period was PLN 833 thousand and included mainly leases of advertising space (PLN 186 thousand) and leases of assorted equipment for fitness clubs and offices (PLN 647 thousand). There were no variable lease payments in 2021.

For interest expense on lease liabilities, see Note 25.2.

In 2021, in connection with the COVID-19 pandemic, the Group renegotiated terms of the lease contracts, which impacted the amount of lease liabilities. The Group applied the practical expedient introduced by the amendment to IFRS 16 (see Note 2.4 *Accounting policies*), whereby rent concessions resulting from the renegotiation of lease contracts do not constitute lease modification, and the effects of remeasurement of lease liabilities are recognised in profit or loss for the period. Each lease contract was assessed to determine whether the criteria for applying the practical expedient are met (see *Lease modification: rent concessions granted to lessee as a direct result of Covid-19 pandemic* in Note 2.4 ‘Accounting policies’). The practical expedient was applied with respect to rent concessions under property lease contracts (sports clubs, offices). The amount of the remeasurement of the lease liability, resulting from the negotiated concessions, recognised in the statement of profit and loss as a decrease in cost of sales in 2021 is PLN 22,070 thousand.

9.4. Subleases

The Group is an intermediate lessor and a lessor with respect to fitness equipment leased to facilities which are the Group's partners, and with respect to office space which is subleased. The respective contracts were recognised as operating leases. In 2021, the Group recognised in the consolidated statement of profit or loss income from the subleases/leases of fitness equipment of PLN 6,265 thousand (2020: PLN 7,495 thousand). The Group also recognised income from sublease of office space of PLN 450 thousand (2020: PLN 250 thousand). These amounts include minimum fixed sublease/lease payments only. In the reporting period, there were no contingent or other payments.

10. Investments in associates

All of the Group’s investments in associates are accounted for using the equity method (see Note 2.4 ‘Accounting policies’).
Information on the Group’s associated entities is presented below.

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	Principal place of business and country of registration	Equity interest as at December 31st 2021	Voting interest as at December 31st 2021	Carrying amount measured using equity method as at December 31st 2021	Carrying amount measured using equity method as at December 31st 2020
Baltic Fitness Center Sp. z o.o.	ul. Puławska 427, 02-801 Warsaw, Poland	49.95%	49.95%	0	0
Institute of Fitness Development Sp. z o.o.	ul. Puławska 427, 02-801 Warsaw, Poland	48.10%	48.10%	5,367	4,411
Calypso Fitness S.A.	ul. Puławska 427, 02-801 Warsaw, Poland	33.33%	33.33%	0	0
Get Fit Katowice II Sp. z o.o.	ul. Uniwersytecka 13, 40-007 Katowice	20.00%	20.00%	0	0
Total carrying amount				**5,367**	**4,411**

Below are presented the amounts relating to the share in profit or loss of equity-accounted investees, recognised in profit or loss for the period, as well as the aggregate result on the sale of shares in associates in 2020.

Statement of profit or loss	December 31st 2021	December 31st 2020
Share of profit/(loss) of equity-accounted entities	956	1,768
Proceeds from sale of shares in associates	*0*	*9,181*
*Carrying amount measured using the equity method as at the date of sale**	*0*	*(10,361)*
Net gain/(loss) on sale of shares in associates (finance costs)	0	(1,180)
Profit or loss disclosed in the Consolidated statement of profit or loss	**956**	**588**

**Including adjustment of dividend received (0.6m)*

The share of equity-accounted investees recognised in 2020 comprises the Group's share in the profits of LangMedia Sp. z o.o. and X-Code Sp. z o.o. for the period from the beginning of the year to the date of sale of the shares, as well as share in the profits of Instytut Rozwoju Fitness Sp. z o.o. Cumulative losses of Calypso Fitness S.A., Baltic Fitness Center Sp. z o.o. and Get Fit Katowice II Sp. z o.o. contributed to the negative equity of these companies, therefore the Group recognises its interest in the equity of those companies at 0.

As at December 31st 2021*	Equity	Net profit	Revenue
Instytut Rozwoju Fitness Sp. z o.o.	10,087	2,058	8,476

**Prepared on the basis of the associate's preliminary results. The data was not audited by the auditor.*

The difference between the Group's share in the net assets of Instytut Rozwoju Fitness Sp. z o.o. and the carrying amount of the shares is mainly attributable to the excess of the purchase price of shares over the company's net assets as at the purchase date.

For information on the Group's contingent liabilities under sureties issued to associates, see Note 29.

11. Trade and other receivables

Long-term receivables:

	December 31st 2021	December 31st 2020
Trade receivables	0	467
Other security deposits paid	8,583	6,138
Prepayments	26	853
Other receivables	1,603	1,390
Total non-current trade and other receivables	**10,212**	**8,848**

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Short-term receivables:

	December 31st 2021	December 31st 2020
Financial assets (IFRS 9):		
Trade receivables	168,646	120,998
Impairment losses on trade receivables (-)	(23,667)	(22,912)
Net trade receivables	**144,979**	**98,086**
Other security deposits paid	890	83
Other receivables	8,011	4,594
Impairment loss on other financial receivables (-)	(515)	0
Other net financial receivables	**8,386**	**4,677**
Financial receivables	**153,365**	**102,763**
Non-financial assets (non-IFRS 9):		
Taxes, social security and other receivables	12,335	30,814
Purchased cafeteria codes	11,925	39,754
Unbilled revenue	4,472	295
Prepayments	10,682	9,365
Other non-financial receivables	644	827
Non-financial receivables	**40,058**	**81,055**
Total current trade and other receivables	**193,423**	**183,818**

Other receivables include PLN 5.6m of payments made by Benefit Systems International Sp. z o.o. under an agreement to purchase shares in MultiSport Benefit S.R.O. from the minority shareholders.
The Group considers the carrying amount of trade receivables as a reasonable approximation of their fair value (Note 30.2).

The Group tested receivables for impairment in accordance with the applied accounting policies (see section 2.4 in 'Basis of preparation and accounting policies'). Impairment losses on receivables recognised in 2021 as other expenses in the consolidated statement of profit or loss were as follows:

- with respect to long-term receivables – none
- with respect to short-term financial receivables – PLN 275 thousand (2020: PLN 9,292 thousand)

Changes in impairment losses on receivables during the reporting period are presented in the table below.

	January 1st – December 31st 2021	January 1st – December 31st 2020
At beginning of period	22,912	12,389
Impairment losses expensed in period	275	9,292
Impairment losses reversed, recognised as income in period (-)	(1,678)	0
Other changes (net exchange differences)	2,158	1,231
Balance at end of period	**23,667**	**22,912**

The Group applies a 3-stage classification of financial assets for impairment purposes, described in section *Impairment losses on financial assets* of the accounting policies (Note 2.4).

For trade receivables, the Group applies a simplified approach based on the calculation of allowances for expected credit losses over the lifetime of the instrument. Allowances are estimated on a collective basis and the receivables have been grouped based on the number of days past due. Allowances are estimated mainly on the basis of historical data on days past due, and an analysis of days past due and actual payments based on the available historical data. The Group assumes that the risk increases significantly when the time past due exceeds 90 days.
Receivables are analysed separately for each Group company. In order to calculate the amount of impairment losses, the companies uses a matrix in which impairment losses are calculated on trade receivables classified into respective aging groups. Each company identifies the amount of receivables deemed uncollectible and covered by court and bankruptcy proceedings in each of the analysed past due periods. On this basis, the Group determines the uncollectibility ratios for the following past due periods: receivables before maturity – up to 30 days, past due 31-90 days, past due 91-180 days, past due 181-360 days, and past due over 360 days. The ratios are then used to determine the expected credit loss on total receivables as at the reporting date.

ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF POLISH ZLOTY (UNLESS INDICATED OTHERWISE)

Total impairment losses on trade and other receivables in accordance with IFRS 9:

Balance as at December 31st 2021	Stage 1	Stage 2	Stage 3	Total
At beginning of period	**2,051**	**0**	**20,861**	**22,912**
Impairment losses expensed in period	120	0	155	**275**
Impairment losses reversed, recognised as income in period (-)	(1,501)	0	(177)	**(1,678)**
Other changes (net exchange differences)	2,158	0	0	**2,158**
Balance at end of period	**2,828**	**0**	**20,839**	**23,667**

Balance as at December 31st 2020	Stage 1	Stage 2	Stage 3	Total
At beginning of period	**4,947**	**0**	**7,442**	**12,389**
Impairment losses expensed in period	7,002	0	12,200	**19,202**
Impairment losses reversed, recognised as income in period (-)	(9,861)	0	(49)	**(9,910)**
Allowances used (-)	(37)	0	1,268	**1,231**
Balance at end of period	**2,051**	**0**	**20,861**	**22,912**

Further credit risk analysis of receivables, including the analysis of the age of past due receivables not covered by impairment losses, is presented in Note 31.2.

As at December 31st 2021, no receivables were pledged as security for the Group's liabilities. For information on security for liabilities, see Note 22.4.

12. Loans

Loans account for the largest part of ‘Loans and other short-term financial assets’ in the Group's statement of financial position. The table below presents the breakdown of the loans into long-term and short-term loans.

	December 31st 2021	**December 31st 2020**
Long-term loans	20,522	26,842
Short-term loans	1,376	8,393
Total loans	**21,898**	**35,235**

The balance of loans comprises mainly loans granted by the Parent to entities providing sports and recreational services to users of the MultiSport programme cards (PLN 18.5m). The purpose of the loan program is to provide quality exercise facilities to MultiSport card users and to support Partners in the further development of their business. The borrowers also include associates (PLN 0.9m) and other unrelated parties (PLN 2.6m). The loans are secured with blank promissory notes, with additional security in the form of the right to set-off mutual liabilities (loans to Partners) or pledges over borrowers' assets (other companies); in the case of natural persons, no additional security was established. In addition, in 2021 the Parent granted loans of PLN 5.6m to employees of the Parent and its subsidiaries to finance the purchase of shares in the Parent through the exercise of subscription warrants taken up by eligible employees under the share-based payment scheme operated in previous years. As at December 31st 2021, the entire amount of these loans was repaid.
Loans are recognised at amortised cost using the effective interest rate method. The carrying amount of loans is considered to be a reasonable approximation of their fair value.
The SPPI test was carried out for each loan individually. When measuring an instrument, the Group takes into account the valuation of the instrument over its life, i.e. by comparing its contractual amount (principal and total amount of interest until repayment) with the amount under the base model (with interest capitalization).
The Group analysed its loans as at the reporting date; loans classified as non-performing were fully written off, higher-risk loans were written down by 25%, and a statistical allowance of 0.5%–2.7% was applied to the remaining loans. For analysis of impairment losses on loans and their classification to individual impairment groups, see Note 31.2.

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As at December 31st 2021, loans advanced in PLN with a carrying amount of PLN 21,898 thousand (2020: PLN 35,235 thousand) bear interest at variable rates based on WIBOR, with margins ranging from 1.75 to 4pp. The loan repayment dates are between 2022 and 2030.

Changes in the carrying amount of the loans, including impairment losses, are presented below.

	January 1st – December 31st 2021	January 1st – December 31st 2020
Gross carrying amount		
Balance at beginning of period	73,028	81,608
Loans advanced in period	137	9,037
Interest accrued at the effective interest rate	1,759	2,007
Payment of principal and interest (-)	(2,176)	(16,157)
Set-offs and other changes (net exchange differences, measurements at amortised cost)	(6,144)	(3,467)
Gross carrying amount at end of period	**66,604**	**73,028**
Impairment losses		
Balance at beginning of period	37,793	2,667
Impairment losses expensed in period	6,913	35,126
Accumulated impairment losses at end of period	**44,706**	**37,793**
Carrying amount at end of period	**21,898**	**35,235**

All loans were measured at amortised cost.
In 2021, the Group advanced loans for a total amount of PLN 4.2m. The amount of loans repaid by borrowers in the reporting period was PLN 5.1m. Other changes comprise mainly set-offs of loans granted against liabilities to partners (PLN 7.1m).

13. Deferred tax assets and liabilities and income tax

The effect of deferred tax assets and liabilities on the consolidated financial statements is presented below.

	Note	December 31st 2021	December 31st 2020
Balance at beginning of period:			
Deferred tax assets		27,649	15,116
Deferred tax liabilities		2,151	2,335
Net deferred tax at beginning of period		**25,498**	**12,781**
Change in period affecting:			
Profit or loss (+/-)	26	1,751	12,717
Net deferred tax at end of period, including		**27,249**	**25,498**
Deferred tax assets		30,312	27,649
Deferred tax liability		3,063	2,151

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Deferred tax assets

Temporary differences	Balance at beginning of period	Change: profit or loss	Change: other comprehensive income	Change: accounting for business combination	Balance at end of period
As at December 31st 2021					
Assets:					
Property, plant and equipment	33	17	0	0	50
Right-of-use assets	20,585	2,242	0	0	22,827
Trade and other receivables	3,589	(560)	0	0	3,029
Other assets	0	81	0	0	81
Liabilities:					0
Provisions for employee benefit obligations	1,006	484	0	0	964
Trade payables, payables under contracts with customers, and other payables	5,285	2,794	0	0	8,079
Borrowings, other debt instruments	3,152	865	0	0	4,017
Lease liabilities	0	102	0	0	102
Other liabilities	481	386	0	0	867
Other:					
Unsettled tax losses		34			34
Total	**34,131**	**6,445**	**0**	**0**	**40,050**
Offset with deferred tax liability					(9,738)
Balance of deferred tax asset in the statement of financial position					30,312
As at December 31st 2020					
Assets:					
Property, plant and equipment	11	22	0	0	33
Right-of-use assets	967	19,618	0	0	20,585
Trade and other receivables	0	3,589	0	0	3,589
Other assets	188	(188)	0	0	0
Liabilities:					
Provisions for employee benefit obligations	840	166	0	0	1,006
Trade payables, payables under contracts with customers, and other payables	4,552	733	0	0	5,285
Borrowings, other debt instruments	1,872	1,280	0	0	3,152
Lease liabilities	10,310	(10,310)	0	0	0
Other liabilities	3,356	(2,875)	0	0	481
Total	**22,096**	**12,035**	**0**	**0**	**34,131**
Offset with deferred tax liability					(6,482)
Balance of deferred tax asset in the statement of financial position					27,649

ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF POLISH ZLOTY (UNLESS INDICATED OTHERWISE)

Deferred tax liabilities

Temporary differences	Balance at beginning of period	Change: profit or loss	Change: other comprehensive income	Change: accounting for business combination	Balance at end of period
As at December 31st 2021					
Assets:					
Property, plant and equipment	2,146	911	0	0	3,057
Loans	3,184	3,720	0	0	6,904
Trade and other receivables	0	0	0	0	0
Other assets	3	(112)	0	0	(109)
Liabilities:	0	0	0	0	0
Borrowings, other debt instruments	0	127	0	0	127
Lease liabilities	1,210	(478)	0	0	732
Other liabilities	2,090	0	0	0	2,090
Total	**8,633**	**4,168**	**0**	**0**	**12,801**
Offset with deferred tax asset					(9,738)
Balance of deferred tax liability in the statement of financial position					3,063
As at December 31st 2020					
Assets:					
Property, plant and equipment	2,277	(131)	0	0	2,146
Loans	3,563	(379)	0	0	3,184
Trade and other receivables	91	(91)	0	0	0
Other assets	74	(71)	0	0	3
Liabilities:					
Borrowings, other debt instruments	14	(14)	0	0	0
Lease liabilities	1,177	33	0	0	1,210
Other liabilities	2,119	(29)	0	0	2,090
Total	**9,315**	**(682)**	**0**	**0**	**8,633**
Offset with deferred tax asset					(6,482)
Balance of deferred tax liability in the statement of financial position					2,151

The Group does not disclose income tax relating to any item of other comprehensive income.

14. Inventories

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

	December 31st 2021	December 31st 2020
Materials	389	118
Finished goods	0	80
Merchandise	3,988	3,942
Total carrying amount of inventories	**4,377**	**4,140**

In 2021, the Group recognised in the consolidated statement of profit or loss costs of inventories sold and unallocated indirect production costs of PLN 6,583 thousand (2020: PLN 6,118 thousand).

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Inventory write-downs charged to other expenses in the consolidated statement of profit or loss in 2021 were PLN 15 thousand (2020: PLN 1 thousand).

Materials which did not meet the criteria for classification as inventories (PLN 5.3m) were expensed in the period.

As at December 31st 2021, no inventories were pledged as security for the Group's liabilities. For information on security for liabilities, see Note 22.4.

15. Cash and cash equivalents

	December 31st 2021	December 31st 2020
Cash at bank in PLN-denominated accounts	242,770	202,781
Cash at bank in foreign currency accounts	9,017	19,038
Cash in hand	1,151	247
Short-term deposits	45	991
Other	32	723
Cash and cash equivalents	**253,015**	**223,780**

As at December 31st 2021, cash in bank accounts was pledged as security (registered pledges) for repayment of liabilities. For information on collateral for liabilities, see Note 22.4.

For the purposes of preparing the consolidated statement of cash flows, the Group classifies cash in the manner used to present cash in the statement of financial position.

Credit risk related to cash and cash equivalents is limited, as the Group places its cash with well-established institutions. The choice of financial institutions is also determined by the Group's obligations as an issuer of securities.

The amount of write-down on cash was calculated on the assumption that all cash in bank accounts qualifies as Stage 1 (IFRS 9).

The allowance for expected credit losses did not change year on year (PLN 299 thousand) and represents the average allowance of 0.1%.

16. Equity

16.1. Share capital

As at December 31st 2021, the Parent's share capital amounted to PLN 2,934 thousand (2020: PLN 2,894 thousand) and comprised 2,934,000 shares (2020: PLN 2,894 thousand) with a par value of PLN 1 per share. All the shares were paid up in full. All shares participate equally in the distribution of dividends and each share confers the right to one vote at the General Meeting. The amount of the share capital may not be distributed.

Sale (resale) of the Parent's treasury shares

On July 8th 2021, as part of block transactions executed on the regulated market operated by the Warsaw Stock Exchange, the Parent sold 118,053 treasury shares, representing approximately 4.08% of the Parent's share capital and conferring the right to approximately 4.08% of total voting rights at its General Meeting ("Treasury Shares"). The total proceeds from the sale of Treasury Shares were PLN 92,460 thousand. Following the sale of Treasury Shares, the Parent does not hold any of treasury shares.

The number of shares changed in the reporting period as a result of the following transactions with owners:

	January 1st – December 31st 2021	January 1st – December 31st 2020
Shares issued and fully paid up:		
Number of shares at beginning of period	2,894,287	2,858,842
Issue of shares	39,255	35,445
Number of shares at end of period	**2,933,542**	**2,894,287**

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The issue of shares in 2021 is related to the registration of Series E ordinary bearer shares issued under the 2017−2020 Incentive Scheme.

The Parent's shares were not held by any subsidiaries or associates.

16.2. Other components of equity

In accordance with the Commercial Companies Code, the Parent allocates at least 8% of net profit for the financial year to statutory reserve funds until such reserve funds reach at least one-third of the share capital. In 2021, the Company reported a loss.

In 2021, a capital reserve of PLN 5.6m was created to finance loans to employees of the Parent and its subsidiaries to finance the purchase of shares in the Parent through the exercise of subscription warrants taken up by eligible employees under the share-based payment scheme operated in previous years.

In 2021, the Parent issued 39,255 Series E ordinary bearer shares with a par value of PLN 1.00 per share as a result of exercise by Eligible Persons of the rights attached to Series H subscription warrants granted to the persons under the 2017−2020 Incentive Scheme. In accordance with the terms of the Incentive Scheme, the share price was PLN 491.93 per share. The total amount of proceeds from the share issue was PLN 19.3m.

16.3. Share-based payment schemes

Pursuant to resolutions of the General Meeting, Benefit Systems S.A. has in place an Incentive Scheme for senior and middle management of the Parent and for the Benefit Systems Group subsidiaries. Under the Scheme, eligible employees receive subscription warrants convertible into shares in the Parent. The Scheme is open to selected employees, both from among senior management and middle management.

On February 3rd 2021, the Extraordinary General Meeting of the Parent adopted the Incentive Scheme for 2021−2025. The purpose of the Incentive Scheme is to provide an incentive system that would promote employee productivity and loyalty, aimed at achieving strong financial performance and a long-term increase in the Parent’s value. Under the Incentive Scheme for 2021–2025, eligible employees (up to 149 persons) will be able to receive up to 125 thousand subscription warrants entitling them to subscribe for a corresponding number of shares in the Parent.

There are three vesting criteria:

- Loyalty – employment has to be continuing under an employment contract at the end of the calendar year for which the options are granted and the employee may not be on notice period,

- Quality – evaluated after the Group reaches the agreed level of consolidated adjusted operating profit (net of the costs of the Incentive Scheme),

- Individual performance – performance of the Scheme participant must be positively assessed, in accordance with internal regulations of the Parent and in the context of the set annual targets.

The necessary pre-condition for the Incentive Scheme to operate in a given year is that the Group generates a specific level of consolidated profit before tax adjusted for the accounting cost of the Scheme attributable to the financial year.

The key terms and conditions of the Incentive Scheme for 2021–2025 were approved by resolution of the Extraordinary General Meeting held on February 3rd 2021. The vesting thresholds are presented in the table below:

	Share in the maximum number of warrants for the year		Consolidated adjusted operating profit (net of the costs of the Incentive Scheme)				
			2021	**2022**	**2023**	**2024**	**2025**
Vesting thresholds (PLNm) – Consolidated adjusted operating profit (net of the costs of the Incentive Scheme)	100%	25,000	140	180	195	230	265
	75%	18,750	115	160	185	215	245
	50%	12,500	90	135	175	195	230

The Group did not recognise the Scheme costs for 2021 as the 50% threshold for the Group’s consolidated adjusted operating profit condition required to launch the Scheme was not met.

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By decision of the Supervisory Board, the warrants not allocated for 2021 may increase the number of warrants for 2023 (up to 12,500 Series K1 warrants) and 2025 (up to 12,500 Series K2 warrants). Series K1 Warrants will be allotted in a number representing 50%, 75% and 100% of the maximum number of Series K1 Warrants only if the cumulative consolidated adjusted operating profit (net of the costs of the Incentive Scheme) exceeds the sum of the thresholds for 2021-2023, i.e., PLN 400m, PLN 460m and PLN 515m, respectively. In the case of Series K2, the warrants will be allotted if cumulative consolidated adjusted operating profit (net of the costs of the Incentive Scheme) for 2021-2025 exceeds the sum of the thresholds for that period (PLN 825m, PLN 920m and PLN 1,010m), in a number representing, respectively, 50%, 75% and 100% of the maximum number of Series K2 warrants.

16.4. Non-controlling interests

Non-controlling interest disclosed by the Group in equity:

	December 31st 2021	December 31st 2020
MultiSport Benefit S.R.O.	602	891
Benefit Systems Bulgaria EOOD	856	536
Benefit Systems, storitve, D.O.O.	2	3
Fit Invest Slovakia S.R.O.	(192)	(102)
Fit Invest International Sp. z o.o.	(319)	(140)
Form Factory S.R.O.	(537)	(474)
Beck Box Club Praha S.R.O.	(453)	(444)
Fit Invest Bulgaria EOOD	(607)	(476)
Benefit Systems International Sp. z o.o.	174	(233)
Benefit Systems D. O. O. HR	(1,380)	(825)
Benefit Systems Slovakia S.R.O.	(466)	(260)
Benefit Systems Spor hizmetleri limited sirketi	219	0
BSI Investments Sp. z o.o.	31	0
Total non-controlling interests	**(2,070)**	**(1,527)**

In the reporting period, non-controlling interests changed as a result of transactions which affected the Group's structure and as a result of accounting for comprehensive income attributable to the non-controlling entities.

The accounting for the transactions with non-controlling interests is presented below.

	January 1st – December 31st 2021	January 1st – December 31st 2020
Balance at beginning of period	**(1,527)**	**1,703**
Changes in the Group structure (transactions with non-controlling interests)		
Change in non-controlling interests	9	(3,707)
Total non-controlling interests	**(1,518)**	**(2,004)**
Comprehensive income:		
Net profit/(loss) for the period (+/-)	1,285	1,342
Exchange differences	(108)	(95)
Dividend	(1,729)	(770)
Balance of non-controlling interests at end of period	**(2,070)**	**(1,527)**

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16.5. Change in non-controlling interests

Company	MultiSport Benefit S.R.O.	Benefit Systems d. o. o. HR	Benefit Systems d. o. o. HR
Transaction date	April 1st 2021	July 13th 2021	October 25th 2021
% increase in the Group's interest in subsidiary	1.94%	(3.40%)	1.94%
Carrying amount of acquired minority interests	388	(767)	(462)
Recognised amount of consideration paid for shares	5,367	246	143
Cash outflow	(5,367)	246	(143)

16.6. Loss of control

In 2021, the Parent did not lose control of any of the Group companies.

On June 30th 2020, Benefit Systems Greece MIKE, established to operate on the Greek market, was sold. The Company did not have any material assets and the scale of its business was limited. In the period until the date of sale, the company generated revenue of PLN 0.1m and recognised a loss on sales of PLN 0.1m. As at the date of the sale, the company held assets of PLN 0.4m.

17. Investments in subsidiaries (with significant non-controlling interests)

There are no material non-controlling interests in companies in which the Group holds fewer than 100% of shares.

18. Employee benefits

18.1. Employee benefits expense

	January 1st – December 31st 2021	January 1st – December 31st 2020
Salaries and wages	166,125	163,890
Social security	33,428	33,597
Share-based payments schemes	15	923
Cost of future employee benefits (provisions for length-of-service benefits, retirement gratuity benefits)	252	597
Total employee benefits expense	**199,820**	**199,007**

The Group operates incentive schemes under which employees are remunerated with the shares of the Parent. The value of remuneration paid to the employees through the incentive schemes is determined by reference to the fair value of the equity instruments. For detailed information on share-based payment schemes, see Note 16.3.

18.2. Employee benefit obligations and provisions

Employee benefit obligations and provisions recognised in the consolidated statement of financial position include:

	Current liabilities and provisions		Non-current liabilities and provisions	
	December 31st 2021	**December 31st 2020**	**December 31st 2021**	**December 31st 2020**
Employee benefits:				
Salaries and wages payable	8,070	3,555	0	0
Social security contributions payable	17,552	13,260	0	0
Provisions for bonuses, commissions and other*	21,450	9,257	0	0
Provisions for retirement gratuity benefits	9	2	270	379

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Provision for accrued holiday entitlements	2,692	3,219	0	0
Employee benefits	**49,773**	**29,293**	**270**	**379**

**provisions for termination benefits*

The low amount of employee benefit provisions as at the end of 2020 was mainly attributable to a decrease in bonuses, commissions and other following a decline in sales reported by the Group companies as a consequence of the restrictions imposed on sports clubs in connection with the COVID-19 pandemic. The increase in this item as at the end of 2021 reflects the scale of the Group's operations restored in the second half of 2021.
As at December 31st 2021, the Group disclosed a non-current retirement benefit obligation of PLN 270 thousand (2020: PLN 379 thousand). The present value of the provision was recognised based on a valuation prepared by an independent actuary. In the valuation, the actuary used a discount rate of 3.7% and the expected wage growth rate of 5.8% for 2022, 3.6% for 2023, and 2.5% in subsequent years. Wages and social security contributions payable, provisions for bonuses, commissions and other items are disclosed under trade and other payables (Note 20). Provisions for retirement severance payments and accrued holiday entitlements are included in employee benefit provisions.

19. Other provisions

Provisions disclosed in the consolidated financial statements and changes in the amount of the provisions are presented in the table below.

	Short-term provisions		Long-term provisions	
	December 31st 2021	**December 31st 2020**	**December 31st 2021**	**December 31st 2020**
Litigations and claims	0	0	0	0
Other provisions	5	77	10,767	10,767
Total other provisions	**5**	**77**	**10,767**	**10,767**

	Provisions for:		Total
	litigation	Other	
for the period January 1st − December 31st 2021			
At beginning of period	0	10,844	10,844
Increase in provisions expensed in period	0	5	5
Provisions reversed, recognised as income in period (-)	0	(35)	(35)
Use of provisions (-)	0	(44)	(44)
Increase through business combination	0	0	0
Other changes (net exchange differences)	0	2	2
Provisions as at December 31st 2021	**0**	**10,772**	**10,772**
for the period January 1st – December 31st 2020			
At beginning of period	0	684	684
Increase in provisions expensed in period	0	10,811	10,811
Provisions reversed, recognised as income in period (-)	0	(27)	(27)
Use of provisions (-)	0	(624)	(624)
Increase through business combination	0	0	0
Other changes (net exchange differences)	0	0	0
Provisions as at December 31st 2020	**0**	**10,844**	**10,844**

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As of December 31st 2021, the most significant item of the provisions was the provision of PLN 10.8m for liabilities related to anit-trust proceedings. For details of the proceedings, see Note 34.1.

20. Trade and other payables

Trade and other payables are presented below.

	December 31st 2021	December 31st 2020
Trade payables	1,260	0
Security deposits received	352	14
Grants	0	10
Other non-financial liabilities	667	0
Total non-current trade and other payables	**2,279**	**24**

	December 31st 2021	December 31st 2020
Financial liabilities (IFRS 9):		
Trade payables	100,749	105,094
Purchase of non-current assets	16,992	3,998
Security deposits received	8,836	9,034
Financial liabilities	**126,577**	**118,126**
Non-financial liabilities (non-IFRS 9):		
Taxes and other duties payable	1,932	3,218
Accrued expenses and deferred income	52,274	28,405
Amounts payable for unused cafeteria benefits	83,433	55,641
Employee benefit obligations	47,072	26,072
Advance payments collected in connection with conversion work at fitness clubs	7,840	2,924
Other non-financial liabilities	2,409	333
Non-financial liabilities	**194,960**	**116,593**
Total current trade and other payables	**321,537**	**234,719**

Employee benefit obligations include salaries, wages and social security liabilities, as well as provisions for bonuses and commissions. For more information, see Note 18.2.
The Group considers the carrying amount of trade liabilities as a reasonable approximation of their fair value (Note 30.2).

21. Other financial liabilities

Financial liabilities disclosed in the Group's statement of financial position include mainly liabilities under the options to purchase minority interests in companies of the Foreign Markets segment. This item also includes liabilities related to acquisition of shares in Total Fitness Sp. z o.o. and Yesindeed Sp. z o.o.
The individual liabilities are presented in the following tables:

	December 31st 2021	December 31st 2020
Liability arising from acquisition of shares in Total fitness Sp. z o.o.	*13,503*	*0*
Liability arising from acquisition of shares in YesIndeed Sp. z o.o.	*2,663*	*0*
Benefit Systems Bulgaria EOOD	*6,081*	*5,519*
Benefit Systems International Sp. z o.o.	*13,604*	*5,451*
Benefit Systems Slovakia S.R.O.	*1,027*	*459*

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Benefit Systems d.o.o. (Croatia)	*1,455*	*271*
Liability arising from contingent consideration for Calypso Fitness S.A.	*0*	*1,565*
Liability arising from acquisition of shares in Fabryka Formy Sp. z o.o.	*61*	*1,652*
Other	*0*	*261*
Other non-current financial liabilities	**38,394**	**15,178**

	December 31st 2021	December 31st 2020
Liability arising from acquisition of shares in Fit Fabric Sp. z o.o.	3,000	12,536
Liability arising from acquisition of shares in Total Fitness Sp. z o.o.	15,889	0
Liability arising from acquisition of shares in Focusly Sp. z o.o.	2,000	0
MultiSport Benefit SRO	4,613	15,193
Other	0	2,155
Other current financial liabilities	**25,502**	**29,884**

Liabilities under consideration for acquired shares

- *YesIndeed Sp. z o.o.*

On June 17th 2021, Benefit Systems S.A. signed an agreement to purchase 100% of shares in YesIndeed Sp. z o.o. for PLN 10.7m. The purchase price consists of PLN 8m, payable upon execution of the agreement, and two deferred payments totalling PLN 2.7m (recognised in the consolidated statement of financial position as other non-current financial liabilities). The deferred payment will be made subject to the achievement of assumed business objectives by the purchased company.

- *Focusly Sp. z o.o.*

On November 3rd 2021, Benefit Systems S.A. acquired 100% of shares in Focusly Sp. z o.o., a subsidiary of the Daftcode technology group. The purchase price at fair value of PLN 6.5m comprises PLN 4.5m payable on execution of the agreement and a deferred payment of PLN 2m to be made upon fulfilment of the conditions set forth in the agreement, not later than within nine months from the acquisition date (disclosed in the consolidated statement of financial position as other current financial liabilities).

- *Total Fitness Sp. z o.o.*

On November 4th 2021, an agreement was signed whereby the Parent purchased 88.23% of shares in Total Fitness Sp. z o.o. and agreed to acquire the remaining 11.77% of the company's share capital. The company has been consolidated since the acquisition date based on the assumption that the Group exercises full (100%) control since under the agreement the minority shareholders are obliged to sell their residual interests.

The total purchase price of 100% of the shares in the company's share capital will be calculated in accordance with the terms of the agreement and depends on the 2022 or 2023 EBITDA and net debt of Total Fitness Sp. z o.o. calculated in accordance with the terms of the agreement (no less than PLN 75m and no more than PLN 85m), adjusted for the set-offs specified in the agreement. The final price, net of the set-offs, is no less than PLN 70.9m and no more than PLN 79.9m.

The first instalment, of PLN 50m, was paid on November 4th 2021. According to the Company's best estimates of the fulfilment of the conditions set forth in the share purchase agreement, the fair value of the total purchase price is PLN 79.3m (the nominal value before discounting is PLN 80m), and the third instalment is to be paid on April 3rd 2023. Therefore, a current liability of PLN 15.9m and a non-current liability of PLN 13.4m were recognised in the consolidated financial statements as at the acquisition date. As at December 31st 2021, the liability amount was remeasured at PLN 13.5m, reflecting the discount cost of PLN 0.1m.

Liabilities under contingent consideration for acquired shares – measurement as at the reporting date

- *Fabryka Formy*

On January 2nd 2018, the Company acquired 33.94% of shares in Fabryka Formy S.A. Under the agreement, the seller is entitled to receive additional amounts (earn-out) in the form of a bonus linked to the Company's capitalisation in 2018-2022. The bonus for a given year is paid by the end of January of the following calendar year. The contingent payment for the shares acquired in Fabryka Formy S.A. was classified as a financial liability, which as at December 31st 2020 was disclosed in the consolidated financial statements of Benefit Systems at the fair value of PLN 1,652 thousand. As at December 31st 2021, the liability was remeasured at PLN 61 thousand, which had an effect on the reporting period's profit or loss and resulted in the recognition of finance income of PLN 1,591 thousand. The Company uses the Monte Carlo method to measure the liability.

- *Calypso Fitness*

The acquisition of shares in Masovian Sports Center Sp. z o.o. and NewCo3 Sp. z o.o. resulted in the recognition of a contingent consideration liability in the financial statements for 2018. For details of the transactions, see the consolidated financial statements of the Benefit Systems Group for 2018 – pages 42-43: *Step acquisition of assets spun off from Calypso Fitness S.A. – details and disclosure in the financial statements*

Under the agreement, the seller is entitled to receive additional amounts (earn-out) in the form of a bonus linked to the Parent's capitalisation in 2017-2021. The bonus for a given year is paid by the end of January of the following calendar year. The Company uses the Monte-Carlo method to estimate the future liabilities. As the thresholds set forth in the agreement have not been met, no earn-out for 2021 is due. In the financial result for the reporting period, finance income of PLN 1,565 thousand was recognised as the Company discontinued the recognition of the related liability.

- *Fit Fabric*

A minority interest in the share capital of FitFabric Sp. z o.o., representing in aggregate 47.5% of the shares, was acquired in 2021 pursuant to agreements entered into with the minority shareholders since 2018. FitFabric Sp. z o.o. has been consolidated since 2018 based on the assumption that the Group exercises full (100%) control of the company as the agreements with the minority shareholders committed them to sell their residual interests. As at December 31st 2021, the Company held 100% of shares in FitFabric Sp. z o.o.

- *Option liabilities*

The Management Board of the Parent measures put and call options on shares in subsidiaries held by non-controlling shareholders. The following rule of accounting for contingent acquisitions of shares are applied:

Put option – sale of shares by a non-controlling interest (demanded by the non-controlling interest)

Initial recognition: The put options are financial liabilities under IAS 32, as the Group is obliged to pay cash or deliver other financial assets to non-controlling interests. The liability is recognised at the present value of the estimated exercise price of the option. If the risks and rewards of the non-controlling interests have not been transferred to the Group, the put option liability is initially recognised in equity allocated to the owners of the Parent, provided that the option settlement price does not confer an additional benefits on the holders beyond market conditions. At the same time, non-controlling interests are recognised in equity.
Subsequent measurement of put options (revision of estimates relating to put options) is recognised directly in equity under paragraph 23 of IFRS 10, according to which changes in the Parent's interest in a subsidiary that do not result in loss of control of the subsidiary are recognised as equity transactions. Such recognition of subsequent changes only applies where the risks and rewards of non-controlling interests have not been transferred to the Parent and therefore the non-controlling interests continue to be recognised.
If the risks and rewards of non-controlling interests covered by the put option have been transferred to the Group (in particular, when the put option issued is accompanied by a symmetrical call option acquired), the put option liability is accounted for as a contingent liability in a business acquisition transaction. Such a liability is initially recognised at fair value with an effect on goodwill, as the non-controlling interests covered by the option are deemed to have been acquired (i.e. the non-controlling interests' equity is not recognised). After initial recognition, the contingent liability is measured at fair value with gains/(losses) on the measurement accounted for in profit or loss.

Call option – purchase of shares from a non-controlling interest (demanded by the Company)

As at the reporting date, the Group was not a party to any agreement whereby the Company would have the right to purchase a specific number of non-controlling interests on specific dates.

- *MultiSport Benefit S.R.O.*

In 2021, 2% of shares in the subsidiary's share capital were acquired. As a result of the agreements with the minority shareholders to determine the purchase price of the residual shares (payable in January 2022), the Group adjusted the measurement of the liability as at December 31st 2021. As at December 31st 2021, the liability was PLN 4.6m (compared with PLN 15.2m as at the end of 2020).

- *Programme of shareholder agreements with the key personnel to promote development of the Foreign Markets segment.*

On April 24th 2019, the Management Board and the Supervisory Board of Benefit Systems S.A. approved the key terms of the Shareholder Agreements with the key personnel to support develop of the companies in the Foreign Markets segment, as part of which the key employees would be minority shareholders in the companies.
As part of the programme, the Parent declared that it would use its best endeavours to acquire, by the end of 2026, an external investor for the companies in the Foreign Markets segment, and the efforts may include execution of an initial public offering of Benefit Systems International Sp. z o.o. shares (subject to prior change of the company's legal form). Relevant agreements were executed with members of management boards of the following subsidiaries:

- Benefit Systems International Sp. z o.o.
- Benefit Systems Greece MIKE
- Benefit Systems D.O.O.
- Benefit Systems Bulgaria EOOD
- Benefit Systems Slovakia S.R.O.

who acquired shares in the companies in 2019.

If an external investor for the companies in the Foreign Markets segment is not found by the end of 2026 (though the sale could be carried out by way of initial public offering of shares in Benefit Systems International Sp. z o.o., subject to prior change of the company's legal form), minority shareholders in the Group companies specified above will have the right to exercise the put options starting from January 1st 2027. These options will entitle the key personnel to demand that their shares be purchased at a price calculated on the basis of financial ratios for the previous financial year (i.e. the year immediately preceding the date of exercise of the options), in accordance with the pricing formula set out in the relevant Shareholder Agreement.

In the case of the minority shareholder in the Bulgarian company, they have the right to exercise the put option with respect to some of the shares held in the company for a fixed price. In the following years (from 2022 to 2025), the key person will have the right to exercise the put option with respect to some of the shares held, or on a one-off basis with respect to all shares until the end of 2026, for a price calculated based on the financial ratios for the previous financial year (i.e. the year immediately preceding the date of exercise of the options), in accordance with the price formula set out in the relevant Shareholder Agreement. The measurement of the options at the end of the reporting period depends, among other things, on the projected performance of the individual companies in subsequent periods that serve as the basis for calculating the exercise price, and the applied discount rates reflecting the risks specific to a given market and the degree of development of individual companies.

As at December 31st 2021, the value of the put options was estimated at PLN 22.2m (vs PLN 11.7m as at December 31st 2020).

Reconciliation of the amount of the liabilities between the beginning and the end of the reporting period for 2021:
- interest and exchange differences recognised in finance costs on the option assuming exercise at the fixed price of PLN 0.3m;
- change in the valuation of put options with the exercise price linked to future performance of the subsidiaries PLN 10.1m;
- recognised as a decrease in capital reserves.

The decrease in retained earnings of PLN 14.5m disclosed in the consolidated statement of changes in equity is a result of measurement of the liabilities relating to MultiSport Benefit S.R.O. (PLN 4.4m) and the programme of shareholder agreements with the key personnel to promote development of the Foreign Markets segment (PLN 10.1m).

ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF POLISH ZLOTY (UNLESS INDICATED OTHERWISE)

22. Borrowings, other debt instruments

22.1. Borrowings and other debt instruments

Borrowings and other debt instruments recognised in the consolidated financial statements are presented below.

	Current liabilities		Non-current liabilities	
	December 31st 2021	**December 31st 2020**	**December 31st 2021**	**December 31st 2020**
Financial liabilities at amortised cost:				
Investment credit facilities	65,801	72,830	29,334	90,147
Overdraft and working capital facilities	12,860	3	5,357	0
Loans	1,567	0	7,205	0
Debt securities	50,264	584	49,547	97,937
Financial liabilities measured at amortised cost	130,492	73,417	91,443	188,084
Total borrowings, other debt instruments	**130,492**	**73,417**	**91,443**	**188,084**

The reconciliation of changes in borrowings and other debt instruments is as follows:

	January 1st – December 31st 2021	**January 1st – December 31st 2020**
Balance at beginning of period	**261,501**	**177,659**
Repayment – overdraft facility	0	(1,670)
Increase – overdraft facility	0	3
Repayment of bonds	0	(30,250)
Issue of bonds	0	97,937
Repayment of investment and working capital credit facility instalments	(54,618)	(32,596)
Increase in investment credit facility	0	50,000
Change in credit facilities on acquisition of control	4,988	0
Change in loans	8,772	(14)
Payment of interest	(6,492)	(4,307)
Accrued interest	7,784	4,740
Balance at end of period	**221,935**	**261,501**

22.2. Issue and redemption of debt securities

In March 2020, Benefit Partners Sp. z o.o. redeemed PLN 30.2m worth of outstanding bonds.

On August 17th 2020, the Management Board of the Parent passed a resolution to establish a bond programme for the Parent, with a total nominal value of up to PLN 100,000,000 (the "Programme"), and executed an agency agreement for the Programme with Haitong Bank, S.A. Poland Branch ("Haitong Bank"). The establishment of the Programme was approved by the Supervisory Board of the Parent.

On September 21st 2020, the Management Board of the Parent passed resolutions on the issue of Series A and Series B bonds by the Company.

The Series A and Series B bonds issued by the Company were registered in the depository for securities maintained by Krajowy Depozyt Papierów Wartościowych S.A. on October 7th 2020. On the same day, pursuant to a resolution of the Management Board of the Warsaw Stock Exchange of October 5th 2020, the bonds were introduced into the Catalyst alternative trading system. Each issue comprised to 50 thousand bonds, with an aggregate nominal amount of PLN 50m.

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All bonds issued under the Programme are secured with shares in selected subsidiaries of the Group, fitness equipment, and the Benefit Systems trademark.

The terms of the Programme do not specify issue objectives for particular series of bonds. By establishing the Programme, the Parent intended to diversify the Group's financing sources amid the heightened market uncertainty in the wake of the COVID-19 pandemic. The issue proceeds were used to finance the Group's development, including in foreign markets.

On April 7th 2022, 50,000 Series A bonds with a total nominal value of PLN 50m were redeemed in a timely manner. In addition, on April 14th 2022, 50,000 Series B bonds with a total nominal value of PLN 50m were redeemed early.

Bond redemption

For information on redemption of bonds, see Note 33.

22.3. Financial liabilities measured at amortised cost

The Group does not classify any borrowings or other debt instruments as financial liabilities designated to be measured at fair value through profit or loss. All borrowings and other debt instruments are measured at amortised cost using the effective interest rate method.

The nature and extent of the risks to which the Group is exposed under borrowings and other debt instruments is presented below (see also Note 31 on risks).

	Currency	Interest rate	Maturity	Carrying amount, PLN thousand	Current liabilities	Non-current liabilities
As at December 31st 2021						
Investment credit facility	PLN	Variable, 1M WIBOR + margin	March 18th 2023	42,701	17,080	25,621
Investment credit facility	PLN	Variable, 1M WIBOR + margin	May 31st 2022	13,750	13,750	0
Working capital facility	PLN	Variable, 1M WIBOR + margin	May 31st 2023	18,214	12,857	5,357
Investment credit facility	PLN	Variable, 1M WIBOR + margin	June 30th 2022	33,696	33,696	0
Overdraft facilities	PLN	Variable	-	3	3	0
Investment credit facility	PLN	Variable, 1M WIBOR + margin	June 28th 2024	4,051	1,275	2,776
Working capital facility	PLN	Variable, 1M WIBOR + margin	June 28th 2024	938	0	938
Series A Notes	PLN	Variable, 6M WIBOR + margin	April 8th 2022	49,905	49,905	0
Series B Notes	PLN	Variable, 6M WIBOR + margin	October 8th 2024	49,905	359	49,546
Other loans	PLN	Fixed and variable, 1M WIBOR + margin	June 26th 2026	8,772	1,567	7,205
Total borrowings, other debt instruments at December 31st 2021				**221,935**	**130,492**	**91,443**
As at December 31st 2020						
Investment credit facility	PLN	Variable, 1M WIBOR + margin	March 18th 2023	59,782	17,081	42,701
Investment credit facility	PLN	Variable, 1M WIBOR + margin	May 31st 2022	28750	15,000	13,750
Investment credit facility	PLN	Variable, 1M WIBOR + margin	August 31st 2021	27,708	27,708	0
Investment credit facility	PLN	Variable, 1M WIBOR + margin	June 30th 2022	46,740	13,044	33,696
Series A Notes	PLN	Variable, 6M WIBOR + margin	April 8th 2022	49,202	234	48,968
Series B Notes	PLN	Variable, 6M WIBOR + margin	October 8th 2024	49,319	350	48,969
Total borrowings, other debt instruments at December 31st 2020				**261,501**	**73,417**	**188,084**

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Most of the credit facilities bear interest at variable rates based on the 1M WIBOR reference rate. As at December 31st 2021, the rate was 2.23%. 6M WIBOR 6M, i.e., the reference rate for the bonds, was 2.84%.

22.4. Security for liabilities

The security provided for the Company's liabilities under bank borrowings included (as at the reporting date):

- a PLG FGP liquidity guarantee provided by Bank Gospodarstwa Krajowego, amounting to 80% of the borrowings obtained;
- promissory notes with promissory note declarations for up to the amount of debt plus interest;
- representations on submission to enforcement under Art. 777 of Code of Civil Procedure;
- registered pledge over bank accounts;
- property, plant and equipment used under finance leases.

The following security was provided for the bonds issued by the Company:

- a registered pledge over shares in MultiSport Benefit S.R.O.;
- a registered pledge over shares in Beck Box Club Praha S. R.O.;
- a registered pledge over shares in Form Factory S.R.O.;
- a registered pledge over shares of Benefit Partners Sp. z o.o.;
- a registered pledge over assets of Benefit Partners Sp. z o.o. (fitness equipment);
- a registered pledge over the protection right to the Benefit Systems trademark;
- two blank promissory notes, for which the promissory note declaration stipulates that the maximum aggregate amount for which all the promissory notes may be jointly may not exceed PLN 150m.

In addition to the security specified above, the facility agreements and the bond issue terms and conditions impose additional requirements on the Group, which must be met during the facility term, including covenants concerning the maximum level of the debt ratio in relation to the financial result and the ratio of equity to total assets, calculated on the basis of the consolidated financial statements.

The facility agreements and the bond issue terms and conditions in effect as of December 31, 2021 impose additional requirements on the Group that must be met over the term of the loan. Depending on the agreement, the requirements relate to, among other things, the Group maintaining a ratio of debt calculated as net financial liabilities (including cash at the end of the period, from 2019 onwards excluding IFRS 16 liabilities) to EBITDA for 12 months (excluding the effects of the implementation of IFRS 16 and excluding the cost of non-recurring events) of not more than 3.0 and maintaining the share of equity in the balance sheet total, less IFRS 16 liabilities, of not less than 20%. Both the Group and the Parent Company are not subject to external capital requirements.

Under the terms of certain facilities agreements, the Parent Company has agreed, among other things, to maintain a debt service ratio (DSCR) of not less than 1.2. The Parent Company has received a letter in which the Bank, which is a party to these agreements, has informed the Parent Company to waive verification of the debt service ratio (DSCR) as at 31 December 2021.

23. Contract liabilities

	December 31st 2021	**December 31st 2020**
Long-term:		
Contract liabilities	107	0
Short-term:		
Contract liabilities	12,868	10,134
Provision for settlement of billed revenue	0	11,000
Liabilities − total accrued expenses and deferred income	**12,975**	**21,134**

Contract liabilities result from the mismatch between settlement periods and calendar months. The liabilities will be recognised as income in subsequent periods. In 2020, the Group recognised PLN 11m of provisions for possible settlements under billed revenue following the closure of clubs in the fourth quarter of 2020. The provision was reversed in 2021. The reversal was recognised as an increase in revenue.

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24. Other income and expenses

24.1. Other income

	Note	January 1st – December 31st 2021	January 1st – December 31st 2020
Gain on disposal of non-financial non-current assets		0	1,174
Reversal of impairment losses on receivables		1,678	0
Gain/(loss) on change in lease contracts	9	1,563	3,848
Reversal of unused provisions	19	35	27
Contractual penalties and damages received		2,624	133
Grants		21,852	12,431
Other		4,754	668
Total other income		**32,506**	**18,281**

The grants received by the Group companies in 2021 and 2020 represented emergency financial assistance provided by the government in connection with the COVID-19 pandemic, and were included mainly subsidies to salaries and wages.

24.2. Other expenses

	Note	January 1st – December 31st 2021	January 1st – December 31st 2020
Loss on disposal of non-financial non-current assets		2,464	757
Flat-rate consideration for early termination of lease contracts		3,100	4,211
Liquidation of and impairment losses on property, plant and equipment and on intangible assets	7, 8	3,887	14,944
Impairment losses on financial receivables	11	275	9,292
Write-off of uncollectible receivables		2,410	4,169
Recognised provisions	19	5	10,811
Compensation and penalties paid		244	281
Other		1,370	3,286
Total other expenses		**13,755**	**47,751**

The flat-rate consideration for early termination of lease contracts in 2021 was related to the closure of six fitness clubs before the expiry date of the lease contracts for the space in which they were operated.

25. Finance income and costs

25.1. Finance income

	Note	January 1st – December 31st 2021	January 1st – December 31st 2020
Interest income from financial assets other than at fair value through profit or loss:			
Interest on investments	15	223	142
Interest on loans and receivables	12	2,771	1,912
Foreign exchange gains (+/-)		8,543	0
Remeasurement of liability arising from acquisition of shares in a subsidiary	21	0	3,900
Measurement of liabilities under contingent payments for acquired shares	21	3,092	3,774
Other finance income		153	200
Total finance income		**14,782**	**9,928**

ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF POLISH ZLOTY (UNLESS INDICATED OTHERWISE)

The Group does not hold any financial assets or liabilities in the categories designated at fair value through profit or loss upon initial recognition.

25.2. Finance costs

	Note	**January 1st – December 31st 2021**	**January 1st – December 31st 2020**
Interest on lease liabilities	9	11,409	14,614
Interest on overdraft and investment credit facilities	22	3,862	4,051
Interest on loans	22	189	0
Interest on debt securities	22	3,965	689
Interest on trade and other payables		795	157
Foreign exchange losses (+/-)		0	41,294
Impairment losses on loans and receivables	12	6,913	35,126
Gain/(loss) on sale of shares in associates	10	0	1,180
Other finance costs		1,735	1,831
Total finance costs		**28,868**	**98,941**

26. Income tax

	Note	**January 1st – December 31st 2021**	**January 1st – December 31st 2020**
Tax:			
Current tax		8,466	20,777
Deferred tax	13	(1,751)	(12,717)
Total income tax		**6,715**	**8,060**

Reconciliation of the effective interest rate:

	Note	**January 1st – December 31st 2021**	**January 1st – December 31st 2020**
Profit/(loss) before tax		(14,914)	(90,632)
Tax rate applied by the Parent		19%	19%
Income tax calculated at the Parent's domestic tax rate		(2,834)	(17,220)
Reconciliation of income tax due to:			
Application of different tax rates by in the Group companies (+/-)		(1,192)	(314)
Non-taxable income (-)		(1,581)	(477)
Expenses which are permanently non-deductible (+)		4,734	15,096
Use of previously unrecognised tax losses (-)		(23)	(791)
Unrecognised deferred tax asset on deductible temporary differences (+)		2,575	601
Unrecognised deferred tax asset for tax losses (+)		6,616	7,528
Adjustment to tax expense for previous periods (+/-)		(1,580)	3,637
Income tax		6,715	**8,060**
Effective tax rate		-45%	-9%

ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF POLISH ZLOTY (UNLESS INDICATED OTHERWISE)

The effective tax rate in 2021 was -45% as a result of an unrecognised deferred tax asset relating to a portion of deductible temporary differences and tax losses, and adjustments to tax settlements for previous periods.

The tax rates applied by the Group companies were as follows:

	January 1st – December 31st 2021	January 1st – December 31st 2020
Poland	19%	19%
Czech Republic	19%	19%
Slovakia	21%	21%
Bulgaria	10%	10%
Croatia	18%	20%
Turkey	25%	n/a

27. Earnings per share and dividends paid

27.1. Earnings per share

Earnings per share are calculated as the quotient of the net profit attributable to owners of the Parent divided by the weighted average number of ordinary shares (excluding treasury shares) outstanding during the period.

When calculating both basic and diluted earnings/(loss) per share, the Group applies the amount of net profit/(loss) attributable to owners of the Parent in the numerator.
When calculating diluted earnings per share, the effect of convertible stock options is included in the formula (Note 16.3 Share-based payment schemes).

Computation of the basic and diluted earnings/(loss) per share, with the reconciliation of the diluted weighted average number of shares is presented below.

	January 1st – December 31st 2021	January 1st – December 31st 2020
Number of shares used as denominator		
Weighted average number of ordinary shares	2,836,812	2,746,296
Dilutive effect of options convertible into shares	13,719	26,822
Diluted weighted average number of ordinary shares	2,850,531	2,773,118
Continuing operations		
Net profit from continued operations attributable to shareholders of the Parent	(25,140)	(100,034)
Basic earnings per share (PLN)	(8.86)	(36.43)
Diluted earnings per share (PLN)	(8.82)	(36.07)

27.2. Dividends

On December 9th 2019, the Management Board of the Parent adopted a dividend policy for 2020-2023, under which the Management Board will recommend to the General Meeting payment of dividend of at least 50% of the Group's consolidated net profit for the previous financial year. The Management Board's recommendation will take into account the financial and liquidity position, growth prospects and investment needs of the Parent and the Group. The dividend policy is effective and applies as of the distribution of profit for the financial year ended December 31st 2019. The policy was positively assessed by the Supervisory Board of the Parent on December 9th 2019.

On June 29th 2021, the Parent's Annual General Meeting passed a resolution to cover the net loss of PLN 81,661,936.84 for the financial year 2020 from future profits.

28. Related-party transactions

The Group's related parties include key management personnel, associates and other related parties, which include entities controlled by shareholders with significant influence over the Parent.

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For information on contingent liabilities associated with related parties, see Note 29.

28.1. Transactions with key management personnel

The Group's key management personnel includes members of the Management Board and Supervisory Board of the Parent. For detailed information on the remuneration of members of the Management Board of the Parent, see Note 34.3.

In 2021, a PLN 5.6m loan was granted to employees of the Parent and its subsidiaries to finance the purchase of shares in the Parent through the exercise of subscription warrants taken up by eligible employees under the share-based payment scheme operated in previous years. As at December 31st 2021, the entire amount of these loans was repaid.

28.2. Transactions with associates and other related parties

Transactions concluded between the Group companies and related parties mainly concerned settlements of costs related to visits of sport card holders to clubs owned by the associated companies and were concluded on arm's length. The Company also advanced loans to related parties to finance their day-to-day operations, including activities related to investing the fitness business.

In the reporting period, the Group recognised the following amounts of revenue and receivables from associates and other related parties:

	Revenue	
	January 1st – December 31st 2021	**January 1st – December 31st 2020**
Sales to:		
Associate	9,370	1,803
Other related parties	43	0
Total	**9,412**	**1,803**

	Receivables	
	December 31st 2021	**December 31st 2020**
Sales to:		
Associate	9,521	1,884
Other related parties	1	0
Total	**9,522**	**1,884**

Sales to associates include primarily revenue from lease of fitness equipment.

In the reporting period, the Group recognised the following amounts of purchases from and liabilities to associates and other related parties:

	Purchase (costs, assets)	
	January 1st – December 31st 2021	**January 1st – December 31st 2020**
Purchases from:		
Associate	5,572	10,089
Other related parties	0	0
Total	**5,572**	**10,089**

	Liabilities	
	December 31st 2021	**December 31st 2020**
Purchases from:		

Associate	394	40
Other related parties	0	0
Total	**394**	**40**

The amount of purchases from associates includes costs of visits by holders of sport cards to facilities owned by these entities, and IT services.

In the reporting period, the Group advanced loans to related parties:

	December 31st 2021			December 31st 2020		
	Granted in the period	Cumulative balance	Finance income	Granted in the period	Cumulative balance	Finance income
Loans to:						
Associate	0	944	4	0	1,940	42
Total	**0**	**944**	**4**	**0**	**1,940**	**42**

The amount disclosed in the table above does not include loan receivables covered by an impairment loss.

For information on the terms of the loans, see Note 12.

29. Contingent assets and liabilities

The amounts of contingent liabilities as at the end of each period (including contingent liabilities to related parties) were as follows:

	December 31st 2021	December 31st 2020
Associates		
Guarantees provided / Surety for repayment of liabilities	7,752	9,038
Total contingent liabilities	**7,752**	**9,038**

For a description of the pending anti-trust proceedings against the Parent, see Note 34.1.

30. Financial instruments

30.1. Categories of financial assets and liabilities

The amounts of financial assets presented in the consolidated statement of financial position relate to the following categories of financial instruments specified in IFRS 9:

- financial assets measured at amortised cost,
- assets outside the scope of IFRS 9.

The Group does not hold:
- financial assets at fair value through profit or loss,
- equity instruments designated upon initial recognition as measured at fair value through other comprehensive income,
- financial assets at fair value through other comprehensive income,
- financial instruments designated as hedging instruments.

The table below does not include those categories of financial assets which the Group did not recognise as at December 31st 2021:

	Note	Financial instruments Financial assets at amortised cost	Non-financial assets outside the scope of IFRS 9	Total
As at December 31st 2021				

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Non-current assets:				
Trade and other receivables	11	8,583	1,629	10,212
Loans and other non-current financial assets	12	20,617	0	20,617
Current assets:				
Trade and other receivables	11	153,365	40,058	193,423
Loans and other current financial assets	12	1,376	159	1,535
Cash and cash equivalents	15	253,015	0	253,015
Total		**436,956**	**41,846**	**478,802**

	Note	Financial instruments Financial assets at amortised cost	Non-financial assets outside the scope of IFRS 9	Total
As at December 31st 2020				
Non-current assets:				
Trade and other receivables	11	0	8,848	8,848
Loans and other non-current financial assets	12	26,939	0	26,939
Current assets:				
Trade and other receivables	11	102,763	81,055	183,818
Loans and other current financial assets	12	8,393	101	8,494
Cash and cash equivalents	15	223,780	0	223,780
Total		**361,875**	**90,004**	**451,879**

The amounts of financial liabilities presented in the consolidated statement of financial position relate to the following categories of financial instruments specified in IFRS 9:

- financial liabilities measured at amortised cost,
- financial liabilities at fair value through profit or loss – designated as such on initial recognition or subsequently,
- financial liabilities at fair value through profit or loss – financial liabilities held for trading in accordance with IFRS 9,
- liabilities outside the scope of IFRS 9 (non-IFRS 9).

	Note	Financial instruments Financial liabilities at amortised cost	Financial instruments Financial liabilities at fair value through profit or loss designated as such on initial recognition or subsequently	Financial instruments outside the scope of IFRS 9	Non-financial liabilities Non-IFRS 9	Total
As at December 31st 2021						
Non-current liabilities:						
Borrowings, other debt instruments	22	91,443	0	0	0	91,443
Lease liabilities	9	0	0	748,500	0	748,500
Other financial liabilities	21	1,614	38,394	0	772	40,780
Current liabilities:						

Trade and other payables	20	126,577	0	0	210,686	337,263
Borrowings, other debt instruments	22	130,492	0	0	0	130,492
Lease liabilities	9	0	0	188,335	0	188,335
Other financial liabilities	21	0	25,502	0	0	25,502
Total		**350,126**	**63,896**	**936,835**	**211,458**	**1,562,315**
As at December 31st 2020						
Non-current liabilities:						
Borrowings, other debt instruments	22	188,084	0	0	0	188,084
Lease liabilities	9	0	0	752,853	0	752,853
Other financial liabilities	21	24	15,178	0	0	15,202
Current liabilities:						
Trade and other payables	20	118,126	0	0	116,593	234,719
Borrowings, other debt instruments	22	73,417	0	0	0	73,417
Lease liabilities	9	0	0	178,845	0	178,845
Other financial liabilities	21	0	29,884	0	0	29,884
Total		**379,651**	**45,062**	**931,698**	**116,593**	**1,473,004**

30.2. Fair value of financial instruments

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value of financial instruments for which there is an active market is determined on the basis of quoted market prices (sell and buy prices). For financial instruments for which no active market exists, fair value is determined using accounting techniques, with maximum use being made of variables sourced from active markets (exchange rates, interest rates, etc.) as model inputs.

In the Group's opinion, the carrying amount of financial instruments is a good approximation of their fair value, except for financial liabilities measured at amortised cost, for which the carrying amount is lower than fair value. Such divergence occurs, for example, in the case of the bonds issued, where the difference between the carrying amount (PLN 99.8m) and the fair value (PLN 100.7m) is PLN 0.9m.

The fair value of financial instruments was estimated using Level 3 of the fair value hierarchy.

30.3. Reclassification

The Group did not make any reclassification of financial assets which would lead to a change in the principles of measurement of such assets at fair value, at cost or at amortised cost.

31. Risk arising from financial instruments

The Group may be exposed to risks arising from financial instruments. For information on the Group's financial assets and liabilities by category, see Note 30.1. The risks to which the Group is exposed are:

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

The Group's financial risk management policy is coordinated by the Parent. The following are the key objectives of the financial risk management policy:

- to hedge short-term and medium-term cash flows,
- to contain the volatility of the Group’s financial result,
- to deliver the financial targets planned in the budget,
- to achieve a rate of return on long-term investments and secure optimum financing sources for investment projects.

The Group does not enter into speculative transactions on financial markets.

31.1. Market risk

Sensitivity to currency risk

Most of the Group’s transactions are executed in PLN. Foreign exchange transactions are CZK- and EUR-denominated loans to consolidated entities of the Benefit Systems Group, which are eliminated, and EUR-denominated costs of leasing/renting office space and sports facilities and disclosed under lease liabilities as at December 31st 2021.

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The Group's financial assets and liabilities other than foreign-currency denominated derivatives translated into the złoty using the closing exchange rate effective for the reporting date are presented below.

	Note	Amount in EUR	Amount in CZK	Amount in BGN	Amount in HRK	Amount in USD	Amount after translation in PLN
As at December 31st 2021							
Financial assets (+):							
Cash	15	197	5,017	0	0	17	1,904
Loans	12	30	543	0	0	0	239
Financial liabilities (-):							
Lease liabilities		(128,503)	0	0	0	0	(591,038)
Total exposure to currency risk		**(128,276)**	**5,560**	**0**	**0**	**17**	**(588,895)**
As at December 31st 2020							
Financial assets (+):							
Cash	15	130	79,548	1,500	950	16	18,723
Loans	12	0	0	0	0	0	0
Financial liabilities (-):							
Lease liabilities		(145,208)	0	0	0	0	(670,107)
Total exposure to currency risk		**(145,079)**	**79,548**	**1,500**	**950**	**16**	**(651,384)**

Below is presented an analysis of the sensitivity of the financial result with respect to the Group's financial assets and liabilities as at the end of the reporting period and the PLN exchange rate movements vs other currencies, assuming a 10% increase or decrease of the exchange rate with respect to the closing rate as at the reporting date:

	Exchange rate movements	Effect on profit/(loss):
As at December 31st 2021		
Exchange rate increase	10%	(58,889)
Exchange rate decrease	-10%	58,889
As at December 31st 2020		
Exchange rate increase	10%	(65,138)
Exchange rate decrease	-10%	65,138

Exposure to currency risk changes during the year depending on the volume of transactions denominated in foreign currencies. However, the sensitivity analysis is considered to be representative of the Group's exposure to currency risk at the reporting date.

Sensitivity to interest rate risk

The management of interest rate risk focuses on minimising the fluctuations in interest cash flows from financial assets and liabilities bearing variable rates of interest. The Group is exposed to interest rate risk in connection with the following categories of variable-rate financial assets and liabilities:

- loans
- borrowings.
- debt instruments

The analysis does not take into account cash in bank accounts as the asset's exposure to the currency risk is estimated as low – currently, interest rates on bank deposits are very low.

ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF POLISH ZLOTY (UNLESS INDICATED OTHERWISE)

Presented below is a sensitivity analysis of profit or loss and other comprehensive income to potential interest rate movements by +/- 1pp with respect to loans, bank borrowings and debt instruments as at the reporting date.

	Interest rate movements	Effect on profit/(loss):	
		December 31st 2021	**December 31st 2020**
Interest rate increase	1pp	(2,000)	(2,263)
Interest decrease	-1pp	2,000	2,263

Other comprehensive income is not sensitive to interest rate changes.

31.2. Credit risk

The Group's maximum exposure to credit risk is determined by the carrying amounts of financial assets and off-balance-sheet liabilities presented in the table below.

	Note	**December 31st 2021**	**December 31st 2020**
Loans	12	21,898	35,235
Trade receivables and other financial receivables	11	161,948	110,291
Cash and cash equivalents	15	253,015	223,780
Contingent liabilities under guarantees and sureties issued	29	9,152	9,038
Total credit risk exposure		**446,013**	**378,344**

The Group continuously monitors clients' and creditors' outstanding payments by analysing the credit risk for individual items or for entire asset classes. In addition, as part of its credit risk management, the Group enters into transactions with B2B trading partners with proven credibility.
The Group recognises impairment for expected credit losses in accordance with IFRS 9.

Financial receivables and loans, by stage of impairment, are presented below.

The Group applies a 3-stage classification of financial assets for impairment purposes, described in section *Impairment losses on financial assets* of Note 3.

	Measurement at amortised cost (stage of impairment)			
Balance as at December 31st 2021	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	**411,770**	**3,653**	**73,141**	**488,564**
Trade receivables	138,901	0	29,745	168,646
Loans	19,555	3,653	43,396	66,604
Cash	253,314	0	0	253,314
Impairment losses (IFRS 9)	**-3,524**	**-913**	**-64,235**	**-68,672**
Trade receivables	-2,828	0	-20,839	-23,667
Loans	-397	-913	-43,396	-44,706
Cash	-299	0	0	-299
Net carrying amount (IFRS 9)	**408,246**	**2,740**	**8,906**	**419,892**

	Measurement at amortised cost (stage of impairment)			
Balance as at December 31st 2020	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	**356,826**	**5,312**	**55,968**	**418,106**
Trade receivables	100,853	0	20,145	120,998

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Loans	31,893	5,312	35,823	73,028
Cash	224,080	0	0	224,080
Impairment losses (IFRS 9)	**(2,987)**	**(1,334)**	**(56,684)**	**(61,005)**
Trade receivables	(2,051)	-	(20,861)	(22,912)
Loans	(636)	(1,334)	(35,823)	(37,793)
Cash	(300)	0	0	(300)
Net carrying amount (IFRS 9)	**353,839**	**3,978**	**(716)**	**357,101**

In the opinion of the Management Board of the Parent, the above financial assets, which are not past due, can be considered as assets of good credit quality. Therefore, the Group did not demand any security or other credit enhancements.

The aging structure and past due information for the Group's receivables as the most significant category of assets exposed to credit risk are presented below.

	December 31st 2021		**December 31st 2020**	
	Not past due	Past due	Not past due	Past due
Short-term receivables:				
Trade receivables	111,083	57,563	87,435	33,563
Impairment losses on trade receivables (-)	(7,416)	(16,251)	(8,409)	(14,503)
Net trade receivables	103,667	41,312	79,026	19,060
Other net financial receivables	8,901	0	4,677	0
Impairment loss on other receivables (-)	(515)	0	0	0
Other net financial receivables	8,386	0	4,677	0
Financial receivables	**112,053**	**41,312**	**83,703**	**19,060**

	December 31st 2021	**December 31st 2020**
Past due trade receivables (net):		
less than 1 month	23,621	11,167
1 to 6 months	10,707	5,373
6 to 12 months	4,767	1,648
more than one year	2,217	873
Net past due financial receivables	**41,312**	**19,060**

With respect to trade receivables, the Group is not exposed to credit risk of a single major trading partner or a group of partners with similar characteristics. Based on historical past due trends, net past due financial receivables do not show a significant deterioration in quality as a majority of them fall within the range of less than one month and in the case of past due receivables from the other ranges appropriate collection measures have been taken.

For information on the credit risk of cash and cash equivalents, as well as the factors applied by the Group to calculate cash write-downs for banks' rating, see Note 15.
For detailed information on impairment losses on financial assets exposed to credit risk, see Notes 11 and 12.

31.3. Liquidity risk

The Group manages the liquidity risk by monitoring payment dates and cash requirements for short-term payments (current transactions monitored weekly) and long-term cash requirements based on cash flow forecasts updated on monthly basis. The cash requirements are then compared against the available cash sources (in particular, the Group's borrowing capacity) and the amount of free cash placements.

The Group's financial liabilities as at the reporting date are presented below.

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	Note	Current		Non-current			Total
		up to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	over 5 years	
As at December 31st 2021							
Investment credit facility	22	56,623	9,178	3,713	0	0	69,514
Overdraft and working capital credit facility	22	6,431	6,429	30,978	0	0	43,838
Loans	22	0	1,567	7,205	0	0	8,772
Debt securities	22	50,264	0	49,547	0	0	99,811
Lease liabilities	9	106,213	82,122	273,105	228,795	246,600	936,835
Trade payables	20	126,577	0	0	0	0	126,577
Total exposure to liquidity risk		**346,108**	**99,296**	**364,548**	**228,795**	**246,600**	**1,285,347**
As at December 31st 2020							
Investment credit facility	22	26,937	45,896	90,147	0	0	162,980
Overdraft and working capital credit facility	22	0	0	0	0	0	0
Loans	22	0	0	0	0	0	0
Debt securities	22	0	584	48,968	48,969	0	98,521
Lease liabilities	9	102,636	76,209	268,175	214,038	270,640	931,698
Trade payables	20	118,126	0	0	0	0	118,126
Total exposure to liquidity risk		**247,699**	**122,689**	**407,290**	**263,007**	**270,640**	**1,311,325**

The table presents liabilities at amounts disclosed in the consolidated statement of financial position.

As at each reporting date, the Group also had credit limits available in overdraft facilities:

	December 31st 2021	**December 31st 2020**
Overdraft facility limits	125,000	125,000
Investment facility limits	0	70,000
Amounts drawn – overdraft facility (-)	(157)	0
Available credit limits – overdraft facility	**124,843**	**125,000**
Available credit limits – investment credit facility	**0**	**70,000**

As at December 31st 2021, the Group's current assets were PLN 452.8 The amount of current liabilities was PLN 684.3m. In the Company's opinion, the available and undrawn credit facility limits of PLN 124.8m provide a sufficient liquidity buffer. The PLN 45m credit facility limit expires in May 2023, the PLN 30m limit expires in February 2023, and the PLN 50m limit expires in August 2022. The PLN 70m investment credit facility limit expired in January 2021.

32. Capital management

The Group manages capital to ensure appropriate creditworthiness, safe levels of capital ratios and the expected rate of return for shareholders and other entities with interest in the Group's financial condition.

The Group monitors the level of capital based on the carrying amount of equity. The Group uses this amount to calculate the ratio of equity to total debt as defined in the existing credit facility agreements (e.g., excluding lease liabilities under lease contracts disclosed in the statement of financial position).

In addition, the Group monitors its debt service capacity using the equity to total funding ratio, which is the ratio of equity to the sum of shareholders' equity and borrowings, other debt instruments and lease liabilities, and the ratio of debt (i.e. borrowings and other debt instruments less cash held) to EBITDA. EBITDA can be calculated in two ways: net profit/(loss) less share in profit/(loss) of equity-accounted entities, profit/(loss) on financing activities, plus depreciation and amortisation, and income tax, or as operating profit/(loss) before depreciation and amortisation. EBITDA is an indicator commonly used on capital markets, but it is not regulated in any national or international accounting laws or standards.
The level of the ratios in the reporting period is presented below.

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	December 31st 2021	December 31st 2020
Equity	601,677	523,000
Capital	601,677	523,000
Equity	601,677	523,000
Borrowings, other debt instruments	221,935	261,501
Lease liabilities	936,835	931,698
Total sources of funding	**1,760,447**	**1,716,199**
Capital to total sources of funding	**0.34**	**0.30**
Net profit	(23,855)	(98,692)
Share of profit/(loss) of equity-accounted entities	956	1,768
Net finance income/(costs)	(14,086)	(89,013)
Income tax	6,715	8,060
Depreciation and amortisation	209,098	211,223
EBITDA	**205,595**	**207,836**
Borrowings, other debt instruments	221,935	261,501
Cash and cash equivalents at end of period	253,015	223,780
Debt (Net financial liabilities)	**(31,080)**	**37,721**
Net financial debt to EBITDA ratio	**(0.15)**	**0.18**

The EBITDA value in the presented calculation was calculated in accordance with the above described technique. Data in the calculation were not adjusted for the impact of IFRS 16. The ratio of net financial debt to EBITDA in 2021 assumes a negative value. Adjustment of EBITDA by the impact of IFRS 16 would not change the sign of the ratio.

33. Events after the reporting date

Information on the impact of the armed conflict in Ukraine on the Group's operations

On February 24th 2022, Russia began a military invasion of Ukraine. The Group does not hold any assets in Ukraine or Russia, nor does it operate in any of these countries or provide services to entities located there. As at the date of these consolidated financial statements, there was no noticeable effect of the war on the Group's operations. The Group's Management Board does not rule out the risk of a material adverse effect of the ongoing conflict on the Group's trading partners. However, since there is no concentration of sales to or receivables from a single trading partner, other entities' potential liquidity problems should not have any significant effect on the Group's financial condition.

Although the armed conflict in Ukraine has not had any material effect on the Group's day-to-day operations, in a longer run it may harm the economies of the countries where the Group operates through, *inter alia*, higher prices of fuels, raw materials and energy, further inflation increase or the weakening of the local currencies, which may hamper the demand for the services and products offered by the Group and lead to higher operating expenses.

Execution of a financing agreement with the European Bank for Reconstruction and Development and Santander Bank Polska S.A.

On April 1st 2022, the Parent and some of its subsidiaries signed a long-term financing agreement (the "Agreement") with the European Bank for Reconstruction and Development ("EBRD") and Santander Bank Polska

S.A. ("Santander") (jointly: the "Banks") for PLN 205m (the "Financing"). The Financing amount may be additionally increased by no more than PLN 35m.

Under the Agreement, the Banks grant the Company Financing which may be used to cover capital expenditure on the organic growth of the Company's Group, development of the MultiLife platform, acquisitions, environmental projects, refinancing of the Company's existing debt under bank borrowings in Poland, and general corporate objectives.

Redemption of Series A bonds

On April 7th 2022, 50,000 Series A bonds issued by the Parent, with a total nominal value of PLN 50m, were redeemed when due.

Redemption of Series B bonds

On March 24th 2022, a meeting of holders of Series B ordinary bearer bonds issued by Benefit Systems S.A. (the "Bonds") (the "Bondholders Meeting") was held. Resolution No. 3/03/2022 of the Bondholders Meeting amended the terms and conditions of the Bonds (the "Terms and Conditions") to allow the Company to redeem the Bonds early, not only in the cases provided for in the Terms and Conditions, but also at the end of the third interest period, i.e., on April 7th 2022. The Company could also redeem all the Bonds early on April 14th 2022 by submitting, on or before April 5th 2022, an appropriate notice to the bondholders in the manner provided for in the Terms and Conditions. In both cases, the Company was obliged to pay, in addition to the payments under the Bonds (i.e., their nominal value plus interest), a bonus of 2.6%.

On April 14th 2022, 50,000 Series B bonds with a total nominal value of PLN 50m were redeemed early.

Acquisition of shares in Lunching.pl Sp. z o.o.

On April 13th 2022, Benefit Systems S.A. signed an agreement to purchase 75% of shares in Lunching.pl Sp. z o.o. for PLN 12.6m, payable upon execution of the agreement. The Group will commence the process of cost allocation and identification and measurement of the acquired assets and liabilities as soon as possible. The acquired company owns the platform and application for ordering food with delivery to the workplace. Lunching is a solution designed to facilitate the organisation of meals for employee teams by employers in a financing model of their choice. The new project will expand the Group's offering in the growing segment of the non-pay benefit market, i.e., co-financing of meals and supporting healthy eating habits of employees. Moreover, the acquisition of shares in Lunching.pl will significantly increase the Group's competence in healthy nutrition and co-financing of meals for employees. Knowledge and experience in this area will be used, among others, to develop and enhance the offering of the MultiLife programme.

Number of active sport cards

In April 2022, the estimated number of active sport cards in the Poland segment was 969.9 thousand and 333.2 thousand in the Foreign Markets segment.

34. Other information

34.1. Pending proceedings before administrative authorities

Antitrust proceedings against Benefit Systems S.A.
The antitrust proceedings against Benefit Systems S.A. (and other entities) were initiated by the President of the Office of Competition and Consumer Protection (the "President of UOKiK") on June 22nd 2018 in connection with the suspicion of certain activities potentially restricting competition on the domestic market of sports and recreational services packages or on the domestic market of fitness clubs or local fitness clubs (the "Proceedings").
On January 4th 2021, the Company received a decision of the President of UOKiK (the "Decision") concerning one of the three alleged breaches in respect of which the Procedure was initiated.
The President of UOKiK recognised the Company's participation in a market-sharing agreement between 2012 and 2017 as a practice restricting competition in the domestic market for the provision of fitness services in clubs, which constitutes an infringement of Article 6(1)(3) of the Act on Competition and Consumer Protection and Article 101(1)(c) of the Treaty on the Functioning of the European Union.

The President of UOKiK imposed fines on the parties to the Proceedings, including: on the Company in the amount of PLN 26,915,218.36 (taking into account the succession resulting from the merger of the Company with those of its subsidiaries which are also named in the Proceedings) and on its subsidiary (Yes to Move sp. z o.o., formerly: Fitness Academy sp. z o.o.) in the amount of PLN 1,748.74. Guided by, among other things, an analysis of well-known cases involving competition-restricting practices, where courts have often decided to significantly reduce fines imposed on businesses (in some cases by as much as 60-90%), and by the opinion of lawyers, the Company

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recognised a provision for the fine of PLN 10.8m in 2020. In the absence of any new circumstances affecting the case, the provision remained unchanged as at December 31st 2021.
The Company does not agree with the Decision and has therefore filed an appeal against the Decision within the period prescribed by law.
With respect to the two other alleged breaches (alleged concerted practices with respect to exclusive cooperation arrangements with fitness clubs, and alleged concerted practices to restrict competition in the market for sports and recreation package services), on December 8th 2021 the Company received a decision of the President of UOKiK ("Decision II") issued on December 7th 2021 (the "Decision Date") pursuant to Art. 12.1 of the Act on Competition and Consumer Protection of February 16th 2007.

No financial penalty was imposed on the Company by the President of UOKiK in connection with Decision II. Decision II is binding and its issuance terminates the Proceedings with respect to two of the three alleged breaches.
Pursuant to Decision II, the Company is obliged to:

1. offer and, if the parties reach an agreement in this respect, to provide, to at least one undertaking outside the Company's Group which offered sports and recreational packages in the B2B channel in 2018 (the "Counterparty"), sports and recreational services to holders of packages issued by the Counterparty on non-discriminatory terms at 11 fitness clubs located in cities with more than 200,000 inhabitants and having a surface area of at least 700 m^2. The obligation is to be performed by the Company within 36 months from the Decision Date, for a period of 12 to 15 months; with the duration depending, among others, on whether the Company decides to perform the obligation in the clubs owned prior to the Decision Date or in clubs purchased as part of transaction(s) to acquire shares/property.
2. publish on its website, for 24 months of the Decision Date, all the criteria required to include a fitness club in the MultiSport programme and other similar programmes operated by Benefit Systems S.A., in the same manner as before the Decision Date.
3. for 24 months of the Decision Date, as part of the MultiSport programme and other similar programmes operated by the Company, enter into cooperation with fitness clubs meeting the criteria for inclusion in the MultiSport programme and other similar programmes operated by Benefit Systems S.A. The above obligation does not apply to fitness clubs owned by the Company's competitors offering sports and recreational packages in the B2B channel.

34.2. Large holdings of shares

There is no ultimate controlling party, as none of the shareholders has a controlling interest.

	Number of shares	Number of voting rights	Par value of shares (PLN thousand)	Ownership interest
As at December 31st 2021*				
James van Bergh	494,695	494,695	495	16.86%
Benefit Invest Ltd.	300,421	300,421	300	10.24%
Invesco Ltd.	288,577	288,577	289	9.84%
Marek Kamola	237,440	237,440	237	8.09%
Fundacja Drzewo i Jutro	239,628	239,628	240	8.17%
MetLife OFE	222,318	222,318	222	7.58%
Nationale-Nederlanden OFE	201,527	201,527	202	6.87%
Aviva OFE	186,085	186,085	186	6.34%
Others	762,851	762,851	763	26.00%
Total	**2,933,542**	**2,933,542**	**2,934**	**100.00%**
As at December 31st 2020				
James van Bergh	527,195	527,195	527	18.22%
Benefit Invest Ltd.	300,421	300,421	300	10.38%
Invesco Ltd.	288,577	288,577	289	9.97%
Marek Kamola	245,000	245,000	245	8.46%
MetLife OFE	240,000	240,000	240	8.29%
Fundacja Drzewo i Jutro**	239,628	239,628	240	8.28%

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Nationale-Nederlanden OFE	159,000	159,000	159	5.49%
Others	894,466	894,466	894	30.90%
including Benefit Systems S.A. (treasury shares)	*118,053*	*Not applicable***	*118*	*4.08%*
Total	**2,894,287**	**2,894,287**	**2,894**	**100%**

*Information based on, *inter alia*, registrations at the General Meeting of November 30th 2021 and the annual asset structure of the open-end pension funds.
**Previous name (until August 5th 2019): Fundacja Benefit Systems.

34.3. Remuneration of senior management and supervisory personnel of the Parent

Total amount of the remuneration and other benefits paid to members of the Management Board of the Parent (excluding warrants):

	At the Parent:		At subsidiaries and associates:		Total
	Remuneration	Other benefits	Remuneration	Other benefits	
January 1st – December 31st 2021					
Members of the Management Board of the Parent	2,981	54	0	0	3,035
January 1st – December 31st 2020					
Members of the Management Board of the Parent	2,467	55	0	0	2,523

For other information on key management personnel, including information on loans to key management personnel, see Note 28.1.

The members of the Management Board did not receive any benefits in the form of warrants for 2021 and the benefits received in the form of Series G, H and I warrants due and potentially due as at December 31st 2021 were as follows:

Member of the Management Board	Series G, H and I Warrants granted and exercised for 2017-2019	Series K1 and K2 Warrants granted for 2021
Bartosz Józefiak	500	0
Emilia Rogalewicz	8,000	0
Wojciech Szwarc	6,400	0
TOTAL	**14,900**	**0**

In the reporting period, the Company did not incur any costs of the Incentive Scheme. For details of the Incentive Scheme for 2021-2025, see Note 16.3.

Total amount of remuneration and other benefits paid to members of the Supervisory Board of the Parent:

	Remuneration	Other benefits	Total
January 1st – December 31st 2021			
Members of the Supervisory Board of the Parent	397	1	398
January 1st – December 31st 2020			
Members of the Supervisory Board of the Parent	356	1	357

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34.4. Auditor's fee

The firm appointed to audit and review the company's financial statements from 2019 was KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp. k. The auditor's fee for the audit of the Parent's financial statements and the consolidated financial statements is presented below.

	January 1st – December 31st 2021	**January 1st – December 31st 2020**
Audit and review of financial statements	1,122	967
Other advisory services, including the report on remuneration	19	1
Total	**1,141**	**968**

The amount of PLN 1,141 thousand comprises remuneration of KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp. k., as well as PLN 468 thousand of remuneration paid to entities which audited the financial statements of companies in the Foreign Markets segment, including PLN 308 thousand for the KPMG network entities and PLN 160 thousand for other entities.

34.5. Employment

The average employment at the Group by employee groups and employee turnover are presented below.

	January 1st – December 31st 2021	**January 1st – December 31st 2020**
White-collar employees	1,363	1,366
Blue-collar employees	11	81
Total	**1,374**	**1,447**

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	January 1st – December 31st 2021	**January 1st – December 31st 2020**
New hires	425	365
Number of employees - departures (-)	(369)	(501)
Total	**56**	**(136)**

34.6. Amendment of the Company's Articles of Association

On December 31st 2021, the District Court for the capital city of Warsaw issued a decision to register an amendment to the Company's Articles of Association adopted by the Extraordinary General Meeting of the Company by Resolution No. 5/30.11.2021 of November 30th 2021. Following the decision, the Company's Articles of Association were amended to read as follows:

"The Supervisory Board shall pass resolutions with an absolute majority of votes if at least half of the members of the Supervisory Board are present at the meeting, unless the Articles of Association provide otherwise. The Supervisory Board shall adopt resolutions by open vote. A secret ballot shall be called at the request of a Supervisory Board member."

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35. Authorisation for issue

These consolidated financial statements for the year ended December 31st 2021 (and comparative data) were authorised for issue by the Management Board of the Parent on April 15th 2022 and were digitally signed. The financial statements will be finally approved by the Company's General Meeting.

Signatures of all Members of the Management Board

Date	Full name	Position	Signature
April 15th 2022	Bartosz Józefiak	Member of the Management Board	
April 15th 2022	Emilia Rogalewicz	Member of the Management Board	
April 15th 2022	Wojciech Szwarc	Member of the Management Board	

Signature of the person responsible for preparation of the financial statements

Date	Full name	Position	Signature
April 15th 2022	Katarzyna Beuch	Finance Director	