CONSOLIDATED FINANCIAL STATEMENTS OF THE BENEFIT SYSTEMS GROUP

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2022

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 31 2022	December 31 2021
Goodwill	6	460,624	446,395
Intangible assets	7	128,983	101,324
Property, plant and equipment	8	294,412	327,277
Right-of-use assets	9	834,176	786,453
Investments in associates	10	2,435	5,367
Trade and other receivables	11	9,510	10,212
Loans	12, 30	9,653	20,617
Deferred tax assets	13	27,917	30,312
Non-current assets		**1,767,710**	**1,727,957**
Inventories	14	6,472	4,377
Trade and other receivables	11	236,756	193,423
Current tax assets		482	491
Loans	12, 30	4,274	1,535
Cash and cash equivalents	15	218,327	253,015
Current assets		**466,311**	**452,841**
Total current assets		**466,311**	**452,841**
Total assets		**2,234,021**	**2,180,798**

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

EQUITY AND LIABILITIES	Notes	December 31 2022	December 31 2021
Equity attributable to owners of the parent:			
Share capital	16	2,934	2,934
Treasury shares (-)	16	0	0
Share premium		291,378	291,378
Exchange differences on translation of foreign operations		(10,361)	(7,416)
Retained earnings	16	443,082	316,851
Equity attributable to owners of the parent		727,033	603,747
Non-controlling interests	16.4	(1,617)	(2,070)
Total equity		**725,416**	**601,677**
Employee benefit provisions	18	259	270
Other provisions	19	10,767	10,767
Total long-term provisions		**11,026**	**11,037**
Trade and other payables	20	111	2,279
Deferred tax liability	13	3,212	3,063
Other financial liabilities	21	32,328	38,394
Borrowings, other debt instruments	22	60,566	91,443
Lease liabilities	9	789,716	748,500
Contract liabilities	23	0	107
Non-current liabilities		**896,959**	**894,823**
Employee benefit provisions	18	3,081	2,701
Other provisions	19	24	5
Total short-term provisions		**3,105**	**2,706**
Trade and other payables	20	369,888	321,537
Current income tax liabilities	26	9,515	2,858
Other financial liabilities	21	16,788	25,502
Borrowings, other debt instruments	22	24,140	130,492
Lease liabilities	9	164,879	188,335
Contract liabilities	23	23,331	12,868
Current liabilities		**611,646**	**684,298**
Total current liabilities		**611,646**	**684,298**
Total liabilities		**1,508,605**	**1,579,121**
Total equity and liabilities		**2,234,021**	**2,180,798**

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	January 1 – December 31 2022	January 1 – December 31 2021
Continuing operations			
Revenue	5	**1,909,120**	**954,938**
Revenue from sales of services		1,882,240	943,620
Revenue from sales of merchandise and materials		26,880	11,318
Cost of sales	5	**(1,392,035)**	**(774,038)**
Cost of services sold		(1,375,376)	(767,455)
Cost of merchandise and materials sold		(16,659)	(6,583)
Gross profit/(loss)		**517,085**	**180,900**
Selling expenses	5	(134,398)	(81,889)
Administrative expenses	5	(156,468)	(121,772)
Other income	24	7,787	32,506
Other expenses	24	(21,255)	(13,755)
Operating profit/(loss)		**212,751**	**(4,010)**
Finance income	25	2,860	14,782
Finance costs	25	(35,391)	(21,955)
Impairment losses on financial assets	25	(1,356)	(6,913)
Share of profit/(loss) of equity-accounted entities (+/-)	10	(2,292)	956
Profit/(loss) before tax		**176,572**	**(17,140)**
Income tax	26	(37,495)	(6,715)
Net profit/(loss) from continuing operations		**139,077**	**(23,855)**

Net profit/(loss)		**139,077**	**(23,855)**
Net profit/(loss) attributable to:			
- owners of the parent	27.1	138,124	(25,140)
- non-controlling interests		953	1,285

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

EARNINGS/(LOSS) PER ORDINARY SHARE (PLN)

	January 1–December 31 2022	January 1–December 31 2021
Earnings/(loss) per share		
Basic earnings/(loss) per share from continuing operations	47.08	(8.86)
Basic earnings/(loss) per share from discontinued operations	0.00	0.00
Earnings/(loss) per share	**47.08**	**(8.86)**
Diluted earnings (diluted loss) per share from continuing operations	47.08	(8.82)
Diluted earnings (diluted loss) per share from discontinued operations	0.00	0.00
Diluted earnings/(loss) per share	**47.08**	**(8.82)**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	January 1–December 31 2022	January 1–December 31 2021
Net profit/(loss)	**139,077**	**(23,855)**
Other comprehensive income	**(3,041)**	**(2,962)**
Items not reclassified to profit or loss	**0**	**0**
Items reclassified to profit or loss	**(3,041)**	**(2,962)**
- Exchange differences on translation of foreign operations	(3,041)	(2,962)
Comprehensive income	**136,036**	**(26,817)**
Comprehensive income attributable to:		
- owners of the parent	135,179	(27,994)
- non-controlling interests	857	1,177

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 1 2022		**2,934**	**0**	**291,378**	**(7,416)**	**316,851**	**603,747**	**(2,070)**	**601,677**
Changes in equity in the period January 1 – December 31 2022									
Share issue in connection with exercise of options (share-based payment scheme)	16.2	0	0	0	0	0	0	0	0
Sale of treasury shares	16.1	0	0	0	0	0	0	0	**0**
Increase in shares in subsidiary due to acquisition of non-controlling interest without change of control	21	0	0	0	0	(5,898)	(5,898)	227	**(5,671)**
Valuation of put options attributable to minority shareholders	21	0	0	0	0	(5,995)	(5,995)	(286)	**(6,281)**
Dividends	16.4	0	0	0	0	0	0	(345)	**(345)**
Total transactions with owners		**0**	**0**	**0**	**0**	**(11,893)**	**(11,893)**	**(404)**	**(12,297)**
Net profit/(loss) for the period January 1 – December 31 2022		0	0	0	0	138,124	138,124	953	**139,077**
Exchange differences on translation of foreign operations		0	0	0	(2,945)	0	(2,945)	(96)	**(3,041)**
Total comprehensive income		**0**	**0**	**0**	**(2,945)**	**138,124**	**135,179**	**857**	**136,036**
Total changes		0	0	0	(2,945)	126,231	123,286	453	123,739
Balance as at December 31 2022		**2,934**	**0**	**291,378**	**(10,361)**	**443,082**	**727,033**	**(1,617)**	**725,416**

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 1 2021		**2,894**	**(118,157)**	**272,107**	**(4,562)**	**372,245**	**524,527**	**(1,527)**	**523,000**
Changes in equity in the period January 1 – December 31 2021									
Share issue in connection with exercise of options (share-based payment scheme)	16.2	40	0	19,271	0	0	19,311	0	**19,311**
Sale of treasury shares	16.1	0	118,157	0	0	(25,697)	92,460	0	**92,460**
Increase in shares in subsidiary due to acquisition of non-controlling interest without change of control	21	0	0	0	0	5,629	5,629	9	**5,638**
Valuation of put options attributable to minority shareholders	21	0	0	0	0	(10,186)	(10,186)	0	**(10,186)**
Dividends	16.4	0	0	0	0	0	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 1 – December 31 2021		0	0	0	0	(25,140)	(25,140)	1,285	**(23,855)**
Exchange differences on translation of foreign operations		0	0	0	(2,854)	0	(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 31 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 CASH FLOWS

	Notes	January 1–December 31 2022	January 1–December 31 2021
Cash flows from operating activities			
Profit/(loss) before tax		**176,572**	**(17,140)**
Adjustments:		**282,732**	**266,844**
Depreciation and amortisation of non-financial non-current assets	7,8,9	232,076	209,098
Measurement of liabilities arising from acquisition of shares	21	1,346	(3,092)
Change in impairment losses and write-off of assets	11,12,7,8	2,198	8,054
Effect of lease modifications	9	(6,651)	(23,633)
(Gains)/losses on sale and value of liquidated non-financial non-current assets	8	7,040	5,423
(Gains)/losses on disposal of financial assets		0	0
Foreign exchange gains/(losses)	25.2	6,220	(8,543)
Interest expense	25.2	26,664	19,018
Interest income	25.1	(2,735)	(2,994)
Cost of share-based payments (Incentive Scheme)	16.3	0	0
Share of profit/(loss) of associates	10	2,292	(956)
Change in inventories	14	(2,095)	75
Change in receivables	11	(31,786)	(3,894)
Change in liabilities	20	47,500	63,519
Change in provisions	19	388	(1,349)
Other adjustments		275	6,118
Cash flows provided by (used in) operating activities		**459,304**	**249,704**
Income tax paid		(19,635)	(9,133)
Net cash from operating activities		**439,669**	**240,571**
Cash flows from investing activities			
Purchase of intangible assets	7	(46,998)	(37,363)
Purchase of property, plant and equipment	8	(75,725)	(36,785)
Proceeds from sale of property, plant and equipment	8	2,565	5,205
Acquisition of subsidiaries, net of cash acquired	6.1	(36,168)	(58,867)
Repayments of loans	12	952	1,689
Loans	12	(1,465)	(137)
Proceeds from sale of other financial assets		0	0
Interest received	12	1,125	523
Dividends received		640	0
Net cash from investing activities		**(155,074)**	**(125,735)**
Cash flows from financing activities			
Net proceeds from issue of shares	16.2	0	19,311
Sale of treasury shares	16.1	0	92,460
Expenditure on transactions with non-controlling interests	16.5	(4,842)	(20,313)
Proceeds from issue of debt securities	22	0	0
Redemption of debt securities	22	(100,000)	0
Proceeds from borrowings	22	50,504	0
Repayment of borrowings	22	(87,749)	(55,170)
Payment of lease liabilities	9.2	(165,341)	(112,180)
Interest paid	22	(11,510)	(7,980)
Dividends paid	16.4	(345)	(1,729)
Net cash from financing activities		**(319,283)**	**(85,601)**
Net change in cash and cash equivalents before exchange differences		**(34,688)**	**29,235**
Exchange differences		**0**	0
Net change in cash and cash equivalents		**(34,688)**	**29,235**
Cash and cash equivalents at beginning of period		**253,015**	223,780
Cash and cash equivalents at end of period		**218,327**	**253,015**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

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.

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., March 21st 2023, 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., March 21st 2023, 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.

In the period from January 1st 2022 to March 21st 2023, the composition of the Management Board and the Supervisory Board did not change.

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 Parent is continuing the development of MultiLife, a product providing access to online services which are dedicated to supporting users in their everyday caring for their health, well-being and personal development, including a diet creator, language learning platform, mindfulness course, e-books, yoga course, and online consultations with experts. 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 2022.

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 31 2022	December 31 2021
Focusly Sp. z o.o.	ul. Skierniewicka 16/20, 01-230 Warsaw, Poland	100.00%	100.00%
VanityStyle Sp. z o.o.	ul. Skierniewicka 16/20, 01-230 Warsaw, Poland	100.00%	100.00%

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YesIndeed Sp. z o.o.	ul. Przeskok 2, 00-032 Warsaw, Poland	100.00%	100.00%
Benefit Partners Sp. z o.o.	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	100.00%
Lunching.pl Sp. z o.o.[1)]	ul. Fabryczna 20A, 31-553 Kraków, Poland	77.68%	-
Benefit IP Sp. z o.o.[2)]	Plac Europejski 2, 00-844 Warsaw, Poland	-	100.00%
Benefit IP Spółka z ograniczoną odpowiedzialnością sp.k.[2)]	Plac Europejski 2, 00-844 Warsaw, Poland	-	100.00%
Fit Fabric Sp. z o.o.[3)]	Plac Europejski 2, 00-844 Warsaw, Poland	-	100.00%
Yes to Move Sp. z o.o.	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	100.00%
Total Fitness Sp. z o.o.[4)]	Aleja Bohaterów Września 9, 02-389 Warsaw, Poland	88.23%	88.23%
Zdrowe Miejsce Sp. z o.o.	ul. Odyńca 71, 02-644 Warsaw, Poland	80.00%	80.00%
Benefit Systems International S.A.[5)]	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.	Prievozská 14, Bratislava - mestská časť Ružinov 821 09, 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.[6)]	Lomnickeho 1705/9, 140 00 Praha 4, Czech Republic	97.20%	95.26%
Benefit Systems Spor Hizmetleri Ltd[7)]	Eski Büyükdere Caddesi No: 7, GİZ 2000 Plaza, Kat 4. 13. VE 14. Bağımsız Bölümler, Maslak, Sarıyer/ 34398 İstanbul, Turkey	97.20%	90.40%
Benefit Systems Slovakia S.R.O.	Prievozská 14, Bratislava - mestská časť Ružinov 821 09, Slovakia	95.26%	95.26%
Benefit Systems D.O.O.	Zagreb (Grad Zagreb) Heinzelova ulica 44, Croatia	94.28%	94.28%
Benefit Systems Bulgaria EOOD	11-13, Yunak Str., floor 1, 1612 Sofia, Bulgaria	93.31%	93.31%
Benefit Systems, storitve, D.O.O.	Komenskega street 36, 1000 Lublana, Slovenia	92.34%	92.34%
Multisport Foundation	ul. Racjonalizacji 5, 02-673 Warsaw, Poland	100.00%	100.00%
FIT 1 Sp. z o.o.[8)]	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	-
MW Legal Sp. z o.o.[9)]	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 April 13th 2022, the Parent acquired a 75% stake in Lunching.pl Sp. z o.o. On May 23rd 2022, an increase in the share capital of Lunching.pl Sp. z o.o. was registered, following which the Parent's interest in the company was 73.97% as at June 30th 2022. Following another share capital increase on August 4th 2022, the Parent's ownership interest rose to 77.68% as at December 31st 2022. On February 27th 2023, an increase in the share capital of Lunching.pl Sp. z o.o. was registered, following which the Parent's interest in the company rose to 79.89%. The company has been consolidated since the acquisition date based on the assumption that the Group exercises full (100%) control in view of the options included in the share purchase agreement.

2) On August 31st 2022, the merger of Benefit Systems S.A. with Benefit IP Sp. z o.o. and Benefit IP Spółka z ograniczoną odpowiedzialnością sp.k. was registered.

3) On October 28th 2022, the merger of Benefit Systems S.A. with Fit Fabric sp. z o.o. was registered.

4) Total Fitness Sp. z o.o. has been consolidated since the acquisition date based on the assumption that the Group exercises full (100%) control in view of the options included in the share purchase agreement.

5) On September 29th 2022, the transformation of the legal form of Benefit Systems International from spółka z ograniczoną odpowiedzialnością (limited liability company) into spółka akcyjna (joint-stock company) was registered.

6) On January 11th 2022, the sale of 2% of shares in MultiSport Benefit S.R.O. was effected, as a result of which Benefit Systems International S.A. holds all shares in the company.
7) On September 28th 2022, the sale of 7% of shares in Benefit Systems Spor Hizmetleri Limited Sirketi was effected, as a result of which it became wholly-owned by BSI Investments Sp. z o.o.
8) On November 16th 2022, the Parent acquired all shares in FIT 1 Spółka z ograniczoną odpowiedzialnością. The transaction was not accounted for using the acquisition method under IFRS 3 as the acquired assets did not constitute a business as defined in IFRS 3.
9) The company is not consolidated as it does not conduct any business activity.

The Group's voting interests in its subsidiaries are consistent with its respective interests in their share capital. The Parent and the consolidated entities were incorporated for indefinite time.

2. Basis of accounting and accounting policies

2.1. Basis of accounting used in preparing 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") as endorsed by the European Union, valid for annual periods beginning on January 1st 2022, 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). The currency of the primary economic environment in which the Company operates, i.e. in which it generates and expends cash, is the Polish złoty. For consolidation purposes, the financial statements of foreign operations are translated into the Polish currency in accordance with the accounting policies presented below.

These consolidated financial statements have been prepared on the assumption that the Group companies will continue as going concerns in the foreseeable future.

2.2. Amendments to standards and interpretations

New and amended standards applied by the Group as of January 1st 2022

No new or amended standards coming into effect for the first time in 2022 have a material impact on the Group's consolidated financial statements:

- Amendments to IFRS 3: Business Combinations – Reference to the Conceptual Framework
- Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Costs of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018–2020 – the amendments clarify the guidance on recognition and measurement provided in: IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture, and illustrative examples to IFRS 16 Leases.

Published standards and interpretations which were not yet effective for periods beginning on January 1st 2022 and their impact on the Group'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 2022: They include amendments, standards and interpretations published by the IASB but not yet accepted by the European Union.

IFRS 17 Insurance Contracts, as amended
The primary objective of IFRS 17 is to provide a framework for accounting for insurance contracts, which is more useful and consistent from insurers' perspective. Contrary to IFRS 4, which mostly relies on the continuation of existing local practices, IFRS 17 presents a comprehensive accounting model for insurance contracts that addresses all material aspects of insurance contract accounting.
The essence of IFRS 17 is a general model, which is supplemented by:

- a specific approach to contracts with direct participation features, i.e. the variable fee approach; and
- a simplified approach, i.e. the premium allocation approach, which is mainly applicable to short-term contracts.

The new standard does not affect the Group's financial statements as the Group does not conduct any insurance activities. The amendments are effective for annual periods beginning on or after January 1st 2023.

Amendments to IAS 1: Presentation of Financial Statements and the IASB Practice Statement 2 Making Materiality Judgements with respect to the application of materiality judgements to accounting policy disclosure
In the absence of a definition of the concept of "significance" in IFRSs, the IASB decided to replace it with a reference to 'materiality' in the context of accounting policy disclosure. "Materiality" is a defined IFRS term, which,

in the opinion of the IASB, is commonly understood by users of financial statements. When determining whether information on an accounting policy is material, the entity is required to consider if the transaction or other event or condition to which the accounting policy relates is material in size or nature, or both.
The amendments include examples of circumstances in which an entity is likely to consider certain information on its accounting policies to be material.
The amendments will have no material effect on the Group's financial statements. The amendments are effective for annual periods beginning on or after January 1st 2023.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – definition of accounting estimates
The amended standard clarifies that the effects of a change in a measurement technique or an input on an accounting estimate are changes in the accounting estimate if they do not result from the correction of prior period errors.
According to the previous definition of a change in accounting estimates, a change which results from new information or new developments does not constitute an error correction. This aspect of the definition has been maintained by the IASB in the amendments.
The amendments will have no material effect on the Group's financial statements. The amendments are effective for annual periods beginning on or after January 1st 2023.

Amendments to IAS 12: Income Taxes – Deferred Taxes related to Assets and Liabilities arising from a Single Transaction
The amendments clarify that where payments that represent the repayment of a liability are deductible for tax purposes, a judgment is required (subject to applicable tax laws and regulations) to determine whether such deductions should for tax purposes be allocated to the liability recognised in the financial statements (and interest expense) or to the related asset (and interest expense). Such judgment is important for determining whether any temporary differences exist upon initial recognition of the asset and liability.
The amendments will have no material effect on the Group's financial statements. The amendments are effective for annual periods beginning on or after January 1st 2023.

Amendments to IFRS 16: Leases – Lease Liability in a Sale and Leaseback
A lease liability in a sale and leaseback requires that the seller-lessee subsequently measure lease liabilities arising in leasebacks in such a way as not to recognise any gain or loss relating to the right of use.
The amendments have no impact on the financial statements of the Group as it does not engage in any leaseback transactions. The amendments are effective for annual periods beginning on or after January 1st 2024. The amendments have not yet been endorsed by the European Union.

Amendments to IAS 1: Presentation of Financial Statements – Clarification of the Requirements for Classification of Liabilities as Current or Non-Current
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 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
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 associates, 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. Entities are required to apply the amendments prospectively. Therefore, the amendments will not affect the Group'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.

2.3. 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 and Foreign Markets segments is included in 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 included in 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. 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 entirety;
- 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 is recognised on temporary differences that arise from the elimination of gains and losses resulting from intra-group transactions (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.

Business combinations
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.

<u>Investments in associates</u>
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.

<u>Foreign currency transactions</u>
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. Other borrowing costs are recognised as an expense in the period in which they are incurred.

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 incurred on development work performed as part of a project is carried forward if it can be assumed 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, following which depreciation charges are adjusted if and as needed.

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.

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 purchase 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 June 30th 2022 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before June 30th 2022 and increased lease payments that extend beyond June 30th 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.

Impairment of non-financial non-current assets
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 with indefinite useful lives and
- 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

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 and other financial assets
- 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 loans and other financial assets measured at amortised cost are recognised under ‘Impairment losses on financial assets’. In both cases, recognised losses are reduced by any 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 loss allowances varies depending on the class of financial assets:
- To trade receivables, the Group applies a simplified approach under paragraph 5.5.15 of IFRS 9, based on the calculation of loss allowances for lifetime expected credit losses on the receivable. Loss allowances are estimated on a collective basis using a provision matrix, with trade receivables grouped according to the number of days they are past due and to the shared credit risk characteristics of the trading partners they are owed by (B2B, B2C). This estimation method takes into account historical data on actual credit losses and the possible impact of material forward-looking factors which the Group can identify and estimate without undue cost or effort (e.g. market or macroeconomic factors). The probability of default is estimated based on historical data on outstanding receivables.

  In certain cases, the Group may also apply, on an individual basis, so-called ‘management overlays’ to estimating expected credit losses on trade receivables. Such approach is preferred in situations where the provision matrix fails to accurately reflect the loss allowance required for an exposure due to the intrinsic limitations of the statistical model, resulting from insufficient consideration of certain credit risks in estimating expected credit losses, While such additional credit risks, which are not included in the provision matrix, are known to and identified by the Group. This, in particular, applies to receivables from debtors in restructuring, liquidation or bankruptcy and to receivables which are not past due but which, according to the management's assessment based on available information on, for example, material deterioration of the trading partner's financial condition, entail a high risk of being uncollectible. A loss allowance on such trade receivables may be recognised at 100% of their amount.

- For the other categories of financial assets measured at amortised cost (loans in particular), the Group applies the general approach under IFRS 9, while taking into account their credit risk profile and other available information in keeping with the principle that indications of significant increases in credit risk and of impairment should be assessed based on reasonable and supportable information that is available to the Group without undue cost or effort.

For the purposes of assessing impairment and estimating expected credit losses, the Group classifies exposures into three stages, i.e.:

- *Stage 1*, which comprises exposures where credit risk has not increased significantly since initial recognition and for which 12-month expected credit losses are recognised;
- *Stage 2*, which comprises exposures where credit risk has increased significantly since initial recognition, but there is no objective indication of impairment and for which lifetime expected credit losses are determined. The Group considers credit risk to have increased significantly if any of the following indications is present:
  - a payment for given exposure is more than 60 days past due,
  - an exposure is placed on the watch list (i.e. included in the 'risk group'),
  - an adverse event is recorded in the National Register of Insolvent and Non-Performing Debtors,
  - existing or forecast significant adverse changes in the borrower's business, financial or economic conditions (a decline in revenue or margins, increased operating risk, working capital deficit, deterioration of assets, increased leverage in the balance sheet, liquidity problems, management problems, changes in the business profile or organisational structure, etc.);
- *Stage 3*, which comprises exposures where objective evidence of impairment has been identified and for which an impairment loss is recognised at 100% of their amount except where, based on reliable information, the amount of estimated impairment can be expected to be reduced as the payment due is highly like to be made or has been secured. The Group assumes that objective evidence of impairment includes the following indications:
  - significant financial difficulty of the debtor,
  - a breach of contract, such as a default or delinquency in principal and/or interest payments for more than 180 days,
  - the risk of bankruptcy due to significant financial difficulties;
  - negative equity;
  - significant probability of bankruptcy.

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 debtor has been declared bankrupt or has been liquidated,
- the debtor has become insolvent,
- the debt has become time-barred,
- the expected litigation and enforcement costs that would have be to incurred to recover the debt are equal to or higher than its amount;
- the asset is more than 360 days past due.

Financial liabilities

Financial liabilities are presented in the statement of financial position under the following items:

- trade and other payables
- lease liabilities
- borrowings, other debt instruments
- 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.

Reclassification

A financial asset may be reclassified to another category if, and only if, the business model is changed. The asset is then reclassified in accordance with the changed business model. The reclassification is applied prospectively from the reclassification date.

Where:

- an asset measured at amortised cost is reclassified as an asset measured at fair value through profit or loss, its fair value is measured at the reclassification date. Any difference between the previous amortised cost and the fair value is recognised in profit or loss;
- an asset measured at fair value through profit or loss is reclassified as an asset measured at amortised cost, its fair value at the reclassification date becomes its new gross carrying amount;
- an asset measured at amortised cost is reclassified as an asset measured at fair value through other comprehensive income, its fair value is measured at the reclassification date. Any difference between the previous amortised cost and the fair value is recognised in other comprehensive income;
- an asset measured at fair value through other comprehensive income is reclassified as an asset measured at amortised cost, the cumulative gain or loss previously recognised in other comprehensive income is removed from equity and adjusted against the fair value of the asset. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost;
- an asset measured at fair value through profit or loss is reclassified as an asset measured at fair value through other comprehensive income, the asset continues to be measured at fair value, with the effect of the measurement recognised in equity;
- an asset measured at fair value through other comprehensive income is reclassified as an asset measured at fair value through profit or loss, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss in accordance with IAS 1.

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.

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).

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 (subscription warrants).

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. The margin on sales of own vouchers (such as MultiBilet, MultiTeatr, MultiZoo) is also included in the commission model given that the Group 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 Poland 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 and deferred tax assets and liabilities</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.

Other taxes
Revenue, expenses and assets are recognised net of any value-added tax, transfer tax or other sales tax, except where input sales tax is not recoverable from the tax authorities; such tax is then included in the cost of an asset or recognised as an expense, as applicable.
The net amount of the sales tax which is recoverable from or payable to tax authorities is recognised in the statement of financial position under receivables or liabilities, as appropriate.

As MultiSport Benefit S.R.O. (Czech Republic) is not a VAT payer, i.e. it does not apply VAT to its sales of MultiSport membership cards, it recognises revenue at the amount of payments it receives from customers; consequently, it also includes any input VAT in the cost of the asset or recognises it as an expense, as applicable.

Statement of cash flows
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. The statement of cash flows is prepared using the indirect method.

Cash comprises cash in hand, cash at banks, and demand deposits.
Cash equivalents are short-term (up to 3 months), highly liquid investments readily convertible into specific amounts of cash and subject to insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.
Cash also includes cash in transit (e.g. cash being transferred between bank accounts or credit card settlements).

3. Subjective assessment by 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 2022, 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 cafeteria services and for the operation of fitness clubs at country level, given the complementary nature of these two business lines. 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.

<u>Loss allowances for financial assets</u>

As at each reporting date, the Parent's Management Board recognises loss allowances for financial assets measured at amortised cost, which are trade receivables and loans. Since January 1st 2018, the Group has been applying a loss allowance accounting policy based on IFRS 9.

With respect to trade receivables, it applies a simplified approach, whereby it recognises loss allowances at amounts equal to lifetime expected credit losses. Loss allowances are estimated on a collective basis using a provision matrix, with trade receivables grouped according to the number of days they are past due and to the shared credit risk characteristics of the trading partners they are owed by (B2B, B2C). This estimation method takes into account historical data on actual credit losses and the possible impact of material forward-looking factors which the Group can identify and estimate without undue cost or effort (e.g. market or macroeconomic factors). The probability of default is estimated based on historical data on outstanding receivables. For the purposes of estimating the default rates of its trading partners, the Group classifies trade receivables according to the number of days they are past due into the following ranges:

- not past due;
- past due 1–30 days,
- past due 31–90 days,
- past due 91–180 days,
- past due 181–360 days,
- past due > 360 days.

For each grouping of trading partners with shared credit risk characteristics and for each past-due range, the Group estimates a default rate based on historical data on unpaid invoices for sales to trading partners for at least the last three years. The expected credit loss for each grouping of trading partners with shared credit risk characteristics is arrived at by multiplying the amount of trade receivables included in a given past-due range and the applicable default rate.

In certain cases, the Group may also apply, on an individual basis, so-called ‘management overlays’ to estimating expected credit losses on trade receivables. Such approach is preferred in situations where the provision matrix fails to accurately reflect the loss allowance required for an exposure due to the intrinsic limitations of the statistical model, resulting from insufficient consideration of certain credit risks in estimating expected credit losses, While such additional credit risks, which are not included in the provision matrix, are known to and identified by the Group. This, in particular, applies to receivables from debtors in restructuring, liquidation or bankruptcy and to receivables which are not past due but which, according to the management’s assessment based on available information on, for example, material deterioration of the trading partner’s financial condition, entail a high risk of being uncollectible. A loss allowance on such trade receivables may be recognised at 100% of their amount.

In the management’s opinion, no existing or forecast macroeconomic factors (GDP, unemployment rate) indicate the need to recognise any additional loss allowances for trade receivables on a collective basis as at the reporting date.

For loans, the Group applies the general approach under IFRS 9, while taking into account their credit risk profile and other available information in keeping with the principle that indications of significant increases in credit risk and of impairment should be assessed based on reasonable and supportable information that is available to the Group without undue cost or effort. For the purposes of assessing impairment and estimating expected credit losses, the Group classifies exposures into three stages, i.e.:

- *Stage 1*, which comprises exposures where credit risk has not increased significantly since initial recognition and for which 12-month expected credit losses are recognised;
- *Stage 2*, which comprises exposures where credit risk has increased significantly since initial recognition, but there is no objective indication of impairment and for which lifetime expected credit losses are determined. The Group considers credit risk to have increased significantly if any of the following indications is present:
  - a payment for given exposure is more than 60 days past due,
  - an exposure is placed on the watch list (i.e. included in the ‘risk group’),
  - an adverse event is recorded in the National Register of Insolvent and Non-Performing Debtors,
  - existing or forecast significant adverse changes in the borrower’s business, financial or economic conditions (a decline in revenue or margins, increased operating risk, working capital deficit, deterioration of assets, increased leverage in the balance sheet, liquidity problems, management problems, changes in the business profile or organisational structure, etc.);
- *Stage 3*, which comprises exposures where objective evidence of impairment has been identified and for which an impairment loss is recognised at 100% of their amount, except that the amount of the estimated allowance may be reduced if reliable information is available that payment is highly probable or has been otherwise secured. The Group assumes that objective evidence of impairment includes the following indications:
  - significant financial difficulty of the debtor,
  - a breach of contract, such as a default or delinquency in principal and/or interest payments for more than 180 days,
  - the risk of bankruptcy due to significant financial difficulties;
  - negative equity;
  - significant probability of bankruptcy.

The Group monitors the changes in the borrowers' environment and assesses the potential impact of such changes on the borrowers' financial condition on an ongoing basis, as well as evaluating the credit risk for each borrower on a half-yearly basis in order to estimate the likelihood of problems with repayment of loans advanced under the Group's loan programme. The Group monitors the changes in the borrowers' environment and assesses the potential impact of such changes on the borrowers' financial condition on an ongoing basis, as well as evaluating the credit risk for each borrower on a half-yearly basis in order to estimate the likelihood of problems with repayment of loans advanced under the Group's loan programme.

The Group reviewed the results of its associates, taking into account their business development plans and expected future operating cash flows. As a result of the review, as at December 31st 2022 the Group did not identify any additional impairment of its investments in associates.

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. 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. 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 carried a contingent consideration liability relating to shares in Fabryka Formy S.A. As at the end of the reporting period, the liability was 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. As the thresholds provided for in the share purchase agreement were not met, as at December 31st 2022 the Company derecognised the liability (Note 21).

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 (Note 21).

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 of the provision is based on estimates prepared by the Management Board of the Parent and reflecting currently available information. A significant item of provisions as at December 31st 2022 is a provision for anti-trust proceedings (Notes 19 and 34.1). 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 purposes 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

In the financial statements for the previous years, the Group presented the Cafeterias segment in addition to the Poland and Foreign Markets segments. In view of the ongoing product integration process and the resulting organisational transition reflected in the merger of Benefit Systems S.A. and MyBenefit Sp. z o.o., the framework based on which the Group's Management Board assesses the Group's business performance and makes decisions on allocation of resources has been redefined. As a result, the Group has decided to include Cafeterias in the Poland segment.

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 to 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.

Operating segments include the following activities:
- The Poland segment comprises sales of sport cards, investing in and managing fitness clubs in Poland, and provision of non-pay incentive solutions through cafeteria platforms, which offer users a broad selection of products;
- The Foreign Markets segment includes the Benefit Systems Group's activities outside Poland, including sales of sport cards and management of fitness clubs;

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

- The Other Activities and Corporate segment mainly includes intersegment eliminations. 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. 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**	**Corporate**	**Total**
January 1–December 31 2022				
Revenue	**1,369,784**	**539,409**	**(73)**	**1,909,120**
including from external customers	*1,369,711*	*539,409*	*0*	***1,909,120***
including inter-segment sales	*73*	*0*	*(73)*	***0***
Cost of sales	**(975,220)**	**(416,854)**	**39**	**(1,392,035)**
including practical expedient under IFRS 16	*5,824*	*264*	*0*	***6,088***
Gross profit	**394,564**	**122,555**	**(34)**	**517,085**
Selling expenses	(92,213)	(42,185)	0	**(134,398)**
Administrative expenses	(104,600)	(50,408)	(1,460)	**(156,468)**
Other income and expenses	(8,378)	(4,581)	(509)	**(13,468)**
Operating profit/(loss)	**189,373**	**25,381**	**(2,003)**	**212,751**
Share of profit of equity-accounted entities	(2,292)	0	0	**(2,292)**
Interest expense on lease liabilities	(12,023)	(2,212)	0	**(14,235)**
Depreciation and amortisation	194,697	37,299	80	**232,076**
EBITDA**	**384,070**	**62,680**	**(1,923)**	**444,827**
Segment’s assets	2,160,516	317,626	(244,121)	**2,234,021**
Segment's liabilities	1,267,079	485,841	(244,314)	**1,508,606**
Investments in associates	2,435	0	0	**2,435**

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

	Poland Restated*	Foreign Markets	Other Activities and Corporate Restated*	Total
for the period January 1 − December 31 2021				
Revenue	**699,056**	**255,912**	**(30)**	**954,938**
including from external customers	699,026	255,912	0	**954,938**
including inter-segment sales	30	0	(30)	**0**
Cost of sales	**(563,938)**	**(210,100)**	**0**	**(774,038)**
including practical expedient under IFRS 16	19,446	2,624	0	**22,070**
Gross profit	**135,118**	**45,812**	**(30)**	**180,900**
Selling expenses	(57,078)	(24,811)	0	**(81,889)**
Administrative expenses	(83,813)	(35,342)	(2,617)	**(121,772)**
Other income and expenses	(842)	19,612	(19)	**18,751**
Operating profit/(loss)	**(6,615)**	**5,271**	**(2,666)**	**(4,010)**
Share of profit/(loss) of equity-accounted entities	956	0	0	**956**
Interest expense on lease liabilities	(10,061)	(1,348)	0	**(11,409)**
Depreciation and amortisation	175,526	33,572	0	**209,098**
EBITDA**	**168,911**	**38,843**	**(2,666)**	**205,088**

Segment's assets	2,156,475	271,845	(247,522)	**2,180,798**
Segment's liabilities	1,402,972	426,846	(250,697)	**1,579,121**
Investments in associates	5,367	0	0	**5,367**

** The restatement reflects the combination of the Poland and Cafeterias segments.*
*** The Group defines EBITDA as operating profit plus depreciation and amortisation.*

Cost of sales includes primarily costs of cardholder visits to sports facilities operated by MultiSport partners, costs of operating the Group's own fitness clubs, and costs of maintaining the cafeteria system.

Administrative expenses include costs related to corporate functions, such as administration, management, finance and accounting, IT support, and HR.

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 1– December 31 2022	January 1– December 31 2021*
Segments' revenue		
Total revenue of operating segments	1,909,193	954,968
Unallocated revenue	0	0
Elimination of revenue from inter-segment transactions	(73)	(30)
Revenue	**1,909,120**	**954,938**
Segments' profit/(loss)		
Segments' operating profit/(loss)	214,754	(1,344)
Elimination of profit/(loss) from inter-segment transactions (IFRS 16)	0	0
Unallocated profit/(loss)	(2,003)	(2,666)
Operating profit	**212,751**	**(4,010)**
Depreciation and amortisation	**232,076**	**209,098**
EBITDA**	**444,827**	**205,088**
Finance income	2,860	14,782
Finance costs (-)	(35,391)	(21,955)

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

Impairment losses on financial assets	(1,356)	(6,913)
Share of profit/(loss) of equity-accounted entities	(2,292)	956
Profit/(loss) before tax	**176,572**	**(17,140)**

** Restated to reflect the combination of the Poland and Cafeterias segments.*
*** The Group defines EBITDA as operating profit plus depreciation and amortisation.*

Segments' assets	**December 31 2022**	**December 31 2021***
Total assets of operating segments	2,478,142	2,428,320
Unallocated assets	294	281
Elimination of intragroup balances and transactions	(244,415)	(247,804)
Total assets	**2,234,021**	**2,180,798**

** Restated to reflect the combination of the Poland and Cafeterias segments.*

Segments' liabilities	**December 31 2022**	**December 31 2021***
Total liabilities of operating segments	1,752,919	1,829,818
Unallocated liabilities	19	0
Elimination of intragroup balances and transactions	(244,333)	(250,697)
Total liabilities	**1,508,605**	**1,579,121**

** Restated to reflect the combination of the Poland and Cafeterias segments.*

Segments' revenue and non-current assets

for the period January 1 − December 31 2022 and as at December 31 2022	Poland	Foreign Markets	Corporate	Total
Revenue from external customers:	**1,369,711**	**539,409**	**0**	**1,909,120**
Poland	*1,369,711*	*229*	*0*	*1,369,940*
Czech Republic	*0*	*311,263*	*0*	*311,263*
Bulgaria	*0*	*142,441*	*0*	*142,441*
Other	*0*	*85,476*	*0*	*85,476*
Non-current assets*:	**1,505,493**	**215,137**	**0**	**1,720,630**
Poland	*1,505,493*	*109,443*	*0*	*1,614,936*
Czech Republic	*0*	*47,529*	*0*	*47,529*
Bulgaria	*0*	*43,998*	*0*	*43,998*
Other	*0*	*14,167*	*0*	*14,167*

** Excluding financial instruments and deferred tax assets*

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

	Poland Restated**	Foreign Markets	Other Activities and Corporate Restated**	Total
for the period January 1 − December 31 2021 and as at December 31 2021				
Revenue from external customers:	**699,026**	**255,912**	**0**	**954,938**
Poland	*699,026*	*210*	*0*	*699,236*
Czech Republic	*0*	*129,044*	*0*	*129,044*
Bulgaria	*0*	*89,757*	*0*	*89,757*
Other	*0*	*36,901*	*0*	*36,901*
December 31 2021				
Non-current assets*:	**1,467,845**	**198,971**	**0**	**1,666,816**
Poland	*1,467,845*	*3,919*	*0*	*1,471,764*
Czech Republic	*0*	*117,766*	*0*	*117,766*
Bulgaria	*0*	*55,312*	*0*	*55,312*
Other	*0*	*21,974*	*0*	*21,974*

** Excluding financial instruments and deferred tax assets.*
*** The restatement reflects the combination of the Poland and Cafeterias segments.*

Revenue by category:		**January 1–December 31 2022**	**January 1–December 31 2021**
Sale of sport cards in Poland	B2B	1,067,176	540,079
Sale of sport cards on foreign markets	B2B	495,575	237,683
Sale of cafeteria benefits	B2B	54,320	53,766
Sale of fitness clubs in Poland	B2B/B2C	241,549	95,350
Sale of fitness clubs on foreign markets	B2B/B2C	43,673	18,128
Other settlements	B2B	2,263	3,229
Revenue from contracts with customers (IFRS 15)		**1,904,556**	**948,235**
Revenue from IFRS 16		4,564	6,703
Total revenue		**1,909,120**	**954,938**
Trade receivables	Note 11	*185,840*	*144,979*
Liabilities under contracts with customers	Note 23	*23,331*	*12,975*

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.

<u>Operating expenses by segment</u>

for the period January 1 − December 31 2022	**Note**	**Poland**	**Foreign Markets**	**Corporate**	**Total**
Depreciation and amortisation	7, 8, 9	194,697	37,299	80	232,076
including depreciation of right-of-use assets	*9*	*117,647*	*23,428*	*0*	*141,075*
Employee benefits	18	220,381	91,854	1,831	314,066
Raw materials and consumables used		38,961	16,261	0	55,222
Services		678,570	349,483	(490)	1,027,563
Taxes and charges		4,343	236	0	4,579

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

Other expenses		21,125	11,611	0	32,736
Total expenses by nature of expense		**1,158,077**	**506,744**	**1,421**	**1,666,242**
Cost of merchandise and materials sold		13,955	2,704	0	16,659
Cost of sales, selling expenses and administrative expenses		**1,172,032**	**509,448**	**1,421**	**1,682,901**

for the period January 1 − December 31 2021	**Note**	**Poland Restated***	**Foreign Markets**	**Other Activities and Corporate Restated***	**Total**
Depreciation and amortisation	7, 8, 9	175,526	33,572	0	209,098
including depreciation of right-of-use assets	*9*	*109,193*	*20,590*	*0*	*129,783*
Employee benefits	18	140,161	56,689	2,970	199,820
Raw materials and consumables used		17,958	5,876	0	23,834
Services		344,819	163,299	(353)	507,765
Taxes and charges		4,326	209	0	4,535
Other expenses		16,836	9,228	0	26,064
Total expenses by nature of expense		**699,626**	**268,873**	**2,617**	**971,116**
Cost of merchandise and materials sold		5,203	1,380	0	6,583
Cost of sales, selling expenses and administrative expenses		**704,829**	**270,253**	**2,617**	**977,699**

** The restatement reflects the combination of the Poland and Cafeterias segments.*

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 marketing expenses and advisory services.

6. Goodwill and acquisition of control of subsidiaries

6.1. Acquisition of control of subsidiaries

<u>In 2022, the amount of consolidation goodwill was affected by the transactions described below.</u>

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

On April 13th 2022, Benefit Systems S.A. signed an agreement to purchase a 75% ownership interest in Lunching.pl Sp. z o.o. for PLN 12.6m, payable upon execution of the agreement, and subsequently an increase in the acquiree's share capital was effected, which was paid for by Benefit Systems S.A. (PLN 0.75m) and the other shareholders (PLN 1.25m) The transaction resulted in Benefit Systems S.A. holding 73.97% of shares in the company and thus acquiring control thereof. In August 2022, the acquiree's share capital was again increased, which was entirely paid for by Benefit Systems S.A. As a result, Benefit Systems S.A. held a 77.68% ownership interest in Lunching.pl Sp. z o.o. as at December 31st 2022.
The company has been consolidated since the acquisition date based on the assumption that the Group exercises full (100%) control in view of the options concerning the remaining shares provided for in the share purchase agreement.

The option exercise payments are to be made in 2023–2025, and their amounts will depend on the acquiree's EBITDA and revenue in that period. According to the Company's best estimates, as at the date of acquisition of control, the fair value of the total acquisition price was PLN 18.5m (the nominal value prior to discounting was PLN 19.3m), including the payment of PLN 5.1m for the remaining shares (the nominal value prior to discounting was PLN 5.9m).

As at December 31st 2022, the estimated fair value of the option exercise payments decreased by PLN 0.4m, to PLN 4.7m (nominal value: PLN 5.4m). Therefore, other current financial liabilities of PLN 1.9m and other non-current financial liabilities of PLN 3.1m were recognised in the consolidated financial statements as at December 31st 2022.

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

To provisionally account for the acquisition of Lunching.pl sp. z o.o., the Group allocated the PLN 3m excess of the price over the acquired net assets to intangible assets, and PLN 14,2m was allocated to goodwill.

The acquiree owns a 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.

The amounts of identified assets and liabilities of the acquiree, recognised in the consolidated financial statements as at December 31st 2022 are as follows:

Acquiree	Lunching.pl sp. z o.o.
Acquisition date	April 13 2022
Acquisition price as at the acquisition date	**18,468**
Update of estimates	(423)
Acquisition price as at December 31 2022	**18,045**
Net assets acquired:	
Intangible assets	3,084
Right-of-use assets	41
Current trade and other receivables	1,492
Cash	1,314
Non-current borrowings, other debt instruments	(407)
Current trade and other payables	(1,600)
Current borrowings, other debt instruments	(67)
Current lease liabilities	(41)
Total net assets as at the acquisition date and as at December 31 2022	**3,816**
Goodwill as at December 31 2022	**14,229**

<u>In 2021, the amount of consolidation goodwill was affected by the transactions described below.</u>

Acquisition of YesIndeed Sp. z o.o.

On June 17th 2021, Benefit Systems S.A. signed an agreement to purchase all 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 all 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 an 88.23% ownership interest 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 was PLN 79.3m (the nominal value before discounting: 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 PLN 1.8m excess of the price over the acquired net assets to intangible assets, and PLN 71.4m was allocated to goodwill.

In the 12 months from the acquisition date to November 3rd 2022, no available information required changing the estimated value or payment date of the third instalment. Accordingly, no adjustments to the provisional accounting for the acquisition of Total Fitness Sp. z o.o. were recognised.

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.

As at the date of these consolidated financial statements, the cost allocation process for the above transactions was completed. The goodwill recognised on acquisition of Total Fitness Sp. z o.o., Focusly Sp. z o.o. and YesIndeed Sp. z o.o. did not change during the 12 months from the dates of their acquisition. The provisional amounts of identified assets and liabilities of the acquirees, recognised in the consolidated financial statements, are as follows:

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

Acquiree Acquisition date	YesIndeed Sp. z o.o. June 17 2021	Focusly Sp. z o.o. November 3 2021	Total Fitness Sp. z o.o. November 4 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. In 2021, the cafeteria business was 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 1–December 31 2022	**January 1–December 31 2021**
Gross carrying amount		
Balance at beginning of period	**446,395**	363,330
Acquisitions and business combinations, including:	14,229	83,065
Lunching.pl sp. z o.o.	14,229	-
Total Fitness Sp. z o.o.*	-	71,727
Focusly Sp. z o.o.	-	4,924
YesIndeed Sp. z o.o.	-	6,414
Gross carrying amount at end of period	**460,624**	**446,395**
Impairment losses		
Accumulated impairment losses at end of period	0	0
Goodwill – carrying amount at end of period	**460,624**	**446,395**

** including PLN 71,357 cost allocation (see Note 6.1) and PLN 370 thousand included in the acquiree’s assets*

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

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

	December 31 2022	December 31 2021
Poland*	431,895	417,666
Czech Republic	28,340	28,340
Bulgaria	389	389
Total goodwill	**460,624**	**446,395**

** Data as at December 31st 2021 has been restated. The restatement reflects the combination of the Poland and Cafeterias segments.*

Allocation of goodwill to individual segments is presented below.

	December 31 2022	December 31 2021
Poland*	431,895	417,666
Foreign Markets	28,729	28,729
Total goodwill	**460,624**	**446,395**

** Data as at December 31st 2021 has been restated. The restatement reflects the combination of the Poland and Cafeterias segments.*

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 more than 10pp 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 more than 4% 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 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 17% (without a corresponding decrease in the cost of sales). The test does not reveal any sensitivity to changes in discount rates.

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 9% 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 affected by the assumed discount rate and residual growth rate.

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

- detailed forecasts 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 segment:
  - WACC discount rate of 12.31% (2021: 8.24%)
  - Growth rate after the forecast period: 1.7% (2021: 1.7%)
  - The forecast assumes steady sales growth until 2025 and stabilisation in 2026 and 2027.
- for foreign cash-generating units:
  - WACC discount rate of 8.27% for the Czech Republic, (2021: 6.87%), 9.08% for Bulgaria (2021: 8.2%).
  - Growth rate after the forecast period: 0.5% for both cash-generating units (2021: 0.5%).

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

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

7. Intangible assets

	Trademarks	Patents and licences	Software	Completed development work	Other intangible assets	Intangible assets underdevelopment	Total
As at December 31 2022							
Gross carrying amount	6,800	6,924	7,316	94,372	38,666	51,202	205,280
Accumulated amortisation and impairment	(2,599)	(2,337)	(4,848)	(48,532)	(17,361)	(620)	(76,297)
Net carrying amount	**4,201**	**4,587**	**2,468**	**45,840**	**21,305**	**50,582**	**128,983**
As at December 31 2021							
Gross carrying amount	5,420	1,382	7,724	73,411	30,748	35,266	153,951
Accumulated amortisation 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**

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

	Trademarks	Patents and licences	Software	Completed development work	Other intangible assets	Intangible assets underdevelopment	Total
for the period January 1 − December 31 2022							
Net carrying amount as at January 1 2022	4,396	734	1,973	39,302	19,653	35,266	101,324
Increase (purchase, construction)	0	18	0	985	140	45,855	46,998
Acquisition of control due to acquisition of a business	0	0	0	0	3,054	0	3,054
Decrease (disposal, liquidation) (-)	0	0	0	(112)	(67)	(12)	(191)
Other movements (reclassification, transfers, etc.)	0	5,397	1,162	19,709	4,264	(30,532)	0
Impairment losses (+/-)	0	0	0	0	0	0	0
Amortisation (-)	(195)	(1,560)	(675)	(14,044)	(5,744)	0	(22,218)
Net exchange differences (+/-)	0	(2)	8	0	5	5	16
Net carrying amount as at December 31 2022	**4,201**	**4,587**	**2,468**	**45,840**	**21,305**	**50,582**	**128,983**
for the period January 1 − December 31 2021							
Net carrying amount as at January 1 2021	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
Amortisation (-)	(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 31 2021	**4,396**	**734**	**1,973**	**39,302**	**19,653**	**35,266**	**101,324**

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

The most important items of intangible assets are intangible assets under development of PLN 50.6m, costs of completed development work of PLN 45.8m, and other intangible assets of PLN 21.3m. 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 primarily work on creating a new comprehensive and more attractive Cafeteria system (PLN 32.2m), work related to the platform dedicated to operating and selling the MultiLife product (PLN 3.5m), work on expanding and upgrading support systems for the MultiSport programme (PLN 4.6m), and development of the Strefa Partner (Partner's Zone) platform (PLN 1.2m). Other intangible assets include intangible assets of PLN 3.1m recognised on the acquisition of Lunching Sp. z o.o. on April 13th 2022.

The Group reviewed intangible assets under development for any indications of impairment. No instances have been identified where, for individual assets, there are indications that the carrying amount is higher than the recoverable amount. The Group also reviewed the respective cash-generating units for indications of impairment as part of the asset impairment testing, as described in Note 6. Following the review, the Group concluded that there were no grounds for recognising an impairment loss on intangible assets under development. In the comparative period, the Group did not recognise any impairment losses either.

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

	January 1–December 31 2022	**January 1–December 31 2021**
Cost of sales	15,034	11,445
Administrative expenses	3,801	2,956
Selling expenses	3,373	1,407
Other	10	0
Total amortisation of intangible assets	**22,218**	**15,808**

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 did not recognise any impairment losses.

As at December 31st 2022, 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 31 2022							
Gross carrying amount	721	356,811	64,469	204	196,611	22,904	641,720
Accumulated depreciation and impairment	0	(183,155)	(47,985)	(202)	(115,966)	0	(347,308)
Net carrying amount	**721**	**173,656**	**16,484**	**2**	**80,645**	**22,904**	**294,412**
As at December 31 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**

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 1 − December 31 2022							
Net carrying amount as at January 1 2022	**721**	**185,104**	**14,608**	**32**	**90,639**	**36,173**	**327,277**
Acquisition of control due to acquisition of a business	0	0	0	0	0	0	0
Increase (purchase, construction)	0	8,569	5,816	0	5,013	46,322	65,720
Decrease (disposal, liquidation) (-)	0	(5,137)	(323)	(30)	(2,209)	(17,435)	(25,134)
Other movements (reclassification, transfers)	0	16,661	5,529	9	14,143	(42,116)	(5,774)
Impairment losses (+/-)	0	(730)	0	0	(104)	0	(834)
Depreciation (-)	0	(32,221)	(9,550)	(10)	(26,846)	0	(68,627)
Net exchange differences (+/-)	0	1,410	404	1	9	(40)	1,784
Net carrying amount as at December 31 2022	**721**	**173,656**	**16,484**	**2**	**80,645**	**22,904**	**294,412**
for the period January 1 − December 31 2021							
Net carrying amount as at January 1 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 31 2021	**721**	**185,104**	**14,608**	**32**	**90,639**	**36,173**	**327,277**

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In 2022, the Group incurred expenditure to open new fitness clubs (seven located in Poland and three abroad). Capital expenditure in 2022, of PLN 65.7m, was mainly related to investments in new and existing fitness clubs, of which PLN 16.3m was included in settlements with the lessors (line item 'Decrease'). The Group also decided to close four clubs in Poland and three abroad. The effect of this decision on the statement of profit or loss is recognised in other expenses (Note 24.2).

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).

Other property, plant and equipment include primarily fitness equipment and fitness club fittings. Apart from changes related to bringing assets to their present locations and condition for their intended use, 'other movements' include a decrease due to the transfer of the amount of expenditure in excess of the amount of the settlement with the lessor to the right-of-use assets and an increase attributable to the purchase of leased assets.

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

	January 1–December 31 2022	**January 1–December 31 2021**
Cost of sales	65,067	57,023
Administrative expenses	2,006	2,408
Selling expenses	1,554	4,076
Total depreciation of property, plant and equipment	**68,627**	**63,507**

As at December 31st 2022, no property, plant or equipment was pledged as collateral for the Group's liabilities. For information on security for liabilities, see Note 22.

The Group does not use external financing to obtain property, plant or equipment.

9. Leases

9.1. Right-of-use assets

	Property	Fitness equipment	Other	Total
for the period January 1 − December 31 2022				
Net carrying amount as at January 1 2022	**769,351**	**8,825**	**8,277**	**786,453**
New lease contracts	109,027	0	4,702	113,729
Recognition of right-of-use assets at acquired companies	41	0	0	41
Modifications, termination of contracts	65,259	5,311	596	71,166
Depreciation and amortisation	(133,876)	(3,370)	(3,829)	(141,075)
Exchange differences on translation of foreign operations	4,003	0	(141)	3,862
Net carrying amount as at December 31 2022	**813,805**	**10,766**	**9,605**	**834,176**

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for the period January 1 − December 31 2021	Property	Fitness equipment	Other	Total
Net carrying amount as at January 1 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 31 2021	**769,351**	**8,825**	**8,277**	**786,453**

9.2. Lease liabilities

	January 1–December 31 2022	**January 1–December 31 2021**
Balance at beginning of period	**936,835**	**931,698**
New lease contracts	100,886	41,122
Recognition of lease liabilities at acquired companies	41	65,095
Modifications, termination of contracts	59,811	28,277
Effect of application of COVID-19 practical expedient	(6,088)	(22,070)
Accrued interest	14,235	11,409
Exchange differences	10,099	(4,006)
Settlement of liabilities	(165,341)	(117,874)
Exchange differences on translation of foreign operations	4,117	3,184
Balance at end of period	**954,595**	**936,835**
Non-current	789,716	748,500
Current	164,879	188,335

Maturities of the lease liabilities as at December 31st 2022 and December 31st 2021 are presented below:

	Lease payments due in:			
As at December 31 2022	up to 1 year	1 to 5 years	over 5 years	total
Lease payments	166,231	584,002	258,607	**1,008,840**
Finance costs (-)	(1,352)	(26,963)	(25,930)	**(54,245)**
Present value	**164,879**	**557,039**	**232,677**	**954,595**

	Lease payments due in:			
As at December 31 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**

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As at December 31st 2022, 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 70,769 thousand (2021: PLN 99,710 thousand).

For the other disclosures on lease liabilities, see Notes 31.1 and 31.2.

9.3. Lease amounts disclosed in the reporting period

	January 1–December 31 2022	January 1–December 31 2021
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)	(141,075)	(129,783)
Gain/(loss) on lease modifications (recognised in other income/expenses)	563	1,563
Application of the COVID-19 practical expedient (recognised in cost of sales)	6,088	22,070
Interest expense on lease liabilities (recognised in finance costs)	(14,235)	(11,409)
Exchange differences on lease liabilities denominated in foreign currencies (recognised in finance costs)	(10,099)	4,006
Total	**(158,758)**	**(113,553)**
Amounts disclosed in the consolidated statement of cash flows		
Lease payments (recognised in cash flow from financing activities)	(165,341)	(112,180)

In 2022, the costs of short-term leases and leases of low-value assets not included in the measurement of lease liabilities but expensed in the reporting period were PLN 1,456 thousand and included mainly leases of advertising space (PLN 774 thousand) and leases of assorted equipment for fitness clubs and offices (PLN 682 thousand). There were no variable lease payments in 2022.

For interest expense on lease liabilities, see Note 25.2.

In 2022 and 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 2.3 *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 2.3 '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 2022 is PLN 6,088 thousand (2021: 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 2022, the Group recognised in the consolidated statement of profit or loss income from the subleases/leases of fitness equipment of PLN 3,825 thousand (2021: PLN 6,265 thousand). The Group also recognised income from sublease of office space of PLN 739 thousand (2021: PLN 450 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 2.3 'Accounting policies').

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Information on the Group's associated entities is presented below.

	Principal place of business and country of registration	Equity interest as at December 31 2022	% of total voting rights as at December 31 2022	Carrying amount measured using equity method as at December 31 2022	Carrying amount measured using equity method as at December 31 2021
Baltic Fitness Center Sp. z o.o.	ul. Puławska 427, 02-801 Warsaw, Poland	49.95%	49.95%	0	0
Instytut Rozwoju Fitness Sp. z o.o.	ul. Puławska 427, 02-801 Warsaw, Poland	48.10%	48.10%	2,435	5,367
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, Poland	20.00%	20.00%	0	0
Total carrying amount				**2,435**	**5,367**

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.

	December 31 2022	December 31 2021
Share of profit/(loss) of equity-accounted entities	(2,292)	956
Profit or loss disclosed in the Consolidated statement of profit or loss	**(2,292)**	**956**

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 2022	Equity	Net profit	Revenue
Instytut Rozwoju Fitness Sp. z o.o.	3,993	(4,037)	19,006

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 31 2022	December 31 2021
Trade receivables	0	0
Other security deposits paid	8,663	8,583
Prepayments	0	26
Other receivables	847	1,603
Total non-current trade and other receivables	**9,510**	**10,212**

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Short-term receivables:

	December 31 2022	December 31 2021
Financial assets (IFRS 9):		
Trade receivables	207,933	168,646
Impairment losses on trade receivables (-)	(22,093)	(23,667)
Net trade receivables	**185,840**	**144,979**
Other security deposits paid	1,397	890
Other receivables	540	8,011
Impairment loss on other financial receivables (-)	0	(515)
Other net financial receivables	**1,937**	**8,386**
Financial receivables	**187,777**	**153,365**
Non-financial assets (non-IFRS 9):		
Taxes, social security and other receivables	13,023	12,335
Purchased cafeteria codes	12,237	11,925
Unbilled revenue	14,475	4,472
Prepayments	7,053	10,682
Other non-financial receivables	2,191	644
Non-financial receivables	**48,979**	**40,058**
Total current trade and other receivables	**236,756**	**193,423**

Taxes, social security and other receivables are primarily VAT receivables.

Other receivables as at December 31st 2021 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 Note 2.3 *Accounting policies*). Impairment losses on receivables recognised in 2022 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 0.3 m (2021: PLN 0.3m)

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

	January 1–December 31 2022	January 1–December 31 2021
At beginning of period	23,667	22,912
Impairment losses expensed in period	340	275
Impairment losses reversed, recognised as income in period (-)	(3,022)	(1,678)
Other changes (including net exchange differences)	1,108	2,158
Balance at end of period	**22,093**	**23,667**

The Group applies a 3-stage classification of financial assets for impairment purposes, described in the *Financial assets* section of Note 2.3 *Accounting policies*.

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

Balance as at December 31 2022	Stage 1	Stage 2*	Stage 3	Total
At beginning of period	**2,828**	**0**	**20,839**	**23,667**
Impairment losses expensed in period	323	0	17	340
Impairment losses reversed, recognised as income in period (-)	(1,346)	0	(1,676)	(3,022)

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Other changes (including net exchange differences)	1,100	0	8	1,108
Balance at end of period	**2,905**	**0**	**19,188**	**22,093**

** Stage 2 does not include trade receivables, to which the Group applies the simplified approach under IFRS 9.*

Balance as at December 31 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)**
Allowances used (-)	2,158	0	0	**2,158**
Balance at end of period	**2,828**	**0**	**20,839**	**23,667**

**Stage 2 does not include trade receivables, to which the Group applies the simplified approach under IFRS 9*.

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 2022, no receivables were pledged as security for the Group's liabilities. For information on security for liabilities, see Note 22.

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 31 2022	**December 31 2021**
Long-term loans	9,557	20,522
Short-term loans	4,240	1,376
Total loans	**13,797**	**21,898**

The balance of loans as at the reporting date comprised mainly loans granted by the Parent to entities providing sports and recreational services to users of the MultiSport programme cards (PLN 12.47m). The purpose of the loan programme 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 and other entities. As at December 31st 2022, the balance of loans to associates was PLN 29.3m (as at December 31st 2021: PLN 28.5m) and was fully impaired.
As at December 31st 2022, the balance of loans to unrelated parties was PLN 15.9m (as at December 31st 2021: PLN 16.5m), and following recognition of a loss allowance, the net carrying amount of these loans was PLN 1.4m. 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.

As at December 31st 2022, the loans were reviewed in order to estimate a loss allowance therefor. The Group applies the general approach under IFRS 9 to loans, i.e. their 3-stage classification (stage 1, stage 2, and stage 3), for the purposes of measuring their impairment and any expected credit losses thereon, while taking into account their credit risk profile and other available information in keeping with the principle that indications of significant increases in credit risk and of impairment should be assessed based on reasonable and supportable information that is available to the Group without undue cost or effort. Accordingly, for stage-3 loans, a full write-down of the exposure except where the amount of the estimated write-down may be reduced if reliable information is available that payment is highly probable or has been otherwise secured. In case of other high-risk (i.e. stage-2) loans, loss allowances were recognised at 25%, while 2.5% (statistical allowance) of their amounts were recognised for other loans. For an overview of the classification of loans to impairment stages for the purposes of loss allowance recognition, see Note 31.2.

As at December 31st 2022, PLN-denominated loans with a carrying amount of PLN 13.8m (2021: PLN 21.9m) bear interest at variable rates based on WIBOR, with margins ranging from 1.5 to 4pp. Their repayment dates are between 2023 and 2030.

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

	January 1–December 31 2022	January 1–December 31 2021
Gross carrying amount		
Balance at beginning of period	66,604	73,028
Loans advanced in period	1,465	137
Interest accrued at the effective interest rate	2,001	1,759
Payment of principal and interest (-)	(2,077)	(2,176)
Set-offs and other changes (net exchange differences)	(8,001)	(6,144)
Gross carrying amount at end of period	**59,992**	**66,604**
Impairment losses		
Balance at beginning of period	44,706	37,793
Impairment losses expensed in period	1,489	6,913
Accumulated impairment losses at end of period	**46,195**	**44,706**
Carrying amount at end of period	**13,797**	**21,898**

In 2022, the Group advanced loans for a total amount of PLN 1.5m. The amount of loans repaid by borrowers in the reporting period was PLN 2.1m. Other changes comprise mainly set-offs of loans granted against liabilities to partners (PLN 7.9m).

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 31 2022	December 31 2021
Balance at beginning of period:			
Deferred tax assets		30,312	27,649
Deferred tax liability		3,063	2,151
Net deferred tax at beginning of period		**27,249**	**25,498**
Change in period affecting:			
Profit or loss (+/-)	26	(2,544)	1,751
Net deferred tax at end of period, including		**24,705**	**27,249**
Deferred tax assets		27,917	30,312
Deferred tax liability		3,212	3,063

Deferred tax assets

Temporary differences	Balance at beginning of period	Change: profit or loss	Change: other comprehensive income	Balance at end of period
As at December 31 2022				
Assets:				
Property, plant and equipment	50	22	0	72
Right-of-use assets	22,827	(2,317)	0	20,510
Trade and other receivables	3,029	(218)	0	2,811
Other assets	81	174	0	255
Liabilities:				
Provisions for employee benefit obligations	964	(572)	0	392
Other provisions	0	(80)	0	(80)

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Trade payables, payables under contracts with customers, and other payables	8,079	5,036	0	0
Borrowings, other debt instruments	4,017	118	0	4,135
Lease liabilities	102	(42)	0	60
Other liabilities	867	(1,154)	0	(287)
Other:				
Unsettled tax losses	34	0	0	34
Total	**40,576**	**441**	**0**	**41,017**
Offset with deferred tax liability				(13,100)
Balance of deferred tax asset in the statement of financial position				27,917
As at December 31 2021				
Assets:				
Property, plant and equipment	33	17	0	50
Right-of-use assets	20,585	2,242	0	22,827
Trade and other receivables	3,589	(560)	0	3,029
Other assets	0	81	0	81
Liabilities:				0
Provisions for employee benefit obligations	1,006	(42)	0	964
Trade payables, payables under contracts with customers, and other payables	5,285	2,794	0	8,079
Borrowings, other debt instruments	3,152	865	0	4,017
Lease liabilities	0	102	0	102
Other liabilities	481	386	0	867
Other:				
Unsettled tax losses	0	34	0	34
Total	**34,131**	**5,919**	**0**	**40,050**
Offset with deferred tax liability				(9,738)
Balance of deferred tax asset in the statement of financial position				30,312

Deferred tax liabilities

Temporary differences	Balance at beginning of period	Change: profit or loss	Change: other comprehensive income	Balance at end of period
As at December 31 2022				
Assets:				
Property, plant and equipment	3,057	141	0	3,198
Loans	6,013	2,325	0	8,338
Trade and other receivables	4	(1)	0	3
Other assets	(109)	0	0	(109)
Liabilities:				
Borrowings, other debt instruments	127	(368)	0	(241)
Lease liabilities	732	(380)	0	352
Other liabilities	2,977	1,794	0	4,771
Total	**12,801**	**3,511**	**0**	**16,312**
Offset with deferred tax asset				(13,100)
Balance of deferred tax liability in the statement of financial position				3,212
As at December 31 2021				

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Assets:				
Property, plant and equipment	2,146	911	0	3,057
Loans	2,783	3,230	0	6,013
Trade and other receivables	0	4	0	4
Other assets	3	(112)	0	(109)
Liabilities:				
Borrowings, other debt instruments	0	127	0	127
Lease liabilities	1,210	(478)	0	732
Other liabilities	2,491	486	0	2,977
Total	**8,633**	**4,168**	**0**	**12,801**
Offset with deferred tax asset				(9,738)
Balance of deferred tax liability in the statement of financial position				3,063

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 31 2022	December 31 2021
Materials	820	389
Merchandise	5,652	3,988
Total carrying amount of inventories	**6,472**	**4,377**

In 2022, the Group recognised in the consolidated statement of profit or loss costs of inventories sold of PLN 16.7m (2021: PLN 6.6m).

Inventory write-downs charged to other expenses in the consolidated statement of profit or loss in 2022 were PLN 48 thousand (2021: PLN 15 thousand).

Materials which did not meet the criteria for classification as inventories (PLN 11.7m) were expensed in the period.

As at December 31st 2022, no inventories were pledged as security for the Group's liabilities. For information on security for liabilities, see Note 22.

15. Cash and cash equivalents

	December 31 2022	December 31 2021
Cash at bank in PLN-denominated accounts	63,157	242,770
Cash at bank in foreign currency accounts	58,721	9,017
Cash in hand	1,491	1,151
Short-term deposits	94,181	45
Other	777	32
Cash and cash equivalents	**218,327**	**253,015**

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.

As at December 31st 2022, cash in bank accounts was pledged as security (registered pledges) for repayment of liabilities. For information on collateral for liabilities, see Note 22.

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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 2022, the Parent's share capital amounted to PLN 2,934 thousand (2021: PLN 2,934 thousand) and comprised 2,934,000 shares 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.

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

	January 1–Dec 31 2022	**January 1–December 31 2021**
Shares issued and fully paid up:		
Number of shares at beginning of period	2,933,542	2,894,287
Issue of shares	0	39,255
Number of shares at end of period	**2,933,542**	**2,933,542**

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

On July 8th 2021, the Parent sold 118,053 thousand treasury shares, representing approximately 4.08% of its share capital, for a total of PLN 92,460 thousand. Following the transaction, the Parent does not hold any more shares in treasury.

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 2022, the Company earned profit.

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.

In 2022, the Parent did not issue any shares or sell any treasury shares.

16.3. Share-based payment schemes

Pursuant to resolutions of the General Meeting, Benefit Systems S.A. has in place an Incentive Scheme (the "Scheme") for senior and middle management of the Parent and for the Benefit Systems Group subsidiaries with which the parent has entered into relevant agreements. 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 Supervisory Board resolved to establish an Incentive Scheme for 2021–2025 at the Company. The purpose of the 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. In the 2021–2025 edition of the Incentive Scheme, its participants (up to 149 persons) will be able to acquire up to a total of 125,000 subscription warrants (which, upon conversion into shares, will represent 4.1% of the Parent's (post-issue) share capital), entitling them to subscribe for a specific number of shares in the Parent in five equal tranches.

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The vesting of the warrants will depend on the satisfaction of certain loyalty and effectiveness criteria set out in the Incentive Scheme Rules, and the operation of the Incentive Scheme in a given year will be subject to the mandatory condition that a specified level of consolidated operating profit adjusted for the accounting cost of the Incentive Scheme is achieved for a given financial year.

Despite fully achieving the target adjusted consolidated operating profit under the Scheme and the high likelihood of satisfying the other applicable criteria, the Group has not recognised the Scheme costs for 2022 as the process to launch the Scheme, including granting warrants to the eligible participants, was completed by the reporting date, which in accordance with IFRS 2 precludes recognition of such costs for 2022.

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.

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 31 2022	**December 31 2021**
MultiSport Benefit S.R.O.	1,451	602
Benefit Systems Bulgaria EOOD	343	856
Benefit Systems, storitve, D.O.O.	2	2
Form Factory Slovakia s.r.o.	(189)	(192)
Fit Invest International Sp. z o.o.	(297)	(319)
Form Factory S.R.O.	(492)	(537)
Beck Box Club Praha S.R.O.	(368)	(453)
Benefit Systems International S.A.	88	174
Benefit Systems D. O. O. HR	(1,147)	(1,380)
Benefit Systems Slovakia S.R.O.	(488)	(466)
Benefit Systems Spor hizmetleri limited sirketi	(82)	219
BSI Investments Sp. z o.o.	62	31
Next Level Fitness Eood	(500)	(607)
Total non-controlling interests	**(1,617)**	**(2,070)**

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 1–December 31 2022	**January 1–December 31 2021**
Balance at beginning of period	**(2,070)**	**(1,527)**
Changes in the Group structure (transactions with non-controlling interests)		
Change in non-controlling interests	(59)	9
Total non-controlling interests	**(2,129)**	**(1,518)**

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Comprehensive income:		
Net profit/(loss) for the period (+/-)	953	1,285
Exchange differences	(96)	(108)
Dividend	(345)	(1,729)
Balance of non-controlling interests at end of period	**(1,617)**	**(2,070)**

16.5. Change in non-controlling interests

Company	**MultiSport Benefit S.R.O.**	**Benefit Systems Spor Hizmetleri Limited Sirketi (Turkey)**	**BSI Investments Sp. z o.o.**
Transaction date	January 11 2022	September 28 2022	October 5 2022
% increase in the Group's interest in subsidiary	1.94%	6.80%	(6.80%)
Carrying amount of acquired minority interests	406	(238)	(316)
Recognised amount of consideration paid for shares	4,842	190	(184)
Cash outflow	(4,842)	(190)	184

16.6. Loss of control

In 2022, the Parent did not lose control of any of the Group companies.

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 1–December 31 2022	**January 1–December 31 2021**
Salaries and wages	257,863	166,125
Social security	56,213	33,428
Share-based payments schemes	0	15
Cost of future employee benefits (provisions for length-of-service benefits, retirement gratuity benefits)	(10)	252
Total employee benefits expense	**314,066**	**199,820**

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 31 2022	**December 31 2021**	**December 31 2022**	**December 31 2021**
Employee benefits:				
Salaries and wages payable	11,315	8,070	0	0
Social security contributions payable	8,573	17,552	0	0
Provisions for bonuses, commissions and other*	36,857	21,450	0	0
Provisions for retirement gratuity benefits	15	9	254	270
Provision for accrued holiday entitlements	3,066	2,692	5	0

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Employee benefits	**59,826**	**49,773**	**259**	**270**

**provisions for termination benefits*

As at December 31st 2022, the Group disclosed a non-current retirement benefit obligation of PLN 254 thousand (2021: PLN 270 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 6.8% and the expected wage growth rate of 13.1% for 2023, 5.9% for 2024, 3.5% for 2025, 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 31 2022	**December 31 2021**	**December 31 2022**	**December 31 2021**
Litigations and claims	0	0	0	0
Other provisions	24	5	10,767	10,767
Total other provisions	**24**	**5**	**10,767**	**10,767**

	Provisions		Total
	litigations and claims	Other	
for the period January 1 − December 31 2022			
At beginning of period	0	10,772	10,772
Increase in provisions expensed in period	0	24	24
Provisions reversed, recognised as income in period (-)	0	0	0
Use of provisions (-)	0	(5)	(5)
Increase through business combination	0	0	0
Other changes (net exchange differences)	0	0	0
Provisions as at December 31 2022	**0**	**10,791**	**10,791**
for the period January 1 − December 31 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 31 2021	**0**	**10,772**	**10,772**

As of December 31st 2022, the most significant item of the provisions was the provision of PLN 10.8m for liabilities related to anti-trust proceedings. For details of the proceedings, see Note 34.1.

20. Trade and other payables

Trade and other payables are presented below.

	December 31 2022	**December 31 2021**
Trade payables	0	1,260
Security deposits received	95	352

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Grants	0	0
Other non-financial liabilities	16	667
Total non-current trade and other payables	**111**	**2,279**

	December 31 2022	December 31 2021
Financial liabilities (IFRS 9):		
Trade payables	112,252	100,749
Purchase of non-current assets	6,990	16,992
Security deposits received	9,213	8,836
Other financial liabilities	39	0
Financial liabilities	**128,494**	**126,577**
Non-financial liabilities (non-IFRS 9):		
Taxes and other duties payable	2,702	1,932
Accrued expenses and deferred income	88,612	52,274
Amounts payable for unused cafeteria benefits	86,966	83,433
Employee benefit obligations	56,745	47,072
Advance payments collected in connection with conversion work at fitness clubs	3,245	7,840
Other non-financial liabilities	3,124	2,409
Non-financial liabilities	**241,394**	**194,960**
Total current trade and other payables	**369,888**	**321,537**

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.

Accrued expenses and deferred income include provisions for product costs (i.e. costs of visits at partner facilities and costs of own cafeteria products) of PLN 57.0m (2021: PLN 40.5m).

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 liabilities under the options to purchase minority interests in companies of the Foreign Markets segment and liabilities related to acquisition of shares in subsidiaries.

	December 31 2022	December 31 2021
Liability arising from acquisition of shares in Total Fitness Sp. z o.o.	0	13,503
Liability arising from acquisition of shares in Lunching.pl Sp. z o.o.	3,109	0
Liability arising from acquisition of shares in YesIndeed Sp. z o.o.	0	2,663
Liability arising from acquisition of shares in Fabryka Formy Sp. z o.o.	0	61
Benefit Systems International S.A.	17,645	13,604
Benefit Systems Bulgaria EOOD	8,670	6,081
Benefit Systems Slovakia S.R.O.	1,078	1,027
Benefit Systems D.O.O (Croatia)	1,373	1,455
Other	453	0
Total other non-current financial liabilities	**32,328**	**38,394**

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	December 31 2022	December 31 2021
Liability arising from acquisition of shares in Total Fitness Sp. z o.o.	13,857	15,889
Liability arising from acquisition of shares in Lunching.pl Sp. z o.o.	1,866	0
Liability arising from acquisition of shares in YesIndeed Sp. z o.o.	1,065	0
Liability arising from acquisition of shares in Focusly Sp. z o.o.	0	2,000
Liabilities arising from purchase of shares in Fit Fabric	0	3,000
MultiSport Benefit S.R.O. (Czech Republic)	0	4,613
Total other current financial liabilities	**16,788**	**25,502**

Liabilities under contingent consideration for acquired shares – measurement as at December 31st 2022

Total Fitness Sp. z o.o.
On November 4th 2021, an agreement was signed whereby the Parent purchased an 88.23% ownership interest in Total Fitness Sp. z o.o. and agreed to acquire the remaining 11.77% of the company's share capital. 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 of all shares, net of the set-offs, is no less than PLN 70.9m and no more than PLN 79.9m.
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 final instalment (with a nominal value of PLN 14m) is to be paid in April 2023. Accordingly, an amount of PLN 13.9m was recognised in other current financial liabilities as at December 31st 2022.

Lunching.pl sp. z o.o.
On April 13th 2022, Benefit Systems S.A. signed an agreement to purchase a 75% ownership interest in Lunching.pl Sp. z o.o. for PLN 12.6m, payable upon execution of the agreement, and subsequently an increase in the acquiree's share capital was effected, which was paid for by Benefit Systems S.A. (PLN 0.75m) and the other shareholders (PLN 1.25m) The transaction resulted in Benefit Systems S.A. holding 73.97% of shares in the company and thus acquiring control thereof. The company has been consolidated since the acquisition date based on the assumption that the Group exercises full (100%) control in view of the options concerning the remaining shares provided for in the share purchase agreement.
The option exercise payments are to be made in 2023–2025, and their amounts will depend on the acquiree's EBITDA and revenue in that period. As at December 31st 2022, according to the Company's best estimates, the value of payments for the remaining shares was PLN 4.7m (nominal value: PLN 5.4m), and accordingly amounts of PLN 1.9m and PLN 3.1m were recognised under other current and non-current financial liabilities, respectively.

YesIndeed Sp. z o.o.
On June 17th 2021, Benefit Systems S.A. signed an agreement to purchase all shares in YesIndeed Sp. z o.o. for PLN 10.7m. The purchase price consisted of PLN 8m, payable upon execution of the agreement, and two deferred payments totalling PLN 2.7m (recognised in the 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 acquiree. In June 2022, the Company made a payment of PLN 1.6m, with the final payment to be made no later than August 2023. Accordingly, an amount of PLN 1.1m was recognised in other current financial liabilities as at December 31st 2022.

Focusly Sp. z o.o.
On November 3rd 2021, Benefit Systems S.A. acquired all shares in Focusly Sp. z o.o. The purchase price was PLN 6.5m and could be increased by no more than PLN 0.5 payable upon fulfilment of the relevant conditions defined in the share purchase agreement within nine months from the acquisition date. In 2022, the Company finally accounted for the transaction and total payments of PLN 2,330 thousand, including recognising other finance costs of PLN 30 thousand.

Fabryka Formy Sp. z o.o.
On January 2nd 2018, the Company acquired a 33.94% ownership interest 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 Company used 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 2022 is due. In the financial result for 2022, finance income of PLN 61 thousand was recognised as the Company discontinued the recognition of the related liability.

Fit Fabric Sp. z o.o.
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 wholly-owned FitFabric Sp. z o.o. Following the last payment under the agreements in January 2022, of PLN 3m, the Company derecognised the related liability.

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. (Czech Republic)
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 2% ownership interest (payable in January 2022), the Group adjusted the measurement of the liability as at December 31st 2021 to PLN 4.6m.
In 2022, the Group acquired the remaining 2% ownership interest from minority shareholders.

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 shares in Benefit Systems International Sp. z o.o. (currently: Benefit Systems International S.A). Relevant agreements were executed with members of management boards of the following subsidiaries:

- Benefit Systems International Sp. z o.o. (currently: Benefit Systems International S.A).
- Benefit Systems Greece MIKE
- Benefit Systems D.O.O. (Croatia)
- 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 S.A.), 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.

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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 2022, the value of the put options was estimated at PLN 28.8m (vs PLN 22.2m as at December 31st 2021). Reconciliation of the amount of the liabilities between the beginning and the end of the reporting period for 2022 includes interest and exchange differences recognised in finance costs on the option assuming exercise at the fixed price of PLN 0.3m and a change in the valuation of put options with the exercise price linked to future performance of the subsidiaries, of PLN 6.3m (recognised as a decrease in capital reserves).

The decrease in retained earnings of PLN 11.9m disclosed in the consolidated statement of changes in equity is a result of the acquisition of the 2% ownership interest in MultiSport Benefit S.R.O. from minority shareholders (PLN 5.7m) and the programme of shareholder agreements with the key personnel to promote development of the Foreign Markets segment (PLN 6.3m).

22. Borrowings, other debt instruments

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

	Current liabilities		Non-current liabilities	
	December 31 2022	**December 31 2021**	**December 31 2022**	**December 31 2021**
Financial liabilities at amortised cost:				
Working capital and investment credit facilities	23,979	78,658	60,566	34,691
Overdraft facilities	3	3	0	0
Loans	158	1,567	0	7,205
Debt securities	0	50,264	0	49,547
Financial liabilities measured at amortised cost	24,140	130,492	60,566	91,443
Total borrowings, other debt instruments	**24,140**	**130,492**	**60,566**	**91,443**

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

	January 1–December 31 2022	**January 1–December 31 2021**
Balance at beginning of period	**221,935**	**261,501**
Increase in investment credit facility	50,504	0
Repayment of investment and working capital credit facility instalments	(79,547)	(54,618)
Accrual of interest on investment and working capital credit facilities	8,408	3,819
Payment of interest on investment and working capital credit facilities	(8,169)	(3,862)
Change in credit facilities on acquisition of control	0	4,988
Bond redemption	(100,000)	0
Accrual of interest on bonds	2,737	3,965
Payment of interest on bonds	(2,917)	(2,630)
Change in non-bank borrowings on acquisition of control	474	9,338
Repayment of principal of non-bank borrowings	(8,202)	(516)
Payment of interest on non-bank borrowings	(424)	(50)
Other changes, including set-off	(93)	0

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Balance at end of period	**84,706**	**221,935**

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.

On May 5th 2022, agreements were signed between PKO BP S.A. and Benefit Systems S.A. Pursuant to the agreements, the PLN 50m multi-purpose credit facility agreement of August 22nd 2017 and the PLN 100m investment facility agreement of March 19th 2018 were terminated. The multi-purpose credit facility agreement was terminated with effect from May 5th 2022. The investment facility agreement was terminated with effect from May 13th 2022. The outstanding balance of PLN 37m was repaid in full on the same day.

On September 21st 2020, the Company's Management Board 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. Each series comprised to 50 thousand bonds, with an aggregate nominal amount of PLN 50m.
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.

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 31 2022						
Investment/syndicated credit facility	PLN	Variable, 3M WIBOR + margin	April 1 2027	79,188	18,622	60,566
Working capital facility	PLN	Variable, 1M WIBOR + margin	May 31 2023	5,357	5,357	0
Overdraft facilities	PLN	Variable	-	3	3	0
Other loans	PLN	-	-	158	158	0
Total borrowings, other debt instruments at December 31 2022				**84,706**	**24,140**	**60,566**
As at December 31 2021						
Investment credit facility	PLN	Variable, 1M WIBOR + margin	March 18 2023	42,701	17,080	25,621
Investment credit facility	PLN	Variable, 1M WIBOR + margin	May 31 2022	13,750	13,750	0
Working capital facility	PLN	Variable, 1M WIBOR + margin	May 31 2023	18,214	12,857	5,357
Investment credit facility	PLN	Variable, 1M WIBOR + margin	June 30 2022	33,696	33,696	0
Overdraft facilities	PLN	Variable	-	3	3	0
Investment credit facility	PLN	Variable, 1M WIBOR + margin	June 28 2024	4,051	1,275	2,776
Working capital facility	PLN	Variable, 1M WIBOR + margin	June 28 2024	938	0	938

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Series A Notes	PLN	Variable, 6M WIBOR + margin	April 8 2022	49,905	49,905	0
Series B Notes	PLN	Variable, 6M WIBOR + margin	October 8 2024	49,905	359	49,546
Other loans	PLN	Fixed and variable, 1M WIBOR + margin	June 26 2026	8,772	1,567	7,205
Total borrowings, other debt instruments at December 31 2021				**221,935**	**130,492**	**91,443**

Most of the credit facilities and loans bear interest at variable rates based on the 1M, 3M and 6M WIBOR reference rates. As at December 31st 2022, the rates were at 6.93%, 7.02% and 7.14% levels respectively (As at December 31st 2022: 2.23%, 2.54%, 2.84%).

Security for liabilities

Repayment by the Company of its liabilities under bank borrowings is secured with the following security interests and instruments, which are enforceable against the Company and/or its subsidiaries Benefit Partners Sp. z o.o. and Total Fitness Sp. z o.o. (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;
- declarations of voluntary submission to enforcement under Art. 777.1.5 of Code of Civil Procedure;
- property, plant and equipment held under finance leases;
- a registered pledge over and power of attorney to transact on certain bank accounts held by the Company, Benefit Partners Sp. z o.o. and Total Fitness Sp. z o.o. with Santander Bank Polska S.A.;
- a registered pledge over shares in Benefit Partners Sp. z o.o.;
- a registered pledge over shares in Total Fitness Sp. z o.o.;
- a registered pledge over receivables under certain contracts for the provision of sports and recreational services;
- a registered pledge over the protection rights to the “BENEFIT Systems” trademark;
- a registered pledge over assets of Benefit Partners Sp. z o.o. (fitness equipment);
- assignment of the Company’s claims under certain loans to non-Group entities;
- assignment of claims under insurance policies for certain encumbered assets and intragroup loans;
- subordination of certain intracompany loans and related security interests.

Apart from the above security interests and instruments, the credit facility agreements effective as at December 31st 2022 provide for certain covenants that the Group is required to comply with throughout the respective facility terms. These include maintaining adequate levels of the debt ratio, i.e. the ratio of net financial liabilities (including cash as at the end of the period and excluding IFRS 16 liabilities) to 12-month EBITDA (excluding the effect of IFRS 16 and excluding one-off items), the equity-to-asset ratio, i.e. the ratio of total equity to total assets less IFRS 16 assets, and the debt service coverage ratio (DSCR). The levels of these ratios as required under the covenants do not differ from levels commonly required under similar credit facility agreements. Neither the Group nor the Parent are subject to any capital requirement legislation.

23. Contract liabilities

	December 31 2022	December 31 2021
Long-term:		
Contract liabilities	0	107
Short-term:		
Contract liabilities	23,331	12,868
Total contract liabilities	**23,331**	**12,975**

Contract liabilities result from the mismatch between settlement periods and calendar months. The liabilities will be recognised as income in subsequent periods. Their increase in 2022 was mainly attributable to a year-on-year increase in the number of active membership cards and the easing of COVID-19-related restrictions.

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24. Other income and expenses

24.1. Other income

	Note	January 1–December 31 2022	January 1–December 31 2021
Gain on disposal of non-financial non-current assets		253	0
Reversal of impairment losses on receivables		2,567	1,678
Gain/(loss) on change in lease contracts	9	563	1,563
Reversal of unused provisions	19	0	35
Contractual penalties and damages received		0	2,624
Grants		1,287	21,852
Other		3,117	4,754
Total other income		**7,787**	**32,506**

The grants received by the Group companies in 2022 and 2021 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 1–December 31 2022	January 1–December 31 2021
Loss on disposal of non-financial non-current assets		1,047	2,464
Impairment losses on property, plant and equipment and on intangible assets		834	0
Inventory write-downs		48	0
Lease contract early termination fees and related costs		2,932	3,100
Liquidation of and impairment losses on property, plant and equipment and on intangible assets	7, 8	6,246	3,887
Impairment losses on financial receivables	11	0	275
Write-off of uncollectible receivables		4,717	2,410
Recognised provisions	19	0	5
Compensation and penalties paid		750	244
Other		4,681	1,370
Total other expenses		**21,255**	**13,755**

Lease contract early termination fees, of PLN 2,219 thousand, and related costs, of PLN 713 thousand, recognised in 2022 were related to the closure of five fitness clubs prior to the expiry of the lease contracts for the properties in which they were operated. The corresponding item recognised in 2021 was related to the early closure of six fitness clubs.

25. Finance income and costs

25.1. Finance income

	Note	January 1–December 31 2022	January 1–December 31 2021
Interest income from financial assets other than at fair value through profit or loss:			
Interest on investments	15	1,079	223
Interest on loans and receivables	12	1,656	2,771
Foreign exchange gains (+/-)		0	8,543
Measurement of other financial liabilities	21	0	3,092
Other finance income		125	153
Total finance income		**2,860**	**14,782**

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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 1–December 31 2022	January 1–December 31 2021
Interest on lease liabilities	9	14,235	11,409
Interest on overdraft and investment credit facilities	22	9,351	3,862
Interest on loans	22	67	189
Interest on debt securities	22	2,737	3,965
Interest on trade and other payables		274	795
Foreign exchange losses (+/-)		6,220	0
Impairment losses on loans and receivables	12	1,470	6,913
Measurement of other financial liabilities	21	1,468	0
Financial assets written off		19	0
Other finance costs		906	1,735
Total finance costs		**36,747**	**28,868**

26. Income tax

	Note	January 1–December 31 2022	January 1–December 31 2021
Tax:			
Current tax		34,741	8,466
Deferred tax	13	2,754	(1,751)
Total income tax		**37,495**	**6,715**

Reconciliation of the effective interest rate:

	Note	January 1–December 31 2022	January 1–December 31 2021
Profit/(loss) before tax		176,572	(14,914)
Tax rate applied by the Parent		19%	19%
Income tax calculated at the Parent's domestic tax rate		33,548	(2,834)
Reconciliation of income tax due to:			
Application of different tax rates by in the Group companies (+/-)		(1,336)	(1,192)
Non-taxable income (-)		(364)	(1,581)
Expenses which are permanently non-deductible (+)		5,494	4,734
Use of previously unrecognised tax losses (-)		(1,549)	(23)
Unrecognised deferred tax asset on deductible temporary differences (+)		1,042	2,575
Unrecognised deferred tax asset for tax losses (+)		7,414	6,616
Business combinations		(2,854)	0
Adjustment to tax expense for previous periods (+/-)		(3,913)	(1,580)
Other		13	0
Income tax		37,495	6,715

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Effective tax rate		21%	(45%)

The effective tax rate in 2022 was 21% 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 1–December 31 2022	January 1–December 31 2021
Poland	19%	19%
Czech Republic	19%	19%
Slovakia	21%	21%
Bulgaria	10%	10%
Croatia	18%	18%
Turkey	23%	25%

Income tax liabilities as at December 31st 2022 primarily represent income tax payable by the Parent for December 2022, of PLN 6.0m, which was paid in January 2023.

27. Earnings/(loss) 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 1–December 31 2022	January 1–December 31 2021
Number of shares used as denominator		
Weighted average number of ordinary shares	2,933,542	2,836,812
Dilutive effect of options convertible into shares	0	13,719
Diluted weighted average number of ordinary shares	2,933,542	2,850,531
Continuing operations		
Net profit from continued operations attributable to shareholders of the Parent (PLN '000)	138,124	(25,140)
Basic earnings per share (PLN)	47.08	(8.86)
Diluted earnings per share (PLN)	47.08	(8.82)

27.2. Dividends

On December 15th 2022, the Management Board of the Parent adopted a dividend policy for 2023-2025, under which the Management Board will recommend to the General Meeting payment of dividend of at least 60% of the Group's consolidated net profit for the previous financial year, less any unrealised foreign exchange gains or losses for the same period. 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 2022. The policy was positively assessed by the Supervisory Board of the Parent on December 15th 2022. The Management Board of the Parent also resolved to disapply the Dividend Policy for 2020–2023.

Dividends:	2022	2021
Dividends recognised as distributions to owners on a per-share basis (PLN)	0.00	0.00

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Total dividends proposed or declared but not recognised as distributed to shareholders (PLN '000)	0	0
Dividends proposed or declared but not recognised as distributed to shareholders on a per-share basis (PLN)	0.00	0.00

On June 29th 2022, the Parent's Annual General Meeting passed a resolution to cover the net loss of PLN 15,598,289.98 for the financial year 2021 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.

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 1–December 31 2022	**January 1–December 31 2021**
Sales to:		
Associate	8,043	9,370
Other related parties	54	43
Total	**8,097**	**9,412**

	Receivables	
	December 31 2022	**December31 2021**
Sales to:		
Associate	15,795	9,521
Other related parties	4	1
Total	**15,799**	**9,522**

Sales to associates include primarily rental income from 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 1–December 31 2022	**January 1–December 31 2021**

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Purchases from:		
Associate	15,682	5,572
Other related parties	38	0
Total	**15,720**	**5,572**

	Liabilities	
	December 31 2022	**December 31 2021**
Purchases from:		
Associate	3,132	394
Other related parties	0	0
Total	**3,132**	**394**

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 did not advance loans to related parties. The amounts advanced to related parties:

	December 31 2022			**December 31 2021**		
	Granted in the period	Cumulative balance	Finance income	Granted in the period	Cumulative balance	Finance income
Loans to:						
Associate	0	0	0	0	944	4
Total	**0**	**0**	**0**	**0**	**944**	**4**

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 31 2022	**December 31 2021**
Associates		
Guarantees provided / Surety for repayment of liabilities	8,001	7,752
Total contingent liabilities	**8,001**	**7,752**

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 on initial recognition as at fair value through other comprehensive income),
- 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.

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The table below does not include those categories of financial assets which the Group did not recognise as at December 31st 2022:

	Note	Financial instruments Financial assets at amortised cost	Non-financial assets outside the scope of IFRS 9	Total
As at December 31 2022				
Non-current assets:				
Trade and other receivables	11	8,663	847	9,510
Loans and other non-current financial assets	12	9,653	0	9,653
Current assets:				
Trade and other receivables	11	187,777	48,979	236,756
Loans and other current financial assets	12	4,240	34	4,274
Cash and cash equivalents	15	218,327	0	218,327
Total		**428,660**	**49,860**	**478,520**
As at December 31 2021				
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**

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,
- 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 31 2022						
Non-current liabilities:						
Borrowings, other debt instruments	22	60,566	0	0	0	60,566
Lease liabilities	9	0	0	789,716	0	789,716
Other financial liabilities	21	95	32,328	0	16	32,439
Current liabilities:						

Trade and other payables	20	128,494	0	0	241,394	369,888
Current income tax liabilities		0	0	0	9,515	9,515
Contract liabilities		0	0	0	23,331	23,331
Borrowings, other debt instruments	22	24,140	0	0	0	24,140
Lease liabilities	9	0	0	164,879	0	164,879
Other financial liabilities	21	0	16,788	0	0	16,788
Total		**213,295**	**49,116**	**954,595**	**274,256**	**1,491,262**
As at December 31 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	194,960	321,537
Current income tax liabilities		0	0	0	2,858	2,858
Contract liabilities		0	0	0	12,868	12,868
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**

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. In 2021, such divergence occurred, 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) was 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,

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- 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-, HRK- 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 2022.

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.

(currency '000)	Note	Amount in EUR	Amount in CZK	Amount in USD	Amount after translation in PLN
As at December 31 2022					
Financial assets (+):					
Cash	15	1,531	3	2	7,190
Loans	12	0	0	0	0
Financial liabilities (-):					
Lease liabilities	9	(195,252)	0	0	(915,712)
Total exposure to currency risk		**(193,721)**	**3**	**2**	**(908,523)**
As at December 31 2021					
Financial assets (+):					
Cash	15	197	5,017	17	1,904
Loans	12	30	543	0	239
Financial liabilities (-):					
Lease liabilities	9	(128,503)	0	0	(591,038)
Total exposure to currency risk		**(128,276)**	**5,560**	**17**	**(588,895)**

The Group assesses that the foreign exchange risk primarily relates to items denominated in EUR.
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 EUR exchange rate, assuming a 10% increase or decrease of the EUR exchange rate with respect to the closing rate as at the reporting date:

	Exchange rate movements	Effect on profit/(loss):	
		December 31 2022	**December 31 2021**
Exchange rate increase	10%	(61,332)	(58,889)
Exchange rate decrease	-10%	61,332	58,889

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.

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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.

For information on financial instruments bearing interest at variable or fixed interest rates, see Notes 12 and 22.

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 31 2022	**December 31 2021**
Interest rate increase	1pp	(708)	(2,000)
Interest decrease	-1pp	708	2,000

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 31 2022	December 31 2021
Loans	12	13,797	21,898
Trade receivables and other financial receivables	11	196,440	161,948
Cash and cash equivalents	15	218,327	253,015
Contingent liabilities under guarantees and sureties issued	29	8,001	9,152
Total credit risk exposure		**436,565**	**446,013**

The Group continuously monitors any past due payments from its customers (trade receivables) or borrowers, including evaluating related credit risk on an individual basis or reviewing financial asset groupings with shared credit risk characteristics. In addition, as part of its credit risk management, the Group enters into B2B transactions with trading partners with confirmed creditworthiness, as detailed in Note 2.3 *Accounting Policies*.

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 31 2022		December 31 2021	
	Not past due	Past due	Not past due	Past due
Short-term receivables:				
Trade receivables	129,080	78,853	111,083	57,563
Impairment losses on trade receivables (-)	(1,298)	(20,795)	(7,416)	(16,251)
Net trade receivables	**127,782**	**58,058**	**103,667**	**41,312**
Other net financial receivables	1,937	0	8,901	0
Impairment loss on other receivables (-)	0	0	(515)	0
Other net financial receivables	1,937	0	**8,386**	**0**
Financial receivables	**129,719**	**58,058**	**112,053**	**41,312**

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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 shared credit risk characteristics. Based on historical past due trends, pas due 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.

The gross carrying amounts of individual trade receivables groupings and impairment losses recognised thereon were as follows:

	Trade receivables						
	Not past due	Past due 1–30 days	Past due 31–90 days	Past due 91–180 days	Past due 181–365 days	Past due over 12 months	Total
Short-term receivables:							
As at December 31 2022							
Gross carrying amount	129,080	29,732	6,040	4,363	6,464	32,254	207,931
Impairment loss (-)	(1,298)	(653)	(517)	(630)	(1,594)	(17,401)	(22,093)
Net receivables	**127,782**	**29,079**	**5,523**	**3,733**	**4,870**	**14,853**	**185,840**
of net receivables past due:							**58,058**
As at December 31 2021							
Gross carrying amount	111,083	23,848	6,639	5,927	7,988	13,161	168,646
Impairment loss (-)	(7,416)	(227)	(547)	(1,312)	(3,221)	(10,944)	(23,667)
Net receivables	**103,667**	**23,621**	**6,092**	**4,615**	**4,767**	**2,217**	**144,979**
of net receivables past due:							**41,312**

As at December 31st 2022, the amount of receivables from Calypso Fitness S.A. and its subsidiaries that were past due by more than 12 months and had not been written off was PLN 10,554 thousand. Benefit Systems S.A. has entered into an agreement to settle these receivables, as detailed in Note 33 *Events after the reporting date*.

The Group recognises loss allowances in accordance with IFRS 9.

Financial assets are presented below by stage of impairment, which is determined in order to estimate expected credit losses.

The Group applies a three-stage classification of financial assets to estimate expected credit losses thereon.

	Measurement at amortised cost (stage of impairment)			
Balance as at December 31 2022	Stage 1	Stage 2*	Stage 3	Total
Gross carrying amount	**392,199**	**3,322**	**91,031**	**486,552**
Trade receivables	163,391	0	44,542	207,933
Loans	10,181	3,322	46,489	59,992
Cash and cash equivalents	218,327	0	0	218,327
Impairment losses (IFRS 9)	**(3,480)**	**(831)**	**(64,277)**	**(68,588)**
Trade receivables	(2,905)	0	(19,188)	(22,093)
Loans	(275)	(831)	(45,089)	(46,195)
Cash and cash equivalents	(300)	0	0	(300)
Net carrying amount (IFRS 9)	**388,719**	**2,491**	**26,754**	**419,892**

**Stage 2 does not include trade receivables, to which the Group applies the simplified approach under IFRS 9*.

	Measurement at amortised cost (stage of impairment)			
Balance as at December 31 2021	Stage 1	Stage 2*	Stage 3	Total
Gross carrying amount	**411,770**	**3,653**	**73,141**	**488,564**

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Trade receivables	138,901	0	29,745	168,646
Loans	19,555	3,653	43,396	66,604
Cash and cash equivalents	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 and cash equivalents	(299)	0	0	(299)
Net carrying amount (IFRS 9)	**408,246**	**2,740**	**8,906**	**419,892**

**Stage 2 does not include trade receivables, to which the Group applies the simplified approach under IFRS 9*.

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 credit risk of cash and cash equivalents, market securities and derivative financial instruments is considered immaterial due to the high credibility of the counterparties (primarily banks).

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.

	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 31 2022							
Investment credit facility	22	9,311	9,311	37,244	23,322	0	79,188
Overdraft and working capital credit facility	22	5,360	0	0	0	0	5,360
Loans	22	158	0	0	0	0	158
Debt securities	22	0	0	0	0	0	0
Lease liabilities	9	87,151	77,729	299,104	257,934	232,677	954,595
Trade payables	20	128,494	0	0	0	0	128,494
Total exposure to liquidity risk		**230,474**	**87,040**	**336,348**	**281,256**	**232,677**	**1,167,795**
As at December 31 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**

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

For information on the covenants which the Company is required to comply with under credit facility agreements, see Note 32.

As at each reporting date, the Group also had available the following credit limits:

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	December 31 2022	December 31 2021
Overdraft facility limits	45,000	125,000
Overdraft facility limit reduction upon utilisation of related guarantee facility (-)	(1,070)	0
Investment facility limits	115,000	0
Amounts drawn – overdraft facility (-)	0	(157)
Available credit limits – overdraft facility	**43,930**	**124,843**
Available credit limits – investment credit facility	**115,000**	**0**

As at December 31st 2022, the Group's current assets were PLN 465.9m and the amount of current liabilities was PLN 612.0m (including lease liabilities of PLN 164.9m). In the Group's opinion, the available and undrawn credit facility limits of PLN 43.9m provide a sufficient liquidity buffer. The PLN 45m overdraft facility limit expires in May 2023, and the PLN 115m investment credit facility limit expires in March 2023. The Group is negotiating with banks to extend the availability period of its financing and expects the extensions to be granted in due time.

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.

	December 31 2022	December 31 2021
Equity	725,416	601,677
Capital	725,416	601,677
Equity	725,416	601,677
Borrowings, other debt instruments	84,706	221,935
Lease liabilities	954,595	936,835
Total sources of funding	**1,764,717**	**1,760,447**
Equity to total sources of funding	**0.41**	**0.34**
Net profit	139,077	(23,855)
Share of profit/(loss) of equity-accounted entities	(2,292)	956
Net finance income/(costs)	(33,887)	(14,086)
Income tax	37,495	6,715
Depreciation and amortisation	232,076	209,098
EBITDA	**444,827**	**205,595**

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Borrowings, other debt instruments	84,706	221,935
Cash and cash equivalents at end of period	218,327	253,015
Debt (Net financial liabilities)	**(133,621)**	**(31,080)**

Net financial debt to EBITDA ratio	**(0.30)**	**(0.15)**

EBITDA in the table above was calculated in accordance with the method described above. The data used for the calculation was not adjusted for the effect of IFRS 16. In 2022, the net financial debt to EBITDA ratio was negative. Adjusting EBITDA for the effect of IFRS 16 would not turn the ratio positive.

33. Events after the reporting date

Share capital increase at Lunching Sp. z o.o.

On February 27th 2023, an increase in the share capital of Lunching.pl Sp. z o.o. was registered, following which the Parent's interest in the company rose from 77.68% as at December 31st 2022 to 79.89%.

Update of review of available courses of action towards the Company's investment in the associate Calypso Fitness S.A. – execution of main transaction agreement and implementing agreements

As part of the ongoing review of the available courses of action towards the Company's investment in the associate Calypso Fitness S.A., on February 28th 2023 the shareholders in Calypso Fitness S.A. ("Calypso Fitness" or "CF"), i.e. the Company, Camaro Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych ("Camaro"), and Cal Capital sp. z o.o. ("CC"), executed: (i) an agreement to settle Calypso Fitness's liabilities towards the Company, whereby they confirmed the key terms of the transaction, and (ii) implementing agreements (jointly the "Transaction").

Benefit Systems S.A. holds a 33.33% ownership interest in Calypso Fitness S.A., which the former acquired in 2011–2014. The carrying amount of the Parent's investment in Calypso Fitness S.A. as at the reporting date and February 28th 2023 was PLN nil. In addition, the Parent and its subsidiaries loans and fitness equipment leases to Calypso Fitness S.A. and its subsidiaries (as at 31st December 2022 in the amount of PLN 69.8m), which have largely been written off.

The transaction will be carried out in stages:

I. As part of the first stage:

1) The Parent will enter into conditional agreements to acquire shares in companies which will take over CF's assets in the form of twelve organised parts of CF's business, i.e. fitness clubs located in the Gdańsk-Sopot-Gdynia agglomeration (6), Szczecin (4), Warsaw (1) and Wrocław (1).

The condition precedent to the said acquisition is registration, pursuant to Art. 530.2 of the Commercial Companies Code, of the demerger of CF as agreed in the Calypso Fitness Demerger Plan of October 7th 2022. Accordingly, on February 28th 2023 the shareholders in CF resolved to demerge it in accordance with Art. 529.1.4 of the Commercial Companies Code.

The total consideration payable for the acquisition of shares in the spun-off companies from Camaro and CC will be PLN 28.8m, which will be paid as follows: (i) by transferring the Company's claims of PLN 17.8m against CF to the other shareholders therein ("Claims 1") and (ii) effecting a payment of PLN 11.0m in cash to Camaro. The cash payment is a conditional obligation, which is a standard practice applied in similar transactions.

2) The share capital of CF will be increased (the "SC Increase") through conversion of the Company's claims of PLN 14.5m against CF ("Claims 2") and Claims 1 transferred to Camaro and CC into shares in the increased share capital of CF.

3) On the date of registration of the SC Increase by the competent registry court, the Company will waive PLN 10.3m worth of interest payments due to the Company from CF under loans.

4) Outside the demerger process described above, CF will assign its rights and obligations under a lease contract for another fitness club located in the Gdańsk-Sopot-Gdynia agglomeration to the Company.

II. As part of the second stage:

The Parent will enter into conditional agreements to acquire shares in companies which will take over CF's assets in the form of three organised parts of CF's business, i.e. fitness clubs located in Warsaw (1), Kraków (1) and Częstochowa (1).

The condition precedent to the said acquisition is registration, pursuant to Art. 530.2 of the Commercial Companies Code, of the demerger of CF to be specified in another Calypso Fitness Demerger Plan, which is to be agreed by April 30th 2023.

The total consideration payable for the acquisition from Camaro and CC of shares in the spun-off companies which will take over two of the three aforementioned fitness clubs will be PLN 4m, which will be paid in cash.

Following the closing of the Transaction in the stages described above, the Company will continue to hold debt claims against CF totalling PLN 17.8m, which the Company will be able to settle in potential subsequent transactions as agreed as part of the ongoing review process.

Number of active sport cards

In March 2023, the estimated number of active sport cards in the Poland segment was 1,306.9 thousand and 462.2 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 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 2022.

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), the proceedings were closed following the issue, on December 7th 2021, of a decision by the President of UOKiK ("Decision 2") under 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 under 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

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does not apply to fitness clubs owned by the Company's competitors offering sports and recreational packages in the B2B channel.

34.2. Shareholding structure

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 31 2022*				
James van Bergh*	453,691	453,691	454	15.47%
Nationale-Nederlanden PTE	307,053	307,053	307	10.47%
Drugi Allianz OFE**	276,290	276,290	276	9.42%
Marek Kamola	237,440	237,440	237	8.09%
NNLife OFE***	219,655	219,655	220	7.49%
Fundacja Drzewo i Jutro*	208,497	208,497	208	7.11%
Benefit Invest Ltd.*	70,421	70,421	70	2.40%
Others	1,160,495	1,160,495	1,160	39.56%
Total	**2,933,542**	**2,933,542**	**2,934**	**100.00%**
As at December 31 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%**

* Related individuals and/or entities as described in the note 'Related-party transactions'
** Formerly: Aviva OFE AVIVA Santander.
*** Formerly: MetLife OFE
**** 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.

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 1 – December 31 2022					
Members of the Management Board of the Parent	3,706	57	0	0	3,763
January 1 – December 31 2021					
Members of the Management Board of the Parent	2,981	54	0	0	3,035

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

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No members of the Management Board held any Series K1, K2 or L warrants that were due or potentially due as at the end of 2022.

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

	Remuneration	Other benefits	Total
January 1 – December 31 2022			
Members of the Supervisory Board of the Parent	450	1	451
January 1 – December 31 2021			
Members of the Supervisory Board of the Parent	397	1	398

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 and for the provision of other assurance services is presented below.

	January 1–December 31 2022	**January 1–December 31 2021**
Audit of Benefit Systems S.A.’s financial statements	1,206	1,122
Review of Benefit Systems S.A.’s financial statements	198	173
Audit of subsidiaries’ financial statements	354	467
Other assurance services	19	19
Total	**1,038**	**981**

The amount of PLN 1,038 thousand for 2022 comprises KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp. k.’s remuneration of PLN 729 thousand and PLN 309 thousand in remuneration paid to the foreign KPMG network entities which audited the financial statements of the largest companies in the Foreign Markets segment. In 2021, KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp. k.’s remuneration was PLN 673 thousand, and foreign KPMG network entities’ remuneration was PLN 308 thousand.

34.5. Employment

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

	January 1–December 31 2022	**January 1–December 31 2021**
White-collar employees	1,470	1,363
Blue-collar employees	17	11
Total	**1,487**	**1,374**

	January 1–December 31 2022	**January 1–December 31 2021**
New hires	499	425
Number of employees - departures (-)	(357)	(369)
Total	**142**	**56**

34.6. Amendment of the Company’s Articles of Association

On October 28th 2022, 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. 5/30.09.2022 of September 30th 2022.

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35. Authorisation for issue

These consolidated financial statements for the year ended December 31st 2022 (and comparative data) were authorised for issue by the Management Board of the Parent on March 22nd 2023 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
March 21st 2023	Bartosz Józefiak	Member of the Management Board	
March 21st 2023	Emilia Rogalewicz	Member of the Management Board	
March 21st 2023	Wojciech Szwarc	Member of the Management Board	

Signature of the person responsible for preparation of the financial statements

Date	Full name	Position	Signature
March 21st 2023	Katarzyna Beuch	Finance Director	