

**BENEFIT SYSTEMS GROUP
CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 31st
DECEMBER 2017**

OD 1 STYCZNIA 2017 ROKU
DO 31 GRUDNIA 2017 ROKU



Name of the capital group:	<i>Benefit Systems Group</i>		
Period covered by the financial statements:	<i>01/01/2017 – 31/12/2017</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Rounding level:	<i>all figures are presented in thousands of Polish zloty (unless stated otherwise)</i>		

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	31/12/2017	31/12/2016 Restated	31/12/2015 Restated
Non-current assets				
Goodwill	4	191,558	146,252	99,569
Intangible assets	5	26,976	17,064	10,191
Property, plant and equipment	6	196,866	147,823	100,714
Investments in associates	3	36,624	27,696	27,122
Loans and receivables	8	56,166	42,747	36,023
Other long-term financial assets	8	619	431	110
Long-term prepayments	17	1,458	702	945
Deferred tax assets	9	15,653	9,083	9,939
Non-current assets		525,920	391,798	284,613
Current assets				
Inventories	10	7,823	12,887	5,065
Trade receivables and other receivables	11	131,248	95,267	58,921
Income tax receivable		352	402	24
Loans	8	23,424	15,431	8,776
Other short-term financial assets	8	187	242	0
Accruals	17	20,623	8,668	10,184
Cash and cash equivalents	12	52,458	65,195	23,977
Fixed assets classified as held for sale		0	750	0
Current assets		236,115	198,842	106,947
Total assets		762,035	590,640	391,560

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT.)

LIABILITIES	Notes	31/12/2017	31/12/2016 Restated	31/12/2015 Restated
Equity				
<i>Equity attributable to shareholders of the parent company:</i>				
Share capital	13	2,675	2,600	2,555
Own shares (-)		(100,094)	(57,594)	0
Share premium	13	60,586	51,444	41,458
Exchange differences from consolidation		339	(131)	(38)
Reserve capital	13	(50,951)	(50,951)	5,400
Other capital	13	216,018	131,347	48,956
Retained earnings:		73,460	83,718	60,718
- accumulated earnings for the previous reporting periods		(14,643)	3,199	13,035
- net profit attributable to shareholders of the parent company		88,103	80,519	47,683
Equity attributable to shareholders of the parent company		202,033	160,433	159,049
Non-controlling interests	13	17,844	17,251	5,703
Equity		219,877	177,684	164,752
Liabilities				
Non-current liabilities				
Interest-bearing loans, borrowings and debt instruments	8	122,036	125,777	57,847
Finance leases	7	15,571	27,355	16,515
Other liabilities	16	44,925	76,411	37,420
Provision for deferred income tax	9	9,394	5,907	5,161
Other long-term provisions		0	0	438
Long-term prepayments		9,788	899	0
Non-current liabilities		201,713	236,349	117,381
Current liabilities				
Trade payables and other liabilities	16	130,556	74,984	35,413
Income tax payable		21,890	14,220	3,214
Interest-bearing loans, borrowings and debt instruments	8	70,594	4,093	9,608
Finance leases	7	8,711	10,397	8,725
Liabilities and provisions for employee benefits	14	18,604	11,619	9,676
Other short-term provisions	15	3,070	2,637	2,874
Accruals	17	87,020	58,657	39,917
Current liabilities		340,445	176,607	109,427
Total liabilities		542,158	412,956	226,808
Total equity and liabilities		762,035	590,640	391,560

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CONSOLIDATED INCOME STATEMENT

	Notes	From 01/01 to 31/12/2017	From 01/01 to 31/12/2016 Restated
Continuing operations			
Sales revenues	1	964,786	743,818
Revenues from rendering services		959,359	734,433
Revenues from sales of goods and materials		5,427	9,385
Costs of sales		(699,127)	(537,678)
Cost of services rendered		(695,509)	(530,354)
Cost of goods and materials sold		(3,618)	(7,324)
Gross profit on sales		265,659	206,140
Selling expenses		(57,747)	(42,734)
General and administrative expenses		(87,944)	(67,919)
Other operating income	18	9,085	8,902
Other operating costs	18	(7,443)	(11,214)
Profit (loss) on sales of subsidiaries (+/-)		(199)	0
Operating profit		121,411	93,175
Financial income	19	3,915	2,948
Financial expenses	19	(12,101)	(6,859)
Share of profits (loss) of associates accounted for using the equity method (+/-)	3	3,066	9,575
Profit before tax		116,291	98,839
Income tax charge	20	(29,583)	(23,246)
Net profit from continuing operations		86,708	75,593
Discontinued operations			
Net profit from discontinued operations		0	0
Net profit		86,708	75,593
Net profit (loss) attributable to:			
- shareholders of the parent company		88,103	80,519
- non-controlling interests		(1,395)	(4,926)

EARNINGS PER ORDINARY SHARE (PLN)

	Notes	From 01/01 to 31/12/2017	From 01/01 to 31/12/2016 Restated
<i>From continuing operations</i>			
	21		
- basic		33.09	29.43
- diluted		32.93	28.77
<i>From continuing and discontinued operations</i>			
	21		
- basic		33.09	29.43
- diluted		32.93	28.77

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	From 01/01 to 31/12/2017	From 01/01 to 31/12/2016 Restated
Net profit		86,708	75,593
<i>Other comprehensive income</i>		0	0
<i>Components that will not be reclassified to profit and loss</i>		0	0
<i>Items transferred to the financial result</i>		0	0
Total comprehensive income		86,708	75,593
Total comprehensive income attributable to:			
- shareholders of the parent company		88,103	80,519
- non-controlling interests		(1,395)	(4,926)

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Equity attributable to shareholders of the parent company							Non-controlling interests	Total equity	
		Share capital	Own shares	Share premium	Exchange differences from consolidation	Reserve capital	Other capital	Retained earnings			Total
Balance as at 01/01/2017		2,600	(57,594)	51,444	(131)	(50,951)	131,347	83,718	160,433	17,251	177,684
Changes in equity in the period from 01/01 to 31/12/2017											
Issue of shares	13.1	75	0	0	0	0	11,243	0	11,318	0	11,318
Valuation of options (share-based payment programme)	13.4	0	0	9,142	0	0	0	0	9,142	0	9,142
Change in the structure of the Group (transactions with non-controlling interests)		0	0	0	0	0	0	(24,577)	(24,577)	2,276	(22,301)
Share buyback	13	0	(42,500)	0	0	(42,500)	42,500	0	(42,500)	0	(42,500)
Foreign currency translation differences		0	0	0	470	0	0	0	470	19	489
Transfer from other capital to reserve capital		0	0	0	0	42,500	(42,500)	0	0	0	0
Dividends		0	0	0	0	0	0	(356)	(356)	(307)	(663)
Transfer of net profit to capital		0	0	0	0	0	73,428	(73,428)	0	0	0
Total transactions with owners		75	(42,500)	9,142	470	0	84,671	(98,361)	(46,503)	1,988	(44,515)
Net profit (loss) for the period 01/01 to 31/12/2017		0	0	0	0	0	0	88,103	88,103	(1,395)	86,708
Total comprehensive income		0	0	0	0	0	0	88,103	88,103	(1,395)	86,708
As at 31/12/2017		2,675	(100,094)	60,586	339	(50,951)	216,018	73,460	202,033	17,844	219,877

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED ...)

	Notes	Equity attributable to shareholders of the parent company							Non-controlling interests	Total equity	
		Share capital	Own shares	Share premium	Exchange differences from consolidation	Reserve capital	Other capital	Retained earnings			Total
As at 01/01/2016		2,555	0	41,458	(38)	5,400	48,956	60,718	159,049	5,703	164,752
Changes in equity in the period from 01/01 to 31/12/2016											
Restated											
Issue of shares		45	0	0	0	0	0	0	45	0	45
Shares' issuance in connection with the execution of options (share-based payment programme)		0	0	0	0	0	6,698	0	6,698	0	6,698
Valuation of options (share-based payment programme)		0	0	9,986	0	0	0	0	9,986	0	9,986
Change in the structure of the Group (transactions with non-controlling interests)		0	0	0	0	0	0	(2,420)	(2,420)	16,474	14,054
Share buyback		0	(57,594)	0	0	(57,594)	57,594	0	(57,594)	0	(57,594)
Foreign currency translation differences		0	0	0	(93)	0	0	0	(93)	0	(93)
Transfer of supplementary capital to reserve capital		0	0	0	0	37,000	(37,000)	0	0	0	0
Put options (Zdrofit Sp. z o.o.)		0	0	0	0	(35,757)	0	0	(35,757)	0	(35,757)
Transfer of net profit to capital		0	0	0	0	0	55,099	(55,099)	0	0	0
Total transactions with owners		45	(57,594)	9,986	(93)	(56,351)	82,391	(57,519)	(79,135)	16,474	(62,661)
Net profit (loss) for the period from 01/01 to 31/12/2016		0	0	0	0	0	0	80,519	80,519	(4,926)	75,593
Total comprehensive income		0	0	0	0	0	0	80,519	80,519	(4,926)	75,593
As at 31/12/2016		2,600	(57,594)	51,444	(131)	(50,951)	131,347	83,718	160,433	17,251	177,684

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CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	From 01/01 to 31/12/2017	From 01/01 to 31/12/2016 Restated
Cash flows from operating activities			
Profit before tax		116,291	98,839
Adjustments	22	41,633	29,257
Changes in working capital	22	4,904	4,354
Income tax paid		(23,667)	(11,839)
Net cash from operating activities		139,161	120,611
Cash flows from investment activities			
Expenditures on the acquisition of intangible assets		(42,570)	(10,091)
Proceeds from the sale of intangible assets		6	88
Expenditures on the acquisition of property, plant and equipment		(69,150)	(29,930)
Proceeds from the sale of property, plant, equipment		479	8,004
Net expenses on the acquisition of subsidiaries	2	(31,688)	(13,961)
Loans collected		5,084	2,792
Loans granted		(19,632)	(18,888)
Expenditure on the acquisition of other financial assets		(5,928)	(8,177)
Proceeds from the sale of other financial assets		545	294
Interest received	19	896	649
Dividends received	19	111	477
Net cash from investment activities		(161,847)	(68,743)
Cash flows from financing activities			
Net proceeds from the issue of shares		11,318	7,615
Purchase of own shares		(42,500)	(57,594)
Proceeds from the issue of debt securities		0	70,000
Redemption of debt securities		0	0
Proceeds from loans and borrowings	8.3	67,866	1,352
Repayment of borrowings	8.3	(10,709)	(12,595)
Lease payments		(9,739)	(11,740)
Interest paid	19	(5,624)	(6,123)
Dividends paid	21	(663)	(1,565)
Net cash from financial activities		9,949	(10,650)
Net change in cash and cash equivalents		(12,737)	41,218
Cash and cash equivalents at beginning of period		65,195	23,977
Cash and cash equivalents at end of period		52,458	65,195

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ADDITIONAL INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS

General information

a) Information on the parent company

Benefit Systems S.A. (hereinafter referred to as "the parent company") is the parent company of Benefit Systems Group (hereinafter referred to as "the Group").

The parent company was formed from the transformation of a limited liability company into a joint stock company. The transformation took place on the basis of resolution 2/2010 of the General Meeting of Shareholders of 3rd November, 2010. The parent company is registered in the Register of Entrepreneurs of the National Court Register in the District Court for the capital city of Warsaw - XII Commercial Division as number KRS 0000254017. The parent company was given the REGON statistical number 750721670. Shares of the parent company are listed on the Warsaw Stock Exchange.

The registered office of the parent company is at Plac Europejski 2, 00-844 Warsaw. The parent company's registered office is also the principal place of business of the Group.

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

The members of the parent company's Management Board on the date of approving the financial statements for publication, i.e. 21st March, 2018, were as follows:

- Grzegorz Haftarczyk - Member of the Management Board,
- Arkadiusz Hanszke - Member of the Management Board,
- Adam Radzki - Member of the Management Board,
- Emilia Rogalewicz - Member of the Management Board,
- Izabela Walczewska-Schneyder – Member of the Management Board.

In the period from 1st January, 2017, to 21st March, 2018, the following changes took place in the members of the Company's Management Board:

On 10th August, 2017, the Supervisory Board of Benefit Systems S.A. accepted the changes in the members of the Management Board for Benefit Systems S.A. Three people were added to the Management Board of the Company:

- Grzegorz Haftarczyk,
- Adam Radzki,
- Emilia Rogalewicz.

At the same time, in connection with the plans for dynamic development on foreign markets, on 10th August, 2017, Adam Kędzierski resigned from his position as a member of the Management Board of Benefit Systems S.A. and was appointed President of Benefit Systems International Sp. z o.o., a 100% subsidiary of the parent company, Benefit Systems S.A., and will be responsible for the Group's development on foreign markets.

The members of the Supervisory Board on 21st March, 2018, were as follows:

- James Van Bergh - Chairman of the Supervisory Board,
- Marcin Marczuk – Deputy Chairman of the Supervisory Board,
- Zofia Dzik – Member of the Supervisory Board,
- Artur Osuchowski - Member of the Supervisory Board,
- Michael Sanderson - Member of the Supervisory Board.

In the period from 1st January, 2017, to 21st March, 2018, the following changes took place in the members of the Supervisory Board for the parent company:

- On 10th November, 2017, Przemysław Gacek resigned from his function as Member and Deputy Chairman of the parent company's Supervisory Board, with effect from 10th November, 2017.
- On 15th November, 2017, the parent company's Supervisory Board appointed Zofia Dzik as Member of the Supervisory Board with effect from 16th November, 2017.
- In addition, in a resolution adopted by the parent company's Supervisory Board on 15th November, 2017, Marcin Marczuk was entrusted with the function of Deputy Chairman of the Supervisory Board for Benefit Systems S.A.

c) Nature of the Group's business

Benefit Systems Group is a provider of solutions with respect to non-monetary employee benefits in the area of sports and recreation (the MultiSport and MultiSport Kids cards and fitness networks), as well as culture and entertainment (Cinema Programme and MultiTeatr), MultiMuzeum). The Group has unique Cafeteria products, which allow an employee to choose any non-wage benefit from a list approved by the employer.

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The core business of the parent company according to the Polish Classification of Activities is: Other activities not classified elsewhere (PKD 2007) 9609Z.

For a more detailed description of the Group's operations, see Note 1 on operating segments.

d) Information about the Group

Benefit Systems Group comprises the parent company and the following subsidiaries:

Name of the subsidiary	Place of business and country of registration	Type of activity	Group's share in equity:	
			31/12/2017	31/12/2016
FitSport Polska Sp. z o.o.	Plac Europejski 2, 00-844 Warsaw, Poland	Sale of sports cards	100.00%	100.00%
VanityStyle Sp. z o.o.	ul. Jasna 24, 00-054 Warsaw, Poland	Sale of sports cards	100.00%	100.00%
Fit Invest Sp. z o.o.	Plac Europejski 3, 00-844 Warsaw, Poland	Consolidation of the Group's Fitness segment	100.00%	100.00%
Fitness Academy Sp. z o.o.	Plac Europejski 2, 00-844 Warsaw, Poland	General Partner of Fitness Academy Sp. z o.o. SKA	100.00%	100.00%
Fitness Academy Spółka z ograniczoną odpowiedzialnością SKA	ul. Powstańców Śląskich 95, 53-332 Wrocław, Poland	Fitness clubs	100.00%	100.00%
AM Classic Sp. z o.o.	Plac Dominikański 3, 53-209 Wrocław, Poland	Fitness clubs	100.00%	100.00%
Jupiter Sport Sp. z o.o.	ul. Żegiestowska 11, 50-542 Wrocław, Poland	Fitness clubs	100.00%	100.00%
Fabryka Formy S.A.*	ul. Skrajna 1 62-080 Sierosław, Poland	Fitness clubs	66.06%	66.06%
Fitness za Rogiem Sp. z o.o.*	ul. Skrajna 1, 62-080 Sierosław, Poland	Fitness clubs	66.06%	66.06%
The One Gym S.R.O.**	Mánesova 881/27 Vinohrady, 120 00 Praha 2	Fitness clubs	0.00%	66.06%
Zdrofit Sp. z o.o.	ul. Mangalia 4 02-758 Warsaw, Poland	Fitness clubs	55.03%	55.03%
MultiBenefit Sp. z o.o.	Plac Europejski 2, 00-844 Warsaw, Poland	Multikafeteria, the Cinema Programme, MultiTeatr, the Lunch Programme	100.00%	100.00%
MyBenefit Sp. z o.o.	ul. Powstańców Śląskich 95, 53-332 Wrocław, Poland	Cafeteria platform	100.00%	100.00%
Benefit IP Sp. z o.o.	Plac Europejski 2, 00-844 Warsaw, Poland	General Partner of Benefit IP Spółka z ograniczoną odpowiedzialnością sp.k.	100.00%	100.00%
Benefit IP Spółka z ograniczoną odpowiedzialnością sp.k.	Plac Europejski 2, 00-844 Warsaw, Poland	Management of marketing activities and the Group's trademarks	100.00%	100.00%
Benefit Systems International Sp. z o.o.	Plac Europejski 2, 00-844 Warsaw, Poland	Management of foreign markets	100.00%	100.00%
MultiSport Benefit S.R.O.	Zeleny Pruh 95/97 140 00 Praha 4, The Czech Republic	Sale of sports cards	74.00%	74.00%
Benefit Systems Bulgaria EOOD	8-10, Korab Planina Sofia 1407, Bulgaria	Sale of sports cards	100.00%	100.00%
Benefit Systems Slovakia S.R.O.	Ruzova dolina 6 821 08 Bratislava Slovak Republic	Sale of sports cards	83.00%	93.00%
Fitness Place S.R.O.	Pižeňská 233/8 150 00 Praha 5, The Czech Republic	Fitness clubs	100.00%	-
Fit Invest Bulgaria EOOD	8 Tsar Kaloyan Sofia 1000, Bulgaria	Sale of sports cards	100.00%	-
Fitness Place Sp. z o.o.	Plac Europejski 3 00-844 Warsaw, Poland	Fitness clubs	100.00%	-
Wesolandia Sp. z o.o.	ul. Wspólna 4 05-075 Warsaw-Wesoła, Poland	Sports and recreation facility	100.00%	-
Beck Box Club Praha S.R.O.	Vinohradská 2405/190 Vinohrady, 130 00 Praha 3, The Czech Republic	Fitness clubs	100.00%	-

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Tiger Sp. z o.o.***	Aleja Grunwaldzka 82 80-244 Gdańsk, Poland	Fitness clubs	30.00%	30.00%
Fitness Management Sp. z o.o.****	Plac Europejski 3, 00-844 Warsaw, Poland	It does not conduct operations as yet	99.99%	-
M Group Sp. z o.o.	ul. Reymonta16, 80-290 Gdańska, Poland	Fitness club	100.00%	-
Benefit Systems D.O.O.	Zagreb (Grad Zagreb) Strossmayerow trg 8, Republic of Croatia	Sale of sports cards	100.00%	-

* As at the balance-sheet date, the Group held 66.06% of the shares; however, as a result of signing an agreement for the acquisition of a further 33.94% of the shares in this company, the company is consolidated using the full method assuming a 100% shareholding by the Group in the share capital of the company.

** The One Gym S.R.O. company was formed as a result of the transformation of Form Factory S.R.O and was sold on 27th December, 2017. The company's result was fully consolidated for the year 2017.

** The Group holds 30% of the shares, however, due to the options held to purchase the remaining 70% of non-controlling interests with effect from 22nd June, 2016, the company is consolidated using the full method, assuming a 100% share by the Group in the equity of this company.

**** The company is not included in consolidation due to immateriality (lack of activity).

Detailed information on subsidiaries is included in Note 3.

In the consolidated financial statements prepared as at 31st December, 2017, shares in nine associated companies were measured using the equity method. Detailed information on affiliated companies is included in Note 3.

In the period covered by the consolidated financial statements the following significant events and transactions occurred, which had an impact on the reorganisation of the Group:

- On 8th February, 2017, the Group established Fitness Place S.R.O. with its registered office in Prague, the Czech Republic, which invests in fitness clubs in order to ensure the availability of sports facilities for MultiSport card users in the Czech Republic, and subsequently acquired an organised part of the enterprise under the name of Holmes Place in June, 2017, and in October, 2017, World Class Wenceslas Square. The Group acquired a network of fitness clubs to build its position on the Czech fitness market (Note 2).
- On 1st March, 2017, the Group established Fitness Invest Bulgaria EOOD with its registered office in Bulgaria, which invests in fitness clubs in order to ensure the availability of sports facilities for MultiSport card users in Bulgaria.
- On 7th March, 2017, the Group established Fitness Place Sp. z o.o. with its registered office in Warsaw, which subsequently acquired an organised part of the enterprise with the business name of Platinum Wellness in October, 2017. This company invests in fitness clubs in order to ensure the availability of sports facilities for MultiSport card users in Poland (Note 2).
- On 6th June, 2017, the Group acquired 100% of the shares in Wesolandia Sp. z o.o. with its registered office in Warsaw - Wesola, which conducts sport and leisure activities within the Fitness segment. The Group made the acquisition for the purpose of strengthening its position on the fitness services market. The payment made by the Group to the previous owners amounted to 9.9 million PLN and included the purchase price of the shares paid in cash (Note 2).
- On 21st June, 2017, the Group acquired 100% of the shares in Beck Box Club Praha S.R.O. with its registered office in Prague, the Czech Republic, which operates fitness clubs. The Group made the acquisition for the purpose of strengthening its position on the fitness services market in the Czech Republic.
- On 5th October, 2017, the Group acquired the company Fitness Management Sp. z o.o. with its registered office in Warsaw, which is not yet operating on the date of publication.
- On 15th May, 2017 an increase in capital was made at Benefit Partners Sp. z o.o. with its registered office in Warsaw, Plac Europejski 2, without a transfer of payment to Fit Invest Sp. z o.o. holding 100% of the shares in Benefit Partners Sp. z o.o. on this date. Fit Invest Sp. z o.o. did not participate in the capital increase and as a result the Group lost control over Benefit Partners Sp. z o.o., which from that moment as an associate company is consolidated using the equity method. The Group did not report the result of this transaction because according to the Group the valuation of goodwill for the investment in this subsidiary was equal to its net balance sheet value at the time of increasing the capital.
- On 27 December, 2017, The One Gym S.R.O. was sold as a result of the transformation of Form Factory S.R.O. The financial result of The One Gym S.R.O. was recognised in the financial statements using the full method for the year as a whole.

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For a more detailed description of the impact of the transactions on the financial position and assets of the Group, see Note 2 on acquisitions of business entities and sale of subsidiaries.

The parent company and the consolidated companies of the Group have been established for an indefinite period of time.

e) Approval for publication

These consolidated financial statements prepared for the year ending 31st December, 2017 (with comparative data) were approved for publication by the parent company's Management Board on 21st March, 2018 (see Note 29).

Basis for the preparation of the statements and accounting policies

a) Basis for the preparation of the consolidated financial statements

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter "IFRS") adopted by the European Union, which are effective for annual periods beginning on or after 1st January, 2017.

The parent company's reporting currency and the currency for these consolidated financial statements is the Polish zloty, and all amounts are expressed in thousands of Polish zloty (unless indicated otherwise). The financial statements of foreign companies for consolidation purposes are translated into the Polish currency in accordance with the principles presented below in the accounting policies.

The consolidated financial statements have been prepared on the assumption that the Group's companies will continue to operate in the foreseeable future. As at the date of the approval of these consolidated financial statements for publication, there are no circumstances indicating a risk to the continued operations by the Group's companies.

b) Changes in standards or interpretations

New or amended standards and interpretations in force since 1st January, 2017, and their impact on the Company's consolidated financial statements:

- Amendment to IAS 7 "Statement of Cash Flows"
The amended standard requires entities to disclose information that will enable users of financial statements to assess changes in the entity's debt (i.e. changes in loans and borrowings). The change of the standard resulted in the need to supplement the disclosures with new data. The amendments are effective for annual periods beginning on or after 1st January, 2017.
- Amendment to IAS 12 "Income tax"
The IAS Board specified the principles in more detail:
 - the recognition of deferred tax assets when an entity incurs unrealised losses,
 - the calculation of the future tax gains necessary to recognise a deferred tax asset.
The amendment to the standard had no significant impact on the consolidated financial statements. The amendments are effective for annual periods beginning on or after 1st January, 2017. The Group has decided to make use of the transitional period.
- Amendment to IFRS 12 resulting from the "Draft annual amendments: 2014-2016 cycle"
- It is clarified that disclosures about interests in other entities required by this standard also apply when those interests are classified as held for sale in accordance with IFRS 5. The amendment had no impact on the consolidated financial statements of the Group as it does not classify the shares as held for sale. The amendment came into effect for annual periods beginning on 1st January, 2017.

Standards and interpretations that are effective as issued by the IASB but not endorsed by the European Union are set out below in the section on standards and interpretations that are not effective.

Application of a standard or an interpretation before its effective date

No voluntary early application of a standard or an interpretation was applied in these financial statements.

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Published standards and interpretations which have not come into force for the periods starting from 1st January, 2017, and their impact on the Group's financial statements

Up to the date of preparing these financial statements, the following new or amended standards and interpretations were published, effective for annual periods following 2017:

- **New IFRS 14 "Regulatory accruals and deferred income"**
 The new standard applies only to entities that adopt IFRS and operate in industries where the state regulates the applied prices, such as gas, electricity or water supply. The standard allows for the continuation of the accounting policy concerning the recognition of revenues from such activities applied before the adoption of IFRS, both in the first statements prepared in accordance with IFRS and later. The new regulations will not affect the Group's consolidated financial statements. The standard is effective for annual periods beginning on or after 1st January, 2016, however it will not be endorsed for application in the European Union.
- **Amendment to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"**
 The previously binding rules governing the settlement of the loss of control over a subsidiary provided for the recognition of profit or loss at that moment. In turn, the rules for applying the equity method stated that the result of transactions with entities valued using the equity method is recognised only up to the amount of the share of other shareholders in these entities.
 In a situation where the parent company sells or makes a contribution in-kind of shares in a subsidiary to an entity valued using the equity method in such a way that it loses control over it, the aforementioned regulations would be contradictory. The amendment to IFRS 10 and IAS 28 removes this collision as follows:

 - if the entity over which control has been lost is an enterprise (business), the result of the transaction is recognised in full,
 - if the entity over which control has been lost is not an enterprise, the result is recognised only to the extent of the holding of the other investors.
 The entry into force of this amendment has been suspended by the European Union.
- **New IFRS 9 "Financial Instruments: Classification and Measurement"**
 The new standard will replace the current IAS 39. The changes introduced by the standard in the accounting of financial instruments primarily cover:

 - other categories of financial assets, on which the method of asset valuation depends; the allocation of assets to the category depends on the business model applicable to the given asset,
 - new hedge accounting rules that better reflect risk management,
 - a new model of impairment of financial assets based on expected losses and resulting in the necessity of faster recognition of costs in the financial result.
 The standard is effective for annual periods beginning on or after 1st January, 2018.
 The impact of the standard on the financial statements resulting from the application of the new standard for the first time is described in point c) of this Note.
- **Amendments to IFRS 9: Right of early repayment with negative remuneration**
 As a result of the amendment to IFRS 9, entities will be able to measure financial assets with the so-called right to early repayment with negative remuneration at amortised cost or at fair value through other comprehensive income, if a specific condition is met, instead of measurement at fair value through profit or loss. The amendment to IFRS 9 is effective for annual periods beginning on or after 1st January, 2019, with the possibility of early application.
- **New IFRS 15 "Revenues from Contracts with Customers"**
 The new standard will replace the existing IAS 11 and IAS 18, ensuring one coherent revenue recognition model. The new 5-step model will make the revenue recognition dependent on the transfer of control over goods or services to the customer at the amount of the transaction price. Any goods or services sold in bundles that are identifiable within the bundle shall be identified separately and any discounts or rebates on the transaction price shall, in principle, be allocated to the different elements of the bundle. When the revenue is variable, the new standard classifies variable amounts as revenue to the extent that it is highly probable that the revenue will not be reversed as a result of a revaluation in the future. In addition, according to IFRS 15, costs incurred to acquire and secure a contract with a customer should be capitalised and accounted for over the period of time during which the benefits of the contract are consumed. The standard is effective for annual periods beginning on or after 1st January, 2018.
 The Group believes that the change will not affect its consolidated financial statements as the Company recognises revenue at the time of the transfer of services to the customer at the transaction price and the services are not sold as a package. In addition, there are no discounts, rebates, reimbursement rights or insurance in the sale of the services.

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- Clarifications to IFRS 15 "Revenues from Contracts with Customers"

The clarifications were published on 12th April, 2016, and apply to financial statements prepared after 1st January, 2018. The clarifications provide additional information and explanations about the main assumptions of IFRS 15, including identifying separate obligations, determining whether the entity acts as an agent or is the principal provider of goods and services, and how licensing revenue is accounted for. Apart from the additional clarifications, exemptions and simplifications have been introduced for entities applying the new standard for the first time.

The Group believes that the change will not affect its consolidated financial statements as it does not act as an agent, but as the principal provider of services.
- New IFRS 16 "Lease accounting"

The new standard governing lease agreements (including lease and tenancy agreements) contains a new definition of a lease. Significant changes are made to lessees: the standard requires the carrying amount of an "asset's right of use" and a corresponding financial liability to be recognised in the balance sheet for each lease. The right to use the assets is subsequently amortised, and the liability is measured at amortised cost. Simplifications are foreseen for short-term contracts (up to 12 months) and low-value assets. The accounting approach to leases from the lessor's side is similar to the principles set out in the previous IAS 17.

The Group estimates that the new standard will have a significant impact on its financial statements. As a result of an analysis of existing lease agreements, the Group estimates that all the agreements meet the criteria of lease agreements according to IFRS 16. The Group chose a partially retrospective approach to apply the new standard for the first time. On the basis of information available to the Company as at the date of preparing these consolidated financial statements (Note 5.2), the Company estimated the following impact on its financial statements for 2019:

 - Recognition of the leased assets at the amount of approximately 158.9 million PLN in respect of the right of usufruct;
 - Recognition of depreciation write-downs on assets held under a lease agreement - the minimum write-downs for this are depreciation costs of the Warsaw office and fitness equipment at the amount of 43.8 million PLN. The Group is in the process of determining the depreciation period for the remaining assets;
 - An increase in the balance sheet total of assets by approximately 115.1 million PLN, less additional amortization charges;
 - Recognition of a lease liability at the amount of 158.9 million PLN;
 - The EBITDA ratio increased by the amount of the difference between costs incurred so far in respect of lease instalments and amortization in respect of the right to use.
- New IFRS 17 "Insurance contracts"

A new standard regulating the recognition, measurement, presentation and disclosure of insurance and reinsurance contracts. The standard replaces the existing IFRS 4.

The Group estimates that the new IFRS will not have a material impact on its consolidated financial statements as it does not conduct insurance activities. The amendments are effective for annual periods beginning on or after 01/01/2021. As at the date of the preparation of these financial statements, the amendment has not yet been approved by the European Union.
- Amendment to IFRS 2 "Share-based payment"

The IAS Board settled three issues:

 - the means of recognising in a valuation a programme of cash regulated conditions other than the conditions for the acquisition of rights,
 - the classification of share-based payment transactions if the entity is not obliged to collect tax from an employee,
 - modification of a programme, which leads to a change from a cash-settled programme to an equity-settled programme.

The Group estimates that the amendment to the standard will not affect its consolidated financial statements due to the fact that there were no transactions covered by the amendments. The amendments are effective for annual periods beginning on or after 1st January, 2018. As at the date of the preparation of these financial statements, the amendment has not yet been approved by the European Union.
- Amendment to IFRS 4 "Insurance contracts"

In connection with the entry into force in 2019 of a new standard concerning financial instruments (IFRS 9), the IAS Board introduced transitional rules (until the entry into force of a new standard concerning insurance) for the application of new accounting principles for instruments in the financial statements of insurers. Otherwise, their results would be exposed to considerable volatility.

Two alternative approaches have been proposed:

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- adjustment of volatility caused by IFRS 9 for some assets through a separate item in the statement of profit or loss and other comprehensive income,
 - exemption from IFRS 9 until the new insurance standard becomes effective (or 2021).

The amendment to the standard will not affect the consolidated financial statements of the Group as it does not conduct insurance activities. The amendments are effective when IFRS 9 is applied. As at the date of the preparation of these financial statements, the amendment has not yet been approved by the European Union.
- Amendment to IFRS 1 and IAS 28 resulting from the "Draft annual periods: 2014-2016 cycle". The amendments to the standards include:
 - IFRS 1: deletion of some short-term exemptions that were used in transition to IFRS because they related to periods that had expired and were no longer practicable. The amendment will not affect the Group's consolidated financial statements as they are already prepared in accordance with IFRS.
 - IAS 28: clarifies that, when IAS 28 permits investments to be measured either by the equity method or at fair value (by venture capital organisations, mutual funds, etc., or interests in investment entities), this choice may be made for each such investment separately. The amendment will not affect the Group's consolidated financial statements as it is not possible for the Group to choose the method of measurement of investments in associates and joint ventures to fair value. The amendments will come into force for annual periods beginning on 1st January, 2018.

As at the date of preparing these financial statements, these amendments have not yet been approved by the European Union.
- Amendments resulting from the "Draft annual amendment: 2015-2017 cycle". The International Accounting Standards Board (IASB) published in December, 2017, "Annual changes to IFRS 2015-2017", which introduce amendments to 4 standards: IFRS 3 "Business combinations", IFRS 11 "Joint arrangements", IAS 12 "Income taxes" and IAS 23 "Borrowing costs". The amendments explain and clarify the guidelines of the standards on recognition and measurement. The Group estimates that the amendments to the standards will not have a material impact on its consolidated financial statements. The amendments are effective for annual periods beginning on or after 1st January, 2019. As at the date of preparing these financial statements, these amendments have not yet been approved by the European Union.
- Amendment to IAS 40 "Investment property"

The amendment clarifies the rules according to which property is reclassified to or from the category of investment property from or to fixed assets or inventories. First of all, a change of classification occurs when there is a change in use and this change must be proven. The standard explicitly states that a change in management intentions is not sufficient in itself. The amendment to the standard shall be applied to all changes in use that occur after the effective date of the amendment and to all investment property held as at the effective date of the amendment. The Group estimates that the amendment to the standard will not affect its consolidated financial statements as it does not own investment properties. The amendments are effective for annual periods beginning on or after 1st January, 2018. As at the date of the preparation of these financial statements, the amendment has not yet been approved by the European Union.
- New IFRIC 22 "Currency transactions and advances"

The interpretation determines which exchange rate should be applied in the case of sale or purchase in a foreign currency, which is preceded by the receipt or payment of an advance in that currency. Under the new interpretation, an advance on the date of payment is recognised at the exchange rate on that date. Subsequently, when revenue in a currency or cost or a purchased asset is recognised in profit or loss, it shall be recognised at the exchange rate at the date of the recognition of the advance, rather than at the rate at the date when the revenue or cost or the asset was recognised. The Group estimates that the new interpretation will not have a material impact on its consolidated financial statements as it does not carry out the transactions to which the amendments relate. The interpretation is effective for annual periods beginning on or after 1st January, 2018. As at the date of the preparation of these consolidated financial statements, the amendment has not yet been approved by the European Union.
- New IFRIC 23 "Uncertainty related to the recognition of income tax"

The interpretation to IAS 12 "Income taxes" determines the approach to a situation when the interpretation of the provisions regarding income tax are not clear and it is impossible to definitively accept what solution will be accepted by tax authorities, including courts. Management shall assess which approach will be accepted by the authorities using the most likely or expected value method. A company should assess possible changes in facts and circumstances affecting the established value. If the value is adjusted, it shall be treated as a change in estimate in accordance with IAS 8. The

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interpretation is effective for annual periods beginning on or after 01/01/2019. As at the date of the preparation of these consolidated financial statements, the amendment has not yet been approved by the European Union.

The Group intends to implement the above regulations to the extent relating to the Company within the time limits provided for by the standards or interpretations to be applied.

c) The impact of IFRS 9 on the Group's financial statements

As at the date of these consolidated financial statements, the Group had completed the analysis of the impact of the standard on the opening balance for 2018. The following part of the note contains financial data which the Group assesses as compliant in all material respects with the requirements of IFRS 9. However, it should be noted that these data were not audited and it is possible that the final amounts included in the Group's consolidated financial statements for 2018 will differ from those presented below. The Group plans to complete the implementation in the first half of 2018 and its scope includes: changes in the accounting policy and accounting instructions, adaptation of accounting systems to the new requirements, adjustment of processes so that economic events are considered in terms of the requirements of IFRS 9 at the time of entering into transactions and preparation of disclosures to the consolidated financial statements. The Group intends to present the most important disclosures resulting from this standard in the condensed interim consolidated financial statements as at 31st June, 2018.

The Group decided to implement the standard as of 1st January, 2018, without adjusting the comparative data, therefore the data for 2017 and 2018 will not be comparable, while the adjustments related to the adaptation to IFRS 9 will be introduced as of 1st January, 2018, with reference to the impact on equity.

(i) Comparison of assets and liabilities according to IAS 39 and IFRS 9

Financial assets	IAS 39		IFRS 9			Impact of change Increase / (Decrease)
	Amortised cost	Amortised cost	Fair value settled by:		Total	
			Result	Other comprehensive income		
<i>As at 01/01/2018</i>						
Trade receivables	96,851	94,598	0	0	94,598	(2,253)
Gross value	102,042	102,042	0	0	102,042	0
Impairment allowances	(5,191)	(7,444)	0	0	(7,444)	2,253
Loans granted	75,055	74,497	0	0	74,497	(558)
Gross value	76,009	76,009	0	0	76,009	0
Impairment allowances	(954)	(1,512)	0	0	(1,512)	558
Cash and cash equivalents	52,458	52,458	0	0	52,458	0
Financial assets	224,364	221,553	0	0	221,553	(2,811)

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(ii) Impact of the implementation of IFRS 9 on the Group's equity

As at 01/01/2018	Accumulated other comprehensive income	Retained earnings	Total equity
<i>Reclassification of items from valued at amortised cost to valued at fair value for:</i>			
Receivables	0	0	0
Loans	0	0	0
<i>Adjustment of impairment allowances for assets measured at amortised cost for:</i>			
Receivables	0	(2,253)	(2,253)
Loans	0	(558)	(558)
Correction of deferred tax	0	534	534
Total	0	(2,277)	(2,277)

(iii) Description of individual adjustments and additional supporting information

Adjustments related to the classification of financial assets and measurement to fair value

1. Debt instruments - Trade receivables

In accordance with IFRS 9, as part of the analysis of the business model for trade receivables, the companies in the Group established that all trade receivables comply with the maintenance model for collection purposes - the Group did not make or plan to make any sale, and all of them are held to maturity.

The contractual terms of the loans were also analysed in order to assess whether the classification according to IFRS 9, the so-called SPPI test, is fulfilled, i.e. whether the payments represent only the repayment of principal and interest. As the SPPI test for all trade receivables is met, they will not be measured at fair value.

In the next step, impairment losses were determined using the expected credit loss model.

In the case of the Group's companies operating in the fitness market, the dominant position of trade receivables consists of receivables from the parent company for clearing entries in the MultiSport sports card service (transactions excluded as part of consolidation) and receivables from individual customers. Other trade receivables relate to the leasing of fitness equipment for personal trainers and marketing services, which constitute a monogamous group in terms of credit risk assessment.

In the case of receivables from individual customers for the settlement of membership agreements - on the basis of the established uncollectibility ratio, which the Company used to determine the expected loan loss - the Company determined an additional impairment write-off of 137,000 PLN for completed membership agreements. For other trade receivables the companies did not find it necessary to create additional revaluation write-offs on the basis of IFRS 9.

Due to the high dynamics of growth, the Group decided that an analysis of unrecoverable liabilities will be carried out for the last three years. The analysis was made taking into account sales invoices, representing receivables recognised in quarterly periods in the years 31/01/2014 - 31/12/2017. On the basis of these data, a group of invoices was established, which in 2017 were declared permanently unrecoverable and written off as costs. On this basis, the companies in the Group established a default rate of 2017 which it used to determine the expected credit loss on any given company's total receivables at the end of 2017. The additional write-down was estimated at 670,000 PLN.

The Group analysed the receivables for the risk of non-payment. It was found that some of the receivables are subject to insolvency risk, from which there is no secured collectability. They were identified in interim periods, and revaluation write-offs were made for the whole amount or up to 50% depending on the overdue period. As a result of the analysis, an additional write-down for trade receivables classified according to the IFRS 9 hierarchy to Grade 2 and Grade 3 was made at the amount of 1,446,000 PLN.

In relation to receivables for which the Group made revaluation write-downs during the year, the following solutions were adopted to determine additional future non-recoverability coefficients:

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- the receivables for which write-downs were made were divided into two risk groups - fully non-recoverable and 50% non-recoverable;
- for the calculation of the coefficients, the total gross amounts of the receivables have been taken into account;
- with the use of the coefficients, the amounts of previously made write-downs were adjusted by 1,583,000 PLN.

As a result of the analysis, the total write-down for trade receivables amounted to 7,444,000 PLN, of which the adjustment due to the application of IFRS 9 for the first time amounted to 2,253,000 PLN.

At present, the Group does not identify any negative changes in the market which could cause any negative impact of future factors on the amount of financial losses. Macroeconomic factors (GDP, unemployment) do not give any grounds to apply further portfolio write-offs with respect to the balance of receivables as at the balance sheet date.

2. Debt instruments - Loans granted

The Group has a portfolio of loans granted, which were classified in accordance with IAS 39 as "loans and receivables" and measured at amortised cost.

In accordance with IFRS 9, the analysis of the business model for loans granted revealed that all loans comply with the maintenance model for collection purposes - the Company did not make or nor does it plan to make any sales.

The contractual terms of the loans were also analysed in order to assess whether the classification according to IFRS 9, the so-called SPPI test, is fulfilled, i.e. whether the payments represent only the repayment of principal and interest. The analysis found that since all loans granted bear interest at a variable rate, a benchmark test, i.e. a comparison with the terms of the model instrument, should be carried out for loans with a total carrying amount of 76 million PLN. When analysing the contractual terms of these loans, it was found that the frequency of interest rate changes did not correspond to the interest accrual formula, i.e. the loans bear interest at WIBOR/PRIBOR or LIBOR 3M, and their repayment was made at the end of the period for which the loan was granted (for loans granted to other entities, but not to Partners of the MultiSport Programme) or on a monthly basis (loans for Partners of the MultiSport Programme). Further analysis showed that the amount of interest resulting from the change in the interest rate to the model interest rate is not material (0.5 million PLN) and therefore the SPPI test for these loans is fulfilled. Therefore, all loans granted will remain valued at amortised cost.

In the next step, impairment losses were determined using the expected credit loss model. Write-offs for impairment were determined separately for the portfolio of loans granted to companies other than Partners of the MultiSport programme, and for loans granted to the Partners of the MultiSport programme.

=> Loans granted to entities other than Partners:

- In the case of loans totalling 212,000 PLN there was an impairment in value (Level 3). The impairment loss was determined on the basis of credit losses expected over the entire life of the loan at 212,000 PLN.
- With regard to other loans granted to entities other than Partners, there has been no significant increase in credit risk since their initial recognition (Level 1). Based on the repayment history of the loans granted to these entities, the Group concluded that the probability of insolvency within 12 months is zero. As a result, the impairment loss was determined on the basis of 12-month expected credit losses and amounted to 0 PLN.

=> Loans granted to MultiSport Programme Partners:

- In the case of 3 loans with a total value of 216,000 PLN, there has been a significant increase in credit risk since their initial recognition, but there is no objective evidence of impairment (Level 2). The impairment loss was determined on the basis of credit losses expected over the entire life of the loans at the amount of 108,000 PLN.
- In the case of 6 loans totalling 741,600 PLN there was an impairment in value (Level 3). The impairment loss was determined on the basis of credit losses expected over the entire life of the loans at the amount of 741,600 PLN.
- With regard to other loans granted to MultiSport Programme Partners, there has been no significant increase in credit risk since their initial recognition (Level 1). Therefore, the impairment loss was determined on the basis of 12-month expected credit losses. The established impairment loss amounted

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to 450,000 PLN (3.3% of the value of loans outstanding as at 31st December, 2017). The 3.3% ratio was established on the basis of historical data for 2016 and 2017.

3. Equity instruments - Shares in other entities

The Group does not hold any shares in any other entities, therefore it has not made any adjustments for this reason.

Determination of revaluation write-offs using the expected loss method and adjustment for this

The previous rules of creating revaluation write-offs required the entity to assess whether there was any objective evidence of impairment and, if so, to estimate the impairment write-offs based on the planned cash flows. IFRS 9 requires an estimate of the expected loss, whether or not there is any indication that an impairment loss may have been recognised. The standard provides for a 3-step classification of financial assets with respect to their impairment:

- Level 1 - balances for which there has been no significant increase in credit risk since the initial recognition and for which the expected loss is determined based on the probability of insolvency within 12 months;
- Level 2 - balances for which there has been a significant increase in credit risk since the initial recognition and for which the expected loss is determined based on the probability of insolvency over the entire credit term;
- Level 3 - impaired balances.

Classification into particular Levels and determination of write-offs and their comparison with write-offs in accordance with IAS 39 are presented in the table below:

As at 01/01/2018	Valuation at amortised cost (classification in terms of impairment)			
	Level 1	Level 2	Level 3	Total
Gross value	167,144	3,733	7,174	178,051
Trade receivables	92,106	2,020	7,916	102,042
Loans granted	75,038	1,713	(742)	76,009
Shares in other entities	0	0	0	0
Impairment allowances (IFRS 9)	(1,120)	(1,113)	(6,723)	(8,956)
Trade receivables	(670)	(1,005)	(5,769)	(7,444)
Loans granted	(450)	(108)	(954)	(1,512)
Shares in other entities	0	0	0	0
Carrying amount (IFRS 9)	166,025	2,620	451	169,095

Comparison of impairment allowances according to IFRS 9 and IAS 39:

As at 01/01/2018	Valuation at amortised cost (classification in terms of impairment)			
	Level 1	Level 2	Level 3	Total
Deduction in accordance with IAS 39	0	366	5,779	6,145
Trade receivables	0	366	4,825	5,191
Loans granted	0	0	954	954
Increase/(Decrease) - trade receivables	670	639	944	2,253
Increase - loans granted	450	108	0	558
Total in accordance with IFRS 9	1,120	1,113	6,723	8,956

Impact of adjustments on deferred tax

Deferred tax on the adjustments described above will be recognised in retained earnings, as appropriate.

d) Accounting policies

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

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Presentation of the financial statements

The consolidated financial statements are presented in accordance with IAS 1. The Group presents separately in the "Statement of results", which is placed immediately before the "Consolidated statement of results and other comprehensive income".

The "Consolidated statement of results" is presented in the by-function variant, whereas the "Consolidated statement of cash flows" is prepared using the indirect method.

In the case of the retrospective introduction of changes in accounting principles, presentation or correction of errors, the Group presents a statement of financial position prepared additionally at the beginning of the comparative period, if the above changes are significant for the data presented at the beginning of the comparative period. In this case, the presentation of the notes to the third statement of financial position is not required.

Operating segments

In separating operating segments, the parent company's Management Board is guided by product lines that represent the main services provided by the Group. Each segment is managed separately within a given product line, due to the specific nature of the services provided, geographical area (Foreign), and manufactured products requiring different technologies, resources, and approach to implementation.

In accordance with IFRS 8, the results of the operating segments are derived from internal reports reviewed periodically by the Management Board of the parent company (the main decision-making body of the Group). The parent company's Management Board analyses the results of operating segments at the level of gross operating profit (loss). The measurement of operating segment results used in management calculations is consistent with the accounting principles used in the preparation of the consolidated financial statements, except for the following areas:

- impairment of assets - the determination of the segment's result does not include impairment losses on non-current assets, including goodwill.

Sales revenue disclosed in the consolidated statement of income does not differ from revenues from operating segments, except for revenues not ascribed to segments and consolidation exclusions relating to inter-segment transactions.

Consolidation

The consolidated financial statements include the financial statements of the parent company and the financial statements of the companies controlled by the Group, i.e. its subsidiaries, prepared as at 31st December, 2017. Control is understood as the power to influence the financial and operating policies of a subsidiary so as to obtain benefits from its activities.

The financial statements of the parent company and subsidiaries included in the consolidated financial statements are prepared as at the same balance sheet date, i.e. as at 31st December, 2017. Where necessary, adjustments are made to the financial statements of the subsidiaries in order to align the accounting policies applied by the company with those applied by the Group.

Companies whose financial statements are immaterial from the point of view of the consolidated financial statements of the Group may be exempted from the consolidation obligation. Investments in subsidiaries classified as held for sale are accounted for in accordance with IFRS 5.

Subsidiaries are consolidated using the full method.

The full consolidation method consists of combining the financial statements of the parent company and its subsidiaries by adding together, in full, individual items of assets, liabilities, equity, revenues and costs. In order to present the Group as if it were a single economic entity, the following exclusions are made:

- goodwill or profit in accordance with IFRS 3 is recognised at the time control is acquired,
- non-controlling interests are separately identified and presented,
- balances of settlements between companies of the Group and transactions (revenues, costs, dividends) are excluded in full,
- gains and losses on intragroup transactions, which are recognised in the carrying amount of assets, such as inventories and fixed assets, are excluded. Impairment losses on intragroup transactions are analysed for impairment of assets from the Group's perspective,
- deferred tax is recognised from temporary differences resulting from exclusion of profits and losses on transactions concluded within the Group (in accordance with IAS 12).

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

Up to 1st January, 2010, the excess of losses attributable to non-controlling shareholders over the value of non-controlling interests were charged to the parent company. In accordance with IFRS 10, the Group did not make

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any retrospective restatement of the allocation of losses, hence the profits of subsidiaries, achieved in later periods, will be settled first of all as the parent company until the losses previously absorbed from the minority have been covered.

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

- the partial sale of shares to non-controlling entities - the difference between the sale price and the balance sheet value of net assets of a subsidiary, attributable to shares sold to non-controlling entities, is recognised directly in equity under retained earnings;
- the purchase of shares from non-controlling entities - the difference between the purchase price and the balance sheet value of net assets acquired from non-controlling entities is recognised directly in equity under retained earnings.

Business combinations

Business combinations within the scope of IFRS 3 are accounted for using the acquisition method.

As at the date of obtaining control, the assets and liabilities of the acquiree are generally measured at fair value, and assets and liabilities are identified in accordance with IFRS 3, regardless of whether they were disclosed in the financial statements of the acquiree before the acquisition.

The payment made in exchange for control includes the assets issued, liabilities incurred and equity instruments issued, measured at fair value as at the acquisition date. A component of the payment is also a contingent payment, measured at fair value as at the acquisition date. Acquisition-related costs (consultancy, valuations, etc.) do not constitute a payment for acquisition, but are recognised as an expense on the date they are incurred.

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

- the sum of the payment for control, non-controlling shares (measured as a proportion of net assets acquired) and fair value of blocks of shares (stocks) held in the acquired entity before the acquisition date; and
- fair value of identifiable net acquired assets of the entity.

The excess of the amount calculated as described above over the fair value of the identifiable net assets acquired by the entity is recognised in the assets of the consolidated statement of financial position as goodwill. Goodwill represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognised. After initial recognition, goodwill is measured at cost less accumulated impairment losses.

If the aforementioned amount is lower than the fair value of identifiable net acquired assets of the entity, the difference is recognised immediately in the result. The Group recognises the gain on the acquisition as other operating income.

Up to 1st January, 2010, the Group used the acquisition method to account for its business combinations, as specified in IFRS 3 (2004).

In the case of combinations of entities under common control, the Group does not apply the provisions of IFRS 3, but settles such transactions using the pooling of interests method in the following manner:

- the assets and liabilities of the acquiree are recognised at their carrying amounts. The carrying amount is the amount originally determined by the inspection body rather than the amount in the acquiree's separate financial statements;
- intangible assets and contingent liabilities are recognised on the basis applied by the entity before the merger, in accordance with relevant IFRSs;
- no goodwill arises - the difference between the transferred payment and the acquired net assets of the controlled entity is recognised directly in equity, under retained earnings;
- non-controlling interests are measured at the proportion of the net carrying amount of the assets of the audited entity to their carrying amount;
- comparative data is restated as if the merger had taken place at the beginning of the comparative period. If the date on which the subordination relationship arose is later than the beginning of the comparative period, comparative information shall be presented from the date on which the subordination relationship arose for the first time.

Investments in associates

Associates are those entities over which the parent company has no control but over which it has significant influence by participating in the determination of financial and operating policies.

Investments in associates are initially recognised at acquisition cost and subsequently measured using the equity method. At the moment when a significant influence arises, goodwill is determined as the difference between the

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purchase price of the investment and the fair value of net assets attributable to the investor. Goodwill is recognised in the carrying amount of investments in associates.

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

- the parent company's share in the result of the associated company;
- the parent company's share in other comprehensive income of the associated company, resulting, among others, from revaluation of property, plant and equipment and from foreign exchange differences on the translation of foreign entities. These amounts are disclosed in correspondence with the relevant item of the "Consolidated statement of results and other comprehensive income";
- profits and losses resulting from transactions between the Group and an associated company, which are subject to exclusions up to the level of share held;
- received payments from the profit generated by the associated company, which reduce the carrying amount of the investment.

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

Transactions in foreign currencies

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

Transactions expressed in currencies other than Polish zloty are translated into Polish zloty at the exchange rate prevailing on the transaction date (spot rate). As at the balance sheet date, monetary items expressed in currencies other than the Polish zloty are translated into Polish zloty at the closing rate applicable at the end of the reporting period, i.e. the average rate set for a given currency by the National Bank of Poland. Non-monetary items recognised at historical cost expressed in a foreign currency are recognised at the historical exchange rate as at the transaction date. Non-monetary items recorded at fair value, expressed in a foreign currency, are valued at the exchange rate as at the date of determining the fair value, i.e. the average rate set for a given currency by the National Bank of Poland.

Foreign exchange differences arising from the settlement of transactions or from the translation of monetary items other than derivative instruments are recognised in the net amount of financial income or expenses, respectively, except for foreign exchange differences capitalised in the value of assets in cases specified in the accounting rules (presented in the section on borrowing costs). Foreign exchange differences on measurement of derivatives denominated in foreign currencies are recognised in profit or loss unless they serve as cash flow hedges. Derivatives hedging cash flows are recognised in accordance with hedge accounting principles.

As at the balance sheet date, assets and liabilities of foreign subsidiaries are translated into Polish currency at the closing rate applicable as at the balance sheet date, i.e. the mid-rate set for a given currency by the National Bank of Poland. Goodwill arising from the acquisition of control over a foreign entity is treated as assets and liabilities of the foreign entity and is translated at the closing rate effective as at the balance-sheet date, i.e. the mid-rate quoted for the currency by the National Bank of Poland. The profit and loss statement and the statement of comprehensive income of a foreign entity are translated at the average exchange rate for the financial year, unless there were significant exchange rate fluctuations. In the event of significant exchange rate fluctuations, the exchange rate as at the transaction date is used for transactions included in the profit and loss statement and in the statement of profit and loss and other comprehensive income.

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

Costs of external financing

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Borrowing costs include interest and foreign exchange gains or losses to the extent that they adjust interest costs. The above rules are applied prospectively by the Group starting from 1st January, 2009.

Goodwill

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

Intangible assets

Intangible assets include trademarks, patents and licences, computer software, development costs and other intangible assets that meet the recognition criteria specified in IAS 38. Also included under this item are intangible assets not yet brought into use (intangible assets in the course of manufacture).

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As at the balance-sheet date, intangible assets are disclosed at acquisition or production cost less accumulated amortisation and impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The useful lives of individual intangible assets are reviewed annually and, if necessary, adjusted from the beginning of the next financial year.

The expected useful life for each class of intangible assets is as follows:

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

Costs related to software maintenance incurred in later periods are recognised as costs of the period as they are incurred. Research costs are recognised in profit or loss as incurred.

The Group carries out development works related to the implementation and adaptation of IT support systems and modern solutions for non-wage benefits for customers required by the Company.

Expenditures directly attributable to development activities are recognised as intangible assets only if the following criteria are met:

- the completion of an intangible asset is technically feasible so as to be usable or saleable;
- the Group intends to complete the component and commence its use or sale;
- the Group is capable of using or selling the intangible asset;
- the intangible asset will bring economic benefits, and the Group is able to prove such benefits by, among others, the existence of a market or the usefulness of the asset for the needs of the Group;
- the Group has available the technical, financial and other resources necessary to complete the development works in order to sell or use the asset;
- expenditures incurred in the course of development works may be reliably measured and assigned to a given intangible asset.

Expenditures incurred on development works performed as part of a given project are carried forward to the next period if it can be deemed that they will be recovered in the future. The assessment of future benefits is based on the principles set out in IAS 36.

After the initial recognition of development expenditures, the historical cost model is applied, according to which assets are recognised at acquisition or production cost less accumulated amortisation and accumulated impairment losses. Completed development works are depreciated on a straight-line basis over the expected period of obtaining benefits, which on average amounts to 3 years.

Profits or losses resulting from the disposal of intangible assets are defined as the difference between sales revenues and the net value of such intangible assets and are recognised in the result under other operating revenues or costs.

Property, plant and equipment

Property, plant and equipment are initially recognised at the purchase or manufacturing cost. The purchase price is increased by all costs directly related to the purchase and adjustment of the asset to its usable condition.

After initial recognition, property, plant and equipment, with the exclusion of land, are disclosed at purchase or manufacturing cost less accumulated depreciation and impairment losses. Property, plant and equipment in the course of production are not depreciated until their construction is completed or they are assembled and they are put to use.

Depreciation is calculated on a straight-line basis over the estimated useful life of a given asset, which is as follows for particular groups of property, plant and equipment:

Group	Period
Machinery and equipment	3 - 7 years
Means of transport	3 - 5 years
Other fixed assets	3 - 5 years

Depreciation commences in the month following the month in which the fixed asset is available for use. Economic useful lives and depreciation methods are verified once a year, causing possible adjustment of depreciation write-offs in subsequent years.

Fixed assets are divided into components, which are items of significant value to which separate useful lives can be assigned. The costs of general overhauls as well as significant spare parts and equipment, if used for a period

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longer than one year, are also included. Current maintenance costs incurred after the date of commissioning a fixed asset, such as maintenance and repair costs, are recognised in the profit or loss as incurred.

An item of property, plant and equipment may be de-recognised from the statement of financial position upon disposal or when no future economic benefits are expected from its further use. Profits or losses resulting from the sale, liquidation or cessation in use of fixed assets are defined as the difference between sales revenues and the net value of such fixed assets and are recognised in the result under other operating revenues or costs.

Assets leased

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased asset, are recognised as assets and liabilities at the commencement of the lease term. The value of assets and liabilities is determined as at the lease commencement date at the lower of the following two values: fair value of the fixed asset being the subject of the lease or current value of minimum lease payments.

The minimum lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Contingent lease payments are recognised as an expense in the period in which they are incurred.

Fixed assets used under finance lease agreements are depreciated according to the same rules as those applied to the Group's own assets. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases under which the lessor retains substantially all the risks and rewards of ownership of the leased asset are classified as operating leases. Lease fees from operating leases are recognised as an expense on a straight-line basis over the lease term.

Impairment of non-financial fixed assets

The following assets are tested for impairment annually:

- goodwill, wherein the first test for impairment is carried out by the end of the period in which the merger is effected;
- intangible assets that are not yet used.

Other intangible assets and property, plant and equipment are tested for impairment annually. If any events or circumstances indicate that the carrying amount of an asset may not be recoverable, the asset is tested for impairment.

For the purpose of impairment testing, assets are grouped at the lowest level at which they generate cash flows independently of other assets or groups of assets (so called cash-generating units). Assets that generate their own cash flows are tested individually.

Goodwill is allocated to those cash-generating units that are expected to benefit from the synergies of a business combination, where the cash-generating units are at least 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 or 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.

An impairment loss is first allocated to goodwill. The remaining amount of the write-down decreases proportionally the balance sheet value of assets entering the cash-generating unit.

Impairment losses are recognised in profit or loss under other operating expenses.

Impairment losses on goodwill are not reversed in subsequent periods. In the case of other assets, as at subsequent balance-sheet dates, indications of the possibility of reversal of impairment write-offs are assessed. A reversal of an impairment loss is recognised in profit or loss under other operating income.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or an equity instrument of the other party simultaneously.

A financial asset or financial liability is recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Standard purchase and sale transactions of financial assets and financial liabilities are recognised on the transaction date.

A financial asset is excluded from the statement of financial position if the rights to economic benefits and risks arising

from the agreement have been exercised, expired or the Group has waived them.

The Group excludes a financial liability from the statement of financial position when the liability expires, i.e. when the obligation specified in the contract is fulfilled, cancelled or expires.

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As at the acquisition date, financial assets and liabilities are measured by the Group at fair value, i.e. most often at the fair value of the payment made in the case of an asset or the amount received in the case of a liability. Transaction costs are included in the initial value of measurement of all financial assets and liabilities, except for the category of assets and liabilities measured at fair value through profit or loss.

As at the balance-sheet date, financial assets and liabilities are measured in accordance with the principles set out below.

Financial assets

For measurement purposes after initial recognition, financial assets other than hedging derivatives are classified by the Group as follows:

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

These categories determine the principles of measurement as at the balance sheet date and the recognition of gains or losses on measurement in the financial result or in other comprehensive income. Profits or losses recognised in the financial result are presented as financial revenues or costs, except for write-downs of trade receivables, which are presented as other operating costs.

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method. Short-term receivables are measured at amounts that need to be paid due to insignificant discount effects.

Financial assets classified as loans and receivables are disclosed in the statement of financial position as follows:

- non-current assets under "Receivables and loans" and
- current assets under "Loans", "Trade and other receivables" and "Cash and cash equivalents".

Write-offs for doubtful receivables are estimated when collection of the full amount of receivables is no longer probable. Significant balances of receivables are individually assessed in the case of debtors who are in arrears or when objective evidence is obtained that the debtor may not pay the receivable (e.g. the difficult financial situation of the debtor, court proceedings against the debtor, changes in the economic environment unfavourable to the debtor). For receivables not subject to individual assessment, indications of impairment are analysed within particular asset classes defined using credit risk (e.g. resulting from the industry, region or structure of customers). Therefore, the ratio of impairment losses for particular classes is based on the recently observed trends in debtors' difficulties in paying off their receivables.

Shares of non-listed companies are measured at cost less impairment losses, as their fair value cannot be reliably estimated. Impairment losses are recognised in profit or loss.

All other available-for-sale financial assets are measured at fair value. Gains and losses on measurement are recognised as other comprehensive income and accumulated in the capital from the valuation of financial assets available for sale, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in the financial result. The financial result also includes interest which would be recognised at the valuation of these financial assets at amortized cost using the effective interest rate method.

Reversals of impairment losses on available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses on debt instruments, the reversals of which are recognised in profit or loss if the increase in the value of the instrument can be objectively related to an event occurring after the impairment was recognised.

When an asset is de-recognised from the statement of financial position, the cumulative gains and losses previously recognised in other comprehensive income are reclassified from equity to profit or loss and presented in other comprehensive income as reclassifications on account of transfers to profit or loss.

Financial liabilities

Financial liabilities other than hedging derivatives are presented in the following items of the statement of financial position:

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

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After 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 measured at fair value through profit or loss. The category of financial liabilities measured at fair value through profit or loss includes derivatives other than hedging instruments. Short-term trade liabilities are measured at the amount due owing to insignificant discount effects. Gains and losses on the measurement of financial liabilities are recognised in the financial result under financing activities.

Inventories

Inventories are measured at the lower of the following two values: purchase price/manufacturing cost and net realisable value. The purchase price or manufacturing cost comprises the costs of purchase, costs of processing and other costs incurred in bringing the inventories to their present location and condition.

The cost of finished goods and work in progress comprises direct costs (mainly materials and labour) increased by a mark-up of indirect production costs determined on the basis of normal production capacity utilisation.

The release of finished goods is recognised using the weighted average actual production cost method. The release of materials and goods is determined using the "first in, first out" (FIFO) method.

Net realisable value is the estimated selling price determined in the ordinary course of business, less the costs of completion and the costs necessary to make the sale.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and in bank accounts, demand deposits and highly liquid short-term investments (up to three months) that are readily convertible to cash and have a negligible risk of changes in value.

Fixed assets classified as held for sale

Fixed assets (groups of fixed assets) are classified by the Group as held for sale if their balance sheet value will be recovered primarily as a result of a sale transaction and not through further use. This condition is deemed to be met only if the asset (group of assets) is available for immediate sale in its present condition, under normal and customary conditions of sale, and the sale is highly probable within one year from the moment of reclassification.

Non-current assets classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell. Some non-current assets classified as held for sale, such as financial assets and deferred tax assets, are measured in accordance with the same accounting principles as those applied by the Group before classification as held for sale. Fixed assets classified as held for sale are not subject to depreciation.

Equity

Share capital is disclosed at the nominal value of issued shares, in accordance with the parent company's statute.

The parent company's shares acquired and held by the parent company or its subsidiaries reduce the equity. Own shares are measured at purchase price.

Capital from the sale of shares above their nominal value arises from the surplus of the issue price over the nominal value of shares, reduced by the issue costs.

Other capital includes:

- capital from the recognition of the valuation of share-based payment programmes, and
- capital from accumulation of other comprehensive income including:
 - revaluation of property, plant and equipment at fair value (see the section on property, plant and equipment),
 - measurement of available-for-sale financial assets (see the section on financial instruments),
 - valuation of cash flow hedges (see section on hedge accounting),
 - exchange rate differences on translations of foreign subsidiaries (see the section on foreign currency transactions).

Retained earnings include the results from previous years (also those transferred to equity by resolutions of the shareholders) and the financial result for the current year.

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

Employee benefits

Liabilities and provisions for employee benefits disclosed in the statement of financial position include the following titles:

- short-term employee benefits due to salaries (including bonuses) and social security contributions,
- provisions for unused holidays and
- other long-term employee benefits, which include jubilee awards and retirement gratuities.

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Short-term employee benefits

The value of short-term employee benefit obligations is determined without discount and disclosed in the statement of financial position at the amount due for payment.

Provisions for unused holidays

The Group creates a provision for the costs of accumulating paid absences, which will have to be incurred as a result of unused entitlement by employees, and which has accrued as at the balance sheet date. The provision for unused holiday leave is a short-term provision and is not subject to discounting.

Retirement benefits and jubilee awards

In accordance with the Group's remuneration systems, employees of the Group's companies are entitled to jubilee awards and retirement benefits. Jubilee awards are paid to employees after they have worked a certain number of years. Retirement benefits are paid once, upon retirement. The amount of retirement benefits and jubilee bonuses depends on the length of service and the average remuneration of the employee.

The Group creates a provision for future liabilities due to retirement benefits and jubilee bonuses in order to allocate costs to the periods of acquiring rights by its employees.

The present value of provisions as at each balance sheet date is estimated by an independent actuary. The accrued provisions are equal to discounted payments that will be made in the future and relate to the period until the balance sheet date. Demographic information and information on employment turnover are based on historical data. The effects of the measurement of the provision for future liabilities due to retirement benefits and jubilee bonuses are recognised in the result.

Provisions, liabilities and contingent assets

Provisions are recognised when the Group has an existing obligation (legal or usually expected) as a result of past events, and when it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The timing and the amount to be paid may be uncertain.

Provisions are created for the following titles, among others:

- guarantees granted for the after-sales service of products and services provided,
- pending court proceedings and disputes,
- restructuring, only if on the basis of separate regulations the Group is obliged to carry it out or binding agreements have been concluded in this respect.

No provisions are made for future operating losses.

Provisions are recognised at the estimated amount of expenditure required to settle the present obligation, based on the most reliable evidence available as at the date of the financial statements, including the risks and uncertainties involved. If the effect of the time value of money is material, the amount of provision is determined by discounting the forecast future cash flows to their present value using a discount rate that reflects current market assessments of the time value of money and the risks, if any, specific to the liability. If the discounting method is applied, an increase in the provision due to the passage of time is recognised as a financial cost.

If the Group expects that the costs covered by the provision will be reimbursed, e.g. under an insurance agreement, then such reimbursement is recognised as a separate asset, but only if there is a sufficient certainty that such reimbursement will actually take place. However, the value of that asset may not exceed the amount of the provision.

If it is not probable that an outflow of resources will be required to settle the present obligation, the amount of the contingent liability shall not be recognised in the statement of financial position, except for contingent liabilities identified in a business combination under IFRS 3.

Information about contingent liabilities are disclosed in the descriptive part of the consolidated financial statements in Note 24. The Group also presents information on contingent liabilities under lease payments resulting from operating lease agreements (Note 7).

Possible inflows of economic benefits to the Group that do not yet meet the criteria for recognition as assets are contingent assets that are not recognised in the statement of financial position. Information about contingent assets shall be disclosed in the additional explanatory notes.

Prepayments and accruals

The Group discloses in assets under "Accruals and deferred income" prepaid costs related to future reporting periods, including in particular lease payments.

In the item "Accruals and deferred income" included in liabilities, deferred income is presented, including cash received to finance property, plant and equipment, which is accounted for in accordance with IAS 20 "Government

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Grants". In this item, the Group also discloses provisions related to the MultiSport product, e.g. provision for costs of visits. Accrued expenses are disclosed under "Trade and other payables".

Grants are recognised only when there is reasonable assurance that the Group will comply with the conditions attached to the grant and that the grant will actually be received. A grant related to a given cost item is recognised as income in a manner commensurate with the costs it is intended to compensate. A grant financing an asset is recognised in profit or loss as income over the periods necessary to finance the asset, in proportion to the depreciation charges made on the asset. For the purpose of presentation in the consolidated statement of financial position, the Group does not deduct grants from the carrying amount of its assets, but presents them as deferred income under "Accruals and deferred income".

Sales revenues

Revenues from sales are recognised at fair value of payments received or due and represent receivables for products, goods and services delivered in the normal course of business, less discounts, value added tax and other sales-related taxes (excise tax). Revenues are recognised in the amount in which it is probable that the Group will obtain economic benefits associated with a given transaction and when the amount of revenue can be reliably measured.

Sale of goods and products

Revenues from the sale goods and services are recognised if the following conditions are met:

- the Group has transferred to the buyer the significant risks and rewards of ownership to the goods. This condition is deemed to be met when the goods or products are undisputedly delivered to the recipient,
- the amount of revenue can be measured reliably,
- it is probable that the economic benefits associated with the transaction will flow to the Group, and
- the costs incurred and those which will be incurred in connection with the transaction, can be valued in a reliable manner.

Sales of services

Revenues from the sale of services are recognised when the service is provided, provided that the following conditions are met:

- the amount of revenue can be measured reliably,
- it is probable that the economic benefits associated with the transaction will flow to the Group,
- the costs incurred and those which will be incurred in connection with the transaction, can be valued in a reliable manner.

In the balance of deferred income, the Group recognises revenue invoiced in advance relating to future years.

Interest and dividends

Interest income is recognised successively as it accrues in accordance with the effective interest rate method. Dividends are recognised when the shareholder's right to receive payment is established.

Operational costs

Operating costs are recognised in profit or loss in accordance with the matching of revenues and costs principle. The Group presents costs in the consolidated financial statements by place of origin.

Income tax (including deferred tax)

The tax burden on the financial result includes current and deferred income tax, which was not recognised in other comprehensive income or directly in equity.

The current tax burden is calculated on the basis of the tax result (tax base) for a given financial year. Tax profit (loss) differs from pre-tax accounting profit (loss) due to temporary transfer of taxable income and tax-deductible expenses to other periods and exclusion of items of expense and income that will never be subject to taxation. The tax burden is calculated based on the tax rates applicable in a given financial year.

Deferred tax is calculated using the balance sheet method as tax payable or refundable in the future on differences between the carrying amounts of assets and liabilities and the corresponding tax bases used to calculate the tax base.

Deferred tax liabilities are recognised for all taxable temporary differences, whereas deferred tax assets are recognised to the extent that it is probable that it will be possible to reduce future taxable profits by the temporary exchange differences reported. Assets and provisions are not 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 the transaction, affects neither the tax nor the accounting profit. The provision for deferred tax on goodwill, which is not subject to depreciation under tax regulations, is not recognised.

Deferred tax is calculated using the tax rates that will be in force at the time when the item of assets is realised or the provision is settled, assuming legal regulations in force as at the balance sheet date as the basis.

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The value of a deferred tax asset is subject to analysis as at each balance sheet date, in the event that the expected future tax profits will not be sufficient for the realisation of the asset or its part, it is written off.

Subjective judgements of the Management Board and uncertainty of estimates

In preparing the consolidated financial statements, the parent company's Management Board based itself on its own judgement when making the numerous estimates and assumptions affecting the accounting policies and presentation of assets, liabilities, income and expenses. The actual values may differ from the estimates made by the Management Board. Information on estimates and assumptions which are significant for the consolidated financial statements is presented below.

Economic useful lives of non-current assets

The parent company's Management Board annually verifies the useful lives of depreciable fixed assets. As at 31st December, 2017, the Management Board is of the opinion that the useful lives of the assets adopted by the Group for the purposes of depreciation reflect the expected period in which the assets will bring economic benefits in the future. However, the actual useful lives of those assets may differ from the assumptions in the future, including because of technical obsolescence. The carrying amount of depreciable fixed assets is presented in Notes 5 and 6.

Deferred tax assets

The probability of settlement of a deferred tax asset with future tax profits is based on the budgets of the Group's companies approved by the parent company's Management Board. If the projected financial results indicate that the Group's companies will achieve taxable income, deferred tax assets are recognised in their full amount.

Impairment of assets

In order to determine the recoverable amount, the Management Board estimates the projected cash flows and the rate that the cash flows are discounted to present value. In the process of measuring the present value of future cash flows, assumptions are made regarding the projected financial results. These assumptions relate to future events and circumstances. Actual realised values may differ from estimated values, which in subsequent reporting periods may result in significant adjustments to the value of the Group's assets.

Write-downs

As at each reporting date, the Company's Management Board assesses the probability of payment of receivables by establishing an appropriate allowance for the value of receivables. The prerequisites for creating a 50% write-down are overdue receivables over 180 days and a 100% write-down over 365 days, or placing the counterparty in liquidation and transferring the receivables to debt recovery. The Management Board reviews receivables individually.

Share-based payments

The Group implements incentive programmes (hereinafter referred to as the Programme or IP) under which key managers are granted options convertible to the parent company's shares.

The value of remuneration for the work of the management staff is determined indirectly by reference to the fair value of equity instruments granted. The fair value of the option is measured at the grant date, with non-market vesting conditions (reaching the assumed level of financial result) being taken into account when estimating the fair value of the share option.

Remuneration costs and increases in equity are recognised based on the best available estimates of the number of options that will be vested during the period. In determining the number of options to which the rights will be vested, non-market vesting conditions are taken into account.

The Group revises these estimates if subsequent information indicates that the number of options granted differs from previous estimates. Revisions to estimates of the number of options granted are recognised in the profit or loss of the current period - no adjustments are made to prior periods.

After the exercise of options convertible into shares, the amount of capital from the measurement of the options granted is transferred to the share premium, less the costs of the share issue.

Contingent remuneration

The Management Board of the parent company measures the put option on shares in subsidiaries based on information and conditions included in the agreement, e.g. the mathematical formula. The Management Board also anticipates the moment of exercising the option.

Valuation of fair value of acquired assets and liabilities, determination of goodwill

The Management Board of the parent company identifies and measures the acquired assets, liabilities and goodwill. The valuation takes into account a number of important assumptions, such as the choice of an

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appropriate valuation method, plans for the use of the acquired assets and financial forecasts. The adopted assumptions may have a significant impact on the determination of the fair value of the acquired assets and liabilities and on the determination of goodwill. The settlement of the acquisition of entities is presented in Note 2 to these consolidated financial statements.

Correction of errors and changes to accounting policies

In 2017, there were no changes in the accounting policies.

The following corrections of errors were made to the condensed interim consolidated financial statements of the Group for the period of 6 months of 2017, which had an impact on the financial data presented in the consolidated financial statements for comparable periods:

- The valuation of put options obliging the Group to purchase non-controlling interests in Zdrofit Sp. z o.o. and Multisport Benefit S.R.O. has not been included in the opening balance sheet of the parent company. The correction relates to long-term liabilities in the amounts respectively of 35.8 million PLN and 25.1 million PLN and reserve capital in the amount of 60.9 million PLN. The valuation of these options was made using a mathematical formula based on the Group's estimates for the results of these companies: for 2017 for the options in Multisport Benefit S.R.O. and for 2018 for the options in Zdrofit Sp. z o.o. The forecast date for exercising the options accepted in the calculation of the estimate is Q1 of 2018 for Multisport Benefit S.R.O. and Q1 of 2019 for Zdrofit Sp. z o.o.
- The valuation of supplementary remuneration II from the agreement to purchase shares in MyBenefit Sp. z o.o. has not been included in the books of the year. The correction relates to a decrease in profit for past years of 3.3 million PLN and the payroll expenses of 0.9 million PLN in the current year (Note 8.5.1).
- As a result of the call option for the acquisition of the remaining shares in Tiger Sp. z o.o. from the date of the sale agreement, i.e. from 22nd June, 2016, the company should be fully consolidated with a 100% holding in the share capital of Tiger Sp. z o.o., instead of the equity method. The correction relates to all items of the Group's financial statements for 2016. Due to the full consolidation of Tiger Sp. z o.o., it is necessary to recognise the valuation of the put options obliging the Group to acquire the remaining shares of Tiger Sp. z o.o. The correction relates to goodwill of 9.6 million PLN, to non-controlling interests of 1.6 million PLN and to other liabilities of 11.3 million PLN. The valuation of put options was made using the mathematical formula contained in the agreement, consisting of a fixed price less net debt increased by the cash balance. The forecast date for exercising the options assumed in the calculation of the valuation is Q2 of 2018.
- The parent company also made a presentation correction in the comparative period of 2016. In the financial statements for this period, all costs of assets under construction, including intangible assets and fixed assets, were presented in one item: intangible assets during production. The company has identified fixed assets under construction and presented them in a separate item: property, plant and equipment under construction. The presentation adjustment relates to the opening balance of intangible assets and property, plant and equipment of 810,000 PLN.

In addition, corrections were made up to 2015 in the following items:

- increased general and administrative expenses and reduced profit of 1,409,000 PLN, increased accruals of 2,817,000 PLN and other liabilities of 4,226,000 PLN, in connection with the valuation of supplementary remuneration II from the agreement to purchase shares in MyBenefit Sp. z o.o.,
- increased other non-current liabilities and decreased reserve capital of 25,100,000 PLN in connection with the valuation of put options obliging the Group to purchase non-controlling interests in Multisport Benefit S.R.O.

The corrections introduced to the Group's consolidated financial statements presented in the preceding periods are as follows:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – ASSETS

	As at 31/12/2016			As at 31/12/2015		
	Before	Adjustments	After	Before	Adjustments	After
Non-current assets						
Goodwill	131,320	14,932	146,252	99,569	0	99,569
Intangible assets	17,874	(810)	17,064	10,191	0	10,191
Property, plant and equipment	135,251	12,572	147,823	100,714	0	100,714

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Investments in associates	33,731	(6,035)	27,696	27,122	0	27,122
Loans and receivables	45,602	(2,855)	42,747	36,023	0	36,023
Other long-term financial assets	97	334	431	110	0	110
Long-term prepayments	702	0	702	945	0	945
Deferred tax assets	9,083	0	9,083	9,939	0	9,939
Non-current assets	373,660	18,138	391,798	284,613	0	284,613
Current assets						
Inventories	12,850	37	12,887	5,065	0	5,065
Trade receivables and other receivables	93,918	1,349	95,267	58,921	0	58,921
Income tax receivable	206	196	402	24	0	24
Loans	15,431	0	15,431	8,776	0	8,776
Other short-term financial assets	242	0	242	0	0	0
Accruals	7,463	1,205	8,668	7,366	2,817	7,366
Cash and cash equivalents	64,920	275	65,195	23,977	0	23,977
Fixed assets classified as held for sale	750	0	750	0	0	0
Current assets	195,780	3,062	198,842	104,130	2,817	106,947
Total assets	569,440	21,200	590,640	388,743	2,817	391,560

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – LIABILITIES

	As at 31/12/2016			As at 31/12/2015		
	Before	Adjustments	After	Before	Adjustments	After
Equity						
<i>Equity attributable to shareholders of the parent company</i>						
Share capital	2,600	0	2,600	2,555	0	2,555
Own shares (-)	(57,594)	0	(57,594)	0	0	0
Share premium	51,444	0	51,444	41,458	0	41,458
Exchange differences from consolidation	(131)	0	(131)	(38)	0	(38)
Reserve capital	9,906	(60,857)	(50,951)	30,500	(25,100)	5,400
Other capital	131,347	0	131,347	48,956	0	48,956
Retained earnings:	87,374	(3,656)	83,718	62,128	(1,409)	60,719
- accumulated earnings for the previous reporting periods	4,608	(1,409)	3,199	13,035	0	13,035
- net profit attributable to shareholders of the parent company	82,766	(2,247)	80,519	49,092	(1,409)	47,683
Equity attributable to shareholders of the parent company	224,946	(64,513)	160,433	185,558	(26,509)	159,049
Non-controlling interests	17,251	0	17,251	5,703	0	5,703
Equity	242,197	(64,513)	177,684	191,262	(26,509)	164,753
Liabilities						
Non-current liabilities						
Interest-bearing loans, borrowings and debt instruments	121,445	4,332	125,777	57,847	0	57,847
Finance leases	27,355	0	27,355	16,515	0	16,515
Other liabilities	4,255	72,156	76,411	8,093	29,326	37,419
Provision for deferred income tax	5,907	0	5,907	5,161	0	5,161
Other long-term provisions	0	0	0	438	0	438
Long-term prepayments	899	0	899	0	0	0
Non-current liabilities	159,861	76,488	236,349	88,054	29,326	117,380

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Current liabilities

Trade payables and other liabilities	67,513	7,471	74,984	35,413	0	35,413
Income tax payable	14,220	0	14,220	3,214	0	3,214
Interest-bearing loans, borrowings and debt instruments	2,505	1,588	4,093	9,608	0	9,608
Finance leases	10,397	0	10,397	8,725	0	8,725
Liabilities and provisions for employee benefits	11,619	0	11,619	9,676	0	9,676
Other short-term provisions	2,621	16	2,637	2,874	0	2,874
Accruals	58,507	150	58,657	39,917	0	39,917
Current liabilities	167,382	9,225	176,607	109,427	0	109,427
Total liabilities	327,243	85,713	412,956	197,481	29,326	226,807
Total equity and liabilities	569,440	21,200	590,640	388,743	2,816	391,560

CONSOLIDATED INCOME STATEMENT

	From 01/01 to 30/06/2016		
	Before	Adjustments	After
<i>Continuing operations</i>			
Gross profit on sales	80,660	0	80,660
General and administrative expenses	(26,649)	(939)	(27,588)
Operating profit	33,652	(939)	32,713
Profit before tax	34,349	(939)	33,410
Net profit from continuing operations	25,943	(939)	25,004
Net profit	25,943	(939)	25,004

The impact of the corrections on other financial statements was insignificant.

1. Operating segments

Starting from 2014, the Benefit Systems Group presents its results on the basis of distinct operating segments. The results of operating segments are compared to historical data in the Management Board's Report on the activities of Benefit Systems Group for the 12 months ended 31st December, 2017.

Based on the thresholds defined in IFRS 8 Benefit Systems Group has an obligation to separately disclose only the results of the "Sports Card" and "Fitness" segments (a minimum of 10% of the Group's revenues). However, the Group has chosen to present all the defined segments due to the fact that the results of these segments are approaching the thresholds defined in IFRS 8 and there is likelihood that the threshold will be exceeded in the following reporting periods. The presentation of all operating segments also increases the transparency of data and improves the quality of information.

The Group divides its activities into the following operating segments:

- Sports Cards,
- Fitness,
- Foreign,
- Cafeteria,
- Other activities and arrangements.

Operating segments comprise mainly the activities of the following companies:

- The "Sport Cards" segment includes the group of sports cards offered by Benefit Systems S.A., FitSport Polska Sp. z o.o., VanityStyle Sp. z o.o.,
- The "Fitness" segment includes fitness club chains such as: Fabryka Formy S.A., Fitness za Rogiem Sp. z o.o., The One Gym S.R.O., Fitness Academy Spółka z ograniczoną odpowiedzialnością SKA, AM Classic Sp. z o.o., Jupiter Sport Sp. z o.o., Zdrofit Sp. z o.o., Zdrofit Sport Sp. z o.o., Calypso Fitness S.A., Tiger Sp. z o.o., Baltic Fitness Center Sp. z o.o., Instytut Rozwoju Fitness Sp. z o.o., Get Fit Katowice Sp. z o.o., Wesolandia Sp. z o.o., Fitness Place S.R.O., Fitness Place Sp. fitness Fit Invest Bulgaria EOOD, Beck Box

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Club Praha S.R.O. and the investment companies Fit Invest Sp. z o.o. and Benefit Partners Sp. z o.o. (lease of fitness equipment for Partners),

- The "Foreign" segment covers the activities of Benefit Systems Group outside the Polish market, i.e. concentrated in the holding Benefit Systems International Sp. z o.o. MultiSport Benefit S.R.O. in the Czech Republic, Benefit Systems Slovakia SRO, Benefit Systems Bulgaria EOOD and Benefit Systems D.O.O. in Croatia,
- The "Cafeteria" segment includes non-wage incentive systems implemented through cafeteria platforms, offering users a wide range of products, supplied by MultiBenefit Sp. z o.o. and MyBenefit Sp. z o.o.,
- Other activities and agreements include income other than non-wage motivational products derived from sales and indirect costs, which were not allocated to these segments. Revenues primarily include the elimination of transactions between segments. The costs are associated with management and administration activities, strategic activities in the Group and the costs of the Incentive Programme.

Sales revenue disclosed in the consolidated statement of income does not differ from revenues from operating segments, except for revenues not ascribed to segments and consolidation exclusions relating to inter-segment transactions.

The table below presents information about revenues, results, significant non-cash items and assets of operating segments.

	Sport cards segment	Fitness segment	Foreign segment	Cafeteria segment	Others	Total
For the period from 01/01 to 31/12/2017						
Revenues from external customers	730,744	180,173	91,936	67,447	0	1,070,300
Inter-segment sales revenues	0	0	0	0	(105,514)	(105,514)
Total revenues	730,744	180,173	91,936	67,447	(105,514)	964,786
Operating result of segment	132,458	(13,612)	(5,539)	12,558	(4,454)	121,411
<i>Other information:</i>						
Depreciation	8,833	22,756	298	1,374	857	34,118
Operating segment assets	603,925	439,740	32,675	100,185	(414,490)	762,035
For the period from 01/01 to 31/12/2016						
<i>Restated</i>						
Revenues from external customers	620,692	81,146	40,788	39,903	0	782,529
Inter-segment sales revenues	0	0	0	0	(38,711)	(38,711)
Total revenues	620,692	81,146	40,788	39,903	(38,711)	743,818
Operating result of segment	115,571	(11,497)	(1,638)	1,181	(10,442)	93,175
<i>Other information:</i>						
Depreciation	6,275	15,728	176	942	571	23,692
Operating segment assets	410,322	273,450	20,834	80,110	(194,076)	590,640

Reconciliation of the total value of revenues, income and assets of operating segments with similar items of the consolidated financial statements of the Group is as follows:

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	From 01/01 to 31/12/2017	From 01/01 to 31/12/2016 Restated
Segment revenue		
Total revenue of operating segments	1,070,300	782,529
Revenue not attributed to segments	0	0
Excluding revenue from intersegment transactions	(105,514)	(38,711)
Sales revenues	964,786	743,818
Segment results		
Operating result of segments	125,865	103,617
Other operating revenue not attributed to segments	0	0
Other costs not attributed to segments (-)	0	0
Exclusion of result from intersegment transactions	(4,454)	(10,442)
Operating profit	121,411	93,175
Financial income	3,915	2,948
Financial costs (-)	(12,101)	(6,859)
Share in profit or loss of entities accounted for using the equity method	3,066	9,575
Gross profit (loss) before tax	116,291	98,839

	31/12/2017	31/12/2016 Restated
Segment assets		
Total assets of operating segments	1,176,525	784,716
Assets not allocated to segments	0	0
Exclusion of intersegment transactions	(414,490)	(194,076)
Total assets	762,035	590,640

In the periods covered by the consolidated financial statements, revenues from sales not attributed to operating segments primarily include exclusions of intersegment transactions. The costs are associated with management and administration activities, strategic activities in the Group and the cost of the Incentive Programme, support functions and other activities not allocated to separate operating segments.

2. Acquisition and loss of control over subsidiaries

Acquisitions

The merger transactions carried out by the Group in 2017, as a result of which the Group acquired control over the entities, are presented in the general information of the consolidated financial statements (sub-point d) "Information about the Group" in the note entitled General information).

The amounts of goodwill and profit on opportunistic acquisitions determined in 2017 were presented in relation to the acquisitions accounted for using the acquisition method. Gains on opportunistic acquisitions are recognised by the Group in "Other operating income" of the consolidated statement of comprehensive income.

	Date of acquisition	Percentage of equity instruments with voting rights acquired	Payment:		Net assets of the entity acquired (fair value)	Goodwill (+) / profit (-)
			Acquiring party	Non-controlling interests		
Fitness Place S.R.O.*	08/02/2017	100.00%	Fit Invest Sp. z o.o.	0.00%	4,837	7,808
Wesolandia Sp. z o.o.	06/06/2017	100.00%	Fit Invest Sp. z o.o.	0.00%	6,603	3,387
Beck Box Club Praha S.R.O.	21/06/2017	100.00%	Fit Invest Sp. z o.o.	0.00%	2,033	9,247
Fitness Place Sp. z o.o.**	07/03/2017	100.00%	Fit Invest Sp. z o.o.	0.00%	14,486	24,853

On 6th June, 2017, the Group acquired 100% of the shares in Wesolandia Sp. z o.o. with its registered office in Warsaw - Wesola, ul. Wspólna 4, which carries out sports and recreation activities within the Fitness operating segment. Goodwill arising from the transaction amounted to 3.39 million PLN. The Group made the acquisition for the purpose of strengthening its position on the fitness services market. The payment made by the Group to the previous owners amounted to 9.99 million PLN and included the final purchase price of the shares paid in cash.

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On 21st June, 2017, the Group signed an agreement for the acquisition of 100% of the shares in Beck Box Club Praha S.R.O. with its registered office in Prague, the Czech Republic, which conducts fitness activities within the Fitness operating segment. The agreement was implemented at the beginning of July 2017. The Group made the acquisition for the purpose of strengthening its position on the fitness services market. The payment made by the Group to the previous owners amounted to 11.3 million PLN and included the final purchase price of the shares paid in cash. Goodwill arising from the transaction amounted to 9.25 million PLN.

*In addition, the Group recognises the goodwill resulting from its acquisition in June, 2017, by Fitness Place S.R.O. (established on 8th February, 2017) of an organised part of the enterprise under the name Holmes Place in the amount of 3,729,000 PLN and in October, 2017, from World Class Wenceslas Square in the amount of 4,079,000 PLN. The Group acquired a network of fitness clubs to build its position on the Czech fitness market. The final payment to the sellers was made in cash and amounted to 8.94 million PLN and 3.7 million PLN, respectively.

**In addition, the Group recognises the goodwill resulting from its acquisition in October, 2017, by Fitness Place Sp. z o.o. (established on 7th March, 2017) of an organised part of the enterprise under the name Platinum Wellness in the amount of 24,853,000 PLN. The final payment to the sellers was made in cash and amounted to 39.4 million PLN.

By the date of preparing these consolidated financial statements, the process of measuring the fair value of the acquired assets and liabilities had not been completed. These values shall be definitively determined within 12 months of the acquisition date. The provisional values of the identified assets and liabilities of the acquired company disclosed in the consolidated financial statements are as follows:

	Fair value as at the acquisition date:				
	Fitness Place S.R.O.		Wesolandia Sp. z o.o.	Beck Box Club Praha S.R.O.	Fitness Place Sp. z o.o.
	Holmes Place S.R.O.	World Class Wenceslas Square S.R.O.			Platinum Wellness Sp. z o.o.
Assets					
Intangible assets	0	0	3	2,006	0
Property, plant and equipment	6,858	0	6,319	8,354	14,623
Inventories	57	10	19	31	25
Loans and receivables	521	242	145	1,644	160
Other assets	37	43	73	51	423
Cash and cash equivalents	219	16	392	1,445	3
Total assets	7,692	311	6,951	13,531	15,234
Liabilities					
Deferred tax liabilities	769	412	0	259	0
Provisions	178	0	0	0	0
Loans, borrowings	0	0	0	6,290	0
Trade liabilities	1,366	242	345	1,879	588
Other liabilities	170	29	3	3,070	160
Total liabilities	2,483	683	348	11,498	748
Fair value of net assets	5,209	(372)	6,603	2,033	14,486
Goodwill (+) / profit (-)	3,729	4,079	3,387	9,247	24,853
Payment for the entity taken over:	8,938	3,707	9,990	11,280	39,339
Acquiring party:					
Cash and cash equivalents	219	16	392	1 445	3

Identified net assets

The fair value of receivables and loans acquired in business combinations amounted to 2,712,000 PLN.

The payment transferred by the transferee

The transferred payment includes the purchase price of the shares, which by 31/12/2017 was paid in cash in the amount of 73,254,000 PLN.

In the consolidated statement of cash flows, the net expenditure on:

- acquisition of subsidiaries is included in the item net expenses for the acquisition of subsidiaries - purchase of shares,

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- the acquisition of an organised part of the enterprise is included in the items expenses for the purchase of intangible assets and expenses for the acquisition of property, plant and equipment.

	From 01/01 to 31/12/2017
Payment in cash (-)	(73,254)
Cash taken over with the subsidiary	2,075
Net expenses	71,179

Goodwill

The goodwill arising from the provisional settlement of the above transactions results from the anticipated synergies arising from the merger of the operations of these companies with the parent company and represents the value of assets that could not be separately recognised in accordance with IAS 38 (Employees and their knowledge). Goodwill has been allocated to cash-generating units and is attributed to the Fitness segment.

Goodwill arising from the settlement of business combinations does not affect the determination of the basis for income tax.

Financial incomes and expenses of acquired entities

The total revenues of the acquired companies recognised after the acquisition date in the consolidated statement of financial position of the Group for 2017 amounted to 9,190,000 PLN.

The financial results of the acquired companies recognised after the acquisition date in the consolidated statement of financial position of the Group for 2017 amounted to (761,000) PLN.

Loss of control

On 15th May, 2017, an increase in capital was made at Benefit Partners Sp. z o.o. with its registered office in Warsaw, Plac Europejski 2, without a transfer of payment to Fit Invest Sp. z o.o. holding 100% of the shares in Benefit Partners Sp. z o.o. on this date. Fit Invest Sp. z o.o. did not participate in the capital increase and as a result the parent company lost control over Benefit Partners Sp. z o.o., which from that moment as an associate company is consolidated using the equity method. The Group retained 47.51% of the shares in the company, which it measured at fair value as at the date of losing control at 2,504,000 PLN. The Group did not report the result of this transaction because according to the Group the valuation of goodwill for the investment in this subsidiary was equal to its net balance sheet value at the time of increasing the capital.

On 27th December, 2017, the Group sold 100% of its shares in The One Gym S.R.O. with its registered office in Prague, the Czech Republic, which was established as a result of the transformation of Form Factory S.R.O., and as a result the Group lost control over this company. The financial result for 2017 of The One Gym S.R.O. was recognised in the financial statements using the full method for the year as a whole. Revenue from the sale of the subsidiary amounted to 420,000 PLN and was fully paid up in 2017. The result on the loss of control over the subsidiary was presented in a separate item of the profit and loss account.

The net assets of the subsidiaries as at the date of losing control were as follows:

	Net assets at the time of loss of control	
	Benefit Partners Sp. z o.o.	The One Gym S.R.O.
Assets		
Intangible assets	0	0
Property, plant and equipment	13,723	580
Deferred tax assets	110	0
Inventories	0	0
Loans and receivables	4,064	117
Other assets	212	55
Cash and cash equivalents	3,313	659
Total assets	21,422	1,411
Liabilities		
Deferred tax liabilities	673	0
Provisions	2	0
Loans, borrowings	0	231
Trade liabilities	220	40

Name of the capital group:	Benefit Systems Group		
Period covered by the financial statements:	01/01/2017 – 31/12/2017	Reporting currency:	Polish zloty (PLN)
Rounding level:	all figures are presented in thousands of Polish zloty (unless stated otherwise)		

	Net assets at the time of loss of control	
	Benefit Partners Sp. z o.o.	The One Gym S.R.O.
Other liabilities	15,285	220
Total liabilities	16,178	491
Net asset value	5,244	920
Sales revenues realised in cash	-	420
Cash and cash equivalents disposed of with a subsidiary	-	(659)
Net proceeds from the sale of subsidiaries	-	(239)

3. Investments in subsidiaries and associates

Investments in subsidiaries

The table below presents basic financial data of subsidiaries with significant non-controlling interests:

	Assets	Liabilities	Equity	Net financial result	Sales revenues
Zdrofit Sp. z o.o.	16,590	12,596	3,994	440	34,712
	16,590	12,596	3,994	440	34,712

Name of the capital group:	Benefit Systems Group		
Period covered by the financial statements:	01/01/2017 – 31/12/2017	Reporting currency:	Polish zloty (PLN)
Rounding level:	all figures are presented in thousands of Polish zloty (unless stated otherwise)		

Investments in associates and other entities

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

Presented below is information on associates individually significant for the Group:

	Primary place of business and country of registration	Percentage of share capital	Percentage of voting rights	31/12/2017	31/12/2016
				Balance sheet value	Restated Balance sheet value
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%	3,233	1,917
Calypso Fitness S.A.	ul. Puławska 427, 02-801 Warsaw, Poland	33.33%	33.33%	19,592	17,860
Zdrofit Sport Sp. z o.o. (in liquidation)	ul. Mangalia 4, 02-758 Warsaw, Poland	26.69%	26.69%	0	8
Get Fit Katowice II Sp. z o.o.	ul. Uniwersytecka 13, 40-007 Katowice, Poland	20.00%	20.00%	0	0
X-code Sp. z o.o.	ul. Klaudyny 21/ 4, 01-684 Warsaw, Poland	31.15%	31.15%	2,720	3,343
LangMedia Sp. z o.o.	ul. Skwierzyńska 25/3, 53-521 Wrocław, Poland	37.00%	37.00%	5,093	4,568
Fit Fabric Sp. z o.o.	Al. 1 Maja 119/121, 90-766 Łódź, Poland	30.00%	30.00%	3,908	0
Benefit Partners Sp. z o.o.	ul. Plac Europejski 2, 00-844 Warsaw, Poland	47.51%	47.51%	2,078	0
				36,624	27,696

In 2017, the value of investments in associates was affected by the sale of 15% of the equity instruments in X-code Sp. z o.o. with its registered office in Warsaw. The sale price of the investment was 400,000 PLN.

The basic financial data of individually significant associates are as follows (data not subject to audit):

	Assets	Liabilities	Equity	Net financial result	Sales revenues
Baltic Fitness Center Sp. z o.o.	1,603	2,101	(498)	(70)	2,631
Instytut Rozwoju Fitness Sp. z o.o.	20,984	14,729	6,255	2,013	27,835
Calypso Fitness S.A.	89,463	46,337	43,126	5,195	98,030
Zdrofit Sport Sp. z o.o. (in liquidation)	0	0	0	0	0
Get Fit Katowice II Sp. z o.o.	531	1,848	(1,318)	(537)	2,484
X-code Sp. z o.o.	4,742	942	3,800	587	8,291
LangMedia Sp. z o.o.	3,194	445	2,750	1,419	4,941
Fit Fabric Sp. z o.o.	12,170	10,309	1,861	899	20,866
Benefit Partners Sp. z o.o.	29,078	41,516	4,350	(805)	4,628
	161,765	118,227	60,326	8,701	169,706

Name of the capital group:	Benefit Systems Group		
Period covered by the financial statements:	01/01/2017 – 31/12/2017	Reporting currency:	Polish zloty (PLN)
Rounding level:	all figures are presented in thousands of Polish zloty (unless stated otherwise)		

The cumulative loss of Baltic Fitness Center Sp. z o.o. and Get Fit Katowice II Sp. z o.o. contributed to the creation of negative equity capital of these companies, therefore the Group ceased to recognise its share in losses of these associated companies. As at the balance sheet date, Zdrofit Sport Sp. z o.o. was in the process of liquidation.

The Group's contingent liabilities for all or part of the liabilities of the associates are presented in Note 24.

Investments in consolidated and non-consolidated structured entities

The Group has no investments in structured entities.

4. Goodwill

In 2017, the biggest impact on the amount of goodwill presented in the consolidated statement of financial position was had by the settled provisional transactions from taking control over Fitness Place S.R.O., Fitness Place Sp. z o.o., Wesolandia Sp. z o.o. and Beck Box Club Praha S.R.O. The means of determining goodwill on acquisitions conducted in the current period is described in detail in Note 2 concerning mergers. Changes in the carrying amount of goodwill in the periods covered by the consolidated financial statements are presented in the table below:

	From 01/01 to 31/12/2017	From 01/01 to 31/12/2016 Restated
Gross value		
Balance at the beginning of the period	146,252	99,569
Acquisitions and mergers of entities	45,306	46,683
Gross value at the end of the period	191,558	146,252
Impairment allowances		
Impairment allowances at the end of the period	0	0
Goodwill - carrying amount at the end of the period	191,558	146,252

Goodwill presented in assets relates to acquisitions of the following subsidiaries:

	31/12/2017	31/12/2016 Restated
FitSport Polska Sp. z o.o.	29,228	29,228
VanityStyle Sp. z o.o.	2,993	2,993
Fit Invest Sp. z o.o.	1,174	1,174
Fitness Academy Sp. z o.o. SKA	12,712	12,712
Fabryka Formy Sp. z o.o.	11,072	11,072
MultiSport Benefit S.R.O.	5,795	5,795
MyBenefit Sp. z o.o.	29,712	29,712
AM Classic Sp. z o.o.	3,291	3,291
MultiBenefit Sp. z o.o.	998	998
Jupiter Sport Sp. z o.o.	2,594	2,594
Zdrofit Sp. z o.o.	31,426	31,415
Fitness za Rogiem Sp. z o.o.	336	336
Tiger Sp. z o.o.	14,932	14,932
Wesolandia Sp. z o.o.	3,387	0
Beck Box Club Praha S.R.O.	9,247	0
Fitness Place Sp. z o.o.	24,853	0
Fitness Place S.R.O.	7,808	0
Total goodwill	191,558	146,252

In order to perform the annual impairment test, goodwill is allocated to cash generating units at the level not higher than separate operating segments (Note 1). The allocation of goodwill to particular segments is as follows:

Name of the capital group:	Benefit Systems Group		
Period covered by the financial statements:	01/01/2017 – 31/12/2017	Reporting currency:	Polish zloty (PLN)
Rounding level:	all figures are presented in thousands of Polish zloty (unless stated otherwise)		

	31/12/2017	31/12/2016 Restated
Sports cards	32,221	32,221
Fitness	122,832	77,526
Foreign	5,795	5,795
Cafeteria	30,710	30,710
Total goodwill	191,558	146,252

The recoverable amount of cash-generating units to which goodwill is allocated was determined on the basis of their value in use, using the discounted cash flow model. The calculations are based on the following assumptions:

- the detailed forecast covered a period of 5 years,
- for the remaining economic life of the centres, the cash flows were extrapolated using the growth rates presented in the table below. These rates shall not exceed the average long-term growth rate for the products, industries or countries concerned,
- the discount rates used in the calculations are presented in the table below.

When preparing the detailed forecast, the Management Board of the parent company assumed that the gross margin achieved by all segments would be maintained at the same level throughout the entire forecast period. This assumption results from the experience observed in the past and the best assessment of the Management Board as to the development of the situation in the individual markets in which the segments operate.

The valuation was carried out on the basis of the following parameters:

- i. WACC discount rate of 8.8%
- ii. Growth rate after the projection period: 1.7%

Companies for which the carrying amount of goodwill is not significant in comparison to the total carrying amount of goodwill were excluded from the analysis. Based on the estimates of future cash flows and their discount to present value, the segments' recoverable amounts were higher than the carrying amounts, as shown in the tables below:

Sport cards segment:

Company	Assets	Liabilities	Balance sheet value	Goodwill	Excess of the recoverable amount over the carrying amount
FitSport Polska Sp. z o.o.	2,247	2,237	10	29,228	Yes
VanityStyle Sp. z o.o.	4,424	6,664	(2,240)	2,993	Yes

The recoverable value of the Sports Card segment was 527,633,000 PLN.

Fitness segment:

Company	Assets	Liabilities	Balance sheet value	Goodwill	Excess of the recoverable amount over the carrying amount
Fitness Academy Sp. z o.o. SKA	75,830	12,068	76,474	12,712	Yes
Fabryka Formy Sp. z o.o.	36,461	6,499	41,034	11,072	Yes
Zdrofit Sp. z o.o.	13,590	8,443	36,573	31,426	Yes
Tiger Sp. z o.o.	14,927	2,315	27,544	14,932	yes
Wesolandia Sp. z o.o.	6,326	374	9,339	3,387	yes
Beck Box Club Praha S.R.O.	9,683	4,888	14,042	9,247	yes
Fitness Place Sp. z o.o.	22,021	1,641	45,233	24,853	yes
Fitness Place S.R.O.	14,639	3,474	18,973	7,808	yes

The recoverable value of the Fitness segment was 391,393,000 PLN.

Name of the capital group:	Benefit Systems Group		
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Rounding level:	all figures are presented in thousands of Polish zloty (unless stated otherwise)		

Foreign segment:

Company	Assets	Liabilities	Balance sheet value	Goodwill	Excess of the recoverable amount over the carrying amount
MultiSport Benefit S.R.O.	4,522	8,176	(3,654)	5,795	yes

The recoverable value of the Foreign segment was 79,380,000 PLN.

Cafeteria segment:

Company	Assets	Liabilities	Balance sheet value	Goodwill	Excess of the recoverable amount over the carrying amount
MyBenefit Sp. z o.o.	42,405	48,341	23,776	29,712	yes

The recoverable value of the Cafeteria segment was 98,917,000 PLN.

Based on the results of the tests carried out, no impairment of cash generating units was found.

With respect to all segments, the parent company's Management Board is convinced that it is not probable that the key assumptions used to estimate the value in use of the units will change so that the recoverable amount of the units will be determined below their carrying amounts, except for one cash-generating unit (Wesolandia Sp. z o. o.) for which the increase in the discount rate by 1 p.p. which would cause a loss in value of 2,971,000 PLN.

Due to the fact that the valuation is based to a large extent on predictable operating and financial results, the Management Board points to inherent uncertainty related to the implementation of these forecasts.

Name of the capital group:	Benefit Systems Group		
Period covered by the financial statements:	01/01/2017 – 31/12/2017	Reporting currency:	Polish zloty (PLN)
Rounding level:	all figures are presented in thousands of Polish zloty (unless stated otherwise)		

5. Intangible assets

Intangible assets used by the Group include trademarks, patents and licences, computer software, internally generated development work and other intangible assets. Intangible assets which have not been put into use by the balance sheet date are presented under "Intangible assets under construction".

	Trademarks	Patents and licenses	Computer software	Development costs	Other intangible assets	Intangible assets under production	Total
As at 31/12/2017							
Gross carrying amount	5,042	7	13,984	6,347	2,139	12,816	40,335
Accumulated depreciation and impairment allowances	(748)	(3)	(8,288)	(2,474)	(1,846)	0	(13,359)
Net carrying amount	4,294	4	5,696	3,873	293	12,816	26,976
As at 31/12/2016 Restated							
Gross carrying amount	2,915	0	6,368	3,414	2,940	10,002	25,639
Accumulated depreciation and impairment allowances	(437)	0	(4,017)	(1,793)	(2,328)	0	(8,575)
Net carrying amount	2,478	0	2,351	1,621	612	10,002	17,064

	Trademarks	Patents and licenses	Computer software	Development costs	Other intangible assets	Intangible assets under construction	Total
For the period from 01/01 to 31/12/2017							
Net carrying amount as at 01/01/2017	2,478	0	2,351	1,621	612	10,002	17,064
Increases (acquisition, production, leasing, merger)	2,127	7	669	3,046	232	8,750	14,831
Reductions (disposal, liquidation) (-)	0	0	(68)	(20)	0	(65)	(153)
Other changes (reclassifications, reposting etc.)	0	0	6,069	5	(203)	(5,871)	0
Depreciation (-)	(311)	(3)	(3,325)	(779)	(348)	0	(4,766)
Net carrying amount as at 31/12/2017	4,294	4	5,696	3,873	293	12,816	26,976
For the period from 01/01 to 31/12/2016 Restated							
Net carrying amount as at 01/01/2016	2,672	0	2,811	901	712	3,095	10,191
Increases (acquisition, production, leasing)	0	0	134	0	274	9,158	9,566
Reductions (disposal, liquidation) (-)	0	0	(42)	0	(331)	0	(373)
Other changes (reclassifications, reposting etc.)	0	0	710	1,101	285	(2,251)	(155)
Depreciation (-)	(194)	0	(1,262)	(381)	(328)	0	(2,165)
Net carrying amount as at 31/12/2016	2,478	0	2,351	1,621	612	10,002	17,064

Name of the capital group:	Benefit Systems Group		
Period covered by the financial statements:	01/01/2017 – 31/12/2017	Reporting currency:	Polish zloty (PLN)
Rounding level:	<i>all figures are presented in thousands of Polish zloty (unless stated otherwise)</i>		

The most important intangible asset is a trademark whose carrying amount as at 31st December, 2017, amounted to 4,294,000 PLN (2016: 2,478,000 PLN). The remaining amortisation period for this asset is 12 years.

Depreciation of intangible assets is presented in the consolidated income statement under the following headings:

- "Costs of sales" - 2017: 2,187,000 PLN (2016: 967,000 PLN),
- "General and administrative expenses" - 2017: 804,000 PLN (2016: 946,000 PLN),
- "Selling expenses" - 2017: 1,775,000 PLN (2016: 252,000 PLN).

As at the balance sheet date the parent company conducted a periodical review of useful lives of intangible assets and as a result made revaluation write-offs for early depreciation of certain intangible assets in the amount of 298,000 PLN.

As at 31st December, 2017, no intangible assets served as security for the Group's liabilities. Information on security for liabilities is presented in Note 8.4.

Name of the capital group:	Benefit Systems Group		
Period covered by the financial statements:	01/01/2017 – 31/12/2017	Reporting currency:	Polish zloty (PLN)
Rounding level:	all figures are presented in thousands of Polish zloty (unless stated otherwise)		

6. Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Means of transport	Other fixed assets	Property, plant and equipment under construction	Total
As at 31/12/2017							
Gross carrying amount	721	135,436	48,880	2,033	92,731	3,983	283,784
Accumulated depreciation and impairment allowances	0	(25,207)	(25,314)	(1,450)	(34,947)	0	(86,918)
Net carrying amount	721	110,229	23,566	583	57,784	3,983	196,866
As at 31/12/2016 Restated							
Gross carrying amount	0	75,963	27,560	3,325	89,339	11,319	207,506
Accumulated depreciation and impairment allowances	0	(15,617)	(13,545)	(1,851)	(28,670)	0	(59,683)
Net carrying amount	0	60,346	14,015	1,474	60,669	11,319	147,823

	Land	Buildings and structures	Machinery and equipment	Means of transport	Other fixed assets	Property, plant and equipment under construction	Total
For the period from 01/01 to 31/12/2017							
Net carrying amount as at 01/01/2017	0	60,346	14,015	1,474	60,669	11,319	147,823
Increases (acquisition, production, leasing, merger)	721	46,464	14,879	808	18,132	11,676	92,680
Reductions (disposal, liquidation) (-)	0	(1,889)	(1,427)	(1,127)	(9,967)	0	(14,410)
Other changes (reclassifications, reposting etc.)	0	14,082	2,417	126	2,387	(19,012)	0
Depreciation (-)	0	(8,753)	(6,369)	(798)	(13,432)	0	(29,352)
Impairment allowances (-)	0	0	41	0	0	0	41
Reversal of write-downs	0	0	12	100	0	0	112
Net exchange differences on translation (+/-)	0	(21)	(2)	0	(5)	0	(28)
Net carrying amount as at 31/12/2017	721	110,229	23,566	583	57,784	3,983	196,866
For the period from 01/01 to 31/12/2016 Restated							
Net carrying amount as at 01/01/2016	0	39,111	13,420	2,497	39,426	6,260	100,714
Acquisition through business combinations	0	1,760	568	21	11	608	2,968
Increases (acquisition, production, leasing)	0	18,320	3,525	464	39,588	7,853	69,750
Reductions (disposal, liquidation) (-)	0	(1)	(1,336)	(552)	(7,920)	0	(9,809)
Other changes (reclassifications, reposting etc.)	0	6,481	2,432	(58)	186	(3,402)	5,639
Depreciation (-)	0	(5,325)	(4,594)	(986)	(10,622)	0	(21,527)
Reversal of write-downs	0	0	0	88	0	0	88
Net carrying amount as at 31/12/2016	0	60,346	14,015	1,474	60,669	11,319	147,823

Name of the capital group:	<i>Benefit Systems Group</i>		
Period covered by the financial statements:	01/01/2017 – 31/12/2017	Reporting currency:	Polish zloty (PLN)
Rounding level:	all figures are presented in thousands of Polish zloty (unless stated otherwise)		

Depreciation of property, plant and equipment is included in the following items of the consolidated income statement and the statement of financial position:

	From 01/01 to 31/12/2017	From 01/01 to 31/12/2016 Restated
Costs of sales	24,026	16,533
General and administrative expenses	2,141	1,435
Selling expenses	3,185	3,559
Total depreciation of property, plant and equipment	29,352	21,527

As at 31st December, 2017, no property, plant or equipment assets served as security for the Group's liabilities. Information on security for liabilities is presented in Note 8.4.

7. Assets leased

7.1. Finance leases

The Group, as a lessee, uses property, plant and equipment under finance lease agreements. The carrying amounts of assets held under finance leases are as follows:

	Machinery and equipment	Means of transport	Other fixed assets	Total
As at 31/12/2017				
Gross carrying amount	3,485	1,503	34,220	39,208
Accumulated depreciation and impairment allowances	(1,107)	(987)	(10,351)	(12,445)
Net carrying amount	2,378	516	23,869	26,763
As at 31/12/2016 Restated				
Gross carrying amount	1,597	2,695	59,423	63,715
Accumulated depreciation and impairment allowances	(613)	(1,571)	(16,686)	(18,870)
Net carrying amount	984	1,124	42,737	44,845

The outstanding minimum lease payments as at the balance-sheet date are as follows:

	Payments under financial lease agreements payable in the period:			
	Up to 1 year	From 1 to 5 years	Over 5 years	Total
As at 31/12/2017				
Future minimum lease fees	8,711	15,571	0	24,282
Financial costs (-)	1,263	588	0	1,851
Present value of future minimum lease fees	8,711	15,571	0	24,282
As at 31/12/2016 Restated				
Future minimum lease fees	8,890	26,322	0	35,212
Financial costs (-)	1,507	1,033	0	2,540
Present value of future minimum lease fees	10,397	27,355	0	37,752

The lease agreements were concluded for a period of 3 -5 years, after which the Group, has the right to acquire the leased asset. Lease instalments bear interest at a variable interest rate calculated on the basis of WIBOR. All newly signed agreements are secured with a blank promissory note and a blank promissory note declaration up to the amount of the debt comprising leasing fees, interest due and other costs, including the costs of collection. A detailed list of collateral for repayment of liabilities incurred by the Company is presented in Note 8.4. Lease agreements do not impose any additional requirements on the Group to maintain the debt ratio.

7.2. Operating leases

The Group, as a lessee, uses property, plant and equipment under operating lease agreements. The future minimum lease payments under irrevocable operating leases are as follows:

31/12/2017	31/12/2016 Restated
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Name of the capital group:	<i>Benefit Systems Group</i>		
Period covered by the financial statements:	<i>01/01/2017 – 31/12/2017</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Rounding level:	<i>all figures are presented in thousands of Polish zloty (unless stated otherwise)</i>		

<i>Future minimum lease payments under irrevocable operating lease agreements:</i>		
Payable in the period up to 1 year	91,883	41,893
Payable in the period from 1 to 5 years	342,222	164,278
Payable over 5 years	390,612	212,057
Total	824,717	418,228

In 2017, the Group recognized in the consolidated statement of profit and loss the costs of operating lease payments in the amount of 25,851,000 PLN (2016: 10,240,000 PLN). This amount includes only the minimum lease payments. In the period covered by these consolidated financial statements, there were no contingent payments or sublease payments.

The most important operating lease agreements include the agreement for the lease of the parent company's office and cars used by the management staff, as well as agreements for the lease of office space in the parent company's branches outside Warsaw and for the lease of offices and fitness clubs of subsidiaries. The agreements were concluded for a period of 3 - 10 years and the Group has no possibility to redeem the leased asset after this period has expired.

8. Financial assets and liabilities

8.1. Categories of financial assets and liabilities

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

1 - loans and receivables	2 - assets outside the scope of IAS 39 (except IAS 39)
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	Note	Categories of financial instruments according to IAS 39				Total
		Loans and receivables	Investments held-to-maturity investments	Financial assets available-for-sale	Outside IAS 39	
As at 31/12/2017						
<i>Non-current assets:</i>						
Loans and receivables	8.2	55,454	0	0	712	56,166
Other long-term financial assets		0	619	0	0	619
<i>Current assets:</i>						
Trade receivables and other receivables	11	108,014	0	0	23,234	131,248
Loans	8.2	23,273	0	0	151	23,424
Other short-term financial assets		0	187	0	0	187
Cash and cash equivalents	12	52,458	0	0	0	52,458
Total financial assets category		239,199	806	0	24,097	264,102
As at 31/12/2016 Restated						
<i>Non-current assets:</i>						
Loans and receivables	8.2	42,747	0	0	0	42,747
Other long-term financial assets		0	0	431	0	431
<i>Current assets:</i>						
Trade receivables and other receivables	11	84,045	0	0	11,222	95,267
Loans	8.2	15,431	0	0	0	15,431
Other short-term financial assets		0	242	0	0	242
Cash and cash equivalents	12	65,195	0	0	0	65,195
Total financial assets category		207,418	242	431	11,222	219,313

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

Name of the capital group:	<i>Benefit Systems Group</i>		
Period covered by the financial statements:	<i>01/01/2017 – 31/12/2017</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Rounding level:	<i>all figures are presented in thousands of Polish zloty (unless stated otherwise)</i>		

1 - financial liabilities at fair value through profit or loss - held for trading	3 - liabilities outside the scope of IAS 39 (outside IAS 39)
2 - financial liabilities measured at amortised cost	

	Note	Categories of financial instruments according to IAS 39			Total
		Financial liabilities at fair value through profit or loss - held for trading	Financial liabilities measured at amortised cost	Outside IAS 39	
As at 31/12/2017					
<i>Non-current liabilities:</i>					
Interest-bearing loans, borrowings and debt instruments	8.3	0	122,036	0	122,036
Finance leases	7.1	0	0	15,571	15,571
Other liabilities	16	44,925	0	0	44,925
<i>Current liabilities:</i>					
Trade payables and other liabilities	16	126,249	0	4,307	130,556
Interest-bearing loans, borrowings and debt instruments	8.3	0	70,594	0	70,594
Finance leases	7.1	0	0	8,711	8,711
Total financial liabilities category		171,174	192,630	28,589	392,393
As at 31/12/2016 Restated					
<i>Non-current liabilities:</i>					
Interest-bearing loans, borrowings and debt instruments	8.3	0	125,777	0	125,777
Finance leases	7.1	0	0	27,355	27,355
Other liabilities		0	76,411	0	76,411
<i>Current liabilities:</i>					
Trade payables and other liabilities	16	7,929	66,148	906	74,984
Interest-bearing loans, borrowings and debt instruments	8.3	0	4,093	0	4,093
Finance leases	7.1	0	0	10,397	10,397
Total financial liabilities category		7,929	272,429	38,658	319,016

8.2. Loans and receivables

For the purpose of presentation, the Group distinguishes the class of receivables and loans in the consolidated statement of financial position (IFRS 7.6). In the long-term part, receivables and loans are presented in the statement of financial position in one item. In the short-term part, in accordance with the requirements of IAS 1, the Group separately presents trade and other receivables. Items of the statement of financial position from the class of receivables and loans are presented in the table below. Disclosures related to receivables are presented in Note 11.

	31/12/2017	31/12/2016 Restated
<i>Non-current assets:</i>		
Receivables	4,535	2,026
Loans	51,631	40,721
Long-term receivables and loans	56,166	42,747
<i>Current assets:</i>		
Trade receivables and other receivables	131,248	95,267
Loans	23,424	15,431
Short-term receivables and loans	154,672	110,698
Loans and receivables, including:	210,838	153,445
Receivables (Note 11)	135,783	97,293
Loans (Note 8.2)	75,055	56,152

Loans granted are measured at amortised cost using the effective interest method. The carrying amount of the loans is considered a reasonable approximation of their fair value (see Note 8.5 on fair value).

Name of the capital group:	<i>Benefit Systems Group</i>		
Period covered by the financial statements:	<i>01/01/2017 – 31/12/2017</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Rounding level:	<i>all figures are presented in thousands of Polish zloty (unless stated otherwise)</i>		

As at 31st December, 2017, loans granted in PLN with the carrying amount of 75,055,000 PLN (2016: 56,152,000 PLN) were subject to variable interest rates determined on the basis of WIBOR with a margin ranging from 1.75 to 8.00 p.p. The loans mature between 2018 and 2035.

The changes in the carrying amount of loans granted, including impairment losses, are as follows:

	From 01/01 to 31/12/2017	From 01/01 to 31/12/2016 Restated
Gross value		
Balance at the beginning of the period	56,152	43,147
The amount of loans granted in the period	19,632	18,888
Interest charged at the effective interest rate	1,611	1,822
Repayment of loans with interest (-)	(5,980)	(3,441)
Other changes - a copy	3,640	(4,264)
Gross value at the end of the period	75,055	56,152
Impairment allowances		
Impairment allowances at the end of the period	0	0
Balance sheet value at the end of the period	75,055	56,152

8.3. Interest-bearing loans, borrowings and debt instruments

The table below presents the value of loans, borrowings and other debt instruments recognised in the consolidated financial statements:

	Current liabilities		Non-current liabilities	
	31/12/2017	31/12/2016 Restated	31/12/2017	31/12/2016 Restated
Financial liabilities measured at amortised cost:				
Credits in the investment account	10,631	506	52,134	5,723
Overdrafts	8,547	3,453	0	0
Loans	147	134	0	0
Debt securities	51,269	0	69,902	120,054
Financial liabilities measured at amortised cost:	70,594	4,093	122,036	125,777
Interest-bearing loans, borrowings and other debt instruments in total	70,594	4,093	122,036	125,777

Financial liabilities measured at amortised cost

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

Information on the nature and extent of the risk to which the Group is exposed by virtue of loans, borrowings and other debt instruments is presented in the table below (see also Note 25 on risks):

	Currency	Interest	Due date	Balance sheet value in PLN	Liability	
					Short-term	Long-term
As at 31/12/2017						
Loans in the credit account	PLN	Variable	-	2,765	1,881	884
Overdrafts	PLN	Variable	-	8,547	8,547	0
Investment credit	PLN	Variable	2020-06-27	60,000	8,750	51,250
Loans	PLN	Variable	2018-12-31	147	147	0
Bonds Series A	PLN	Variable WIBOR 6M +1.35%	2018-06-01	50,101	50,101	0
Bonds Series B	PLN	Variable WIBOR 6M +1.50%	2019-06-30	71,070	1,168	69,902
Interest-bearing loans, borrowings and other debt instruments in total as at 31/12/2017				192,630	70,594	122,036
As at 31/12/2016 Restated						
Loans in the credit account	PLN	Variable	-	6,229	506	5,723
Overdrafts	PLN	Variable	-	3,453	3,453	0
Loans	PLN	Variable	2018-12-31	134	134	0

Name of the capital group:	<i>Benefit Systems Group</i>		
Period covered by the financial statements:	<i>01/01/2017 – 31/12/2017</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Rounding level:	<i>all figures are presented in thousands of Polish zloty (unless stated otherwise)</i>		

Bonds Series A	PLN	Variable WIBOR 6M +1.35%	2018-06-01	50,048	0	50,048
Bonds Series B	PLN	Variable WIBOR 6M +1.50%	2019-06-30	70,006	0	70,006
Interest-bearing loans, borrowings and other debt instruments in total as at 31/12/2016				129,870	4,093	125,777

Most of the loans and borrowings bear interest at variable rates based on the reference rate WIBOR 3M, which as at 31st December, 2017, stood at 1.72% (2016: 1.73%).

8.4. Securing the repayment of liabilities

Liabilities incurred by the Group from borrowings, loans, other debt instruments and from financial leasing are covered by the following security for repayment (as at the balance sheet date):

- bills of exchange to the amount of the debt plus interest,
- a declaration of submission to enforcement up to the amount of 106.5 million PLN for overdrafts and up to the amount of 90 million PLN for the investment loan,
- additional treasury agreement securing the interest rate risk for the investment loan.

As at 31st December, 2017, no assets of the Group served as security for repayment of liabilities.

In addition to the aforementioned forms of security, the loan agreements impose additional requirements on the Group that must be met during the term of the loan:

- net financial liabilities to EBITDA of not more than 3.5 - 4.0
- net financial liabilities to EBITDA for the last 12 months of not more than 3.5 (for the issue of Series B bonds).

8.5. Other information on financial instruments

8.5.1. Information on the fair value of financial instruments

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

Class of financial instrument	Note	31/12/2017		31/12/2016 Restated	
		Fair value	Balance sheet value	Fair value	Balance sheet value
<i>Assets:</i>					
Loans	8.2	75,055	75,055	56,152	56,152
Trade receivables and other receivables	11	135,783	135,783	97,293	97,293
Shares in unlisted companies*		0	0	28,127	28,127
Other classes of other financial assets		187	187	242	242
Cash and cash equivalents	12	52,458	52,458	65,195	65,195
<i>Liabilities:</i>					
Loans in the credit account	8.3	62,765	62,765	6,229	6,229
Overdrafts	8.3	8,547	8,547	3,453	3,453
Loans	8.3	147	147	134	134
Debt securities	8.3	121,171	121,171	120,054	120,054
Finance leases	7	24,282	24,282	37,752	37,752
Trade payables and other liabilities	16	175,481	175,481	151,395	151,395

*This item does not include shares or stocks valued at their purchase price, as it is impossible to reliably determine their fair value

a) Loans

All loans were measured with the use of the adjusted purchase price method.

b) Conditional payment for acquisition of control

Conditional payment for the acquisition of control over My Benefit Sp. z o.o. was classified as a financial liability which is measured at fair value as at the balance sheet date.

The fair value of the liability for the conditional payment of Supplementary Remuneration I amounting to 4,227,000 PLN net, recognised on the date of the acquisition, reflects the Company's estimated present value of cash flows weighted by the degree of probability. In order to determine the initial fair value, the Company's Management Board assumed a 100% probability that the assumed conditions would be met.

In addition, in June, 2017, the Company recognised the amount due for conditional payment of Supplementary Remuneration II, i.e. 4,227,000 PLN as a provision for liabilities, of which 939,000 PLN was recognised in the result for the current year.

The fair value of the liability for the acquisition of control over MyBenefit Sp. z o.o. as at the balance sheet date (1,933,000 PLN) was measured using the same method, assuming that the probability did not change.

Name of the capital group:	Benefit Systems Group		
Period covered by the financial statements:	01/01/2017 – 31/12/2017	Reporting currency:	Polish zloty (PLN)
Rounding level:	all figures are presented in thousands of Polish zloty (unless stated otherwise)		

8.5.2. Reclassification

The Group did not reclassify any financial assets that would result in a change in the measurement principles of such assets between their fair value and acquisition cost or the amortised cost method.

9. Assets and provision for deferred tax liabilities and income tax recognised in other comprehensive income

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

	Note	31/12/2017	31/12/2016 Restated
<i>Balance at the beginning of the period:</i>			
Deferred tax assets		9,083	9,939
Provision for deferred income tax		5,907	5,161
Net deferred tax at the beginning of the period		3,176	4,778
<i>Change in status over the period affecting:</i>			
Result (+/-)	20	3,083	(1,602)
Other comprehensive income (+/-)	9	0	0
Other (including net exchange differences on translation)		0	0
Net deferred tax as at the end of period, of which:		6,259	3,176
Deferred tax assets		15,653	9,083
Provision for deferred income tax		9,394	5,907

Deferred tax assets

Temporary differences	Balance at the beginning of the period	Change:		Balance at the end of the period
		Result	Other comprehensive income	
As at 31/12/2017				
<i>Assets:</i>				
Intangible assets	3,085	(3,085)	0	0
Trade receivables	440	49	0	489
Other assets	0	3	0	3
<i>Liabilities:</i>				
Liabilities for employee benefits	175	4	0	179
Provisions for employee benefits	1,153	805	0	1,958
Other provisions	1,639	5,755	0	7,394
Trade liabilities	144	227	0	371
Interest-bearing loans, borrowings and debt instruments	178	787	0	965
Other liabilities	1,619	2,090	0	3,709
<i>Other:</i>				
Unsettled tax losses	650	(65)	0	585
Total	9,083	6,570	0	15,653
As at 31/12/2016 Restated				
<i>Assets:</i>				
Intangible assets	0	3,085	0	3,085
Property, plant and equipment	351	(351)	0	0
Trade receivables	230	210	0	440
<i>Liabilities:</i>				
Liabilities for employee benefits	0	175	0	175
Provisions for employee benefits	884	269	0	1,153
Other provisions	518	1,121	0	1,639
Trade liabilities	4	140	0	144
Interest-bearing loans, borrowings and debt instruments	140	38	0	178
Other liabilities	6,471	(4,852)	0	1,619
<i>Other:</i>				
Unsettled tax losses	1,341	(691)	0	650
Total	9,939	(856)	0	9,083

Provision for deferred income tax

Name of the capital group:	<i>Benefit Systems Group</i>		
Period covered by the financial statements:	<i>01/01/2017 – 31/12/2017</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Rounding level:	<i>all figures are presented in thousands of Polish zloty (unless stated otherwise)</i>		

Temporary differences	Balance at the beginning of the period	Change:			Balance at the end of the period
		Result	Other comprehensive income	Settlement of merger	
As at 31/12/2017					
<i>Assets:</i>					
Property, plant and equipment	1,747	225	0	0	1,972
Trade receivables	67	29	0	0	96
Other assets	4,093	3,128	0	0	7,221
<i>Liabilities:</i>					
Interest-bearing loans, borrowings and debt instruments	0	105	0	0	105
Total	5,907	3,487	0	0	9,394
As at 31/12/2016 Restated					
<i>Assets:</i>					
Property, plant and equipment	516	1,231	0	0	1,747
Trade receivables	0	67	0	0	67
Other assets	4,645	(552)	0	0	4,093
<i>Liabilities:</i>					
Total	5,161	746	0	0	5,907

The Group does not present income tax related to any item of other comprehensive income.

10. Inventories

The following items of inventories are recognised in the consolidated financial statements of the Group:

	31/12/2017	31/12/2016 Restated
Materials	455	263
Goods	7,368	12,624
Balance sheet value of total inventories	7,823	12,887

In 2017, the Group included in the operating activities of the consolidated statement of comprehensive income the costs of inventories sold and unallocated production overheads in the total amount of 10,001,000 PLN (2016: 6,624,000 PLN).

Write-offs revaluing receivables, which in 2017 burdened other operating costs of the consolidated statement of profit amounted to 0 PLN (2016: 0 PLN).

As at 31st December, 2017, no inventories served as security for the Group's liabilities. Information on security for liabilities is presented in Note 8.4.

11. Trade receivables and other receivables

Trade and other receivables disclosed by the Group under receivables and loans (see Note 8.2) are presented below:

Long-term receivables:	31/12/2017	31/12/2016 Restated
Deposits paid from other titles	2,265	2,026
Other receivables	2,270	0
Long-term receivables:	4,535	2,026
Short-term receivables:		
<i>Financial assets (IAS 39):</i>		
Trade receivables	107,233	63,127
Impairment allowances on trade receivables (-)	(5,191)	(3,838)
Net trade receivables	102,042	59,289
Receivables from the sale of non-current assets	0	500

Name of the capital group:	Benefit Systems Group		
Period covered by the financial statements:	01/01/2017 – 31/12/2017	Reporting currency:	Polish zloty (PLN)
Rounding level:	all figures are presented in thousands of Polish zloty (unless stated otherwise)		

Short-term receivables:	31/12/2017	31/12/2016 Restated
Deposits paid from other titles	530	115
Other receivables	5,462	25,096
Impairment write-downs of other financial receivables (-)	(20)	(955)
Other financial receivables net	5,972	24,756
Financial receivables	108,014	84,045
<i>Non-financial assets (outside IAS 39):</i>		
Receivables from taxes and other benefits	23,234	11,222
Non-financial receivables	23,234	11,222
Short-term receivables in total	131,248	95,267

The Group believes that the carrying amount of trade receivables is a reasonable approximation of their fair value (see Note 8.5).

The Group assessed receivables due to impairment in accordance with its accounting policies (see section c) under "Basis for the preparation of the financial statements and accounting policies"). Impairment write-downs on receivables, which in 2017 burdened other operating costs of the consolidated statement of profit amounted to:

- in relation to long-term receivables - 0 PLN (2016: 0 PLN),
- in relation to short-term financial receivables - 5,211,000 PLN (2016: 4,793,000 PLN).

Changes in impairment losses on receivables during the period covered by these consolidated financial statements are presented in the table below.

Impairment write-offs on short-term financial receivables (i.e. trade and other financial receivables):

	From 01/01 to 31/12/2017	From 01/01 to 31/12/2016 Restated
As at the beginning of the period	4,793	1,838
Write-downs recognised as expense in the period	917	3,893
Reversals recognised as revenue in the period (-)	(460)	(2,109)
Allowances used (-)	(39)	(422)
Other changes (net exchange differences on translation)	0	749
As at the end of the period	5,211	4,793

Further analysis of the credit risk of receivables, including an analysis of the age of overdue receivables not covered by impairment write-downs, is presented in Note 25.

As at 31st December, 2017, no inventories served as security for the Group's liabilities. Information on security for liabilities is presented in Note 8.4.

12. Cash and cash equivalents

	31/12/2017	31/12/2016 Restated
Cash at bank accounts maintained in PLN	48,992	48,819
Cash on foreign currency bank accounts	2,925	1,353
Cash in hand	261	328
Other	280	14,695
Cash and cash equivalents in total	52,458	65,195

As at 31st December, 2017, no cash was subject to any disposal restrictions. Information on security for liabilities is presented in Note 8.4.

For the purposes of preparing the consolidated statement of cash flows, the Group classifies cash in the manner adopted for presentation in the statement of financial position. A value reconciliation of cash disclosed in the statement of financial position and in the statement of cash flows is presented in Note 22.

13. Equity

13.1. Share capital

As at 31st December, 2017, the parent company's share capital amounted to 2,675,000 PLN (2016: 2,600,000 PLN) and was divided into 2,674,842 shares (2016: 2,599,642) with a nominal value of 1 PLN per share. All shares have been fully paid up.

All shares equally participate in the dividend distribution and each share carries one vote at the General Meeting, except for 120,080 treasury shares held by the parent company.

Name of the capital group:	<i>Benefit Systems Group</i>		
Period covered by the financial statements:	<i>01/01/2017 – 31/12/2017</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Rounding level:	<i>all figures are presented in thousands of Polish zloty (unless stated otherwise)</i>		

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

	From 01/01 to 31/12/2017	From 01/01 to 31/12/2016
Shares issued and fully paid up:		
Number of shares at the beginning of the period	2,599,642	2,554,842
Shares' issuance in connection with the execution of options (share-based payment programme)	75,200	44,800
Number of shares at the end of the period	2,674,842	2,599,642

As at the balance-sheet date, the parent company held 120,080 own shares. The parent company's shares were not held by any subsidiaries or associates. The capital from the sale of 75,200 shares above their nominal value amounted to 11,243,000 PLN and was recognised in other capital.

13.2. Share premium

In 2017, the parent company issued 75,200 shares as part of implementing the share-based payment programme (Note 13.4).

13.3. Other capital

In 2017, the parent company transferred the supplementary capital (other capital) to the reserve capital earmarked for the buy-back of own shares in the amount of 42,500,000 PLN and transferred the result on the issue of shares in the amount of 11,243,000 PLN to the capital. Other capitals also included capital from the sale of 75,200 shares above their nominal value.

13.4. Share-based payment programmes

On the basis of resolutions of the General Meeting of Shareholders, an Incentive Programme functions at the Group, which is aimed at the senior and middle management of the parent company and the subsidiaries of Benefit Systems Group, with which the parent company has entered into appropriate agreements. Under this Programme, eligible employees receive subscription warrants, which are convertible into shares of the parent company. Specified employees, both among senior executives and employees from middle management, can participate in the Incentive Programme. An obligatory condition for starting the Incentive Programme in a given year is the attainment of a specific level of EBITDA adjusted for the book cost of the Programme attributable to the financial year.

Three criteria must be met before option rights can be acquired:

- loyalty - the Entitled Person shall remain in an unterminated employment relationship at the end of the calendar year for which the options are granted,
- quality - evaluated after the Group has reached the agreed consolidated adjusted level of gross profit (for the Programme 2017-2020),
- appraisal - understood as a positive assessment of the work of the Entitled Person on the basis of the internal regulations adopted in the Company and the assumed annual objectives.

If the options are not exercised, their validity expires on 1st October, 2017 (for the Programme for 2014-2016) and 1st October, 2021 (for the Programme for 2017-2020), respectively.

On the basis of the resolution of the Supervisory Board dated 19th July, 2017, the parent company's Management Board allotted 40,000 subscription warrants from series F for the year 2016 (to entitled persons in the Programme for 2014-2016), which entitle their holders to subscribe to ordinary bearer shares from series D shares in the parent company.

On 1st-4th September, 2017, in accordance with the Incentive Programme for the years 2014-2016, a total of 75,200 series D (9,900), series E (25,300) and series F (40,000) subscription warrants were converted into shares of series D.

On 10th February, 2016, the Supervisory Board of the parent company adopted a proposal for the next edition of the Incentive Programme for the period 2017-2020. The aim of the programme is to create an incentive system that will promote efficient and loyal work aimed at achieving high financial results and a long-term increase in the value of the parent company. During the Incentive Programme for the period 2017-2020 its participants (at most 149 people) will be able to receive a maximum of 100,000 subscription warrants (which after conversion into shares will represent 3.60% of the share capital of the parent company, increased by the maximum number of warrants), which will give an entitlement to subscribe to the specific number of shares in the parent company at their nominal value in four equal tranches. The options granted may be exercised up to 30th September, 2021.

Name of the capital group:	<i>Benefit Systems Group</i>		
Period covered by the financial statements:	<i>01/01/2017 – 31/12/2017</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Rounding level:	<i>all figures are presented in thousands of Polish zloty (unless stated otherwise)</i>		

The assumptions of the Incentive Programme for the period 2017-2020 were adopted in the form of a resolution at the Annual General Meeting on 15th June, 2016.

The thresholds are presented in the table below:

	Share in the maximum number of warrants for the year		Level of adjusted consolidated gross profit (in millions of PLN)			
			2017	2018	2019	2020
Thresholds in millions of PLN - consolidated adjusted gross profit (excluding Incentive Programme expenditures)	100%	25,000	90	105	120	140
	75%	18,750	85	97.5	110	130
	50%	12,500	80	91	106	121

The fair value of the share options granted to employees was estimated as at the grant date, using the Black-Scholes analytical model. The fair value of the options and the input data to the applied valuation model (in addition to the parameters of the share-based payment programme presented earlier) are presented in the table below:

	Incentive Programme for 2017	Incentive Programme for 2016
Fair value of 1 option valued as at the grant date	849.1	249.65
Assumptions adopted in the fair value measurement model:		
Expected volatility of shares (%)	31.48	26.80
Risk-free interest rate (%)	1.50	1.69
Estimated duration (life) of the option (in years)	1	1

The expected volatility of shares was estimated on the basis of historical quotations of the parent company's shares on the Warsaw Stock Exchange for the period of 02/01/2015-30/12/2015 (options for 2016) and 02/01/2016-30/12/2016 (options for 2017).

According to the above date, 25,000 subscription warrants were issued on 15th February, 2017. The cost of the annual Programme is 9,142,000 PLN.

13.5. Non-controlling interests

Non-controlling interests presented in the Group's equity relate to the following subsidiaries:

	31/12/2017	31/12/2016 Restated
Fabryka Formy S.A.	0	331
MultiSport Benefit S.R.O.	2,214	2,069
Benefit Systems Slovakia S.R.O.	(568)	(127)
Fitness za Rogiem Sp. z o.o.	0	(724)
The One Gym S.R.O.	0	(298)
Zdrofit Sp. z o.o.	16,198	16,000
Non-controlling interests in total	17,844	17,251

In the period covered by these consolidated financial statements, the value of non-controlling interests changed due to transactions affecting the Group's structure and due to the settlement of total income in the part attributable to non-controlling entities. The Group acquired non-controlling interests in Fabryka Formy Sp. z o.o. The transfer of risks and rewards took place on 2nd January, 2018, but as at the balance-sheet date, the company recognised a settlement liability with non-controlling interests in the amount of 22 million PLN.

Settlements of accounts with non-controlling interests are presented in the table below:

	From 01/01 to 31/12/2017	From 01/01 to 31/12/2016 Restated
Balance at the beginning of the period	17,251	5,703
Change in the structure of the Group (transactions with non-controlling interests):		
Sale (+) / purchase by the Group of non-controlling interests (-)	2,276	16,474

Name of the capital group:	<i>Benefit Systems Group</i>		
Period covered by the financial statements:	<i>01/01/2017 – 31/12/2017</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Rounding level:	<i>all figures are presented in thousands of Polish zloty (unless stated otherwise)</i>		

Total revenues:		
Net profit (loss) for the period (+/-)	(1,395)	(4,926)
Foreign currency translation differences	19	0
Dividend	(307)	0
Balance of non-controlling interests at the end of period	17,844	17,251

14. Employee benefits

14.1. Costs of employee benefits

	From 01/01 to 31/12/2017	From 01/01 to 31/12/2016 Restated
Salary costs	103,426	71,228
Social insurance costs	22,903	17,285
Share-based payment programme expenses	9,142	9,986
Costs of future benefits (provisions for jubilee awards, retirement benefits)	14	0
Costs of employee benefits in total	135,485	98,499

The Group implements incentive programmes under which employees are remunerated with the parent company's shares. The value of employee remuneration for participation in incentive schemes is determined by the fair value of equity instruments. Detailed information on share-based payment programmes is presented in section 13.4.

14.2. Liabilities and provisions for employee benefits

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

	Short-term provisions and liabilities		Long-term provisions and liabilities	
	31/12/2017	31/12/2016 Restated	31/12/2017	31/12/2016 Restated
<i>Employee benefits:</i>				
Liabilities for remuneration	4,875	2,936	0	0
Social insurance liabilities	3,786	3,195	0	0
Provisions for unused holidays	9,943	5,488	0	0
Employee benefits	18,604	11,619	0	0

15. Other provisions

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

	Short-term provisions		Long-term provisions	
	31/12/2017	31/12/2016 Restated	31/12/2017	31/12/2016 Restated
Provisions for court cases	58	0	0	0
Other reserves	3,012	2,637	0	0
Other provisions in total	3,070	2,637	0	0

	Provisions for:		
	Litigation	Others	Total
for the period from 01/01 to 31/12/2017			
As at the beginning of the period	57	2,580	2,637
Increase in provisions recognised as an expense in the period	1	4,299	4,300
Reversal of provisions recognised as income in the period (-)	0	(1,825)	(1,825)
Use of reserves (-)	0	(2,042)	(2,042)

Name of the capital group:	<i>Benefit Systems Group</i>		
Period covered by the financial statements:	01/01/2017 – 31/12/2017	Reporting currency:	Polish zloty (PLN)
Rounding level:	all figures are presented in thousands of Polish zloty (unless stated otherwise)		

Balance of provisions as at 31/12/2017	58	3,012	3,070
For the period from 01/01 to 31/12/2017 Restated			
As at the beginning of the period	0	3,311	3,311
Increase in provisions recognised as an expense in the period	57	1,285	1,342
Reversal of provisions recognised as income in the period (-)	0	(9)	(9)
Increase through business Combinations	0	(2,007)	(2,007)
Balance of provisions as at 31/12/2016	57	2,580	2,637

16. Trade payables and other liabilities

Trade and other payables (see also Note 8) are as follows:

Non-current liabilities:

	31/12/2017	31/12/2016 Restated
Deposits received	19	0
Other financial liabilities, including:	44,906	76,411
<i>Put options Zdrofit Sp. z o.o.</i>	36,657	35,757
<i>Liabilities due to the purchase of shares in Fabryka Formy Sp. z o.o.</i>	8,000	0
Other long-term liabilities in total	44,925	76,411

Current liabilities:

	31/12/2017	31/12/2016 Restated
<i>Financial liabilities (IAS 39):</i>		
Trade liabilities	47,150	49,963
Liabilities due to purchase of fixed assets	5,482	141
Other financial liabilities	73,617	23,973
Financial liabilities	126,249	74,077
<i>Non-financial liabilities (outside IAS 39):</i>		
Liabilities due to taxes and other benefits	2,396	906
Pre-payments and advances received for deliveries	1,911	0
Non-financial liabilities	4,307	906
Total current liabilities	130,556	74,983

The Group believes that the carrying amount of trade receivables is a reasonable approximation of their fair value (see Note 8.5). The item Other financial liabilities includes liabilities due to acquisition of shares in the following companies: Tiger Sp. z o.o., Fabryka Formy Sp. z o.o., MyBenefit Sp. z o.o., put options for shares in MultiSport Benefit S.R.O. and other financial liabilities of MyBenefit Sp. z o.o.

17. Prepayments and accruals

	Short-term settlements		Long-term settlements	
	31/12/2017	31/12/2016 Restated	31/12/2017	31/12/2016 Restated
Assets - accruals:				
Other costs paid in advance	20,623	8,668	1,458	702
Assets - accruals in total	20,623	8,668	1,458	702
Liabilities - prepayments and accruals:				
Subsidies received	74	0	0	0
Revenues for future periods	19,341	12,881	5,049	0
Other accruals (partners)	67,605	45,776	4,739	899
Liabilities - prepayments and accruals in total	87,020	58,657	9,788	899

Other costs of newly-consolidated companies in the amount of 4 million PLN were recognised under "Other costs paid in advance".

18. Sales revenues and operating costs

18.1. Costs by type

Note	From 01/01 to 31/12/2017	From 01/01 to 31/12/2016 Restated

Name of the capital group:	<i>Benefit Systems Group</i>		
Period covered by the financial statements:	<i>01/01/2017 – 31/12/2017</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Rounding level:	<i>all figures are presented in thousands of Polish zloty (unless stated otherwise)</i>		

Depreciation	5.6	34,117	23,692
Employee benefits	14.1	135,485	98,499
Usage of materials and energy		24,256	11,672
External services		623,798	493,742
Taxes and fees		3,166	2,480
Research and development costs not included in intangible assets		276	0
Other generic costs		20,102	13,646
Generic costs in total		841,200	643,731
Value of sold goods and materials		3,618	7,439
Change in product levels, production in progress (+/-)		0	(2,839)
Cost of sales, selling expenses and general administrative expenses		844,818	648,331

18.2. Other operating income

	Note	From 01/01 to 31/12/2017	From 01/01 to 31/12/2016 Restated
Profit from the disposal of property, plant, equipment		216	93
Reversal of write-downs on financial receivables	11	460	2,109
Reversal of write-downs on non-financial receivables		0	85
Reversal of write-downs of inventory		43	0
Reversal of unused provisions	15	10	0
Penalties and compensation received		61	47
Subsidies received	17	13	52
Other income		8,282	6,516
Other operating income in total		9,085	8,902

The item Other operating income includes income on account of decrease in the provision for the purchase of shares in the subsidiary Tiger Sp. z o.o. in the amount of 3.6 million PLN and other operating revenues of the subsidiaries.

18.3. Other operating costs

	Note	From 01/01 to 31/12/2017	From 01/01 to 31/12/2016 Restated
Loss on the disposal of non-financial fixed assets		183	604
Write-offs for impairment of fixed assets and intangible assets	5.6	71	0
Impairment write-downs of financial receivables	11	917	3,893
Impairment write-downs of non-financial receivables		0	320
Establishment of reserves	15	0	57
Other costs		6,272	6,340
Other operating costs in total		7,443	11,214

Name of the capital group:	<i>Benefit Systems Group</i>		
Period covered by the financial statements:	01/01/2017 – 31/12/2017	Reporting currency:	Polish zloty (PLN)
Rounding level:	all figures are presented in thousands of Polish zloty (unless stated otherwise)		

19. Financial incomes and expenses

19.1. Financial income

	Note	From 01/01 to 31/12/2017	From 01/01 to 31/12/2016 Restated
<i>Interest income related to financial instruments not measured at fair value through profit or loss:</i>			
Cash and cash equivalents (deposits)	12	202	319
Loans and receivables	11	1,611	1,822
Interest income related to financial instruments not measured at fair value through profit or loss		1,813	2,141
<i>Gains on valuation and realisation of financial instruments measured at fair value through profit or loss:</i>			
Gains on valuation and realisation of financial instruments measured at fair value through profit or loss		0	0
<i>Gains (+/-) from exchange differences:</i>			
Loans and receivables		465	0
Financial liabilities measured at amortised cost		1	0
Gains (+/-) from exchange differences		466	0
Dividends on available-for-sale financial assets		112	118
Reversal of impairment losses on receivables and loans		549	197
Reversal of impairment losses on investments held to maturity		23	0
Other financial income		952	492
Financial income in total		3,915	2,948

The Group does not have any financial assets or liabilities of the categories designated at initial recognition as measured at fair value through profit or loss. The disclosed gains and losses on measurement and realisation of financial instruments measured at fair value through profit or loss relate entirely to financial instruments held for trading.

19.2. Financial expenses

	Note	From 01/01 to 31/12/2017	From 01/01 to 31/12/2016 Restated
<i>Interest costs on financial instruments not measured at fair value through profit or loss:</i>			
Lease payments	7.1	1,296	1,013
Loans in the credit account		326	83
Overdrafts	8.3	753	426
Loans	8.3	1,140	201
Debt securities	8.3	3,952	2,733
Trade payables and other liabilities	16	383	253
Interest costs relating to financial instruments not measured at fair value through profit or loss		7,850	4,709
<i>Losses on valuation and realisation of financial instruments measured at fair value through profit or loss:</i>			
Losses on valuation and realisation of financial instruments measured at fair value through profit or loss		0	0
<i>(Profits) (- / +) due to exchange differences:</i>			
Cash and cash equivalents		8	0
Loans and receivables		0	12
Financial liabilities measured at amortised cost		59	0
(Profits) (- / +) due to exchange differences:		67	12
Impairment allowances of receivables and loans	8.2, 11	1,836	259
Other financial expenses		2,348	1,879
Financial expenses in total		12,101	6,859

Name of the capital group:	Benefit Systems Group		
Period covered by the financial statements:	01/01/2017 – 31/12/2017	Reporting currency:	Polish zloty (PLN)
Rounding level:	all figures are presented in thousands of Polish zloty (unless stated otherwise)		

Write-downs of receivables related to operating activities are recognised by the Group as other operating expenses (see Note 18).

20. Income tax charge

	Note	From 01/01 to 31/12/2017	From 01/01 to 31/12/2016 Restated
Tax:			
Current tax		32,666	20,772
Deferred tax	9	(3,083)	(1,602)
Income tax in total		29,583	23,246

The reconciliation of the effective interest rate is as follows:

	Note	From 01/01 to 31/12/2017	From 01/01 to 31/12/2016 Restated
Result before taxation		116,291	98,839
Tax rate applied by the parent company		19%	19%
Income tax at the parent company's national rate		22,095	18,779
Reconciliation of income tax for:			
Application of a different tax rate in the Group's companies (+/-)		(13)	0
Revenue not taxable (-)		(3,305)	(2,366)
Costs that are not permanently deductible for tax purposes (+)		13,793	5,603
Use of previously unrecognised tax losses (-)		(2,724)	432
Unrecognised deferred tax asset due to negative temporary differences (+)	9	163	248
Unrecognised deferred tax asset for tax losses (+)	9	192	227
Adjustments to tax expense for previous periods (+/-)		(619)	(141)
Income tax charge		29,583	23,246
Effective tax rate		25%	23%

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

	From 01/01 to 31/12/2017	From 01/01 to 31/12/2016 Restated
Poland	19%	19%
Czech Republic	19%	19%
Slovakia	21%	22%
Bulgaria	10%	10%

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

21. Earnings per share and dividends paid

21.1. Earnings per share

Basic earnings per share are calculated using the formula of net profit attributable to the shareholders in the parent company, divided by the weighted average number of ordinary shares during the period.

When calculating both basic and diluted earnings (loss) per share, the Group uses the amount of net profit (loss) attributable to shareholders of the parent company as the numerator, i.e. there is no dilutive effect on the amount of profit (loss).

In calculating diluted earnings per share, the dilutive effect of share options is taken into account in the denominator of the formula (see paragraph 13 on share-based payment plans).

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

From 01/01 to 31/12/2017	From 01/01 to 31/12/2016 Restated
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Name of the capital group:	<i>Benefit Systems Group</i>		
Period covered by the financial statements:	<i>01/01/2017 – 31/12/2017</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Rounding level:	<i>all figures are presented in thousands of Polish zloty (unless stated otherwise)</i>		

	From 01/01 to 31/12/2017	From 01/01 to 31/12/2016 Restated
Number of shares used as the denominator in the formula		
Weighted average number of ordinary shares	2,620,245	2,568,609
Diluting effect of share options	12,649	58,797
Diluted weighted average number of ordinary shares	2,632,894	2,627,406
Continuing operations		
Net profit from continuing operations	86,708	75,593
Basic earnings per share (PLN)	33.09	29.43
Diluted earnings per share (PLN)	32.93	28.77
Discontinued operations		
Net profit from discontinued operations	0	0
Basic earnings per share (PLN)	0	0
Diluted earnings per share (PLN)	0	0
Continuing and discontinued operations		
Net profit	86,708	75,593
Basic earnings per share (PLN)	33.09	29.43
Diluted earnings per share (PLN)	32.93	28.77

21.2. Dividends

On 10th February, 2016, the Management Board for the parent company adopted its Shareholder Profit Distribution Policy for the years 2016 to 2019, which was subsequently approved by the Supervisory Board and Annual General Meeting of the parent company. In each year of the Profit Distribution Policy the buyback of shares will be carried out for at least 50% of the net profit of the parent company for the previous financial year. The policy takes into account the financial situation and investment requirements of the parent company and Group's companies, including those related to the implementation of investment agreements, as well as the demand for liquid cash with companies. The Profit Distribution Policy is in force and applied commencing with the distribution of net profit of the parent company for the year ended 31st December, 2015, and constitutes a continuation of the Dividend Policy of 25th September, 2012.

On 10th May, 2017, the Supervisory Board of the parent company gave its approval to the Management Board's motion, sent to the Annual General Meeting of Shareholders, for the proposed allocation of profit reported in the financial statements for the parent company for 2016 in the amount of 72.27 million PLN in total to the reserve capital of the parent company and to recommend to the Annual General Meeting of Shareholders that the amount of 42.5 million PLN be allocated on buying back the parent company's own shares. On 20th June, 2017, the Annual General Meeting of the parent company adopted a resolution regarding the allocation of the parent company's net profit for 2016. Given the plans of the parent company's Management Board regarding the share buyback, in accordance with the Shareholder Profit Distribution Policy for the years 2016-2019, it was decided to allocate the net profit of 72.27 million PLN entirely to supplementary capital.

As part of the share buyback conducted in September of 2017 in accordance with the dividend policy, Benefit Systems S.A. spent 42.42 million PLN on the acquisition of a total of 35,350 of its own shares.

22. Cash flow

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

	From 01/01 to 31/12/2017	From 01/01 to 31/12/2016 Restated
Adjustments:		
Depreciation and impairment allowances of property, plant and equipment	29,352	21,527
Depreciation and impairment allowances of intangible assets	4,766	2,165
Profit on financial assets (liabilities) measured at fair value through profit or loss	296	179
Impairment allowances of financial assets	1,431	1,122
Profit from the sale of property, plant, equipment	(432)	396
Loss on the sale of financial assets (other than derivatives)	884	(13)
Gains (losses) from exchange differences on translation of foreign operations	1,637	199

Name of the capital group:	<i>Benefit Systems Group</i>		
Period covered by the financial statements:	<i>01/01/2017 – 31/12/2017</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Rounding level:	<i>all figures are presented in thousands of Polish zloty (unless stated otherwise)</i>		

	From 01/01 to 31/12/2017	From 01/01 to 31/12/2016 Restated
Interest costs	5,951	4,405
Revenues from interest and dividends	(2,733)	(2,154)
Cost of share-based payments (incentive programmes)	9,142	9,986
Share of profits (or losses) of associates	(3,066)	(9,575)
Other adjustments	(5,595)	1,022
Total adjustments	41,633	29,257
Stock change	5,064	(7,346)
Change in receivables:	(73,276)	(33,056)
Change in liabilities	37,486	28,118
Change in provisions and accruals	35,630	16,638
Changes in working capital	4,904	4,354

For the purposes of preparing the consolidated statement of cash flows, the Group classifies cash in the manner adopted for presentation in the statement of financial position (see Note 12). The following affect the difference in the value of cash presented in the statement of financial position and in the statement of cash flows:

	31/12/2017	31/12/2016 Restated
Cash and cash equivalents disclosed in the statement of financial position	52,458	63,262
Other	0	1,934
Cash and cash equivalents shown in the Cash Flow	52,458	65,196

23. Transactions with related parties

The Group's related parties include key management personnel, associates and other related parties, including entities controlled by the owners of the parent company. The Group classifies the following as the most important other related entities:

Entity	Type of connection	Comment
Cal Capital Sp. z o.o.	capital, personal	James Van Bergh - Chairman of the Supervisory Board for the Issuer. He is also President of the Company Agnieszka van Bergh - the wife of the Chairman of the Supervisory Board holds 100% of the shares in
Benefit Invest LTD	capital, personal	The shareholder of the Issuer, currently holding 21.37% of shares in the Company's share capital Agnieszka van Bergh - the wife of the Chairman of the Supervisory Board for the Issuer holds 99% of the shares in the company James van Bergh - the Chairman of the Supervisory Board for the Issuer holds the position of Director General in the Company
Marek Kamola	capital	Shareholder of the Issuer, currently holding 9.72% of the shares in the Company's share capital
James van Bergh	capital, personal	Currently, James van Bergh directly holds 21.92% of the total number of the Issuer's shares. He is also the Chairman of the Issuer's Supervisory Board
Benefit Systems Foundation	personal	Izabela Walczewska-Schneyder - Member of the Issuer's Management Board and also the President of the Foundation

Unsettled balances of receivables and liabilities are usually settled in cash.

Information on contingent liabilities concerning related parties is presented in Note 24.

23.1. Transactions with key management personnel

The Group's key management personnel includes members of the Management Board of the parent company and its subsidiaries. Detailed information on the remuneration of the Management Board of the parent company is presented in Note 28.4.

Name of the capital group:	<i>Benefit Systems Group</i>		
Period covered by the financial statements:	<i>01/01/2017 – 31/12/2017</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Rounding level:	<i>all figures are presented in thousands of Polish zloty (unless stated otherwise)</i>		

The Group did not receive or grant any loans to key management personnel in the period covered by these consolidated financial statements.

In 2017, the Group did not make any purchases from entities controlled by its key management personnel (2016: 0 PLN). In 2017, the Group did not make any sales to entities controlled by its key management personnel (2016: 0 PLN).

23.2. Transactions with associates and other related parties

In the period covered by these consolidated financial statements, the following amounts of sales revenues and receivables from associates and other related parties were recognised:

	Revenues from operating activities	
	From 01/01 to 31/12/2017	From 01/01 to 31/12/2016 Restated
Sales to:		
Associate	5,074	1,360
Other related entities	3	4
Total	5,077	1,364

	Receivables	
	31/12/2017	31/12/2016 Restated
Sales to:		
Associate	721	534
Other related entities	0	1
Total	721	535

No impairment write-downs were made on receivables from related parties, therefore no costs were recognised on this account.

In the period covered by these consolidated financial statements, the following amounts of purchases and liabilities to associates and other related parties were recognised:

	Purchase (costs, assets)	
	From 01/01 to 31/12/2017	From 01/01 to 31/12/2016 Restated
Purchase from:		
Associate	29,671	22,016
Other related entities	96	96
Total	29,767	22,112

	Liabilities	
	31/12/2017	31/12/2016 Restated
Purchase from:		
Associate	19	69
Other related entities	0	10
Total	19	79

In the period covered by these financial statements, the Group granted loans to related entities:

	31/12/2017			31/12/2016 Restated		
	Granted in the period	Cumulative balance	Financial income	Granted in the period	Cumulative balance	Financial income
Loans granted:						
Associate	5,950	46,917	1,523	1,750	30,115	985
Total	5,950	46,917	1,523	1,750	30,115	985

The terms and conditions of the above loans are presented in Notes 8.2 and 8.5.

24. Contingent assets and liabilities

Contingent liabilities at the end of each period (including related parties) are as follows:

31/12/2017	31/12/2016

Name of the capital group:	<i>Benefit Systems Group</i>		
Period covered by the financial statements:	<i>01/01/2017 – 31/12/2017</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Rounding level:	<i>all figures are presented in thousands of Polish zloty (unless stated otherwise)</i>		

		Restated
To associates:		
Guarantees granted / Guarantee of repayment of liabilities	11,497	15,556
To other related entities:		
Guarantees granted	0	0
To other entities:		
Guarantees granted	0	3,013
Contingent liabilities in total	11,497	18,569

Contingent liabilities related to shares in affiliates include: Risk related to financial instruments (Note 25).

25. Risk related to financial instruments

The Group may be exposed to risks related to financial instruments. The Group's financial assets and liabilities, broken down by categories, are presented in Note 8.1. The risks to which the Group is exposed are:

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

The Group's financial risk management is coordinated by the parent company. The following objectives are of paramount importance in the process of risk management:

- securing short-term and medium-term cash flows,
- stabilisation of fluctuations in the Group's financial result,
- implementation of the financial forecasts by meeting the budgetary targets,
- achieving a rate of return on long-term investments together with obtaining optimal sources of financing for investment activities.

The Group does not enter into any transactions on the financial markets for speculative purposes. From an economic perspective, the transactions are of a hedging nature against a specific risk.

The most significant risks to which the Group is exposed are presented below.

25.1. Market risk

Sensitivity analysis to currency risk

The majority of transactions in the Group are carried out in PLN. The only foreign currency transactions are loans in CZK and EUR granted to entities consolidated within the Benefit Systems Group and rent for the office in Warsaw expressed in EUR.

The Group's financial assets and liabilities, other than derivative instruments denominated in foreign currencies, translated into PLN at the closing rate effective as at the balance-sheet date are as follows:

	Note	Value expressed in foreign currency	Value after translation
		EUR	PLN
As at 31/12/2017			
<i>Financial assets (+):</i>			
Loans	8.2	0	0
<i>Financial liabilities (-):</i>			
Trade payables and other financial liabilities	16	(4,919)	(20,518)
Exposure to currency risk in total		(4,919)	(20,518)
As at 31/12/2016 Restated			
<i>Financial assets (+):</i>			
Loans	8.2	0	0
<i>Financial liabilities (-):</i>			
Trade payables and other financial liabilities	16	(6,559)	(29,017)
Exposure to currency risk in total		(6,559)	(29,017)

Presented below is a sensitivity analysis of the financial result with respect to the Company's financial assets and liabilities and fluctuations in the exchange rates of EUR and PLN on the assumption of an increase or decrease in EUR/PLN exchange rates of 10% as compared to the closing exchange rates applicable as at the balance-sheet dates:

	Exchange rate fluctuations	Impact on the financial result:
As at 31/12/2017		

Name of the capital group:	<i>Benefit Systems Group</i>		
Period covered by the financial statements:	<i>01/01/2017 – 31/12/2017</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Rounding level:	<i>all figures are presented in thousands of Polish zloty (unless stated otherwise)</i>		

Increase in exchange rate	10%	(2,052)
Decrease in exchange rate	-10%	2,052
As at 31/12/2016 Restated		
Increase in exchange rate	10%	(2,902)
Decrease in exchange rate	-10%	2,902

Exposure to currency risk changes during the year depending on the volume of transactions carried out in foreign currencies. However, based on the above analysis, we can conclude that the Group is not exposed to any significant currency risk.

Analysis of sensitivity to interest rate risk

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

- loans,
- interest-bearing loans, borrowings and debt instruments,
- finance leases.

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

The table below presents a sensitivity analysis of the financial result and (other comprehensive income in relation to potential interest rate fluctuations by 1 p.p. upwards and downwards.

	Interest rate fluctuations	Impact on the financial result:		Impact on other comprehensive income:	
		31/12/2017	31/12/2016	31/12/2017	31/12/2016
Increase in interest rate	1 p.p.	(2,169)	(1,676)	(2,169)	(1,676)
Decrease in interest rate	-1 p.p.	2,169	1,676	2,169	1,676

25.2. Credit risk

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

	Note	31/12/2017	31/12/2016 Restated
Loans	8.2	75,055	56,152
Trade receivables and other financial receivables	11	131,248	95,267
Cash and cash equivalents	12	52,458	65,195
Contingent liabilities due to guarantees and sureties granted	24	11,497	18,568
Exposure to credit risk in total		270,258	235,182

The Group monitors customers' and creditors' arrears in payments on a continuous basis, analysing credit risk individually or within specific asset classes defined according to credit risk (e.g. resulting from the industry, region or structure of customers). In addition, as part of its credit risk management, the Group enters into transactions with counterparties of confirmed reliability.

In the opinion of the parent company's Management Board, the above financial assets, which are not past due and covered by an impairment write-off as at the respective balance-sheet dates, can be considered as assets with good credit quality. For this reason, the Group did not establish any collateral or other additional elements improving the credit terms.

The analysis of receivables, as the most important category of assets exposed to credit risk, in terms of overdue amounts and the age structure of overdue receivables not covered by impairment losses, is presented in the tables below:

	31/12/2017		31/12/2016 Restated	
	Current	Outstanding	Current	Outstanding
Short-term receivables:				
Trade receivables	86,376	21,971	35,283	27,121
Impairment allowances on trade receivables (-)	(60)	(5,131)	(145)	(3,693)

Name of the capital group:	Benefit Systems Group		
Period covered by the financial statements:	01/01/2017 – 31/12/2017	Reporting currency:	Polish zloty (PLN)
Rounding level:	all figures are presented in thousands of Polish zloty (unless stated otherwise)		

	31/12/2017		31/12/2016 Restated	
	Current	Outstanding	Current	Outstanding
Net trade receivables	86,316	16,840	35,138	23,428
Other financial receivables	4,794	84	25,479	0
Impairment write-downs of other receivables (-)	0	(20)	0	0
Other financial receivables net	4,794	64	25,479	0
Financial receivables	91,110	16,904	60,617	23,428

	31/12/2017		31/12/2016 Restated	
	Trade receivables		Trade receivables	
<i>Overdue short-term receivables:</i>				
Up to 1 month		10,636		13,610
From 1 to 6 months		4,679		9,127
From 6 to 12 months		639		651
Over a year		886		40
Overdue financial receivables		16,840		23,428

With respect to trade receivables, the Group is not exposed to credit risk in connection with a single significant counterparty or a group of counterparties with similar characteristics. Based on historical payment backlogs, undepreciated receivables do not show a significant deterioration in quality - most of them are up to one month old and there is no concern about their collection.

The credit risk of cash and cash equivalents, marketable securities and derivative financial instruments is considered immaterial due to the high creditworthiness of the entities involved in the transaction, which primarily include banks.

Write-offs for impairment of financial assets exposed to credit risk are discussed in detail in Notes 8.2, 8.3 and 11.

25.3. Liquidity risk

The Group is not exposed to liquidity risk, i.e. the risk of being able to pay its financial liabilities in due time. The Group assesses the liquidity risk as low - it does not differ from the standard level of risk existing on the market. The Group manages the liquidity risk by monitoring payment dates and demand for cash with respect to the servicing of short-term payments (current transactions are monitored on a weekly basis) and long-term demand for cash based on cash flow projections updated on a monthly basis. The demand for cash is compared with the available sources of funds (including in particular by assessing the ability to obtain financing in the form of loans) and with the investments of available funds.

As at the balance-sheet date, the Group's financial liabilities, other than derivative instruments, were within the following maturity limits:

Name of the capital group:	<i>Benefit Systems Group</i>		
Period covered by the financial statements:	<i>01/01/2017 – 31/12/2017</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Rounding level:	<i>all figures are presented in thousands of Polish zloty (unless stated otherwise)</i>		

	Note	Current (short-term):		Non-current (long-term):			Total flows before discounting
		Up to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	
As at 31/12/2017							
Loans in the credit account	8.3	253	1,628	884	0	0	2,765
Overdrafts	8.3	0	8,547	0	0	0	8,547
Investment credit	8.3	0	8,750	51,250	0	0	60,000
Loans	8.3	169	(22)	0	0	0	147
Debt securities	8.3	0	51,269	69,902	0	0	121,171
Finance leases	7	455	8,256	15,112	459	0	24,282
Trade payables and other financial liabilities	16	126,249	0	44,925	0	0	171,174
Exposure to liquidity risk in total		127,126	78,428	182,073	459	0	388,086
As at 31/12/2016 Restated							
Loans in the credit account	8.3	253	253	5,344	379	0	6,229
Overdrafts	8.3	0	3,453	0	0	0	3,453
Loans	8.3	134	0	18,905	0	0	19,039
Debt securities	8.3	0	0	120,054	0	0	120,054
Finance leases	7	443	9,954	21,559	0	5,796	37,752
Trade payables and other financial liabilities	16	74,077	0	76,411	0	0	74,983
Exposure to liquidity risk in total		74,907	13,660	242,273	379	5,796	261,510

The table below presents the contractual value of liabilities, excluding discount effects related to the measurement of liabilities at amortised cost, hence the amounts presented may differ from the amounts recognised in the consolidated statement of financial position.

As at the respective balance-sheet dates, the Group also had available overdraft facilities in its current accounts in the following amounts:

	31/12/2017	31/12/2016 Restated
Granted credit limits	85,000	69,000
Used overdrafts	8,547	1,865
Available overdrafts	76,453	67,135

26. Capital management

The Group manages the capital in order to ensure the Group's ability to continue as a going concern and to ensure the expected rate of return for shareholders and other entities interested in the Group's financial standing.

The Group monitors the level of capital on the basis of the balance sheet value of equity plus subordinated loans received from the owner and less capital from the valuation of cash flow hedges. The Group calculates the ratio of capital to total sources of financing on the basis of the amount of capital determined in this way.

In addition, in order to monitor debt sustainability, the Group calculates the ratio of debt (i.e. liabilities under lease, loans, borrowings and other debt instruments) to EBITDA (operating result adjusted for depreciation and amortisation costs). The Group assumes that the debt to EBITDA ratio will be maintained at a level not exceeding 3.0 (in accordance with the applicable banking covenants).

The above objectives of the Group are consistent with the requirements imposed by the loan agreements, which are described in detail in Note 8.4.

Neither the Group nor the parent company is subject to any external capital requirements.

In the period covered by these consolidated financial statements, the ratios presented above were as follows:

	31/12/2017	31/12/2016 Restated
<i>Capital:</i>		
Equity	219,877	177,684

Name of the capital group:	<i>Benefit Systems Group</i>		
Period covered by the financial statements:	<i>01/01/2017 – 31/12/2017</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Rounding level:	<i>all figures are presented in thousands of Polish zloty (unless stated otherwise)</i>		

	31/12/2017	31/12/2016 Restated
Capital	219,877	177,684
<i>Sources of financing in total:</i>		
Equity	219,877	177,684
Interest-bearing loans, borrowings and debt instruments	192,630	129,870
Finance leases	24,282	37,752
Sources of financing in total	436,789	345,306
Ratio of capital to total sources of financing	0.50	0.53
<i>EBITDA</i>		
Operating profit	121,411	93,175
Depreciation	34,118	23,692
EBITDA	155,529	116,867
<i>Net financial liabilities:</i>		
Interest-bearing loans, borrowings and debt instruments	192,630	129,870
Finance leases	24,282	25,240
Net financial liabilities	216,912	155,110
Debt to EBITDA ratio	1.39	1.33

In all periods, the ratios were at the levels assumed by the Group. The increase in the debt-to-EBITDA ratio results from the launch in 2017 of an investment loan in the parent company in the amount of 60,000,000 PLN.

27. Events after the balance sheet date

Withdrawal of the application for concentration consisting of the acquisition of control over Calypso Fitness S.A.

On 2nd January, 2018, the Company filed a letter with the Office of Competition and Consumer Protection containing: (i) withdrawal of the application of 10th October, 2016, regarding the concentration consisting of the Issuer taking control over Calypso Fitness S.A. with its registered office in Warsaw ("the Submission") and (ii) an application for discontinuance of proceedings conducted by the President of the Office of Competition and Consumer Protection in connection with the Submission made.

The submission of the above applications was a consequence of the expiry on 31st December, 2017, of the conditional agreement obliging the sale of shares in Calypso Fitness S.A. of 5th October, 2016, concluded by the Issuer's subsidiary: Fit Invest Sp. z o.o. with its registered office in Warsaw with Glastonbury Ventures Limited (Ltd) with its registered office in Limassol and Mr Mikołaj Nawacki.

At the same time, the Issuer's Management Board informed that it will continue to implement its strategy of providing an appropriate base of sports clubs for the dynamically growing group of MultiSport card users.

Conclusion of an agreement concerning the division of Calypso Fitness S.A. and the future acquisition of shares in the companies taking over part of the assets separated from Calypso Fitness S.A.

On 19th February, 2018, Benefit Systems S.A. concluded an agreement with Fit Invest Sp. z o.o., Glastonbury Ventures Limited (Ltd) with its registered office in Limassol ("GVL"), on behalf of which negotiations were opened by Mr Mikołaj Nawacki ("MN") and Fitness Investment Sp. z o.o. with its registered office in Warsaw ("Fitness Investment") - the subject of the agreement is primarily to define the terms and conditions which are to be followed in order to conduct a multi-stage procedure aimed at ultimately transforming Calypso Fitness and, subsequently, to conclude agreements for the sale of shares in companies controlled by other shareholders than Calypso Fitness, to whom a part of the assets separated from Calypso Fitness will be transferred ("Agreement").

According to the Agreement, Calypso Fitness's transformation will involve the division of Calypso Fitness by separating part of its assets and transferring it to three separate entities (the "Division"), on the day of the division directly and 100% from the current shareholders of Calypso Fitness, i.e.: to a subsidiary of GVL ("NewCo1"), a subsidiary of Fit Invest ("NewCo2") and subsidiary of Fitness Investment ("NewCo3"). The assets separated from Calypso Fitness will consist of assets (assets and liabilities) currently forming 10 (in words: ten) fitness clubs. The Parties to the Agreement envisage completion of the procedures leading to the commencement of the Division process, as well as the Division procedure itself, by 31st January, 2019, provided that any exceeding of this deadline will not constitute a breach of the Agreement.

The Agreement contains the obligation of GVL and Fit Invest to conclude an agreement, after the transformation of Calypso Fitness, for the sale of all shares in NewCo1 and NewCo3 (previously purchased from Fitness Investment by GVL) ("Shares" and "Purchase Agreement"), for the total price payable by GVL (as the Seller) to Fit Invest (as the Buyer) of 69 million PLN ("Price"). The price will be paid once, within three working days after the conclusion of the Sales Agreement, to the bank account of GVL. The transfer of ownership to the Shares to Fit Invest shall take place on the date of crediting the payment of the Price. Regardless of the amount of the Price,

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under the Sale Agreement Fit Invest will be obliged to pay to GVL additional amounts to the total amount not exceeding 37 million PLN, depending on the increase in the Issuer's capitalisation.

As a result of the Division and the implementation of the Sale Agreement, Fit Invest will become the sole shareholder in NewCo1, NewCo2 and NewCo3. Pursuant to the provisions of the Agreement, the Issuer will be jointly and severally liable for all liabilities of Fit Invest under the Agreement and the Sales Agreement, while MN will be jointly and severally liable for all liabilities of GVL under the Agreement and the Sales Agreement. The Agreement also provides for bilateral contractual penalties at the amount of 10 million PLN for the failure by GVL or Fit Invest to accede to the Sales Agreement despite the completion of the division of Calypso Fitness and fulfilment of the conditions specified in the Agreement.

The Agreement was concluded on a termination condition in the form of failure to obtain consent of the Issuer's Supervisory Board (in the form of a relevant resolution) for the conclusion of the Agreement by 28th February, 2018, at the latest.

On 26th February, 2018, the Issuer's Supervisory Board adopted a resolution expressing its consent to the conclusion of the aforementioned Agreement.

The conclusion of Annex No. 2 to the Investment Agreement of 2nd December, 2013, and agreements for the sale of shares in Zdrofit Sp. z o.o.

On 30th January, 2018, Annex No. 2 to the Investment Agreement of 2nd December, 2013, was signed between Mr Jakub Raniszewski, Mr Przemysław Szczęsny, Mr Kamil Wróblewski, Ms Aneta Katarzyna Warsinska, Ms Monika Bronikowska, Mr Daniel Tomasz Smajek and Mr Rafał Ludwik Klimczewski, the partners in Zdrofit Sp. z o.o. ("the Partners"), the Issuer and Fit Invest Sp. z o.o., under which, as of 30th January, 2018, the content of the Agreement concluded between these entities was changed ("the Annex").

Furthermore, in connection with the amendments to the Agreement introduced pursuant to the Annex, on 30th January, 2018, Fit Invest Sp. z o.o. concluded with each of the Partners an agreement for the sale of shares in the share capital of Zdrofit Sp. z o.o. ("the Sale Agreements"). On the basis of the Sale Agreements, Fit Invest will purchase from its Partners a total of 1,349 Shares representing 44.97% of the share capital of Zdrofit, for the total price of 52,500,226.00 PLN ("the Price"). The Price shall be paid by 28th February, 2018. The ownership of the Shares shall be transferred to Fit Invest on the day of crediting the payment of the Price, in appropriate proportions, to the bank accounts of the Partners. As a result of the transaction, Fit Invest will hold 100% of the shares in the share capital of the Company.

On 19th February, 2018, annexes to the share purchase agreements of 30th January, 2018, were signed, pursuant to which the payment of the sale price of the shares in Zdrofit shall be made in two instalments, with the first instalment being paid on 28th February, 2018, and the second instalment shall be paid by 30th March, 2018.

Consent of the Supervisory Board to carry out debt restructuring of subsidiaries from the Fitness segment

On 13th February, 2018, the Company's Supervisory Board, at the request of the Company's Management Board, granted its consent for the Company to carry out debt restructuring of selected companies from the so-called Fitness Segment, involving an increase in the share capital of Fit Invest Sp. z o.o. with its registered office in Warsaw, being a 100% subsidiary of the Company, from 4,713,600 PLN to 10,813,600 PLN, i.e. by 6,100,000 PLN, through the creation of 122,000 new shares and their acquisition by the Company in exchange for a cash contribution of 61 million PLN, which will be used for the purpose of the following:

- a. Increasing the share capital of Fitness Academy Spółka z ograniczoną odpowiedzialnością SKA with its registered office in Wrocław, being a 100% subsidiary of Fit Invest Sp. z o.o. from 160,000 PLN to 2,860,000 PLN, i.e. by 2,700,000 PLN through the creation of 27,000 new shares and their acquisition by Fit Invest Sp. z o.o. in exchange for a cash contribution of 27 million PLN;
- b. Increasing the share capital of Fabryka Formy S.A. with its registered office in Sierosław, being a 100% subsidiary of Fit Invest Sp. z o.o. from 3,457,702 PLN to 5,457,702 PLN, i.e. by 2 million PLN, through the creation of 20 million new shares and their acquisition by Fit Invest in exchange for a cash contribution of 20 million PLN;
- c. Share capital increasing the share capital of Fitness Place Sp. z o.o. with its registered office in Warsaw, being a 100% subsidiary of Fit Invest Sp. z o.o. from 5,000 PLN to 1,405,000 PLN, i.e. by 1.4 million PLN, through the creation of 28,000 new shares and their acquisition by Fit Invest in exchange for a cash contribution of 14 million PLN.

The funds received by Fitness Academy, Fabryka Formy and Fitness Place will be used to repay liabilities under loans granted to these entities by the Company. The Company's Management Board indicates that the expected date for the implementation of the aforementioned activities is the first half of 2018.

Conclusion of an annex to the agreement on the limit for the bank guarantees with Bank Zachodni WBK S.A.

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Rounding level:	<i>all figures are presented in thousands of Polish zloty (unless stated otherwise)</i>		

The Management Board of Benefit System S.A. informed that the Company received an annex dated 15th January, 2018, to the agreement dated 2nd April, 2012, signed by Bank Zachodni WBK S.A. with its registered office in Wrocław ("the Bank") concerning the limit for the bank guarantees. The subject of the annex is a change in the amount of the Bank's commitment to provide guarantees, on the basis of an order/instruction of the Company, up to the amount of 38 million PLN.

In connection with the aforementioned annex, the Company is obliged to submit a declaration of submission to enforcement pursuant to article 777, §1, point 5) of the Code of Civil Procedure up to the amount of 118.5 million PLN (also including receivables resulting from the agreement of 18th July, 2012, on a multi-purpose and multi-currency credit line), wherein the Bank will be able to apply for an enforcement clause to the notary deed up to 30th April, 2025. In all other aspects, the annex contains provisions typical of such contracts.

There are no connections between the Company and the Bank. There are also no relationships between members of the Management or Supervisory Boards of the Company and members of the Management or Supervisory Boards of the Bank.

Establishment of loan limits within the framework of the Benefit Systems S.A. Partner Support Programme

On 13th February, 2018, the Company's Supervisory Board agreed to increase the limit of loans granted by the Company under the partner support programme to the total amount of 35 million PLN (the "Programme").

The programme is addressed to entities providing sports and recreation services to MultiSport Programme card users, with whom the Company has concluded a cooperation agreement ("Partner"). Provided that the Partner meets the detailed conditions specified in the Programme's rules (e.g. cooperation with the Company on a continuous basis for a period of at least 12 months and the absence of any confirmed irregularities in compliance with the terms of the cooperation agreement during this period; submitting an application for a loan together with the required documentation; establishing appropriate collateral for the loan agreement indicated in detail in the principles of the Programme) and obtaining the positive approval of the Company, the Company grants Partners intending to open a new fitness club or modernize an already functioning fitness club financial support in the form of a loan.

According to the rules of the Programme, the maximum amount of the loan for the Partner, depending on its purpose, is 1,000,000 PLN - in the case of opening a new fitness club or 500,000 PLN - in the case of the modernisation of an existing fitness club. The amount of the loan, the interest rate and the repayment period (not longer than 120 months) are each time decided by the Company on the basis of the submitted application together with the attachments and the information provided by the Partner.

The programme is aimed at providing an increasing number of MultiSport card users with additional training places of appropriate quality and at supporting Partners in the further development of their activities.

Tax inspection conducted

On 25th January, 2018, a customs and treasury inspection commenced at the Company on the basis of the authorisation received from the Head of the Małopolska Customs and Treasury Office in Kraków to perform a customs and treasury inspection. The audit concerns compliance with the provisions of the Corporate Income Tax Act of 15th February, 1992, with respect to taxation of income earned in the years 2012-2016. At the present stage of the inspection, the Company is making available its tax books and accounting documents, which are the basis for entries in these books, in accordance with the summons received from the Head of the Małopolska Customs and Treasury Office in Kraków. As at the date of publication of this report, the inspection was not completed.

Conclusion of an investment loan agreement with Powszechna Kasa Oszczędności Bank Polski S.A.

On 19 March, 2018, the Management Board of the parent company announced that Fit Invest Sp. z o.o. - a 100% subsidiary of the Issuer, Fitness Place Sp. z o.o. - a 100% subsidiary of Fit Invest Sp. z o.o. and Powszechna Kasa Oszczędności Bank Polski S.A. signed an investment loan agreement (the "Agreement"). The subject of the Agreement is granting to Benefit Systems S.A., Fit Invest Sp. z o.o. and Fitness Place Sp. z o.o. an investment loan of up to 100.000.000,00 PLN, which may be used by the Borrowers, among others, for the following purposes:

- 1) financing and refinancing of investment outlays (including acquisition of shares / stocks / enterprises / organised parts of an enterprise),
- 2) financing the granting of loans to subsidiaries (related to the acquisition of shares / stocks / enterprises / organised parts of an enterprise),
- 3) financing the provision of loans to subsidiaries and associates (in connection with the financing or refinancing the purchase of fitness equipment),
- 4) financing other investment outlays.

Interest at WIBOR 1M plus the bank's margin will be charged on the amount of credit used.

28. Other information

28.1. Information on instituted proceedings before an administrative authority

Referring to the information provided by the Company in the Management Board Reports relating to the publication of the Annual Report for 2016 and the Interim Report for Q1, Q2 and Q3 of 2017 concerning: (i)

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concentration proceedings conducted by the President of the Office of Competition and Consumer Protection ("the President of OCCP") related to the conclusion of a conditional agreement for 50.1% of the shares in Calypso Fitness S.A. ("Conditional Agreement") and (ii) explanatory activities conducted by the President of the Office for Competition and Consumer Protection, the Management Board of Benefit Systems S.A. informs that with respect to concentration proceedings, the Conditional Agreement expired on 31st December, 2017. Therefore, on 2nd January, 2018, the Company withdrew the said concentration application and the proceedings in this respect were discontinued.

At the same time, the Company's Management Board informs that explanatory activities conducted by the President of the Office for Competition and Consumer Protection are still in progress. The Company is cooperating closely with the Office for Competition and Consumer Protection and provides all the necessary materials and information without any delays.

The explanatory activities started in November, 2015, and at the end of January, 2017, selected premises of Benefit Systems S.A. were searched by the Office's employees, which has already been reported by the parent company in its report for 2016. Similar inspections were carried out at Benefit Partners, Fit Invest, Fitness Academy, as well as Calypso Fitness, Platinum and PZPF. The Management Board for Benefit Systems S.A. has at its disposal legal analyses, which indicate the probability of the risk of transforming the current explanatory activities into proceedings against the Company. If the explanatory activities are transformed into proceedings against parent company and if such proceedings lead to the imposition of penalties, the Management Board of Benefit Systems informs that the maximum penalty that may be imposed by the OCCP, in accordance with the applicable provisions of law, is not more than 10% of the company's turnover generated in the financial year preceding the year in which the penalty was imposed.

In accordance with good practice and legal regulations, the Company's Management Board will inform the market about possible further steps within the framework of explanatory activities.

28.2. Selected financial data converted into Euro

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

- the rate applicable on the last day of the reporting period:
31/12/2017: 4.1709 PLN/EUR,
31/12/2016: 4.4240 PLN/EUR,
- the average exchange rate in the period, calculated as the arithmetic mean of exchange rates applicable on the last day of each month in the period:
01/01 - 31/12/2017: 4.2447 PLN/EUR,
01/01–31/12/2016: 4.3757 PLN/EUR,

The highest rate applicable in each period was as follows:

01/01 - 31/12/2017: 4.3308 PLN/EUR,
01/01 - 31/12/2016: 4.4405 PLN/EUR.

The lowest rate applicable in each period was as follows:

01/01 - 31/12/2017: 4.1709 PLN/EUR,
01/01 - 31/12/2016: 4.2684 PLN/EUR.

The main items in the consolidated statement of financial position, the consolidated income statement and consolidated cash flow statement, translated into euro, are presented in the table below:

	From 01/01 to 31/12/2017	From 01/01 to 31/12/2016 Restated	From 01/01 to 31/12/2017	From 01/01 to 31/12/2016 Restated
	Thousands of PLN		Thousands of EUR	
Income statement				
Sales revenues	964,786	743,818	227,292	169,988
Operating profit	121,411	93,175	28,603	21,294
Profit before tax	116,291	98,839	27,397	22,588
Net profit	86,708	75,593	20,427	17,276
Net profit attributable to shareholders of the parent company	88,103	80,519	20,756	18,401
Earnings per share (PLN)	33.09	29.43	7.80	6.73
Diluted earnings per share (PLN)	32.93	28.77	7.76	6.58
Average PLN/EUR exchange rate in the period			4.2447	4.3757
Statement of cash flows				
Net cash from operating activities	139,161	120,611	32,785	27,564
Net cash from investment activities	(161,847)	(68,743)	(38,129)	(15,710)
Net cash from financial activities	9,949	(10,650)	2,344	(2,434)

Name of the capital group:	Benefit Systems Group		
Period covered by the financial statements:	01/01/2017 – 31/12/2017	Reporting currency:	Polish zloty (PLN)
Rounding level:	all figures are presented in thousands of Polish zloty (unless stated otherwise)		

	From 01/01 to 31/12/2017	From 01/01 to 31/12/2016 Restated	From 01/01 to 31/12/2017	From 01/01 to 31/12/2016 Restated
	Thousands of PLN		Thousands of EUR	
Net change in cash and cash equivalents	(12,737)	41,218	(3,001)	9,420
Average PLN/EUR exchange rate in the period	-	-	4.2447	4.3757

	31/12/2017	31/12/2016 Restated	31/12/2017	31/12/2016 Restated
	Thousands of PLN		Thousands of EUR	
Statement of financial position				
Assets	762,035	590,640	182,703	133,508
Non-current liabilities	201,713	236,349	48,362	53,424
Current liabilities	340,445	176,606	81,624	39,920
Equity	219,877	177,684	52,717	40,164
Equity attributable to shareholders of the parent company	202,033	160,433	48,439	36,264
PLN/EUR exchange rate at the end of the period	-	-	4.1709	4.4240

28.3. Ownership structure of the share capital

	Number of shares	Number of votes	Nominal value of shares (thousands of PLN)	Share in equity
As at 31/12/2017				
James van Bergh	586,285	586,285	586	21.92%
Benefit Invest Ltd	571,606	571,606	572	21.37%
Marek Kamola	260,000	260,000	260	9.72%
MetLife OFE	253,891	253,891	254	9.49%
Nationale-Nederlanden	245,000	245,000	245	9.16%
Others	758,060	758,060	758	28.34%
<i>including Benefit Systems S.A. (own shares)</i>	<i>120,080</i>	<i>-</i>	<i>120</i>	<i>4.49%</i>
Total	2,674,842	2,674,842	2,675	100.00%
As at 31/12/2016 Restated				
James van Bergh	605,396	605,396	605	23.29%
Benefit Invest Ltd	581,504	581,504	582	22.37%
MetLife OFE	293,951	293,951	294	11.31%
Marek Kamola	262,830	262,830	263	10.11%
Nationale-Nederlanden	245,000	245,000	245	9.42%
Others	610,961	610,961	611	23.50%
<i>including Benefit Systems S.A. (own shares)</i>	<i>84,730</i>	<i>-</i>	<i>85</i>	<i>3.26%</i>
Total	2,599,642	2,599,642	2,600	100.00%

In 2017, there were no changes in the ownership of blocks of shares representing more than 5% of the share capital.

28.4. Remuneration of the parent company's senior management and supervisory personnel

The total value of remuneration and other benefits for the Members of the parent's company's Management Board was as follows:

	In the parent company:		In subsidiaries and associates:		Total
	Remuneration	Other benefits	Remuneration	Other benefits	
Period from 01/01 to 31/12/2017					
Members of the parent company's Management Board	2,075	43	0	0	2,118
Period from 01/01 to 31/12/2016 Restated					
Members of the parent company's Management Board	1,862	0	0	0	1,862

Name of the capital group:	<i>Benefit Systems Group</i>		
Period covered by the financial statements:	<i>01/01/2017 – 31/12/2017</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Rounding level:	<i>all figures are presented in thousands of Polish zloty (unless stated otherwise)</i>		

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

Moreover, the members of the Management Board obtained benefits in the form of G and F series warrants, due and potentially due, whose ownership as at the date of publication was as follows:

Name of the capital group:	Benefit Systems Group		
Period covered by the financial statements:	01/01/2017 – 31/12/2017	Reporting currency:	Polish zloty (PLN)
Rounding level:	all figures are presented in thousands of Polish zloty (unless stated otherwise)		

Member of the Management Board	Warrants of series G to be covered in 2018 for 2017	Conditionally granted series H warrants for 2018	Total	Value*
Grzegorz Haftarczyk	1,750	600	2,350	1,008
Arkadiusz Hanszke	2,000	600	2,600	1,097
Adam Radzki	1,750	600	2,350	1,008
Emilia Rogalewicz	2,500	600	3,100	1,276
Izabela Walczewska-Schneyder	2,500	600	3,100	1,276
Total	10,500	3,000	13,500	5,665

* The value of the benefits from the subscription warrants granted is the difference between the exercise price and the share price on the valuation date. The valuation of series G warrants was based on the prices and conditions from the warrant pool for 2017 (357.17 PLN), and the valuation of series H warrants was based on the prices and conditions from the warrant pool for 2018 (638.07 PLN), in thousands of PLN.

The total value of remuneration and other benefits for the Members of the parent company's Supervisory Board was as follows:

	Remuneration	Other benefits	Total
Period from 01/01 to 31/12/2017			
Members of the parent company's Supervisory Board	261	0	261
Period from 01/01 to 31/12/2016 Restated			
Members of the parent company's Supervisory Board	234	0	234

28.5. Remuneration of the entity authorized to audit financial statements

PricewaterhouseCoopers Sp. z o.o. is the auditor responsible for auditing and reviewing the consolidated financial statements of the Group for the financial years 2017 and 2018. The auditor's remuneration for each title was as follows:

	From 01/01 to 31/12/2017	From 01/01 to 31/12/2016
Audit and review of the financial statements	346	91
Other advisory services	20	0
Total	365	91

28.6. Employment

The average employment in the Group, broken down by professional groups and employee turnover, was as follows:

	From 01/01 to 31/12/2017	From 01/01 to 31/12/2016 Restated
White-collar workers	1,170	689
Manual workers	0	1
Total	1,170	690

	From 01/01 to 31/12/2017	From 01/01 to 31/12/2016 Restated
Number of employees taken on	696	229
Number of employees released (-)	(216)	(203)
Total	480	26

Name of the capital group:	<i>Benefit Systems Group</i>		
Period covered by the financial statements:	<i>01/01/2017 – 31/12/2017</i>	Reporting currency:	<i>Polish zloty (PLN)</i>
Rounding level:	<i>all figures are presented in thousands of Polish zloty (unless stated otherwise)</i>		

29. Approval for publication

These consolidated financial statements prepared for the year ending 31st December, 2017 (together with comparative data) were approved for publication by the parent company's Management Board on 21st March, 2018.

Signatures of all the Members of the Management Board			
Date	Forename and surname	Position	Signature
21 st March, 2018	Grzegorz Haftarczyk	Member of the Management Board	
21 st March, 2018	Arkadiusz Hanszke	Member of the Management Board	
21 st March, 2018	Adam Radzki	Member of the Management Board	
21 st March, 2018	Emilia Rogalewicz	Member of the Management Board	
21 st March, 2018	Izabela Walczewska-Schneyder	Member of the Management Board	
Signature of the person responsible for preparing the financial statements			
Date	Forename and surname	Position	Signature
21 st March, 2018	Arkadiusz Szczypiński	Finance Director	