CONSOLIDATED FINANCIAL STATEMENTS OF THE BENEFIT SYSTEMS GROUP

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2023

Benefit Systems

Table of contents

CONSOLIDATED FINANCIAL STATEMENTS OF THE BENEFIT SYSTEMS GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	31 Dec 2023	31 Dec 2022
Goodwill	6	573,267	460,624
Intangible assets	7	138,691	128,983
Property, plant and equipment	8	333,266	294,412
Right-of-use assets	9	1,010,323	834,176
Investments in associates	10	3,097	2,435
Trade and other receivables	11	11,303	9,510
Loans and other non-current financial assets	12, 30	6,848	9,653
Deferred tax assets	13	21,844	27,917
Non-current assets		**2,098,639**	**1,767,710**
Inventories	14	8,226	6,472
Trade and other receivables	11	256,403	236,756
Current tax assets		10	482
Loans and other current financial assets	12, 30	3,141	4,274
Cash and cash equivalents	15	434,004	218,327
Current assets		**701,784**	**466,311**
Total current assets		**701,784**	**466,311**
Total assets		**2,800,423**	**2,234,021**

All amounts are expressed in thousands of Polish złoty unless indicated otherwise.[TRANSLATION ONLY]

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CONT.

EQUITY AND LIABILITIES	Notes	31 Dec 2023	31 Dec 2022
Equity attributable to owners of the parent:			
Share capital	16	2,934	2,934
Treasury shares (-)	16	-	-
Share premium		291,378	291,378
Exchange differences on translation of foreign operations		(6,199)	(10,361)
Retained earnings	16	708,645	443,082
Equity attributable to owners of the parent		996,758	727,033
Non-controlling interests	16.4	1,572	(1,617)
Total equity		**998,330**	**725,416**
Employee benefit provisions	18	384	259
Other provisions	19	-	10,767
Total long-term provisions		**384**	**11,026**
Trade and other payables	20	4	111
Deferred tax liability	13	1,815	3,212
Other financial liabilities	21	83,788	32,328
Borrowings, other debt instruments	22	41,866	60,566
Lease liabilities	9	861,990	789,716
Contract liabilities	23	-	-
Non-current liabilities		**989,847**	**896,959**
Employee benefit provisions	18	3,302	3,081
Other provisions	19	10,767	24
Total short-term provisions		**14,069**	**3,105**
Trade and other payables	20	443,741	369,888
Current income tax liabilities	26	90,900	9,515
Other financial liabilities	21	16,483	16,788
Borrowings, other debt instruments	22	18,663	24,140
Lease liabilities	9	200,487	164,879
Contract liabilities	23	27,903	23,331
Current liabilities		**812,246**	**611,646**
Total current liabilities		**812,246**	**611,646**
Total liabilities		**1,802,093**	**1,508,605**
Total equity and liabilities		**2,800,423**	**2,234,021**

All amounts are expressed in thousands of Polish złoty unless indicated otherwise.[TRANSLATION ONLY]

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	1 Jan 2023–31 Dec 2023	1 Jan 2022–31 Dec 2022
Continuing operations			
Revenue	5	**2,774,145**	**1,909,120**
Revenue from sales of services		2,736,733	1,882,240
Revenue from sales of merchandise and materials		37,412	26,880
Cost of sales	5	**(1,843,366)**	**(1,392,035)**
Cost of services sold		(1,821,736)	(1,375,376)
Cost of merchandise and materials sold		(21,630)	(16,659)
Gross profit		**930,779**	**517,085**
Selling expenses	5	(168,177)	(134,398)
Administrative expenses	5	(210,870)	(156,468)
Other income	24	9,208	7,787
Other expenses	24	(20,841)	(21,255)
Operating profit		**540,099**	**212,751**
Finance income	25	47,448	2,860
Finance costs	25	(38,626)	(35,391)
Loss allowances for financial assets	25	3,826	(1,356)
Share of profit/(loss) of equity-accounted entities	10	662	(2,292)
Profit before tax		**553,409**	**176,572**
Income tax	26	(108,536)	(37,495)
Net profit from continuing operations		**444,873**	**139,077**

Net profit		**444,873**	**139,077**
Net profit attributable to:			
- owners of the parent	27.1	439,645	138,124
- non-controlling interests		5,228	953

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EARNINGS PER ORDINARY SHARE (PLN)

	1 Jan 2023– 31 Dec 2023	1 Jan 2022– 31 Dec 2022
Earnings per share		
Basic earnings per share from continuing operations	149.87	47.08
Basic earnings per share from discontinued operations	-	-
Earnings per share	**149.87**	**47.08**
Diluted earnings per share from continuing operations	149.34	47.08
Diluted earnings per share from discontinued operations	-	-
Diluted earnings per share	**149.34**	**47.08**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	1 Jan 2023– 31 Dec 2023	1 Jan 2022– 31 Dec 2022
Net profit	**444,873**	**139,077**
Other comprehensive income	**4,585**	**(3,041)**
Items not reclassified to profit or loss	-	-
Items reclassified to profit or loss	*4,585*	(3,041)
- Exchange differences on translation of foreign operations	4,585	(3,041)
Comprehensive income	**449,458**	**136,036**
Comprehensive income attributable to:		
- owners of the parent	443,807	135,179
- non-controlling interests	5,651	857

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Treasury shares	Share premium	Exchange differences on translation of foreign operations	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 1 Jan 2023		**2,934**	**-**	**291,378**	**(10,361)**	**443,082**	**727,033**	**(1,617)**	**725,416**
Changes in equity in the period 1 Jan 2023–31 Dec 2023									
Share issue in connection with exercise of options (incentive scheme)	16.2	-	-	-	-	-	-	-	-
Sale of treasury shares	16.1	-	-	-	-	-	-	-	**-**
Cost of equity-settled share-based payment plan	16.3	-	-	-	-	6,279	6,279	-	**6,279**
Increase in shares in subsidiary due to acquisition of non-controlling interest without change of control	16.4	-	-	-	-	(5,777)	(5,777)	(490)	**(6,267)**
Valuation of put options attributable to minority shareholders	21, 16.4	-	-	-	-	(53,814)	(53,814)	(1,467)	**(55,281)**
Dividends	27.2,16.4	-	-	-	-	(120,770)	(120,770)	(505)	**(121,275)**
Total transactions with owners		**-**	**-**	**-**	**-**	**(174,082)**	**(174,082)**	**(2,462)**	**(176,544)**
Net profit for the period 1 Jan 2023−31 Dec 2023		-	-	-	-	439,645	439,645	5,228	**444,873**
Exchange differences on translation of foreign operations		-	-	-	4,162	-	4,162	423	**4,585**
Total comprehensive income		**-**	**-**	**-**	**4,162**	**439,645**	**443,807**	**5,651**	**449,458**
Total changes		**-**	**-**	**-**	**4,162**	**265,563**	**269,725**	**3,189**	**272,914**
Balance as at 31 Dec 2023		**2,934**	**-**	**291,378**	**(6,199)**	**708,645**	**996,758**	**1,572**	**998,330**

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – CONT.

	Notes	Share capital	Treasury shares	Share premium	Exchange differences on translation of foreign operations	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 1 Jan 2022		**2,934**	**-**	**291,378**	**(7,416)**	**316,851**	**603,747**	**(2,070)**	**601,677**
Changes in equity in the period 1 Jan 2022–31 Dec 2022									
Share issue in connection with exercise of options (incentive scheme)	16.2	-	-	-	-	-	-	-	-
Sale of treasury shares	16.1	-	-	-	-	-	-	-	**-**
Increase in shares in subsidiary due to acquisition of non-controlling interest without change of control	16.4	-	-	-	-	(5,898)	(5,898)	227	**(5,671)**
Valuation of put options attributable to minority shareholders	21, 16.4	-	-	-	-	(5,995)	(5,995)	(286)	**(6,281)**
Dividends	27.2,16.4	-	-	-	-	-	-	(345)	**(345)**
Total transactions with owners		**-**	**-**	**-**	**-**	**(11,893)**	**(11,893)**	**(404)**	**(12,297)**
Net profit for the period 1 Jan 2022−31 Dec 2022		-	-	-	-	138,124	138,124	953	**139,077**
Exchange differences on translation of foreign operations		-	-	-	(2,945)	-	(2,945)	(96)	**(3,041)**
Total comprehensive income		**-**	**-**	**-**	**(2,945)**	**138,124**	**135,179**	**857**	**136,036**
Total changes		-	-	-	(2,945)	126,231	123,286	453	123,739
Balance as at 31 Dec 2022		**2,934**	**-**	**291,378**	**(10,361)**	**443,082**	**727,033**	**(1,617)**	**725,416**

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CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	1 Jan 2023– 31 Dec 2023	1 Jan 2022– 31 Dec 2022
Cash flows from operating activities			
Profit before tax		**553,409**	**176,572**
Adjustments:		**298,051**	**282,732**
Depreciation and amortisation of non-current non-financial assets	7,8,9	287,474	232,076
Measurement of liabilities arising from acquisition of shares	25.2	917	1,346
Change in impairment losses and write-off of assets	7,8,11, 24.2,25.3	7,422	2,198
Effect of lease modifications	9.3	(1,204)	(6,651)
(Gains)/losses on sale and value of liquidated non-current non-financial assets	8	2,599	7,040
(Gains)/losses on disposal of financial assets		(50)	-
Foreign exchange gains/(losses)	25.1	(33,760)	6,220
Interest expense	25.2	35,972	26,664
Interest income	25.1	(13,545)	(2,735)
Cost of share-based payments (incentive scheme)	16.3	6,279	-
Share of profit/(loss) of associates	10	(662)	2,292
Change in inventories	14	(1,539)	(2,095)
Change in receivables	11.15	(34,625)	(31,786)
Change in liabilities	15.20	40,353	47,500
Change in provisions	19	322	388
Other adjustments		2,098	275
Cash flows provided by (used in) operating activities		**851,460**	**459,304**
Income tax paid	26	(21,003)	(19,635)
Net cash from operating activities		**830,457**	**439,669**
Cash flows from investing activities			
Purchase of intangible assets	7	(43,115)	(46,998)
Purchase of property, plant and equipment	8	(115,308)	(75,725)
Proceeds from sale of property, plant and equipment	8	12,960	2,565
Acquisition of subsidiaries, net of cash acquired	6.2	(124,978)	(36,168)
Proceeds from sale of associates	10	50	-
Repayments of loans	12	2,146	952
Loans	11.12	(6,873)	(1,465)
Interest received	12	12,902	1,125
Dividends received		-	640
Net cash from investing activities		**(262,216)**	**(155,074)**

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CONSOLIDATED STATEMENT OF CASH FLOWS – CONT.

	Notes	1 Jan 2023–31 Dec 2023	1 Jan 2022–31 Dec 2022
Cash flows from financing activities			
Net proceeds from issue of shares	20	18,612	-
Sale of treasury shares	16.1	-	-
Expenditure on transactions with non-controlling interests	16.5	(6,267)	(4,842)
Proceeds from issue of debt securities	22	-	-
Redemption of debt securities	22	-	(100,000)
Proceeds from borrowings	22	-	50,504
Repayment of borrowings	22	(28,167)	(87,749)
Payment of lease liabilities	9.2	(207,663)	(165,341)
Payments of interest	22	(7,804)	(11,510)
Dividends paid	27.2,16.4	(121,275)	(345)
Net cash from financing activities		**(352,564)**	**(319,283)**
Net change in cash and cash equivalents before exchange differences		**215,677**	**(34,688)**
Exchange differences		-	-
Net change in cash and cash equivalents		**215,677**	**(34,688)**
Cash and cash equivalents at beginning of period		**218,327**	253,015
Cash and cash equivalents at end of period		**434,004**	**218,327**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

The parent

The parent of the Benefit Systems Group (the “Group”) is Benefit Systems S.A. (the “Company”, the “Parent”). Benefit Systems S.A. is the Group’s ultimate reporting entity.

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

The Parent’s registered office is located at Plac Europejski 2, 00-844 Warsaw, Poland. It is also the principal place of business of the Group. The Parent’s country of registration in the National Court Register is Poland..

Composition of the Management Board and Supervisory Board of the Parent

As at the date of authorisation of the consolidated financial statements for issue, i.e., 19 March 2024, the Management Board of the Parent was composed of:

- Marcin Fojudzki – Member of the Management Board,
- Emilia Rogalewicz – Member of the Management Board,
- Wojciech Szwarc – Member of the Management Board.

As at the date of authorisation of the consolidated financial statements for issue, i.e., 19 March 2024, the Supervisory Board of the Parent was composed of:

- James van Bergh – Chair of the Supervisory Board,
- Artur Osuchowski – Deputy Chair of the Supervisory Board,
- Aniela Anna Hejnowska – Member of the Supervisory Board,
- Krzysztof Kaczmarczyk – Member of the Supervisory Board,
- Katarzyna Kazior – Member of the Supervisory Board,
- Michael Sanderson – Member of the Supervisory Board.

In the period from 1 January 2023 to 19 March 2024, the composition of the Management Board and the Supervisory Board changed as described below:

- On 29 June 2023, following the expiry of the term of office of the Supervisory Board, the Annual General Meeting of the Parent appointed a new Supervisory Board for a joint five-year term of office, which will expire on the date of the Parent’s Annual General Meeting which will approve the Parent’s financial statements for 2027. The following persons were appointed to the Supervisory Board: James van Bergh, Aniela Anna Hejnowska, Krzysztof Kaczmarczyk, Artur Osuchowski, and Michael Sanderson;
- On 10 August 2023, the Extraordinary General Meeting of the Company passed a resolution to appoint Katarzyna Kazior as Member of the Company’s Supervisory Board for a joint term of office which commenced on 29 June 2023, with effect from the date on which the registry court enters the amendment to the Company’s Articles of Association made under Resolution No. 4 of the Extraordinary General

Meeting of the Company of 10 August 2023 in the Business Register of the National Court Register. The amendment was officially registered on 1 September 2023;

- On 23 August 2023, Bartosz Józefiak resigned as Member of the Management Board, effective immediately. On the same day, the Company's Supervisory Board passed a resolution to appoint Marcin Fojudzki as a Member of the Company's Management Board, effective from 6 September 2023.

Business of the Group

The Benefit Systems Group is a provider of non-pay employee benefit solutions, including in such areas as sports and recreation (MultiSport card, FitProfit, fitness network) and culture and entertainment (Cinema Programme, MultiTeatr, MultiMuzeum). The Parent is also developing MultiLife, a product providing access to online services which are dedicated to supporting users in their everyday care for health, well-being and personal development, including a diet creator, language learning platform, mindfulness course, e-books, yoga course, and online consultations with experts. The Group also offers unique products, such as Cafeterias, which allow employees to choose any non-pay benefit from a set of benefits pre-approved by the employer.

The principal business of the Parent according to the Polish Classification of Activities (PKD) is: Operation of sports facilities (PKD 2007) 93.11.Z.

For a detailed description of the Group's business, see the consolidated Directors' Report on the operations of the Benefit Systems Group in 2023.

The Group

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

No.	Subsidiary	Principal place of business and country of registration	Group's ownership interest*	
			31 Dec 2023	31 Dec 2022
1	Focusly Sp. z o.o.1)	ul. Skierniewicka 16/20, 01-230 Warsaw, Poland	-	100.00%
2	VanityStyle Sp. z o.o.	ul. Skierniewicka 16/20, 01-230 Warsaw, Poland	100.00%	100.00%
3	YesIndeed Sp. z o.o.2)	ul. Przeskok 2, 00-032 Warsaw, Poland	-	100.00%
4	Lunching.pl Sp. z o.o.3)	ul. Fabryczna 20A, 31-553 Kraków, Poland	87.63%	77.68%
5	Benefit Partners Sp. z o.o.4)	Plac Europejski 2, 00-844 Warsaw, Poland	-	100.00%
6	Yes to Move Sp. z o.o.	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	100.00%
7	Total Fitness Sp. z o.o.5)	Aleja Bohaterów Września 9, 02-389 Warsaw, Poland	100.00%	88.23%
8	FIT 1 Sp. z o.o.6)	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	100.00%
9	FIT 2 Sp. z o.o.6)	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	-
10	Sport Operator Sp. z o.o.6)	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	-
11	FIT 3 Sp. z o.o.7)	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	-
12	Concept Self Investment Sp. z o.o.7)	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	-
13	Fit 4 Sp. z o.o.8)	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	-
14	Fit and More Sp. z o.o.8)	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	-
15	Saturn Fitness Group Sp. z o.o.9)	ul. Arkuszowa 18, 01-934 Warsaw, Poland	100.00%	-
16	Manufaktura Zdrowia Sp. z o.o.10)	ul. Krakowska 180, 32-080 Zabierzów, Poland	100.00%	-
17	Gravitan Warszawa Sp. z o.o.11)	ul. Malborska 39/A4/5, 03-286 Warsaw, Poland	100.00%	-
18	Zdrowe Miejsce Sp. z o.o.	ul. Odyńca 71, 02-644 Warsaw, Poland	80.00%	80.00%
19	Investment Gear 9 Sp. z o.o.12)	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	-
20	Investment Gear 10 Sp. z o.o.12)	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	-

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21	Active Sport i Rekreacja Sp. z o.o.[13)]	ul. Górnośląska 8, 42-400 Zawiercie, Poland	100.00%	-
22	Interfit Club 1.0 Sp. z o.o.[14)]	ul. Ignacego Daszyńskiego 68, 44-100 Gliwice, Poland	75.00%	-
23	Interfit Club 4.0 Sp. z o.o.[14)]	ul. Ignacego Daszyńskiego 68, 44-100 Gliwice, Poland	75.00%	-
24	Interfit Club 5.0 Sp. z o.o.[14)]	ul. Ignacego Daszyńskiego 68, 44-100 Gliwice, Poland	75.00%	-
25	Interfit Consulting Sp. z o.o. Sp. k.[14)]	ul. Ignacego Daszyńskiego 68, 44-100 Gliwice, Poland	75.00%	-
26	Benefit Systems International S.A.[15)]	ul. Młynarska 8/12, 01-194 Warsaw, Poland	97.60%	97.20%
27	Fit Invest International Sp. z o.o.	ul. Młynarska 8/12, 01-194 Warsaw, Poland	97.60%	97.20%
28	BSI Investments Sp. z o.o.[16)]	ul. Młynarska 8/12, 01-194 Warsaw, Poland	92.13%	90.40%
29	FII Investments Sp. z o.o.[17)]	ul. Młynarska 8/12, 01-194 Warsaw, Poland	97.60%	-
30	Form Factory Slovakia S.R.O.	Prievozská 14, Bratislava - mestská časť Ružinov 821 09, Slovakia	97.60%	97.20%
31	Form Factory S.R.O.[18)]	Vinohradská 2405/190 Vinohrady, 130 00 Praha 3, Czech Republic	98.75%	97.20%
32	Beck Box Club Praha S.R.O.[18)]	Vinohradská 2405/190 Vinohrady, 130 00 Praha 3, Czech Republic	-	97.20%
33	Next Level Fitness EOOD	Bul. Simeonovsko Shosse 35, 1700 Sofia, Bulgaria	97.60%	97.20%
34	MultiSport Benefit S.R.O.	Lomnickeho 1705/9, 140 00 Praha 4, Czech Republic	97.60%	97.20%
35	Benefit Systems Spor Hizmetleri Ltd	Eski Büyükdere Caddesi No: 7, GİZ 2000 Plaza, Kat 4. 13. VE 14. Bağımsız Bölümler, Maslak, Sarıyer/ 34398 İstanbul, Turkey	92.13%	90.40%
36	Fit Invest Spor Hizmetleri Ltd[19)]	Ayazaga District, Mimar Sinan Street, Seba Office D Block No: 21 D/45 Sarıyer/ 34396 İstanbul, Turkey	97.60%	-
37	Benefit Systems Slovakia S.R.O.	Prievozská 14, Bratislava - mestská časť Ružinov 821 09, Slovakia	95.65%	95.26%
38	Benefit Systems D.O.O.	Zagreb (Grad Zagreb) Heinzelova ulica 44, Croatia	94.67%	94.28%
39	Fit Invest D.O.O.[20)]	Zagreb (Grad Zagreb) Josipa Marochnića 3, 10000, Croatia	97.60%	-
40	Benefit Systems Bulgaria EOOD	11-13, Yunak Str., floor 1, 1612 Sofia, Bulgaria	93.70%	93.31%
41	Benefit Systems, storitve, D.O.O.	Komenskega street 36, 1000 Lublana, Slovenia	92.72%	92.34%
42	Multisport Foundation	ul. Racjonalizacji 5, 02-673 Warsaw, Poland	100.00%	100.00%
43	MW Legal 24 Sp. z o.o. [21)]	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	100.00%

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

1) The merger of Benefit Systems S.A. (the acquirer) and Focusly Sp. z o.o. (the acquiree) was registered on 30 November 2023.
2) The merger of Benefit Systems S.A. (the acquirer) and YesIndeed Sp. z o.o. (the acquiree) was registered on 29 September 2023.
3) An increase in the share capital of Lunching.pl Sp. z o.o. was registered on 27 February 2023, raising the Parent's interest in the company to 79.89%. Subsequently, on 23 June 2023, the Parent exercised the option provided in the share purchase agreement for a price of PLN 2.1m, further increasing its interest to 87.63% as at 31 December 2023. Since the date of acquisition of 73.97% of Lunching.pl shares (i.e., 13 April 2022), the company has been consolidated based on the assumption that the Group exercises full (100%) control in view of the options included in the share purchase agreement. On 29 November 2023, the Extraordinary General Meeting passed a resolution to increase the share capital of Lunching.pl Sp. z o.o., following which the Parent's interest in the company would rise to 88.49%. As of 31 December 2023, the above change was not registered with the National Court Register. On 4 March 2024, for PLN 4.1m the Parent acquired the residual shares in Lunching.pl Sp. z o.o., raising its equity interest in the company to 100% (Note 33).
4) The merger of Benefit Systems S.A. (the acquirer) and Benefit Partners Sp. z o.o. (the acquiree) was registered on 30 November 2023.
5) On 4 April 2023, Benefit Systems S.A. acquired the residual 11.77% of shares in Total Fitness Sp. z o.o. for a price of PLN 14m, raising its equity interest in the company to 100%. Since the date of acquisition of 88.23% of Total Fitness Sp. z o.o. shares (i.e., 4 November 2021), the company has been consolidated based on the assumption that the Group exercises full (100%) control in view of the options included in the share purchase agreement.

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6) On 31 March 2023, the Parent acquired 100% of the shares in FIT 2 Sp. z o.o. and Sport Operator Sp. z o.o., which had taken over assets spun off from Calypso Fitness S.A., comprising nine out of the 12 organised parts of business (fitness clubs) owned by the company. The remaining three out of the 12 fitness clubs were spun off to FIT 1 Sp. z o.o., which is wholly owned by Benefit Systems (see Note 6.2).
7) On 31 July 2023, the Parent acquired 100% of the shares in FIT 3 Sp. z o.o. and Concept Self Investment Sp. z o.o., which had taken over assets spun off from Calypso Fitness S.A., comprising two out of the three organised parts of business (fitness clubs) owned by the company. The remaining fitness club was spun off to FIT 1 Sp. z o.o., which is wholly owned by Benefit Systems (see Note 6.2).
8) On 30 November 2023, the Parent acquired 100% of the shares in FIT 4 Sp. z o.o. and Fit and More Sp. z o.o., which had taken over assets spun off from Calypso Fitness S.A., comprising three out of the five organised parts of business (fitness clubs) owned by the company. The remaining fitness clubs were spun off to FIT 1 Sp. z o.o., which is wholly owned by Benefit Systems (see Note 6.2).
9) On 13 April 2023, the Parent purchased 100% of shares in Saturn Fitness Group Sp. z o.o. (see Note 6.2).
10) On 1 September 2023, the Parent acquired 100% of shares in Agata Culley Manufaktura Zdrowia Sp. z o.o., and a change of the company's name to Manufaktura Zdrowia Sp. z o.o. was registered on 22 September 2023 (see Note 6.2).
11) On 18 October 2023, the Parent purchased 100% of shares in Gravitan Warszawa Sp. z o.o. (see Note 6.2).
12) The Parent acquired shares in Investment Gear 9 Sp. z o.o. on 6 June and 3 July 2023, and in Investment Gear 10 Sp. z o.o. on 23 May and 3 July 2023. As a result, as at 31 December 2023, the Company held 100% of the shares in both companies. The transactions were not accounted for using the acquisition method under IFRS 3 as the acquired assets did not constitute a business as defined in IFRS 3.
13) On 28 November 2023, the Parent purchased 100% of the shares in Active Sport i Rekreacja Sp. z o.o. (see Note 6.2).
14) On 15 December 2023, the Parent acquired 75% of shares in Interfit Club 1.0 Sp. z o.o., Interfit Club 4.0 Sp. z o.o., Interfit Club 5.0 Sp. z o.o., and Interfit Consulting Sp. z o.o. Sp.K. (see Note 6.2). Since the date of acquisition of 75% of shares (i.e., 15 December 2023), the acquired companies have been consolidated based on the assumption that the Group exercises full (100%) control in view of the options included in the share purchase agreement.
15) On 24 November 2023, the Parent Benefit Systems S.A. acquired 0.4% of shares in subsidiary Benefit Systems International S.A. from a minority shareholder for PLN 6.2m.
16) On 3 August 2023, the subsidiary Benefit Systems International S.A. acquired 1.4% of shares in the subsidiary BSI Investments Sp. z o.o. from its minority shareholders for PLN 67 thousand.
17) FII Investments sp. z o.o., a company owned by Fit Invest International Sp. z o.o. (90%) and Benefit Systems International S.A. (10%), was registered on 7 September 2023.
18) On 23 May 2023, agreements were signed whereby loans advanced to the Czech companies Form Factory S.R.O. and Beck Box Club Praha S.R.O. by Benefit Systems S.A. and Benefit Systems International S.A. were converted into equity. As a result, the Group's equity interest in the Czech companies rose – to 98.54% in Form Factory S.R.O. and 98.49% in Beck Box Club Praha S.R.O. Conversion of the loans into equity is one of the stages of a project leading to the merger of the Czech companies operating fitness clubs. The merger of Form Factory S.R.O. (the acquirer) with Beck Box Club Praha S.R.O. (the acquiree) was registered on 1 November 2023. As a result of the merger, Beck Box Club Praha S.R.O. ceased to exist and Form Factory S.R.O. assumed the rights and obligations of the merged companies.
19) Fit Invest Spor Hizmetleri Ltd, in which FII Investments Sp. z o.o. holds 100% of shares, was registered on 9 November 2023.
20) Fit Invest D.O.O. of Croatia, wholly owned by Fit Invest International Sp. z o.o., was registered on 24 October 2023.
21) The company is not consolidated as it does not conduct any business activity.

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

2. Basis of accounting and accounting policies

2.1. Basis of accounting used in preparing the consolidated financial statements

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (hereinafter referred to as "IFRS") as endorsed by the European Union, valid for annual periods beginning on 1 January 2023, and to the extent not governed by the said standards – in accordance with the requirements of the Accounting Act of 29 September 1994 and secondary legislation issued on its basis, as well as the requirements concerning the issuers of securities admitted to trading on an official stock-exchange listing market.

The functional currency of the Parent and the presentation currency of these consolidated financial statements is the Polish złoty, and all amounts are expressed in thousands of Polish złoty (unless indicated otherwise). The currency of the primary economic environment in which the Company operates, i.e., in which it generates and expends cash, is the Polish złoty. For consolidation purposes, the financial statements of foreign operations are translated into the Polish currency in accordance with the accounting policies presented below.

The financial statements have been prepared for the period 1 January–31 December 2023.

Going concern assumption

These consolidated financial statements have been prepared on the assumption that the Group companies will continue as going concerns in the foreseeable future, that is for at least 12 months from the reporting date. The basis for the going concern assumption is attained business profitability, access to funds and the ability to service obligations.

The operating profit ratio, calculated as the ratio of operating profit to revenue, was 19.5% for 2023 (11.1% for 2022). Return on equity, calculated as the ratio of net profit to equity, was 44.6 % as at 31 December 2023 (19.2% as at 31 December 2022).

The composition of the consolidated statement of financial position indicates that total liabilities accounted for 64.4% of total assets as at 31 December 2023 (67.5% as at 31 December 2022). This proportion is primarily attributable to the nature of the fitness industry. The Group companies rent premises in which they operate their own fitness clubs. Leases in accordance with IFRS 16 *Leases* are recognised by the Group as non-current right-of-use assets and lease liabilities, measured at the present value of lease payments outstanding over the remaining lease term (from a few to several years). Given the scale of the group's operations, lease liabilities accounted for 37.9% of total equity and liabilities as at 31 December 2023 (42.7% as at 31 December 2022).

As at 31 December 2023, the Group's current ratio, calculated as the ratio of current assets to current liabilities, was 0.86 (0.76 as at 31 December 2022). After eliminating the effect of recognition of lease contracts in accordance with IFRS 16, the ratio exceeds 1. The liquidity risk related to the maturities of liabilities is monitored by the Group on an ongoing basis and, together with an analysis of the maturities of financial liabilities, is disclosed in Note 31.3 to these consolidated financial statements.

The Group generates positive net cash flows from operating activities, showing a rising trend over the recent years. Net cash from operating activities in 2023 was PLN 830.5m, having increased 89% from PLN 439.7m in 2022 and 119% from PLN 379.9m in 2019, i.e., the level recorded before the COVID-19 pandemic.

In the opinion of the Management Board, the level of working capital, access to financing and the ability to generate positive cash flows from operations in accordance with the Group's approved budget for 2024 are sufficient for the Group to continue operations for at least 12 months from the reporting date. Moreover, in the Management Board's opinion, the effect of the potential expected use of provisions for legal risks (Note 19) and the potential requirement to pay the contingent liabilities presented in Note 29 (accounting for less than 1% of the Group's equity) do not have a material effect on the result of the going concern analysis.

In assessing the reasonableness of the going concern assumption, the Group also took into account available cash of PLN 434.0m as at 31 December 2023 (Note 15), whose balance is higher than the sum of current liabilities under borrowings, leases, other financial liabilities and trade and other payables, which totalled PLN 421.8m as at 31 December 2023 (Note 31.3). As at the end of 2023, the Group disclosed a negative net debt and did not experience any difficulties in extending the availability of credit facilities with banks (Note 22). As at 31 December 2023, it had access to undrawn credit facilities of PLN 160m (Note 31.3).

2.2. Amendments to standards and interpretations

New and amended standards applied by the Group as of 1 January 2023

No new or amended standards coming into effect for the first time in 2023 have a material impact on the Group's consolidated financial statements:

Amendments to IAS 1: Presentation of Financial Statements and the IASB Practice Statement 2 Making Materiality Judgements with respect to the application of materiality judgements to accounting policy disclosure

In the absence of a definition of the concept of "significance" in IFRSs, the IASB decided to replace it with a reference to "materiality" in the context of accounting policy disclosure. "Materiality" is a defined IFRS term, which, in the opinion of the IASB, is commonly understood by users of financial statements. When determining whether information on an accounting policy is material, the entity is required to consider if the transaction or other event or condition to which the accounting policy relates is material in size or nature, or both. The amendments include examples of circumstances in which an entity is likely to consider certain information on its accounting policies to be material.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – definition of accounting estimates

The amended standard clarifies that the effects of a change in a measurement technique or an input on an accounting estimate are changes in the accounting estimate if they do not result from the correction of prior period errors. According to the previous definition of a change in accounting estimates, a change which results from new information or new developments does not constitute an error correction. This aspect of the definition has been maintained by the IASB in the amendments.

Amendments to IAS 12: Income Taxes – Deferred Taxes related to Assets and Liabilities arising from a Single Transaction

The amendments clarify that where payments that represent the repayment of a liability are deductible for tax purposes, a judgment is required (subject to applicable tax laws and regulations) to determine whether such deductions should for tax purposes be allocated to the liability recognised in the financial statements (and interest expense) or to the related asset (and interest expense). Such judgment is important for determining whether any temporary differences exist upon initial recognition of the asset and liability.

Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules

Pillar 2 Model Rules are designed to ensure that large multinational groups pay taxes of at least 15% on income earned in each jurisdiction in which they operate through the application of the top-up tax mechanism. There are three active mechanisms under Pillar 2 Model Rules that countries can adopt: the income inclusion rule, the undertaxed payments rule, and the qualified domestic minimum top-up tax. They are often referred to as the global minimum top-up tax or the top-up tax.

The amendments address stakeholder concerns about accounting for deferred taxes in relation to the new top-up tax under IFRS by providing entities a temporary mandatory relief in accounting for deferred taxes in the case of top-up tax and imposing on entities new disclosure requirements in connection with the top-up tax and the relief.

The Group will apply the amendments after the relevant tax regulations come into force.

IFRS 17 Insurance Contracts with amendments (Initial Application of IFRS 17 and IFRS 9 – Comparative Information)

The primary objective of IFRS 17 is to provide a framework for accounting for insurance contracts, which is more useful and consistent from insurers' perspective. Contrary to IFRS 4, which mostly relies on the continuation of existing local practices, IFRS 17 presents a comprehensive accounting model for insurance contracts that addresses all material aspects of insurance contract accounting. The essence of IFRS 17 is a general model that is supplemented by: a specific approach to contracts with direct participation features (the variable fee approach) and a simplified approach (the premium allocation approach), which is mainly applicable to short-term contracts.

The new standard and its amendments have no effect on the Group's financial statements.

Published standards and interpretations which were not yet effective for periods beginning on 1 January 2023 and their impact on the Group's financial statements

Until the day of preparing these full-year consolidated financial statements, new or amended standards and interpretations have been published, effective for annual periods following 2023. They include amendments, standards and interpretations published by the IASB but not yet accepted by the European Union:

Amendments to IAS 1: Presentation of Financial Statements – Clarification of the Requirements for Classification of Liabilities as Current or Non-Current- non-current liabilities with covenants

The IASB clarified the rules for classifying liabilities as non-current or current primarily in two aspects: it clarified that the classification depends on the rights held by the entity at the reporting date; the management's intention to accelerate or delay payment of the obligation is not to be taken into account.

In addition, where the right to defer settlement of a liability depends on an entity's compliance with the conditions relating to the ratios specified in the credit facility agreement (covenants) that the entity has to comply with after the reporting date, those conditions do not affect the classification of the liability as at the reporting date. An entity discloses those future conditions to help users understand the risk that those liabilities may become due and payable within 12 months of the reporting date.

As the Group already applies liability classification rules that are consistent with the amended standard, the amendments will not affect its financial statements. The amendments are effective for annual periods beginning on or after 1 January 2024.

Amendments to IFRS 16: Leases – Lease Liability in a Sale and Leaseback

A lease liability in a sale and leaseback requires that the seller-lessee subsequently measure lease liabilities arising in leasebacks in such a way as not to recognise any gain or loss relating to the right of use.

The amendments have no impact on the financial statements of the Group as it does not engage in any leaseback transactions. The amendments are effective for annual periods beginning on or after 1 January 2024.

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rate – Lack of Exchangeability

In accordance with IAS 21, the Company records foreign currency transactions using the spot conversion rate. In some jurisdictions, the spot conversion rate is not available as the currency cannot be exchanged for another. IAS 21 was amended to clarify when a currency is exchangeable for another currency and how the entity estimates the spot conversion rate when the currency is not exchangeable. The amendments also contain additional disclosure requirements to help users assess the impact of the application of the estimated conversion rate on the financial statements.

The amendments have no effect on the Group's financial statements, as it does not operate in jurisdictions whose currencies are not convertible. The amendments are effective for annual periods beginning on or after 1 January 2025.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosure – Supplier Finance Arrangements

The amendments introduce additional disclosure requirements for supplier finance arrangements to enable an assessment of the effect of those arrangements on the entity's liabilities, cash flows and liquidity risk. The amendments apply to supplier finance arrangements (also referred to as supply chain finance arrangements or reverse factoring) which have all of the following characteristics: the finance provider (also referred to as the factor) pays the amounts that the company (buyer) owes to its suppliers; the company agrees to pay in accordance with the terms of the contracts on the same day or at a later date than its suppliers receive payment; the company is provided with extended payment terms, or the company's suppliers are provided with early payment terms, compared to the related invoice payment due date. However, the amendments do not apply to arrangements that finance receivables and inventories.

The amendments have no impact on the financial statements of the Group as it does not enter into supplier finance arrangements of this type. The amendments are effective for annual periods beginning on or after 1 January 2024.

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

2.3. Accounting policies

Operating segments

In accordance with IFRS 8, results of the operating segments are based on internal reports periodically reviewed by the Management Board of the Parent (the Group's chief operating decision maker). The Management Board evaluates the results and makes decisions on the allocation of resources, distinguishing two operating segments: Poland and Foreign Markets. This division reflects the long-term investment strategy being pursued and the manner in which the business is managed considering the nature of the Group's operations.

In the opinion of the Management Board, the division into two operating segments – Poland and Foreign Markets – best reflects the Group's business, which consists in providing the customer (employer) with a comprehensive product (non-pay benefits) that is attractive from the point of view of the user (employee). Each segment includes two complementary components: the Group's main product, i.e., non-pay benefits (primarily sport cards; in Poland also Cafeteria and MultiLife, among others) and the infrastructure to deliver these benefits to the user (primarily fitness clubs; in Poland also online platforms offering access to Cafeteria and MultiLife products, among others).

In the opinion of the Management Board, such segmentation aligns with the fundamental principle of IFRS 8, namely, disclosure of information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

The Management Board of the Parent analyses the performance of the operating segments at the level of operating profit/(loss) and EBITDA (a non-standard measure defined by the Group as operating profit plus depreciation and amortisation).

Measurement of the operating segments' results used in the management calculations is consistent with the accounting policies applied in the preparation of the consolidated financial statements.

Consolidation

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

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

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

Subsidiaries are consolidated using the full method.

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

- intra-group balances and transactions (income, expenses, dividends) are eliminated in their entirety;

- gains and losses resulting from intra-group transactions, which are included in the carrying amount of assets such as inventory or property, plant and equipment, are eliminated. Losses on intra-group transactions are analysed for impairment of assets from the Group's perspective;

- deferred tax is recognised on temporary differences that arise from the elimination of gains and losses resulting from intra-group transactions (in accordance with IAS 12).

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

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

- partial sale of shares to non-controlling entities – the difference between the selling price and the carrying amount of the subsidiary's net assets attributable to the shares sold to non-controlling entities is recognised directly in retained earnings;

- purchase of shares from non-controlling interests – the difference between the purchase price and the carrying amount of the net assets acquired from non-controlling interests is recognised directly in equity as retained earnings.

Business combinations

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

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

The consideration transferred in exchange for control include the assets delivered, liabilities incurred and equity instruments issued, measured at the acquisition-date fair value. The consideration also includes contingent consideration measured at the acquisition-date fair value. Acquisition-related costs (advisory services, valuation, tax on civil law transactions, etc.) are not part of consideration but are expensed as incurred.

Goodwill (gain on bargain purchase) is calculated as the difference between two amounts:

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

- the fair value of the identifiable net assets acquired.

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

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

Call and put options on non-controlling interests

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

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

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

Investments in associates

Associates are entities which the Parent does not control but over which it has significant influence by participating in determination of their financial and operating policy.

Investments in associates are initially recognised at cost, and subsequently accounted for using the equity method.

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

- The Parent's share in profit or loss of an associate;

- The Parent's share in the associate's other comprehensive income, resulting from, among other things, revaluation of property, plant and equipment and exchange differences from translation of foreign operations. These amounts are disclosed in correspondence with the relevant item of the "Consolidated statement of profit or loss and other comprehensive income";

- Any gains and losses on transactions between the Group and the associates, eliminated to the extent of the Group's interest in those entities;
- Any distributions of profit received from an associate, which reduce the carrying amount of the investment;
- Impairment losses.

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

Foreign currency transactions

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

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

As at the reporting date, monetary items expressed in currencies other than the functional currency are translated into the relevant functional currency at the relevant exchange rate effective for the end of the reporting period, e.g., the mid-exchange rate quoted for a given currency by the National Bank of Poland.

Non-monetary items recognised at historical cost denominated in foreign currencies are translated at the rate of exchange from the transaction date.

Non-monetary items carried at fair value in foreign currencies are translated at the exchange rate from the date on which the fair value was determined, i.e., the mid-rate quoted by the National Bank of Poland for a given currency.

Exchange differences arising from the settlement of transactions or the translation of monetary items other than derivative instruments are recognised as net finance income or cost, as appropriate, except for exchange differences capitalised in the value of assets in accordance with the applied accounting policies (presented in the section on borrowing costs).

Exchange differences arising from measurement of foreign-currency derivatives are recognised in profit or loss unless the derivatives serve as cash-flow hedges. Derivatives which serve as cash-flow hedges are disclosed in line with the principles of hedge accounting.

As at the reporting date, assets and liabilities of foreign subsidiaries are translated into the Polish currency at the closing rate of exchange effective for at the reporting date, i.e. at the mid-rate quoted by the National Bank of Poland for a given currency.

The statement of profit or loss and the statement of profit or loss and other comprehensive income of a foreign operation are translated at the average exchange rate for a given financial year, unless there were significant fluctuations in rates of exchange. In such a case, the exchange rate as at the date of the transaction is used to translate transactions recognised in the statement of profit or loss and other comprehensive income.

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

Borrowing costs

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

Goodwill

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

Intangible assets

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

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

The expected useful lives for particular groups of intangible assets are as follows:

- trademarks 5–15 years;
- software licenses 1–5 years;
- development costs 2–5 years;
- other intangible assets 2–5 years.

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

Research costs are recognised in profit or loss when incurred.

The Group companies are engaged in development work involving implementation and adaptation of IT support systems for their own needs and modern solutions supporting the Group's offering.

Expenditure directly related to development work is recognised as intangible assets only if the following criteria are met:

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

Expenditure incurred on development work performed as part of a project is carried forward if it can be assumed that it will be recovered in the future. Future benefits are estimated in accordance with IAS 36.

Following initial recognition of expenditure on development work, the historical cost model is used, according to which assets are carried at cost less accumulated amortisation and accumulated impairment losses. Completed development work is depreciated on a straight-line basis over the expected period of benefits obtained by incurring the development costs, which is 2–5 years.

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

Property, plant and equipment

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

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

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

- leasehold improvements 3–10 years;
- machinery and equipment 3– 10 years;
- vehicles 5 years;
- other property, plant and equipment 3–10 years.

Depreciation begins in the month following the month in which an item of property, plant and equipment becomes available for use.

Useful lives and depreciation methods are reviewed once a year, following which depreciation charges are adjusted prospectively if and as needed.

An item of property, plant and equipment is divided into components of material value with separate useful lives. Day-to-day maintenance expenses incurred when the item is available for use, including costs of maintenance and repairs, are expensed as incurred.

An item of property, plant and equipment may be removed from the statement of financial position if it is sold or if the company does not expect to realise any economic benefits from its further use. Gains or losses arising from disposal, retirement or withdrawal from use are calculated as the difference between proceeds from the disposal and the net carrying amount of that property, plant and equipment, and are recognised in profit or loss as other income or other expenses when the buyer takes control of the transferred item of property, plant and equipment. The amount of consideration for disposal of an item of property, plant and equipment is determined in accordance with the requirements of IFRS 15 for determining the transaction price.

Leases

The Group as a lessee

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

- Whether a contract relates to an identified asset which is either clearly identified in the contract or in an implied manner when the asset is made available to the Group;

- Whether the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use specified in the contract;
- Whether the Group has the right to direct the use of an identified asset throughout the period of use.

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

A right-of-use asset is initially measured at cost consisting of the initial amount of the lease liability, initial direct costs incurred by the lessee (in particular the excess of expenditure incurred prior to lease commencement to adapt the premises to operate as a fitness club over the amount of expenditure settled with the lessor) and the lease payments made at or before the commencement date, less any lease incentives. The Group's valuation does not include the cost of restoring the leased premises to their original condition, because in accordance with market practice and historical data the Company does not incur material costs of this kind.

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

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

- The right to use property 5–13 years;
- The right to use fitness equipment 4–10 years;
- The right to use other assets (vehicles, office equipment, advertising space) 2–13 years.

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

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

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

In 2022, for property lease contracts the Group applied the practical expedient introduced by Amendment to IFRS 16 in 2020 as a result of the COVID-19 pandemic. The practical expedient gives the lessee the option not to assess whether a rent concession that meets specific conditions is a lease modification and to account for any change in lease payments resulting from the rent concession the same way it would account for the change if the change were not a lease modification. As a result, the lease liability is remeasured at an unchanged interest rate and the effect of the remeasurement is recognised in the statement of profit or loss in the core operating activities as a reduction of the respective operating expenses depending on where the costs of the respective lease contract are allocated. In 2023, the COVID-19 practical expedient may not be applied.

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

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

- Contracts whose lease term is less than 12 months (for individual asset classes);

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

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

The Group as a lessor/intermediate lessor

The Group classifies sublease contracts as an operating lease or a finance lease with respect to a right-of-use asset rather than with respect to the underlying asset. A lease is accounted for as a finance lease if it transfers substantially all the risks and rewards of the right-of-use asset arising from the head lease. Otherwise, it is classified as an operating lease. The same principles are applied to leasing contracts.

The Group is an intermediate lessor or a lessor with respect to fitness equipment leased to facilities which are the Group's partners, and with respect to office space. Such sublease contracts were classified as operating leases. The Group continues to recognise the right-of-use asset resulting from the head lease and the corresponding liability. Revenue from operating subleases and leases, where the Group is the lessor, is recognised on a straight-line basis over the lease term.

Impairment of non-current non-financial assets

The following assets are tested for impairment on an annual basis:

- Goodwill, with the first impairment test carried out by the end of the period in which the merger took place;
- Intangible assets with indefinite useful lives; and
- Intangible assets not yet available for use.

The Group does not hold any non-current assets with indefinite useful lives other than goodwill.

Non-financial assets, other than deferred tax assets and inventories, are assessed annually as to whether there is any indication of impairment. If there is any indication, the assets are tested for impairment.

For impairment testing, assets are grouped at the lowest level at which they generate cash inflows independently of other assets or asset groups (cash generating units). Assets which generate cash-flows independently from other assets are tested for impairment individually.

Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the business combination, provided that the cash-generating units are not larger than the operating segments.

If the carrying amount exceeds the estimated recoverable amount of the assets or cash generating units to which they belong, the carrying amount is reduced to the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. In determining value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment loss is first allocated to the carrying amount of goodwill. Then carrying amounts of the assets comprising the cash generating unit are reduced pro rata.

Impairment losses are recognised in profit or loss as other expenses. Impairment losses on goodwill cannot be reversed in subsequent periods. For other assets, the circumstances indicating the possibility of reversal of impairment losses are assessed as at subsequent reporting dates. Reversal of impairment losses is recognised in profit or loss as other income.

Financial instruments

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

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

A financial asset is derecognised from the statement of financial position when contractual rights to cash flows from the asset expire or when the financial asset and substantially all risks and rewards related to it are transferred to another entity.

A financial liability is derecognised from the statement of financial position when it is extinguished, i.e., when the obligations specified in the contract are discharged, cancelled or expired.

Financial assets

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

For the purpose of measurement subsequent to initial recognition, financial assets other than hedging derivatives are classified by the Group as:

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

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

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

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

During the reporting period and the comparative period, the Group did not have any financial assets classified as financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, or equity instruments at fair value through other comprehensive income.

Financial assets at amortised cost include:

- cash and cash equivalents;
- loans and other financial assets;
- trade and other receivables (excluding trade and other receivables to which IFRS 9 does not apply).

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

Interest income calculated using the effective interest rate method is disclosed by the Group under ‘Finance income’.

Allowances for expected credit losses on trade receivables are recognised in other expenses, while allowances for expected credit losses on loans and other financial assets measured at amortised cost are recognised under ‘Loss allowances for financial assets’. In both cases, recognised losses are reduced by reversal of loss allowances. Gains and losses arising on derecognition of assets in this category from the statement of financial position are recognised in profit or loss under ‘Gains/(losses) on derecognition of financial assets measured at amortised cost’. Other gains and losses on financial assets recognised in profit or loss, including foreign exchange gains and losses, are presented as finance income or costs.

Financial assets designated as measured at amortised cost due to their business model and cash flow characteristics are assessed at each reporting date in order to recognise expected credit losses, regardless of whether there is any indication of impairment. The method of making this assessment and estimating loss allowances varies depending on the class of financial assets:

To trade receivables, the Group applies a simplified approach under paragraph 5.5.15 of IFRS 9, based on the calculation of loss allowances for lifetime expected credit losses on the receivable. Loss allowances are estimated on a collective basis using a provision matrix, with trade receivables grouped according to the number of days they are past due and to the shared credit risk characteristics of the trading partners they are owed by (B2B, B2C). This method takes into account historical data on incurred credit losses. Macroeconomic factors and the possible impact of other forward-looking information are monitored by the Group and may be included in the calculation of a loss allowance when deemed material to the measurement. The probability of default is estimated based on historical data on outstanding receivables.

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

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

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

- Stage 1 – exposures where credit risk has not increased significantly since initial recognition and for which 12-month expected credit losses are recognised;

- Stage 2 – exposures where credit risk has increased significantly since initial recognition, but there is no objective indication of impairment and for which lifetime expected credit losses are determined. The Group considers credit risk to have increased significantly if any of the following indications is present:

    - A payment for given exposure is more than 60 days past due;
    - An exposure is placed on the watch list (i.e. included in the ‘risk group’);
    - An adverse event is recorded in the National Register of Insolvent and Non-Performing Debtors;
    - Existing or forecast significant adverse changes in the borrower’s business, financial or economic conditions (a decline in revenue or margins, increased operating risk, working capital deficit,

deterioration of assets, increased leverage in the balance sheet, liquidity problems, management problems, changes in the business profile or organisational structure, etc.);

- Stage 3 – exposures where objective evidence of impairment has been identified and for which an impairment loss is recognised at 100% of their amount except where, based on reliable information, the amount of estimated impairment can be expected to be reduced as the payment due is highly like to be made or has been secured. The Group assumes that objective evidence of impairment includes the following indications:

    - Significant financial difficulty of the debtor;
    - A breach of contract, such as a default or delinquency in principal and/or interest payments for more than 180 days;
    - Risk of bankruptcy due to significant financial difficulties;
    - Negative equity;
    - Significant probability of bankruptcy.

In accordance with the applied accounting policy, financial assets are written off, in whole or in part, when the Group has used practically all measures to collect them and determines that they cannot be reasonably expected to be recovered. This is usually the case when:

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

Financial liabilities

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

- Trade and other payables;
- Lease liabilities;
- Borrowings, other debt instruments;
- Other financial liabilities.

On acquisition, the Group measures financial liabilities at fair value which is, most frequently, the fair value of the amount received. Transaction costs are included in the initial value of all financial liabilities, except in the case of financial liabilities at fair value through profit or loss.

Following initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method, except for financial liabilities held for trading or designated as financial liabilities to be measured at fair value through profit or loss. Financial liabilities measured at fair value through profit or loss include derivatives other than hedging instruments.

Short-term trade payables are measured at amounts expected to be paid as the effect of discounting is immaterial.

Any gains or losses on measurement of financial liabilities are recognised in profit or loss under financing activities.

Reclassification of financial assets

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

The Group did not reclassify any financial assets during the reporting period and the comparative period.

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost includes costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Costs of materials and merchandise are determined using the ‘first in first out’ method.

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

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and cash at bank, demand deposits and highly liquid short-term investments (with maturities of up to three months) which are readily convertible into cash and subject to an insignificant risk of changes in value.

Cash at bank meets the SPPI test and the “held for collection” business model test, therefore cash is measured at amortised cost and an impairment loss has been estimated for it in accordance with IFRS 9.

Equity

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

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

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

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

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

Other components of equity include:

- Share-based payment reserve, and
- Capital from accumulation of other comprehensive income including exchange differences from translation of foreign operations (see section on foreign currency transactions).

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

Share-based payments

The Group operates incentive schemes under which the key management personnel are granted options convertible into shares of the Parent (subscription warrants).

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

The cost of remuneration and the corresponding increase in equity are recognised based on the best available estimates of the number of options to be vested in a given period. In determining the number of options to be vested, non-market vesting conditions are taken into account.

The Group adjusts those estimates if subsequent information indicates that the number of options granted differs from previous estimates. Such adjustments are recognised in profit or loss for the current period – no adjustments are made for previous periods.

Employee benefits

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

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

Short-term employee benefits

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

Provisions for accrued holiday entitlements

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

Retirement gratuity

In accordance with the remuneration systems in the Group, employees of the Group companies are entitled to retirement gratuity benefits. Retirement gratuity benefits are one-off benefits paid upon retirement. The amount of such benefits depends on the length of service and the average remuneration of the retiring employee. These benefits are recognised as other long-term employee benefits.

The Group recognises a provision for future retirement benefit obligations in order to allocate costs to the periods in which the benefits are vested. Present value of the provisions as at the reporting date is assessed by an independent actuary. The amount of provision recognised in the statement of financial position is the present value of the benefit obligations as at the reporting date. Information on demographics and employment turnover is sourced from historical data. Actuarial gains and losses arising from changes in actuarial assumptions (including changes in discount rate) and ex post actuarial adjustments are recognised in other comprehensive income.

Provisions, contingent liabilities and contingent assets

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

Provisions are recognised for:

- Pending litigations and disputes;

- Losses from contracts with customers;
- Restructuring, only if the Group is required to undertake the restructuring under separate regulations or a binding agreement.

No provisions are recognised for future operating losses.

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

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

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

Information on contingent assets is disclosed in notes to the financial statements (see Note 29).

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

Revenue

Revenue represents income from contracts with customers falling within the scope of IFRS 15 (except for lease income earned with respect to fitness equipment leased and with respect to sub-leasing of office and reta space, which are presented in accordance with IFRS 16). The method of recognising revenue in the Group's consolidated financial statements, including both the amount and time of recognition, is defined under the following five-step model:

- Identifying the contract;
- Identifying performance obligations;
- Determining the transaction price;
- Allocating the transaction price to performance obligations;
- Recognising revenue when or as the performance obligations are satisfied.

Identifying the contract

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

- The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
- The Group can identify each party's rights regarding the goods or services to be transferred;
- The Group can identify the payment terms for the goods or services to be transferred;

- The contract has commercial substance (i.e., the risk, timing or amount of the Group's future cash flows is expected to change as a result of the contract);

- It is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Identifying performance obligations

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

A good or service promised to a customer is distinct if both of the following criteria are met:

- The customer can benefit from the good or service on its own or in conjunction with other readily available resources; and

- The Group's obligation to transfer the good or service to the customer is separately identifiable from other obligations in the contract.

Determining the transaction price

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

Allocating the transaction price to performance obligations

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

Recognising revenue when or as the performance obligations are satisfied

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

The Group's main revenue generating business is the sale of MultiSport cards. MultiSport cards give cardholders essentially unlimited access to a wide network of sports venues operated by the Group's partners and by the Group itself for the duration of the card's validity. Sport cards are usually prepaid by the cardholders' employers and are on a monthly or quarterly basis. Card users may cancel their membership with a notice period of 1-3 months. The Group's settlements with external fitness/sports facilities operators for visits by holders of sport cards are made on a monthly basis, based statements of actual number of visits. The Group is exposed to risks related to the number of customer visits to clubs operated by external parties. The Group also operates its own clubs that can be used by cardholders. Consequently, the Group recognises revenue from sales of sport cards as the principal, on a gross basis. Card revenue is recognised evenly over the accounting period as the Group is committed to providing users with access to the sports facilities network throughout the term of the contract. Contract liabilities include pre-invoiced revenue relating to future periods.

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

Acting as intermediary (agent)

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

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

Interest and dividend income

Interest income is recognised as it accrues using the effective interest rate method.

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

Operating expenses

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

Current income tax and deferred tax assets and liabilities

Tax expense on profit or loss includes current income tax and deferred income tax not applicable to items recognised in other comprehensive income or directly in equity.

The current portion of the income tax is calculated based on the net profit/(loss) (taxable income) for a given financial year. Tax profit/(loss) differs from accounting profit (loss) before tax due to temporary transfer of taxable income and tax-deductible expenses to other periods and elimination of income and expenses items that will never be taxable. Current tax is calculated based on the tax rates effective for the reporting period.

Deferred income tax is calculated as the tax payable or receivable in the future on differences between the carrying amounts of assets and liabilities and their tax bases.

Deferred tax liabilities are recognised against all taxable temporary differences, while deferred tax asset are recognised to the extent that they are probable to be used against future deductible temporary differences and tax losses. No deferred tax asset or liability is recognised if the temporary difference results from the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of its occurrence, affects neither the tax result nor the accounting result. No deferred tax liability is recognised for goodwill which is not amortisable under tax regulations.

Deferred tax is calculated using the tax rates that will apply when the asset is realised or the provision is settled, based on the legal regulations in force at the reporting date.

Deferred tax liabilities and assets are offset as long as both relate to the same tax jurisdiction.

The carrying amount of deferred tax assets is reviewed as at the end of each reporting period and is subject to appropriate reduction to the extent it is no longer probable that taxable income sufficient for a partial or full realisation of the deferred tax assets would be generated. At each reporting date, unrecognised deferred tax assets are reassessed and recognised to the extent reflecting the probability that future taxable income will allow the deferred tax assets to be recovered.

Other taxes

Revenue, expenses and assets are recognised net of any value-added tax, transfer tax or other sales tax, except where input sales tax is not recoverable from the tax authorities; such tax is then included in the cost of an asset or recognised as an expense, as applicable.

The net amount of the sales tax which is recoverable from or payable to tax authorities is recognised in the statement of financial position under receivables or liabilities, as appropriate.

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

Statement of cash flows

For the purposes of preparing the consolidated statement of cash flows, the Group classifies cash in the manner used to present cash in the statement of financial position. The statement of cash flows is prepared using the indirect method.

Cash comprises cash in hand, cash at bank, and demand deposits.

Cash equivalents are short-term (up to 3 months), highly liquid investments readily convertible into specific amounts of cash and subject to insignificant risk of changes in value (e.g., short-term deposits). Cash inflows from interest received on deposits are presented in investing activities.

Cash also includes cash in transit (e.g., cash being transferred between bank accounts or credit card settlements).

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

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

Useful lives of non-current assets

The Management Board of the Parent verifies annually the economic useful life of depreciable non-current assets. In the Management Board's opinion, as at 31 December 2023, the useful lives of assets assumed by the Group for depreciation and amortisation purposes reflect the expected useful lives of the assets. However, the actual useful lives of the assets may differ from those assumed due to technical wear and tear, among other factors. For carrying amounts of depreciable assets, see Notes 7, 8 and 9.

Income tax settlements and deferred tax assets

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

The probability of accounting for a deferred tax asset against future taxable profit is determined based on budgets prepared at the level of individual Group companies and approved by the Parent's Management Board. A deferred tax asset is recognised to the extent it is probable that it will be possible to reduce future taxable income by recognised deductible temporary differences and tax losses.

Impairment of non-financial assets, including goodwill

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

Loss allowances for financial assets

As at each reporting date, the Parent's Management Board recognises loss allowances for financial assets measured at amortised cost, i.e., for trade receivables, loans and cash in accordance with the requirements of IFRS 9 Financial Instruments.

Trade receivables

With respect to trade receivables, it applies a simplified approach, whereby it recognises loss allowances at amounts equal to lifetime expected credit losses. Loss allowances are estimated on a collective basis using a provision matrix, with trade receivables grouped according to the number of days they are past due and to the shared credit risk characteristics of the trading partners they are owed by (B2B, B2C). This method takes into account historical data on incurred credit losses. Macroeconomic factors and the possible impact of other forward-looking information are monitored by the Group and may be included in the calculation of a loss allowance when deemed material to the measurement. The probability of default is estimated based on historical data on outstanding receivables. For the purposes of estimating the default rates of its trading partners, the Group classifies trade receivables according to the number of days they are past due into the following ranges:

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

For each grouping of trading partners with shared credit risk characteristics and for each past-due range, the Group estimates a default rate based on historical data on unpaid invoices for sales to trading partners. In addition, to estimate the loss ratio the portfolio of retail customer cases is considered in the category of cases outsourced to an entity specialised in debt collection at the amicable stage and in the category of cases subject to collection as part of internal monitoring. For the outsourced cases category, value effectiveness is measured on a monthly basis according to the number of days past due as a correlation of the amount collected to the value of outsourced cases. In the quarterly calculation of allowances, the amount of expected loss is reconciled with the level of value effectiveness achieved in order to confirm the correctness of the ratios applied for this category of cases. However, in estimating the loss ratio for receivables subject to collection as part of internal monitoring the Group relies on the market benchmark of the effectiveness achieved by an entity collecting debt with similar characteristics and the same past-due periods. The expected credit loss for each grouping of trading partners with shared credit risk characteristics is arrived at by multiplying the amount of trade receivables included in a given past-due range and the applicable default rate.

For trade receivables, the Group applies the following classification (stages) to assess impairment and estimate expected credit losses of exposures:

- Stage 1 – receivables for which credit risk has not increased significantly since initial recognition and for which 12-month expected credit losses are recognised;

- Stage 3 – receivables for which objective evidence of impairment has been identified and for which a loss allowance is recognised at 100% of their amount except where, based on reliable information, the amount of estimated allowance can be expected to be reduced as the payment due is highly like to be made or has been secured. The Group assumes that objective evidence of impairment includes the following indications:

    - Significant financial difficulty of the debtor;
    - A breach of contract, such as a default or delinquency in principal and/or interest payments for more than 180 days;
    - Risk of bankruptcy due to significant financial difficulties;
    - Negative equity;
    - Significant probability of bankruptcy.

For trade receivables, the Group does not make an assessment for significant increases in credit risk and does not identify stage 2 expected credit losses for such receivables.

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

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

Loans

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

- Stage 1 – exposures where credit risk has not increased significantly since initial recognition and for which 12-month expected credit losses are recognised;

- Stage 2 – exposures where credit risk has increased significantly since initial recognition, but there is no objective indication of impairment and for which lifetime expected credit losses are determined. The Group considers credit risk to have increased significantly if any of the following indications is present:

    - A payment for given exposure is more than 60 days past due;
    - An exposure is placed on the watch list (i.e. included in the 'risk group');
    - An adverse event is recorded in the National Register of Insolvent and Non-Performing Debtors;
    - Existing or forecast significant adverse changes in the borrower's business, financial or economic conditions (a decline in revenue or margins, increased operating risk, working capital deficit, deterioration of assets, increased leverage in the balance sheet, liquidity problems, management problems, changes in the business profile or organisational structure, etc.);

- Stage 3 – exposures where objective evidence of impairment has been identified and for which an impairment loss is recognised at 100% of their amount except where, based on reliable information, the amount of estimated impairment can be expected to be reduced as the payment due is highly like to be made or has been secured. The Group assumes that objective evidence of impairment includes the following indications:

    - Significant financial difficulty of the debtor;

- A breach of contract, such as a default or delinquency in principal and/or interest payments for more than 180 days;
- Risk of bankruptcy due to significant financial difficulties;
- Negative equity;
- Significant probability of bankruptcy.

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

Other assets

The Group reviewed the results of its associates, taking into account their business development plans and expected future operating cash flows. As a result of the review, as at 31 December 2023 the Group did not identify any additional impairment of its investments in associates.

Leases

The key judgements made in recognising lease contracts in accordance with IFRS 16 relate to:

- The lease term; when determining the lease term, the Group takes into account all the facts and circumstances that give the economic incentive to exercise the option to extend the contract or not to exercise the option to terminate the contract. The non-cancellable lease term includes periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option and periods covered by the option to terminate the lease if the lessee is reasonably certain not to exercise that option. The lease term is also determined based on the legal and customary regulations effective in Poland, as well as the nature of the Group's contracts. Reassessment of whether the Group is reasonably certain to exercise the extension option or not to exercise the termination option is made if significant events or changes in circumstances occur affecting such assessment, and the Group controls the circumstances;

- The structure of fixed and variable payments in the contract;

- The discount rate, i.e., the lessee's incremental borrowing rate. The discount rates applied by the Group for the purposes of measurement in accordance with IFRS 16 were based on reference rates and bank margins specific to the terms of a given lease contract (taking into account the underlying asset, the contract term and the lessee's circumstances);

- in 2022 the possibility of applying the practical expedient introduced by the amendment to IFRS 16 following the COVID-19 pandemic. The practical expedient gave the lessee the option not to assess whether a rent concession that has been granted directly in connection with the COVID-19 pandemic and meets specific conditions is a lease modification and to account for any change in lease payments resulting from the rent concession the same way it would account for the change if the change were not a lease modification.

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

Share-based payments

The Group operates incentive schemes under which the key management personnel are granted options convertible into shares of the Parent. The Company applies IFRS 2 Share-based Payment to account for the current incentive scheme. The amount of remuneration for the management staff is determined indirectly by reference to the fair value of the equity instruments granted. The fair value of the options is measured as at the grant date, with non-market vesting conditions (achieving the required level of financial result) taken into account in estimating the number of share options to which employees will acquire rights. The cost of remuneration and the corresponding increase in equity are recognised based on the best available estimates of the number of options to be vested in a given period. The Group adjusts these estimates if subsequent information indicates that the number of options to which employees will become eligible differs from previous estimates. Such adjustments are recognised in profit or loss for the current period – no adjustments are made for previous periods. For more information on the assumptions made in the valuation of the share-based payment scheme, see Note 16.3.

Fair value measurement of acquired assets and liabilities, determination of goodwill

The Management Board of the Parent identifies and measures the amount of acquired assets, liabilities and goodwill. The measurement takes into account a number of significant assumptions, such as selection of an appropriate method of measurement or financial projections. The adopted assumptions may have a significant impact on the determination of the fair value of consideration transferred and acquired assets and liabilities and the determination of goodwill. For information on accounting for the acquisition transactions, see Note 6.2 to these consolidated financial statements.

Liabilities arising from acquisition of shares (including contingent payments and options)

The Group recognises and measures liabilities arising from contingent payments and the exercise of options under agreements to purchase shares in subsidiaries and acquisition of control (see Note 21). The payments are due between 2024 and 2026, and depend i.a. on the future financial results recorded by the acquired entity in those years. The present value of the payments depends on the discount rates adopted for non-current liabilities. As at the reporting date, the Group remeasures the liability based on the latest available information, budgets and forecasts.

Liabilities under put options in the Foreign Markets segment

The Management Board of the Parent performs valuations of put options attributable to minority shareholders of certain subsidiaries in the Foreign Markets segment. The valuations are based on a number of assumptions including assumptions regarding the future results of individual subsidiaries (on which the option exercise price, calculated on the basis of financial ratios, will depend) and discount rates appropriate for calculating the present value of future payments under the options granted (Note 21).

Provisions

Where there is uncertainty about the timing or amount of future expenditure required to settle a probable obligation/liability, the Group establishes provisions for liabilities. The amount of the provision is based on estimates prepared by the Management Board of the Parent and reflecting currently available information. A significant item of provisions as at 31 December 2023 is a provision for anti-trust proceedings (Notes 19 and 34.1). Estimates made in subsequent reporting periods, as a result of new information becoming available, as well as the final amount that the Group will be required to pay, may differ materially from the estimates made for the purposes of these consolidated financial statements.

4. Presentation adjustment and change of accounting policies

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

5. Operating segments

Operating segment information

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

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

1. Poland;
2. Foreign Markets.

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

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

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

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

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

Operating segments include the following activities:

- The Poland segment comprises sales of sport cards, investing in and managing fitness clubs in Poland, and provision of non-pay incentive solutions through cafeteria platforms, which offer users a broad selection of products;

- The Foreign Markets segment includes the Benefit Systems Group's activities outside Poland, including sales of sport cards and management of fitness clubs;

- The Other Activities and Corporate segment mainly includes intersegment eliminations. Other income and expenses are related to support functions and other activities not allocated to the operating segments, including sublease of space, marketing activities and costs of the Incentive Scheme. The Corporate segment also includes amounts from elimination of the Group trademark amortisation expense. Eliminations of assets and liabilities include primarily inter-segment loans and trade receivables arising from inter-segment transactions.

Revenue disclosed in the consolidated statement of profit or loss does not differ from revenue presented by the operating segments, except for unallocated revenue and consolidation eliminations on inter-segment transactions.

The segment data are presented down to the level of operating profit as financing decisions are made from the perspective of the Group as a whole.

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

Results of the operating segments

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

1 Jan 2023–31 Dec 2023	**Poland**	**Foreign Markets**	**Corporate**	**Total**
Revenue	**1,983,942**	**790,350**	**(147)**	**2,774,145**
including from external customers	*1,983,795*	*790,350*	-	***2,774,145***
including inter-segment sales	*147*	-	*(147)*	**-**
Cost of sales	**(1,297,677)**	**(545,705)**	**16**	**(1,843,366)**
Gross profit	**686,265**	**244,645**	**(131)**	**930,779**
Selling expenses	(119,508)	(48,695)	26	**(168,177)**
Administrative expenses	(138,046)	(66,916)	(5,908)	**(210,870)**
Other income and expenses	(12,648)	1,589	(574)	**(11,633)**
Operating profit/(loss)	**416,063**	**130,623**	**(6,587)**	**540,099**
Share of profit of equity-accounted entities	662	-	-	**662**
Interest expense on lease liabilities	(24,252)	(3,132)	-	**(27,384)**
Depreciation and amortisation	247,807	39,642	25	**287,474**
EBITDA*	**663,870**	**170,265**	**(6,562)**	**827,573**

Segment's assets	2,592,185	391,793	(183,555)	**2,800,423**
Segment's liabilities	1,504,906	481,992	(184,805)	**1,802,093**
Investments in associates	3,097	-	-	**3,097**

** The Group calculates EBITDA as operating profit plus depreciation and amortisation.*

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

	Poland	Foreign Markets	Corporate	Total
1 Jan 2022–31 Dec 2022				
Revenue	**1,369,784**	**539,409**	**(73)**	**1,909,120**
including from external customers	*1,369,711*	*539,409*	*-*	***1,909,120***
including inter-segment sales	*73*	*-*	*(73)*	**-**
Cost of sales	**(975,220)**	**(416,854)**	**39**	**(1,392,035)**
Gross profit	**394,564**	**122,555**	**(34)**	**517,085**
Selling expenses	(92,213)	(42,185)	-	**(134,398)**
Administrative expenses	(104,600)	(50,408)	(1,460)	**(156,468)**
Other income and expenses	(8,378)	(4,581)	(509)	**(13,468)**
Operating profit/(loss)	**189,373**	**25,381**	**(2,003)**	**212,751**
Share of profit of equity-accounted entities	(2,292)	-	-	**(2,292)**
Interest expense on lease liabilities	(12,023)	(2,212)	-	**(14,235)**
Depreciation and amortisation	194,697	37,299	80	**232,076**
EBITDA*	**384,070**	**62,680**	**(1,923)**	**444,827**

Segment's assets	2,160,516	317,626	(244,121)	**2,234,021**
Segment's liabilities	1,267,079	485,841	(244,314)	**1,508,606**
Investments in associates	2,435	-	-	**2,435**

** The Group calculates EBITDA as operating profit plus depreciation and amortisation.*

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

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

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

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

	1 Jan 2023–31 Dec 2023	1 Jan 2022–31 Dec 2022
Segments' revenue		
Total revenue of operating segments	2,774,292	1,909,193
Elimination of revenue from inter-segment transactions	(147)	(73)
Revenue	**2,774,145**	**1,909,120**
Segments' profit/(loss)		
Segments' operating profit/(loss)	546,686	214,754
Unallocated profit/(loss)	(6,587)	(2,003)
Operating profit	**540,099**	**212,751**
Depreciation and amortisation	**287,474**	**232,076**
EBITDA*	**827,573**	**444,827**
Finance income	47,448	2,860
Finance costs (-)	(38,626)	(35,391)
Impairment losses on financial assets	3,826	(1,356)
Share of profit/(loss) of equity-accounted entities	662	(2,292)
Profit before tax	**553,409**	**176,572**

** The Group calculates EBITDA as operating profit plus depreciation and amortisation.*

Unallocated profit/(loss) comprises mainly the costs of the Incentive Scheme based on the Parent's shares, described in more detail in Note 16.3.

	31 Dec 2023	31 Dec 2022
Segments' assets		
Total assets of operating segments	2,983,978	2,478,142
Unallocated assets	1,536	294
Elimination of intragroup balances and transactions	(185,091)	(244,415)
Total assets	**2,800,423**	**2,234,021**

	31 Dec 2023	31 Dec 2022
Segments' liabilities		
Total liabilities of operating segments	1,986,898	1,752,919
Unallocated liabilities	37	19
Elimination of intragroup balances and transactions	(184,842)	(244,333)
Total liabilities	**1,802,093**	**1,508,605**

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

Segments' revenue and non-current assets

	Poland	Foreign Markets	Corporate	Total
1 Jan 2023–31 Dec 2023				
Revenue from external customers:	**1,983,795**	**790,350**	**-**	**2,774,145**
Poland	*1,983,795*	*216*	-	*1,984,011*
Czech Republic	-	*450,825*	-	*450,825*
Bulgaria	-	*196,404*	-	*196,404*
Other	-	*142,905*	-	*142,905*
31 Dec 2023				
Non-current assets*:	**1,837,160**	**221,464**	**20**	**2,058,644**
Poland	*1,837,160*	*2,388*	*20*	*1,839,568*
Czech Republic	-	*134,252*	-	*134,252*
Bulgaria	-	*59,836*	-	*59,836*
Other	-	*24,988*	-	*24,988*

**Excluding financial instruments and deferred tax assets*

	Poland	Foreign Markets	Corporate	Total
1 Jan 2022–31 Dec 2022				
Revenue from external customers:	**1,369,711**	**539,409**	**-**	**1,909,120**
Poland	*1,369,711*	*229*	-	*1,369,940*
Czech Republic	-	*311,263*	-	*311,263*
Bulgaria	-	*142,441*	-	*142,441*
Other	-	*85,476*	-	*85,476*
31 Dec 2022				
Non-current assets*:	**1,506,138**	**214,492**	**-**	**1,720,630**
Poland	*1,506,138*	*3,142*	-	*1,509,280*
Czech Republic	-	*133,468*	-	*133,468*
Bulgaria	-	*53,706*	-	*53,706*
Other	-	*24,176*	-	*24,176*

**Excluding financial instruments and deferred tax assets*

		1 Jan 2023–31 Dec 2023	1 Jan 2022–31 Dec 2022
Revenue by category:			
Sale of sport cards in Poland	B2B	1,566,997	1,067,176
Sale of sport cards on foreign markets	B2B	737,489	495,575
Sale of cafeteria benefits	B2B	56,852	54,320
Sale of fitness clubs in Poland	B2B/B2C	352,006	241,549
Sale of fitness clubs on foreign markets	B2B/B2C	52,649	43,673
Other settlements	B2B	6,035	2,263
Revenue from contracts with customers (IFRS 15)		**2,772,028**	**1,904,556**
Lease and rental income (IFRS 16)		*2,117*	*4,564*
Total revenue		**2,774,145**	**1,909,120**
Trade receivables	Note 11	196,669	*185,840*
Liabilities under contracts with customers	Note 23	27,903	*23,331*

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As part of revenue from contracts with customers, the Group accounts for revenue from sale of sport cards in Poland and abroad, as well as sales of fitness clubs in Poland and abroad, excluding revenue from sale of merchandise at clubs, which amounted to PLN 37.4m in 2023 and PLN 26.9m in 2022. Revenue from sales of cafeteria benefits and from sales of merchandise at clubs is recognised at the transaction date.

Operating expenses by segment

	Note	Poland	Foreign Markets	Corporate	Total
1 Jan 2023–31 Dec 2023					
Depreciation and amortisation	7, 8, 9	247,807	39,642	25	**287,474**
including depreciation of right-of-use assets	*9*	*144,353*	*24,728*	-	***169,081***
Employee benefits	18	270,879	101,310	6,278	**378,467**
Raw materials and consumables used		48,622	15,039	-	**63,661**
Services		934,096	493,453	(437)	**1,427,112**
Taxes and charges		4,942	1,253	-	**6,195**
Other expenses		30,708	7,166	-	**37,874**
Total expenses by nature of expense		**1,537,054**	**657,863**	**5,866**	**2,200,783**
Cost of merchandise and materials sold		18,177	3,453		**21,630**
Cost of sales, selling expenses and administrative expenses		**1,555,231**	**661,316**	**5,866**	**2,222,413**

	Note	Poland	Foreign Markets	Corporate	Total
1 Jan 2022–31 Dec 2022					
Depreciation and amortisation	7, 8, 9	194,697	37,299	80	232,076
including depreciation of right-of-use assets	*9*	*117,647*	*23,428*	-	*141,075*
Employee benefits	18	220,381	91,854	1,831	314,066
Raw materials and consumables used		38,961	16,261	-	55,222
Services		678,570	349,483	(490)	1,027,563
Taxes and charges		4,343	236	-	4,579
Other expenses		21,125	11,611	-	32,736
Total expenses by nature of expense		**1,158,077**	**506,744**	**1,421**	**1,666,242**
Cost of merchandise and materials sold		13,955	2,704	-	16,659
Cost of sales, selling expenses and administrative expenses		**1,172,032**	**509,448**	**1,421**	**1,682,901**

The largest cost items recognised under Services are costs of visits of holders of sport cards to the MultiSport programme partner facilities, IT costs, legal expenses, marketing expenses, and costs of advisory services.

6. Goodwill and acquisition of control of subsidiaries

6.1. Goodwill

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

Changes in the carrying amounts of goodwill during the periods covered by these consolidated financial statements are presented in the table below. For details, see Note 6.2.

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

	1 Jan 2023– 31 Dec 2023	1 Jan 2022– 31 Dec 2022
Gross carrying amount		
Balance at beginning of period	**460,624**	**446,395**
Acquisitions and business combinations (Note 6.2), including:	112,643	14,229
*Lunching.pl Sp. z o.o.**	*322*	*14,229*
acquisition of 20 organised parts of business from Calypso Fitness S.A.	*53,777*	-
Saturn Fitness Group Sp. z o.o.	*3,854*	-
Manufaktura Zdrowia Sp. z o.o.	*2,723*	-
Gravitan Warszawa Sp. z o.o.	*13,489*	-
Active Sport i Rekreacja Sp. z o.o.	*17,706*	-
Interfit Club 1.0 Sp. z o.o., Interfit Club 4.0 Sp. z o.o, Interfit Club 5.0 Sp. z o.o., Interfit Consulting Sp. z o.o. Sp.k.(the "Interfit Companies")	*17,102*	-
Acquisition of organised part of business in the form of Studio Energia fitness club	*3,670*	-
Gross carrying amount at end of period	**573,267**	**460,624**
Impairment losses		
Accumulated impairment losses at end of period	-	-
Goodwill at end of period	**573,267**	**460,624**

** In the first quarter of 2023, accounting for the acquisition of Lunching.pl Sp. z o.o. was completed. Adjustment to provisional goodwill measurement results from remeasurement of the liability under contractual options to purchase the remaining shares. The amount of the liability depends on revenue generated by Lunching.pl Sp. z o.o.*

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

	31 Dec 2023	31 Dec 2022
Poland	544,538	431,895
Czech Republic	28,340	28,340
Bulgaria	389	389
Total goodwill	**573,267**	**460,624**

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

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

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

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

The Poland segment, the most important cash-generating unit to which the highest goodwill has been allocated, has low sensitivity to movements in revenue, which would have to decline by 13% over the forecast period (without a corresponding decrease in cost of sales) for the valuation to equal the carrying amount of the assets allocated to the cash-generating unit. A test performed showed negligible sensitivity to changes in discount rates.

The recoverable amount of the most significant cash-generating unit within the Foreign Markets segment, i.e., the Czech Republic, is significantly higher than its carrying amount. In order for the recoverable amount to be equal to the value of assets allocated to the cash-generating unit, revenue would have to decrease by 6% (without a corresponding decrease in the cost of sales). A test performed showed negligible sensitivity to changes in discount rates.

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The Bulgaria cash-generating unit also demonstrates significant insensitivity to fluctuations in the weighted average cost of capital. WACC would have to significantly increase for the carrying amount to of this cash-generating unit to exceed its recoverable amount, which could result in the need to recognise impairment of assets allocated to the unit.

The valuation of the Bulgaria cash-generating unit showed a level of sensitivity to fluctuations in revenue similar to that of the Czech Republic. In this case, a 7% decrease in revenue would cause the value of tested assets to equal their recoverable amount. The Group monitors the recoverable amounts of its assets on an ongoing basis through regular analyses of any indication of impairment of assets and impairment testing.

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

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

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

- A detailed forecast was prepared for the period of 5 years;
- For subsequent years, cash flows were extrapolated using the growth rates presented below. These rates do not exceed the average long-term growth rate for individual products, industries and countries, and are based on the Group's analysis of the potential of the markets on which the Group is present or plans to grow further;
- The discount rates used in the calculations are presented below.

The following inputs were used in the valuation:

- For the Poland segment:
  - WACC discount rate of 10.8% (2022: 12.3%);
  - Growth rate after the forecast period: 1.7% (2022: 1.7%);
  - The forecast assumes steady sales growth until 2026 and stabilisation in 2027 and 2028;
- For foreign cash-generating units:
  - WACC discount rate of 8.1% for the Czech Republic, (2022: 8.3%), 9.5% for Bulgaria (2022: 9.1%);
  - Growth rate after the forecast period: 0.5% for both cash-generating units (2022: 0.5%).

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

6.2. Acquisition of control of subsidiaries

In 2023, the amount of goodwill was affected by the transactions described below.

Acquisitions in 2023:	20 organised parts of business from Calypso Fitness S.A.			Saturn Fitness Group Sp. z o.o.	Manufaktura Zdrowia Sp. z o.o.	Studio Energia	Gravitan Warszawa Sp. z o.o.	Active Sport i Rekreacja Sp. z o.o.	Interfit Companies	**Total**
Acquisition date:	**31 Mar 2023**	**31 Jul 2023**	**30 Nov 2023**	**13 Apr 2023**	**1 Sep 2023**	**2 Oct 2023**	**18 Oct 2023**	**28 Nov 2023**	**15 Dec 2023**	
Purchase price, including:	**28,959**	**4,000**	**10,800**	**26,804**	**2,587**	**4,601**	**22,449**	**18,820**	**20,124**	**139,144**
Cash	11,000	3,000	6,770	25,694	2,531	4,520	22,449	18,820	14,724	**109,508**
Liabilities	-	1,000	4,030	-	-	-	-	-	5,400	**10,430**
Deferred and contingent payments	-	-	-	1,110	56	-	-	-	-	**1,166**
Settlement of claims	17,959	-	-	-	-	81	-	-	-	**18,040**
Net assets acquired, including:	**(8,428)**	**533**	**(2,123)**	**22,950**	**(136)**	**931**	**8,960**	**1,114**	**3,022**	**26,823**
Intangible assets	784	188	139	10,581	-	39	2,978	-	-	**14,709**
Right-of-use assets	49,200	17,521	21,357	24,952	5,602	3,519	9,556	31,181	18,422	**181,310**
Property, plant and equipment	2,894	770	1,583	14,255	127	884	6,586	1,033	3,903	**32,035**
Other property, plant and equipment	36	2	-	556	-	-	10	-	3	**607**
Other current assets	5,216	738	724	1,049	374	7	165	225	8,461	**16,959**
Cash	865	138	54	67	91	1	1,528	47	1,077	**3,868**
Borrowings	-	-	-	(1,649)	(365)	-	-	-	(4,268)	**(6,282)**
Deferred tax liability	-	-	-	-	-	-	(1,815)	-	-	**(1,815)**
Non-current lease liabilities	(39,095)	(14,895)	(17,401)	(19,249)	(4,917)	(3,065)	(7,895)	(27,793)	(16,232)	**(150,542)**
Current lease liabilities	(9,636)	(2,626)	(3,956)	(5,703)	(685)	(454)	(1,661)	(3,388)	(2,189)	**(30,298)**
Other current liabilities	(18,692)	(1,303)	(4,623)	(1,909)	(363)	-	(492)	(191)	(6,155)	**(33,728)**
Goodwill as at acquisition date	**37,387**	**3,467**	**12,923**	**3,854**	**2,723**	**3,670**	**13,489**	**17,706**	**17,102**	**112,321**

** The settlement of claims involved settlement of PLN 15.9m worth of trade receivables and PLN 2.1m worth of loans.*

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

Acquisition of organised parts of business comprising fitness clubs from Calypso Fitness S.A.

As part of the review of the available courses of action towards the Company's investment in the associate Calypso Fitness S.A. ("CF") and as a result of the performance of the agreements of 28 February 2023 (the "Transaction"), in the first stage of the Transaction, the demerger of CF, agreed under the CF demerger plan prepared on 7 October 2022, was registered on 31 March 2023. The demerger was made by spinning off 12 organised parts of CF's business (fitness clubs) into three companies: FIT 1 Sp. z o.o. (three clubs situated in Szczecin, Gdańsk and Gdynia), FIT 2 Sp. z o.o. (two clubs situated in Szczecin and Gdańsk) and Sport Operator Sp. z o.o. (seven clubs situated in Gdańsk (three clubs), Warsaw, Szczecin (two clubs) and Wrocław). As at the demerger date, the sole shareholders in the respective companies were CF shareholders: Benefit Systems S.A., Cal Capital Sp. z o.o. ("CC") and Camaro Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych ("Camaro"). Subsequently, on the same day, the Parent acquired all shares in FIT 2 Sp. z o.o. and Sport Operator Sp. z o.o. from CC and Camaro.

The total purchase price of 12 organised parts of business from CF was PLN 29m. The price was settled by transferring Benefit Systems S.A.'s claims against CF Group companies of PLN 18m to CC and Camaro and making a cash payment of PLN 11m to Camaro.

As part of accounting for the acquisition, as at 31 March 2023 the Group allocated the excess of the purchase price over net assets to goodwill in the amount of PLN 37.4m.

In the second stage of the Transaction, on 31 July 2023, CF was demerged by spinning off three organised parts of business in the form of fitness clubs into the following companies: FIT 1 Sp. z o.o. (one club in Częstochowa), FIT 3 Sp. z o.o. (one club in Warsaw) and Concept Self Investment Sp. z o.o. (one club in Kraków), controlled, respectively, by: Benefit Systems S.A., CC and Camaro (CF shareholders).

On the same date, the Parent acquired shares in FIT 3 Sp. z o.o. and Concept Self Investment Sp. z o.o., to which CF's assets comprising two out of the three organised parts of CF's business (fitness clubs) located in Warsaw and Kraków were spun off. The title to the shares was transferred on 31 July 2023, i.e., the date of registration of the CF demerger agreed in the Calypso Fitness demerger plan of 8 May 2023. The remaining one out of the three organised parts of CF's business, situated in Częstochowa, was contributed to FIT 1 Sp. z o.o., which is wholly owned by Benefit Systems S.A. The total purchase price of the three organised parts of business was PLN 4m and was paid by paying cash of PLN 3m to Camaro (placed in a notarial deposit on 28 February 2023) and by settling the liability of PLN 1m to CC through payment on 22 November 2023 of PLN 0.2m to CC's account, and PLN 0.8m was transferred on behalf of CC as CC's donation to the MultiSport Foundation.

As part of accounting for the acquisition, as at 31 July 2023 the Group allocated the excess of the purchase price over net assets to goodwill in the amount of PLN 3.5m.

In the third stage of the Transaction, on 30 November 2023, CF was demerged by spinning off five organised parts of business in the form of fitness clubs into the following companies: FIT 1 Sp. z o.o. (two clubs in Katowice and Warsaw), Fit and More Sp. z o.o. (two clubs in Katowice and Warsaw) and FIT 4 Sp. z o.o. (one club in Bytom) controlled, respectively, by Benefit Systems S.A., Camaro and CC (CF shareholders).

On the same date, the Parent acquired shares in Fit and More Sp. z o.o. and FIT 4 Sp. z o.o., to which CF's assets comprising three out of the five organised parts of CF's business (fitness clubs) located in Katowice, Warsaw and Bytom were spun off. The title to the shares was transferred on 30 November 2023, i.e., the date of registration of the CF demerger agreed in the Calypso Fitness demerger plan of 8 September 2023. The remaining two out of the five organised parts of CF's business, situated in Katowice and Warsaw, were contributed to FIT 1 Sp. z o.o., which is wholly owned by Benefit Systems S.A. The total purchase price of the five organised parts of business was PLN 10.8m. The price was paid through the payment of cash in the amount of PLN 6.8m to Camaro (placed in a notarial deposit on 27 November 2023), and the remaining liability of PLN 0.8m was paid on 30 January 2024. The liability to CC in the amount of PLN 3.2m was settled through payment, on 19 January 2024, of PLN 0.5m to CC's account, and PLN 2.7m was transferred on CC's behalf as CC's donation to the MultiSport Foundation.

As part of the provisional accounting for the acquisition, as at 30 November 2023 the Group allocated the excess of the purchase price over net assets to goodwill in the amount of PLN 12.9m. As at the date of this consolidated annual report, the purchase price allocation process had not been completed by the Group, in particular work was ongoing to review, identify and perform fair-value measurement of the assets and liabilities acquired, including verification of the data prepared by the seller (operating and financial data, forecasts and budgets) against the clubs' actual operating and financial performance since the acquisition.

Clubs acquired in the first and third stages of the Transaction showed a high balance of current trade payables (PLN 20.2m), which translated into negative net assets as at the acquisition date.

The Transaction stages described above were accounted for using the acquisition method in accordance with IFRS 3 Business Combinations as at the acquisition date being the date of acquiring organised parts of business. Due to the commercial substance of the Transaction, the way the acquired clubs are managed (with the Parent's Fitness Branch acting as the operator), and the proposed merger of FIT 1 Sp. z o.o., FIT 2 Sp. z o.o., Sport Operator Sp. z o.o., FIT 3 Sp. z o.o., Concept Self Investment Sp. z. o.o., FIT 4 Sp. z o.o. and Fit and More Sp. z o.o. with Benefit Systems S.A. in the first half of 2024, the Transaction was accounted for jointly for the organised parts of business acquired in all of the three stages. The goodwill was allocated to cash generating units in the Poland segment.

The goodwill resulting from the acquisition follows from projected synergies as part of the ongoing strategy. Through the acquisition, the Group pursues its strategy to build a competitive advantage of its flagship product, i.e., sport cards, through selective investments in sports facilities in the best locations in Poland.

Acquisition of shares in Saturn Fitness Group Sp. z o.o.

On 13 April 2023, an agreement was signed whereby the Parent purchased 100% of shares in Saturn Fitness Group Sp. z o.o.

The total purchase price of PLN 26.8m includes:

- the price for the shares, in the amount of PLN 0.5m, paid on the agreement date; the price increment of PLN 1.1m, calculated in accordance with the agreement (payable, e.g., if Saturn Fitness Group Sp. z o.o. achieves the revenue specified in the agreement), paid in October 2023; the profit settlement amount of PLN 0.7m for the period from 1 April to 13 April 2023, paid in November 2023;

- the amount of Saturn Fitness Group Sp. z o.o.'s cash liabilities of PLN 24.5m (paid by the Parent), resulting from the acquisition by Saturn Fitness on 12 April 2023 of organised parts of business in the form of six fitness clubs and the fitness branch head office.

As at the date of acquisition of control, taking into account the valuation of the fulfilment of the conditions set forth in the share purchase agreement, the fair value of the total purchase price was PLN 26.8m (the nominal value before discounting was PLN 26.9m).

As part of accounting for the acquisition, the Group allocated the excess of the purchase price over net assets to goodwill in the amount of PLN 3.9m. The goodwill was allocated to cash generating units in the Poland segment. The goodwill resulting from the acquisition follows from projected synergies as part of the ongoing strategy. Through the acquisition, the Group pursues its strategy to build a competitive advantage of its flagship product, i.e., sport cards, through selective investments in sports facilities in the best locations in Poland.

As a result of the acquisition of Saturn Fitness Group Sp. z o.o., six fitness clubs were added to the Group's own club portfolio: in Gdynia, Warsaw, Kraków, Łódź, Gorzów Wielkopolski and Chorzów.

Acquisition of shares in Manufaktura Zdrowia Sp. z o.o.

On 1 September 2023, the Parent signed an agreement to acquire 100% of the shares in Agata Culley Manufaktura Zdrowia Sp. z o.o. A change of the company's name to Manufaktura Zdrowia Sp. z o.o. ("Manufaktura Zdrowia") was registered on 22 September 2023.

The price for the shares, amounting to PLN 2.5m and paid on the agreement date, may be increased by PLN 0.1m, calculated in accordance with the agreement. The increase was paid in November 2023.

As at the date of acquisition of control, taking into account the valuation of the fulfilment of the conditions set forth in the share purchase agreement, the fair value of the total purchase price was PLN 2.6m.

As part of the provisional accounting for the acquisition, as at the acquisition date the Group allocated the excess of the purchase price over net assets to goodwill in the amount of PLN 2.7m. The goodwill resulting from the acquisition follows from projected synergies as part of the ongoing strategy. Through the acquisition, the Group pursues its strategy to build a competitive advantage of its flagship product, i.e., sport cards, through selective investments in sports facilities in the best locations in Poland.

As a result of the acquisition of Manufaktura Zdrowia, two fitness clubs, in Zabierzów and Kraków, were added to the Group's own fitness club portfolio. The goodwill was allocated to cash generating units in the Poland segment.

As at the date of these consolidated financial statements, the purchase price allocation process had not been completed by the Group, in particular work was ongoing to review, identify and perform fair-value measurement of the assets and liabilities acquired, including verification of the data prepared by the seller (operating and financial data, forecasts and budgets) against the clubs' actual operating and financial performance since the acquisition, as well as valuation of customer relations, trademark, property, plant and equipment. Therefore the goodwill recognised on acquisition of Manufaktura Zdrowia Sp. z o.o. may change within 12 months from the acquisition date.

Acquisition of organised part of business in the form of Studio Energia fitness club

On 2 October 2023, the Company signed an agreement to acquire an organised part of business in the form of the Studio Energia fitness club in Rybnik for PLN 4.6m. The club was included in the Fabryka Formy network.

The price was settled through the payment of PLN 4.5m in cash on the agreement date and the offset of mutual receivables of PLN 0.1m.

As of the date of acquisition of control, the fair value of the total purchase price was PLN 4.6m.

As part of the provisional accounting for the acquisition, as at the acquisition date the Group allocated the excess of the purchase price over net assets to goodwill in the amount of PLN 3.7m. The goodwill resulting from the acquisition follows from projected synergies as part of the ongoing strategy. Through the acquisition, the Group pursues its strategy to build a competitive advantage of its flagship product, i.e., sport cards, through selective investments in sports facilities in the best locations in Poland.

As at the date of these consolidated financial statements, the purchase price allocation process had not been completed by the Group, in particular work was ongoing to review, identify and perform fair-value measurement of the assets and liabilities acquired, including verification of the data prepared by the seller (operating and financial data, forecasts and budgets) against the clubs' actual operating and financial performance since the acquisition. Therefore the goodwill recognised on acquisition of the Studio Energia fitness club may change within 12 months from the acquisition date.

Acquisition of shares in Gravitan Warszawa Sp. z o.o.

On 17 October 2023, the Parent signed an agreement to acquire 100% of the shares in Gravitan Warszawa Sp. z o.o. ("Gravitan"). The title to the shares transferred on 18 October 2023. The price of the shares was estimated at PLN 22.5m. The acquired net assets included cash at bank of PLN 1.5m and there was an option to adjust the price via an upward revision by the amount of cash on hand in the clubs and VAT refunds receivable as at the agreement date and a downward revision by the company's total debt as at the same date. The price adjustment was agreed and the liability was settled in December 2023. As a result, the total payment for the shares ultimately amounted to PLN 22.4m.

As at the date of acquisition of control, taking into account the valuation of the fulfilment of the conditions set forth in the share purchase agreement, the fair value of the total purchase price was PLN 22.4m. As part of the provisional accounting for the acquisition, as at the acquisition date the Group allocated the excess of the purchase price over net assets to goodwill in the amount of PLN 13.5m. The goodwill resulting from the acquisition follows from projected synergies as part of the ongoing strategy. Through the acquisition, the Group pursues its strategy to build a competitive advantage of its flagship product, i.e., sport cards, through selective investments in sports facilities in the best locations in Poland.

Gravitan owns two premium clubs with extensive relaxation areas, salt caves, mini gyms for children, and various other amenities, located in the Warsaw metropolitan area (Targówek and Janki). The facilities range from 2,200 sqm to 2,600 sqm in size, while the average area of Zdrofit clubs typically hovers around 1,500 sqm.

As at the date of this consolidated annual report, the purchase price allocation process had not been completed by the Group, in particular work was ongoing to review, identify and perform fair-value measurement of the assets and liabilities acquired, including verification of the data prepared by the seller (operating and financial data, forecasts and budgets) against the clubs' actual operating and financial performance since the acquisition, as well as verification of the appropriateness of the assumptions and methodologies used to measure the value of the trademarks. Therefore the estimate of goodwill on acquisition of Gravitan Warszawa Sp. z o.o. may change within 12 months from the acquisition date.

Acquisition of shares in Active Sport i Rekreacja Sp. z o.o.

On 28 November 2023, an agreement was signed whereby the Parent purchased 100% of shares in Active Sport i Rekreacja Sp. z o.o. ("Active Sport"). The price for the shares, in the amount of PLN 18.8m, was paid on the agreement date.

As part of the provisional accounting for the acquisition, as at the acquisition date the Group allocated the excess of the purchase price over net assets to goodwill in the amount of PLN 17.7m. The goodwill was allocated to cash generating units in the Poland segment. The goodwill resulting from the acquisition follows from projected synergies as part of the ongoing strategy. Through the acquisition, the Group pursues its strategy to build a competitive advantage of its flagship product, i.e., sport cards, through selective investments in sports facilities in the best locations in Poland.

Following the acquisition of Active Sport, five fitness clubs, located in Dąbrowa Górnicza (two clubs), Zawiercie, Sosnowiec and Mysłowice, were added to the Group's own club portfolio.

As at the date of these consolidated financial statements, the purchase price allocation process had not been completed by the Group, in particular work was ongoing to review, identify and perform fair-value measurement of the assets and liabilities acquired, including verification of the data prepared by the seller (operating and financial data, forecasts and budgets) against the clubs' actual operating and financial performance since the acquisition, as well as valuation of customer relations, trademark, property, plant and equipment. Therefore the goodwill recognised on acquisition of Active Sport may change within 12 months from the acquisition date.

Acquisition of shares in Interfit Club 1.0 Sp. z o.o., Interfit Club 4.0 Sp. z o.o, Interfit Club 5.0 Sp. z o.o., Interfit Consulting Sp. z o.o. Sp.k. (the "Interfit Companies")

On 15 December 2023, an agreement was signed whereby the Parent acquired 75% of shares in Interfit Club 1.0 Sp. z o.o., Interfit Club 4.0 Sp. z o.o. and Interfit Club 5.0 Sp. z o.o. and all rights and obligations of the limited partner in Interfit Consulting Sp. z o.o. sp.k., for the total amount of PLN 14.7m, payable upon execution of the agreement. In the signed agreements, the parties agreed to take steps to transform Interfit Consulting Sp. z o.o. sp.k. into a limited liability company, as a result of which, as part of the first stage of the acquisition of shares, the Parent will be entitled to 75% of the shares in the transformed company.

Since the date of acquisition of 75% of shares (i.e., 15 December 2023), the acquired companies have been consolidated based on the assumption that the Group exercises full (100%) control in view of the options included in the share purchase agreement to purchase the remaining 25% of the shares in the above companies. The option exercise payments are to be made in 2025–2026, and their amounts will depend on the Interfit Companies' EBITDA in that period. According to the Company's best estimates, as at the date of acquisition of control, the fair value of the total acquisition price was PLN 20.1m (the nominal value prior to discounting was PLN 20.9m), including the payment of PLN 5.4m for the remaining shares (the nominal value prior to discounting was PLN 6.2m).

As part of the provisional accounting for the acquisition, as at the acquisition date the Group allocated the excess of the purchase price over net assets to goodwill in the amount of PLN 17.1m. The goodwill was allocated to cash generating units in the Poland segment. The goodwill resulting from the acquisition follows from projected synergies as part of the ongoing strategy. Through the acquisition, the Group pursues its strategy to build a competitive advantage of its flagship product, i.e., sport cards, through selective investments in sports facilities in the best locations in Poland.

Following the acquisition of the Interfit Companies, five fitness clubs, located in Chorzów, Chrzanów, Gliwice, Rydułtowy near Rybnik and Zawiercie, were added to the Group's own club portfolio.

As at the date of these consolidated financial statements, the purchase price allocation process had not been completed by the Group, in particular work was ongoing to review, identify and perform fair-value measurement of the assets and liabilities acquired, including verification of the data prepared by the seller (operating and financial data, forecasts and budgets) against the clubs' actual operating and financial performance since the acquisition, as well as valuation of customer relations, trademark, property, plant and equipment. Therefore the goodwill recognised on acquisition of the Interfit Companies may change within 12 months from the acquisition date.

In 2022, the amount of goodwill was affected by the transaction described below.

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

On 13 April 2022, Benefit Systems S.A. signed an agreement to purchase a 75% ownership interest in Lunching.pl Sp. z o.o. for PLN 12.6m, payable upon execution of the agreement, and subsequently an increase in the acquiree's share capital was effected, which was paid for by Benefit Systems S.A. (PLN 0.75m) and the other shareholders (PLN 1.25m) The transaction resulted in Benefit Systems S.A. holding 73.97% of shares in the company and thus acquiring control thereof.

The company has been consolidated since the acquisition date based on the assumption that the Group exercises full (100%) control in view of the options concerning the remaining shares provided for in the share purchase agreement.

The option exercise payments are to be made in 2023–2025, and their amounts will depend on the acquiree's EBITDA and revenue in that period. According to the Company's best estimates, as at the date of acquisition of control, the fair value of the total acquisition price was PLN 18.5m (the nominal value prior to discounting was PLN 19.3m), including the payment of PLN 5.1m for the remaining shares (the nominal value prior to discounting was PLN 5.9m). In subsequent periods, the liability amount was updated for changes in estimates and a payment of PLN 2.1 million made on 23 June 2023. The consolidated financial statements as at 31 December 2022 showed other current financial liabilities of PLN 1.9m and non-current financial liabilities of PLN 3.1m, and as at 31 December 2023, according to the Company's best estimates, the value of payments for the remaining shares was PLN 3.5m (nominal value: PLN 3.7m), and accordingly amounts of PLN 2.4m and PLN 1.1m were recognised under other current and non-current financial liabilities, respectively.

To account for the acquisition of Lunching.pl sp. z o.o., completed in the first quarter of 2023, the Group allocated the PLN 3m excess of the price over the acquired net assets to intangible assets, and PLN 14.2m was allocated to goodwill.

The acquired company owns the platform and application for ordering food with delivery to the workplace. Lunching is a solution designed to facilitate the organisation of meals for employee teams by employers in a financing model of their choice. The new project has expanded the Group's offering in the growing segment of the non-pay benefit market, i.e., co-financing of meals and supporting healthy eating habits of employees. Moreover, the acquisition of shares in Lunching.pl has significantly increased the Group's competence in healthy nutrition and co-financing of meals for employees. Expertise in this area is being used, among others, to develop and enhance the offering of the MultiLife programme.

The amounts of identified assets and liabilities of the acquiree, recognised in the consolidated financial statements as at 31 December 2023 are as follows:

Acquiree Acquisition date	**Lunching.pl Sp. z o.o.** **13 Apr 2022**
Purchase price as at acquisition date	**18,468**
Update of estimates 2022	(423)
Purchase price as at 31 Dec 2022	**18,045**
Update of estimates 2023	322
Purchase price as at 31 Dec 2023	**18,327**
Net assets acquired:	
Intangible assets	3,084
Right-of-use assets	41
Current trade and other receivables	1,492
Cash	1,314
Non-current borrowings, other debt instruments	(407)
Current trade and other payables	(1,600)
Current borrowings, other debt instruments	(67)
Current lease liabilities	(41)
Total net assets as at the acquisition date and as at 31 Dec 2022	**3,816**
Goodwill as at 31 Dec 2022	**14,229**
Goodwill as at 31 Dec 2023	**14,551**

7. Intangible assets

	Trademarks	Patents and licences	Software	Completed development work	Other intangible assets	Intangible assets under development	Total
As at 31 Dec 2023							
Gross carrying amount	14,410	9,712	8,678	162,492	42,674	16,146	254,112
Accumulated amortisation and impairment	(1,699)	(5,650)	(8,353)	(73,578)	(26,141)	-	(115,421)
Net carrying amount	**12,711**	**4,062**	**325**	**88,914**	**16,533**	**16,146**	**138,691**
As at 31 Dec 2022							
Gross carrying amount	6,800	6,924	7,316	94,372	38,666	51,202	205,280
Accumulated amortisation and impairment	(2,599)	(2,337)	(4,848)	(48,532)	(17,361)	(620)	(76,297)
Net carrying amount	**4,201**	**4,587**	**2,468**	**45,840**	**21,305**	**50,582**	**128,983**

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	Trademarks	Patents and licences	Software	Completed development work	Other intangible assets	Intangible assets under development	Total
1 Jan 2023–31 Dec 2023							
Net carrying amount as at 1 Jan 2023	**4,201**	**4,587**	**2,468**	**45,840**	**21,305**	**50,582**	**128,983**
Business combinations (Note 6.2)	12,645	-	-	-	2,064	-	14,709
Increase (purchase, construction)	-	44	180	1,300	591	41,000	43,115
Decrease (disposal, liquidation) (-)	(2,505)	-	-	-	(24)	-	(2,529)
Other movements (reclassification, transfers, etc.)	-	2,691	1,260	70,042	1,387	(75,380)	-
Impairment losses (+/-)	-	-	(2,777)	-	(75)	-	(2,852)
Amortisation (-)	(1,630)	(3,255)	(787)	(28,268)	(8,684)	-	(42,624)
Net exchange differences (+/-)	-	(5)	(19)	-	(31)	(56)	(111)
Net carrying amount as at 31 Dec 2023	**12,711**	**4,062**	**325**	**88,914**	**16,533**	**16,146**	**138,691**
1 Jan 2022–31 Dec 2022							
Net carrying amount as at 1 Jan 2022	**4,396**	**734**	**1,973**	**39,302**	**19,653**	**35,266**	**101,324**
Business combinations (Note 6.2)	-	-	-	-	3,054	-	3,054
Increase (purchase, construction)	-	18	-	985	140	45,855	46,998
Decrease (disposal, liquidation) (-)	-	-	-	(112)	(67)	(12)	(191)
Other movements (reclassification, transfers, etc.)	-	5,397	1,162	19,709	4,264	(30,532)	-
Impairment losses (+/-)	-	-	-	-	-	-	-
Amortisation (-)	(195)	(1,560)	(675)	(14,044)	(5,744)	-	(22,218)
Net exchange differences (+/-)	-	(2)	8	-	5	5	16
Net carrying amount as at 31 Dec 2022	**4,201**	**4,587**	**2,468**	**45,840**	**21,305**	**50,582**	**128,983**

The most important items of intangible assets are costs of completed development work of PLN 88.9m, other intangible assets of PLN 16.5m, and intangible assets under development of PLN 16.1m. Completed development work includes mainly completed work related to internally developed IT systems (such as the ERP system, eMultiSport, user zone platform, business and sales systems, optimisation of sales systems and the cafeteria system). A significant part of the 2023 increases in completed development work were intangible assets related to the continued development of a comprehensive and more attractive Cafeteria system (for managing companies, products, users, as well as the implementation of new functionalities, such as subscriptions, online tourism, and a mobile application) in the amount of PLN 50m. Intangible assets under development relate to the further development of IT tools to support the Group companies' sales and operations. Important items include the development of the MultiLife online platform and mobile application, work on implementing a new ERP system, automation and synchronisation in MultiSport card management, automation and optimisation in customer service, and further development of Cafeteria systems.

In 2023, following acquisition of companies and organised parts of business, the Group recognised the value of customer relations estimated at PLN 2.1m. The acquisition of Saturn Fitness Group Sp. z o.o. and Gravitan Sp. z o.o. also resulted in the recognition of the value of acquired trademarks in the amount of PLN 10.1m and PLN 2.5m, respectively. In the fourth quarter, the Group also discontinued the use of the S4 trademark with a value of PLN

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2.5m due to the rebranding to Zdrofit and recognised an impairment loss of PLN 2.8m on computer applications that were no longer offered to customers.

The Group reviewed intangible assets under development for any indications of impairment. No indications of the carrying amount exceeding the recoverable amount were identified for individual assets. In addition, at the level of the relevant cash-generating unit, the Group conducted an asset impairment test, as described in Note 6. Following the review, the Group concluded that there were no grounds for recognising an impairment loss on intangible assets under development. In the comparative period, the Group did not recognise any impairment losses.

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

	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Cost of sales	27,699	15,034
Administrative expenses	7,331	3,811
Selling expenses	7,594	3,373
Total amortisation of intangible assets	**42,624**	**22,218**

Following a periodic review of the useful lives of intangible assets, The Group revised the remaining useful lives of certain intangible assets.

As at 31 December 2023, no intangible assets were pledged as security for the Group's liabilities. For information on collateral for liabilities, see Note 22. The Group does not use external financing to develop intangible assets.

8. Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Vehicles	Other property, plant and equipment	Property, plant and equipment under construction	Total
As at 31 Dec 2023							
Gross carrying amount	721	399,209	73,316	687	235,505	24,516	733,954
Accumulated depreciation and impairment	-	(212,737)	(54,574)	(191)	(133,186)	-	(400,688)
Net carrying amount	**721**	**186,472**	**18,742**	**496**	**102,319**	**24,516**	**333,266**
As at 31 Dec 2022							
Gross carrying amount	721	356,811	64,469	204	196,611	22,904	641,720
Accumulated depreciation and impairment	-	(183,155)	(47,985)	(202)	(115,966)	-	(347,308)
Net carrying amount	**721**	**173,656**	**16,484**	**2**	**80,645**	**22,904**	**294,412**

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	Land	Buildings and structures	Machinery and equipment	Vehicles	Other property, plant and equipment	Property, plant and equipment under construction	Total
1 Jan 2023–31 Dec 2023							
Net carrying amount as at 1 Jan 2023	**721**	**173,656**	**16,484**	**2**	**80,645**	**22,904**	**294,412**
Business combinations (Note 6.2)	-	9,083	597	36	22,319	-	32,035
Increase (purchase, construction)	-	6,007	3,170	666	17,139	86,068	113,050
Decrease (disposal, liquidation) (-)	-	(420)	(234)	(15)	(2,681)	(9,553)	(12,903)
Other movements (reclassification, transfers)	-	39,743	10,317	16	16,792	(74,395)	(7,527)
Impairment losses (+/-)	-	(3,241)	-	-	(3)	-	(3,244)
Depreciation (-)	-	(34,022)	(9,784)	(40)	(31,923)	-	(75,769)
Net exchange differences (+/-)	-	(4,334)	(1,808)	(169)	31	(508)	(6,788)
Net carrying amount as at 31 Dec 2023	**721**	**186,472**	**18,742**	**496**	**102,319**	**24,516**	**333,266**
1 Jan 2022–31 Dec 2022							
Net carrying amount as at 1 Jan 2022	**721**	**185,104**	**14,608**	**32**	**90,639**	**36,173**	**327,277**
Business combinations (Note 6.2)	-	-	-	-	-	-	-
Increase (purchase, construction)	-	8,569	5,816	-	5,013	46,322	65,720
Decrease (disposal, liquidation) (-)	-	(5,137)	(323)	(30)	(2,209)	(17,435)	(25,134)
Other movements (reclassification, transfers)	-	16,661	5,529	9	14,143	(42,116)	(5,774)
Impairment losses (+/-)	-	(730)	-	-	(104)	-	(834)
Depreciation (-)	-	(32,221)	(9,550)	(10)	(26,846)	-	(68,627)
Net exchange differences (+/-)	-	1,410	404	1	9	(40)	1,784
Net carrying amount as at 31 Dec 2022	**721**	**173,656**	**16,484**	**2**	**80,645**	**22,904**	**294,412**

In 2023, the Group opened new fitness clubs (five in Poland and seven abroad). Capital expenditure in 2023, of PLN 113.1m, was mainly related to investments in new and existing fitness clubs, of which PLN 9.6m was included in settlements with the lessors (line item ‘Decrease’). In 2023, the Group acquired companies and organised parts of business, which resulted in an increase in the carrying amount of property, plant and equipment of PLN 32.0m (Note 6.2). The Group recognised impairment losses of PLN 1.6m due to the closure of the Atmosfera MultiSport facility and PLN 1.6m due to planned closure of two clubs in Poland. The effect of this decision on the statement of profit or loss is recognised in other expenses (Note 24.2). In addition, the Group sold property, plant and equipment with a carrying amount of PLN 2.7m, decommissioned property, plant and equipment with a carrying amount of PLN 0.6m, and recognised foreign exchange losses of PLN 6.8m.

In 2022, the Group incurred expenditure to open new fitness clubs (seven located in Poland and three abroad). The Group also decided to close four clubs in Poland and three abroad. The effect of this decision on the statement of profit or loss is recognised in other expenses.

Other property, plant and equipment include primarily fitness equipment and fitness club fittings. Apart from changes related to bringing assets to their present locations and condition for their intended use, ‘other movements’ include a decrease of PLN 9.4m due to the transfer of the amount of expenditure in excess of the amount of the settlement with the lessor to the right-of-use assets and an increase of PLN 1.9m attributable to the purchase of leased assets.

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

	1 Jan 2023–31 Dec 2023	1 Jan 2022–31 Dec 2022
Cost of sales	72,562	65,067
Administrative expenses	1,280	2,006
Selling expenses	1,927	1,554
Total depreciation of property, plant and equipment	**75,769**	**68,627**

As at 31 December 2023, property, plant or equipment was pledged as collateral for the Group's liabilities arising from obtained borrowings. For information on collateral for liabilities, see Note 22.

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

9. Leases

9.1. Right-of-use assets

	Property	Fitness equipment	Other	Total
1 Jan 2023–31 Dec 2023				
Net carrying amount as at 1 Jan 2023	**813,805**	**10,766**	**9,605**	**834,176**
New lease contracts	88,444	-	6,205	94,649
Business combinations (Note 6.2)	180,980	-	330	181,310
Modifications, termination of contracts	78,727	(14)	367	79,080
Depreciation and amortisation	(162,300)	(1,315)	(5,466)	(169,081)
Exchange differences on translation of foreign operations	(9,475)	-	(336)	(9,811)
Net carrying amount as at 31 Dec 2023	**990,181**	**9,437**	**10,705**	**1,010,323**

	Property	Fitness equipment	Other	Total
1 Jan 2022–31 Dec 2022				
Net carrying amount as at 1 Jan 2022	**769,351**	**8,825**	**8,277**	**786,453**
New lease contracts	109,027	-	4,702	113,729
Business combinations (Note 6.2)	41	-	-	41
Modifications, termination of contracts	65,259	5,311	596	71,166
Depreciation and amortisation	(133,876)	(3,370)	(3,829)	(141,075)
Exchange differences on translation of foreign operations	4,003	-	(141)	3,862
Net carrying amount as at 31 Dec 2022	**813,805**	**10,766**	**9,605**	**834,176**

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

9.2. Lease liabilities

	1 Jan 2023– 31 Dec 2023	1 Jan 2022– 31 Dec 2022
Balance at beginning of period	**954,595**	**936,835**
New lease contracts	83,929	100,886
Business combinations (Note 6.2)	180,840	41
Modifications, termination of contracts	82,973	59,811
Effect of application of COVID-19 practical expedient	-	(6,088)
Accrued interest	27,384	14,235
Exchange differences	(49,265)	10,099
Settlement of liabilities	(207,663)	(165,341)
Exchange differences on translation of foreign operations	(10,316)	4,117
Balance at end of period	**1,062,477**	**954,595**
Non-current	861,990	789,716
Current	200,487	164,879

Maturities of the lease liabilities as at 31 December 2023 and 31 December 2022 are presented below:

	Lease payments due in:			
As at 31 Dec 2023	up to 1 year	1 to 5 years	over 5 years	Total
Lease payments	206,716	704,210	287,246	1,198,172
Finance costs (-)	(6,229)	(60,326)	(69,140)	(135,695)
Present value	**200,487**	**643,884**	**218,106**	**1,062,477**

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

As at 31 December 2023, the Group was party to lease contracts concerning fitness clubs whose leases have not yet commenced. The contracts were not recognised in the measurement of lease liabilities. Potential future cash outflows under these contracts are estimated at PLN 62,741 thousand (2022: PLN 70,769 thousand).

For the other disclosures on lease liabilities, see Notes 31.1 and 31.3.

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

9.3. Lease amounts disclosed in the reporting period

	1 Jan 2023–31 Dec 2023	1 Jan 2022–31 Dec 2022
Amounts disclosed in the consolidated statement of profit or loss		
Depreciation of right-of-use assets (recognised in cost of sales, selling expenses and administrative expenses)	(169,081)	(141,075)
Gain/(loss) on lease modifications (recognised in other income/expenses)	1,204	563
Application of the COVID-19 practical expedient (recognised in cost of sales)	-	6,088
Interest expense on lease liabilities (recognised in finance costs)	(27,384)	(14,235)
Exchange differences on lease liabilities denominated in foreign currencies (recognised in finance costs)	49,265	(10,099)
Total	**(145,996)**	**(158,758)**
Amounts disclosed in the consolidated statement of cash flows		
Lease payments (recognised in cash flow from financing activities)	(207,663)	(165,341)

In 2023, the costs of short-term leases and leases of low-value assets not included in the measurement of lease liabilities but expensed in the reporting period were PLN 2,107 thousand and included mainly leases of advertising space (PLN 1,209 thousand) and leases of assorted equipment for fitness clubs and offices (PLN 898 thousand). Variable lease payments in 2023 were PLN 155 thousand.

For interest expense on lease liabilities, see Note 25.2.

In 2022, in connection with the COVID-19 pandemic, the Group renegotiated terms of the lease contracts, which impacted the amount of lease liabilities. The Group applied the practical expedient introduced by the amendment to IFRS 16, whereby rent concessions resulting from the renegotiation of lease contracts do not constitute lease modification, and the effects of remeasurement of lease liabilities are recognised in profit or loss for the period. The practical expedient could be applied with respect to rent payments originally due on or before 30 June 2022. Each lease contract was assessed to determine whether the criteria for applying the practical expedient are met. The practical expedient was applied with respect to rent concessions under property lease contracts (sports clubs, offices). In 2022, the amount of the remeasurement of the lease liability resulting from the negotiated concessions was recognised in the statement of profit and loss as a PLN 6,088 thousand decrease in cost of sales. The abovementioned amendment to IFRS 16 cannot be applied in 2023.

9.4. Subleases

The Group is an intermediate lessor and a lessor with respect to fitness equipment leased to facilities which are the Group's partners, and with respect to office and retail space which is subleased. The respective contracts were recognised as operating leases. In 2023, the Group recognised in the consolidated statement of profit or loss income from the subleases/leases of fitness equipment of PLN 805 thousand (2022: PLN 3,825 thousand). The Group also recognised income from sublease of office and retail space of PLN 1,312 thousand (2022: PLN 739 thousand). These amounts include minimum fixed sublease/lease payments only. In the reporting period, there were no contingent or other payments.

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10. Investments in associates

All of the Group's investments in associates are accounted for using the equity method (see Note 2.3 Accounting policies).

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

	Principal place of business and country of registration	Equity interest as at 31 Dec 2023	% of total voting rights as at 31 Dec 2023	Carrying amount measured using equity method	
				31 Dec 2023	**31 Dec 2022**
Instytut Rozwoju Fitness Sp. z o.o.	ul. Puławska 427, 02-801 Warsaw, Poland	48.10%	48.10%	3,097	2,435
Calypso Fitness S.A.	ul. Puławska 427, 02-801 Warsaw, Poland	33.33%	33.33%	-	-
Get Fit Katowice II Sp. z o.o.	ul. Uniwersytecka 13, 40-007 Katowice, Poland	20.00%	20.00%	-	-
Total carrying amount				**3,097**	**2,435**

On 27 April 2023, Benefit Systems S.A. sold its equity interest (49.95%) in Baltic Fitness Center Sp. z o.o., with a carrying amount of nil, to Calypso Fitness S.A. for PLN 50 thousand.

Below are presented the amounts relating to the share in profit or loss of equity-accounted investees, recognised in profit or loss for the period.

	1 Jan 2023–31 Dec 2023	**1 Jan 2022–31 Dec 2022**
Share of profit/(loss) of equity-accounted entities	662	(2,292)
Profit or loss disclosed in the Consolidated statement of profit or loss	**662**	**(2,292)**

Cumulative losses of Calypso Fitness S.A. and Get Fit Katowice II Sp. z o.o. contributed to the negative equity of these companies, therefore the Group recognises its interest in the equity of those companies at the carrying amount of PLN 0.

Balance as at 31 Dec 2023 and for 2023	Equity	Net profit	Revenue
Instytut Rozwoju Fitness Sp. z o.o.	4,298	1,366	26,393

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

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

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

11. Trade and other receivables

Long-term receivables:

	31 Dec 2023	31 Dec 2022
Security deposits paid	10,947	8,663
Other receivables	356	847
Total non-current trade and other receivables	**11,303**	**9,510**

Short-term receivables:

	31 Dec 2023	31 Dec 2022
Financial assets (IFRS 9):		
Trade receivables	213,608	207,933
Impairment losses on trade receivables (-)	(16,939)	(22,093)
Net trade receivables	**196,669**	**185,840**
Security deposits paid	1,180	1,397
Other receivables	3,930	540
Other net financial receivables	**5,110**	**1,937**
Financial receivables	**201,779**	**187,777**
Non-financial assets (non-IFRS 9):		
Taxes, social security and other receivables	18,422	13,023
Purchased cafeteria codes	12,979	12,237
Unbilled revenue	12,114	14,475
Prepayments	8,590	7,053
Other non-financial receivables	2,519	2,191
Non-financial receivables	**54,624**	**48,979**
Total current trade and other receivables	**256,403**	**236,756**

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

Financial receivables as at 31 December 2023 include a loan of PLN 3.5m granted to employees of the Parent and its subsidiaries to finance the purchase of shares in the Parent through the exercise of subscription warrants taken up by eligible employees under the share-based payment scheme operated in previous years (Note 16.3).

The Group considers the carrying amount of trade receivables as a reasonable approximation of their fair value (Note 30.2).

The Group tested receivables for impairment in accordance with the applied accounting policies (see Note 2.3 Accounting policies). Impairment losses on receivables recognised in 2023 as other expenses in the consolidated statement of profit or loss were as follows:

- with respect to long-term receivables – none;
- with respect to short-term financial receivables – PLN 9.8m (2022: PLN 0.3m).

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

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

	1 Jan 2023–31 Dec 2023	1 Jan 2022–31 Dec 2022
At beginning of period	22,093	23,667
Impairment losses expensed in period	9,849	340
Impairment losses reversed, recognised as income in period (-)	(5,054)	(3,022)
Impairment losses used	(1,924)	-
Changes due to accounting for CF Transaction (Note 6.2)	(8,106)	-
Other movements (including net exchange differences)	81	1,108
At end of period	**16,939**	**22,093**

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

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

As at 31 Dec 2023	Stage 1	Stage 2*	Stage 3	Total
At beginning of period	**2,905**	**-**	**19,188**	**22,093**
Impairment losses expensed in period	384	-	9,465	**9,849**
Impairment losses reversed, recognised as income in period (-)	(1,785)	-	(3,269)	**(5,054)**
Impairment losses used	(159)	-	(1,765)	**(1,924)**
Changes due to accounting for CF Transaction (Note 6.2)	-	-	(8,106)	**(8,106)**
Other movements (including net exchange differences)	2,627	-	(2,546)	**81**
At end of period	**3,972**	**-**	**12,967**	**16,939**

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

As at 31 Dec 2022	Stage 1	Stage 2*	Stage 3	Total
At beginning of period	**2,828**	**-**	**20,839**	**23,667**
Impairment losses expensed in period	323	-	17	340
Impairment losses reversed, recognised as income in period (-)	(1,346)	-	(1,676)	(3,022)
Impairment losses used (-)	1,100	-	8	1,108
At end of period	**2,905**	**-**	**19,188**	**22,093**

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

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

As at 31 December 2023, no receivables were pledged as security for the Group's liabilities. For information on collateral for liabilities, see Note 22.

12. Loans

Loans account for the largest part of 'Loans and other financial assets' in the Group's consolidated statement of financial position.

The table below presents the breakdown of the loans into long-term and short-term loans.

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

	31 Dec 2023	31 Dec 2022
Long-term loans	6,752	9,557
Short-term loans	3,096	4,240
Total loans	**9,848**	**13,797**

The balance of loans as at the reporting date comprised mainly loans granted by the Parent to partners, i.e., entities providing sports and recreational services to users of the MultiSport programme cards (PLN 9.8m). The purpose of the loan programme is to provide quality exercise facilities to MultiSport card users and to support the partners in the further development of their business.

The borrowers also include associates and other entities. As at 31 December 2023, the balance of loans to associates was PLN 17.8m (2022: PLN 29.3m) and an impairment loss was recognised at 100% of their amount.

For other entities unrelated to the Group, the balance of loans granted as at 31 December 2023 was PLN 4.3m (2022: PLN 15.9m) and an impairment loss was recognised at 100% of their amount. The loans are secured with blank promissory notes, with additional security in the form of the right to set off mutual liabilities (loans to the partners) or pledges over borrowers' assets (other companies); in the case of natural persons, no additional security was established.

As at 31 December 2023, PLN-denominated loans with a carrying amount of PLN 9.8m (2022: PLN 13.8m) bore interest at variable rates based on WIBOR, with margins ranging from 1.5pp to 4pp. Their repayment dates are between 2024 and 2030.

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

	1 Jan 2023– 31 Dec 2023	1 Jan 2022– 31 Dec 2022
Gross carrying amount		
Balance at beginning of period	59,992	66,604
Loans advanced in period	3,393	1,465
Interest accrued at the effective interest rate	323	2,001
Payment of principal and interest (-)	(2,146)	(2,077)
Changes due to accounting for CF Transaction (Note 6.2)	(18,779)	-
Other cancelations (-)	(3,555)	-
Offsets	(8,014)	(7,958)
Other movements	77	(43)
Gross carrying amount at end of period	**31,291**	**59,992**
Impairment losses		
Balance at beginning of period	46,195	44,706
Impairment losses expensed in period	-	1,489
Impairment losses reversed, recognised as income in period (-)	(1,727)	-
Changes due to accounting for CF Transaction (Note 6.2)	(18,779)	-
Impairment losses used – other cancelations (-)	(3,555)	-
Other movements	(691)	-
Impairment losses at end of period	**21,443**	**46,195**
Carrying amount at end of period	**9,848**	**13,797**

In 2023, the Group advanced loans for a total amount of PLN 3.4m. The amount of loans repaid by borrowers in the reporting period was PLN 2.1m. Settlement through offset relates primarily to the settlement of liabilities towards partners in connection with visits of holders of the Group's sport cards at partner clubs.

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As at 31 December 2023, the loans were reviewed in order to estimate a loss allowance therefor. The Group applies the general approach under IFRS 9 to loans, i.e., their 3-stage classification (stage 1, stage 2, and stage 3), for the purposes of measuring their impairment and any expected credit losses thereon, while taking into account their credit risk profile and other available information in keeping with the principle that indications of significant increases in credit risk and of impairment should be assessed based on reasonable and supportable information that is available to the Group without undue cost or effort. For stage 3 loans, an impairment loss was recognised at 100% of their amount except where, based on reliable information, the amount of estimated impairment can be expected to be reduced as the payment due is highly like to be made or has been secured. For high-risk (stage 2) loans, an impairment loss was recognised at 25% of their amount, and for other loans a statistical impairment loss of 2.5% was recognised.

Total impairment losses on loans under IFRS 9:

As at 31 Dec 2023	Stage 1	Stage 2	Stage 3	Total
At beginning of period	275	831	45,089	46,195
Impairment losses expensed in period	-	-	-	-
Impairment losses reversed, recognised as income in period (-)	(145)	(728)	(854)	(1,727)
Changes due to accounting for CF Transaction (Note 6.2)	-	-	(18,779)	(18,779)
Impairment losses used – other cancelations (-)	-	-	(3,555)	(3,555)
Other movements	(34)	(71)	(586)	(691)
At end of period	**96**	**32**	**21,315**	**21,443**

As at 31 Dec 2022	Stage 1	Stage 2	Stage 3	Total
At beginning of period	397	913	43,396	44,706
Impairment losses expensed in period	(122)	(82)	1,693	1,489
Impairment losses reversed, recognised as income in period (-)	-	-	-	-
Impairment losses used – other cancelations (-)	-	-	-	-
At end of period	**275**	**831**	**45,089**	**46,195**

13. Deferred tax assets and liabilities and income tax

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

	Note	**31 Dec 2023**	**31 Dec 2022**
Balance at beginning of period:			
Deferred tax assets		27,917	30,312
Deferred tax liability		3,212	3,063
Net deferred tax at beginning of period		**24,705**	**27,249**
Change in period affecting:			
Profit or loss (+/-)	26	(2,742)	(2,754)
Goodwill (deferred tax recognized in acquisition transaction settlement)	6.2	(1,815)	-
Exchange differences on translation of foreign operations		(119)	210
Net deferred tax at end of period, including		**20,029**	**24,705**
Deferred tax assets		21,844	27,917
Deferred tax liability		1,815	3,212

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Deferred tax assets:

Temporary differences	Balance at beginning of period	Change: profit or loss	Change: acquisition transaction settlement	Balance acquisition transaction settlement at end of period
As at 31 Dec 2023				
Assets:				
Intangible assets	-	323	-	323
Property, plant and equipment	72	432	-	504
Right-of-use assets	-	-	-	-
Trade and other receivables	2,811	(626)	-	2,185
Other assets	255	908	-	1,163
Liabilities:				
Provisions for employee benefit obligations	392	822	-	1,214
Other provisions	(80)	633	-	553
Trade payables, payables under contracts with customers, and other payables	13,115	1,991	-	15,106
Borrowings, other debt instruments	4,135	(988)	-	3,147
Lease liabilities	20,570	(11,725)	-	8,845
Other liabilities	(287)	(134)	-	(421)
Other:				
Unsettled tax losses	34	2,756	-	2,790
Total	**41,017**	**(5,608)**	**-**	**35,409**
Offset with deferred tax liability				(13,565)
Balance of deferred tax asset in the statement of financial position				21,844
As at 31 Dec 2022				
Assets:				
Property, plant and equipment	50	22	-	72
Right-of-use assets	-	-	-	-
Trade and other receivables	3,029	(218)	-	2,811
Other assets	81	174	-	255
Liabilities:				
Provisions for employee benefit obligations	964	(572)	-	392
Other provisions	-	(80)	-	(80)
Trade payables, payables under contracts with customers, and other payables	8,079	5,036	-	13,115
Borrowings, other debt instruments	4,017	118	-	4,135
Lease liabilities	22,929	(2,359)	-	20,570
Other liabilities	867	(1,154)	-	(287)
Other:				
Unsettled tax losses	34	-	-	34
Total	**40,050**	**967**	**-**	**41,017**
Offset with deferred tax liability				(13,100)
Balance of deferred tax asset in the statement of financial position				27,917

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

Deferred tax liability:

Temporary differences	Balance at beginning of period	Change: profit or loss	Change: acquisition transaction settlement	Balance at end of period
As at 31 Dec 2023				
Assets:				
Intangible assets	-	463	566	1,029
Property, plant and equipment	3,198	1,618	1,249	6,065
Loans	8,338	(6,400)	-	1,938
Trade and other receivables	3	43	-	46
Other assets	(109)	48	-	(61)
Liabilities:				
Borrowings, other debt instruments	(241)	6	-	(235)
Lease liabilities	352	(67)	-	285
Other liabilities	4,771	1,542	-	6,313
Total	**16,312**	**(2,747)**	**1,815**	**15,380**
Offset with deferred tax asset				(13,565)
Balance of deferred tax liability in the statement of financial position				1,815
As at 31 Dec 2022				
Assets:				
Property, plant and equipment	3,057	141	-	3,198
Loans	6,013	2,325	-	8,338
Trade and other receivables	4	(1)	-	3
Other assets	(109)	-	-	(109)
Liabilities:				
Borrowings, other debt instruments	127	(368)	-	(241)
Lease liabilities	732	(380)	-	352
Other liabilities	2,977	1,794	-	4,771
Total	**12,801**	**3,511**	**-**	**16,312**
Offset with deferred tax asset				(13,100)
Balance of deferred tax liability in the statement of financial position				3,212

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

The Group did not recognise a deferred tax asset of PLN 7.7m on tax losses at some of the Group companies due to the low probability of the companies generating taxable income against which the losses could be settled.

14. Inventories

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

	31 Dec 2023	31 Dec 2022
Materials	540	820
Merchandise	7,686	5,652
Total carrying amount of inventories	**8,226**	**6,472**

In 2023, in the consolidated statement of profit or loss the Group recognised costs of inventories sold of PLN 21.6m (2022: PLN 16.7m).

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

The Group did not write down inventory in 2023. Inventory write-downs, which were charged to other expenses in the 2022 consolidated statement of profit or loss, amounted to PLN 48 thousand. Materials that did not meet the conditions for classification as inventory items (PLN 16.5m in 2023 and PLN 11.7m in 2022) were recognised as an expense in the current period.

As at 31 December 2023, no inventories were pledged as security for the Group's liabilities. For information on collateral for liabilities, see Note 22.

15. Cash and cash equivalents

	31 Dec 2023	31 Dec 2022
Cash at bank in PLN-denominated accounts	44,762	63,157
Cash at bank in foreign currency accounts	81,992	58,721
Cash in hand	2,038	1,491
Short-term deposits	303,705	94,181
Other	1,507	777
Total cash and cash equivalents	**434,004**	**218,327**

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

In the consolidated statement of cash flows, the increase in receivables was PLN 34.6m, while in the consolidated statement of financial position the increase in trade and other receivables was PLN 21.4m. The difference consists primarily of balances acquired as a result of a business combination of PLN 16.5m, settlement of receivables as part of the acquisition of organised parts of business of Calypso Fitness S.A. of PLN 15.9m (Note 6.2), eliminations of receivables with liabilities of acquired clubs of PLN 11.4m, non-cash offsets of other tax receivables with income tax liabilities of PLN 3.5m, and loans granted to employees as part of Incentive Scheme of PLN 3.5m.

In the consolidated statement of cash flows, the increase in liabilities is PLN 40.4m, while in the consolidated statement of financial position the increase in trade payables, other payables and contract liabilities is PLN 78.4m. The difference consists primarily of balances acquired as a result of a business combination of PLN 33.7m, non-cash offsets of trade payables to partners with loans advanced to partners of PLN 8.0m, a PLN 2.3m decrease in liabilities under purchases of non-financial non-current assets, and a PLN 18.6m commitment to issue shares under the Incentive Scheme, resulting from payments made to subscribe for shares, presented in financing activities.

As at 31 December 2023, a portion of cash at bank was pledged as security (registered pledges and power of attorney) for repayment of liabilities under borrowings. For information on collateral for liabilities, see Note 22.

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

The Group classifies cash as financial assets measured at amortised cost with allowances determined in accordance with the expected credit loss model, assuming that all cash at bank is classified as stage 1 (IFRS 9).

16. Equity

16.1. Share capital

As at 31 December 2023, the Parent's share capital amounted to PLN 2,934 thousand (2022: PLN 2,934 thousand) and comprised 2,934 thousand shares with a par value of PLN 1 per share. All the shares were paid up in full. All shares participate equally in the distribution of dividends and each share confers the right to one vote at the General Meeting. The amount of the share capital may not be distributed.

During the period covered by the consolidated financial statements, there were no changes in the number of shares resulting from transactions with owners. However, after the end of the reporting period, in January 2024, the Parent issued 24,750 series G shares in connection with the implementation of the 2021-2025 Incentive Scheme (Note 16.3 and Note 33).

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

	1 Jan 2023– 31 Dec 2023	1 Jan 2022– 31 Dec 2022
Shares issued and fully paid up:		
Number of shares at beginning of period	2,933,542	2,933,542
Change in the number of shares during the period	-	-
Number of shares at end of period	**2,933,542**	**2,933,542**

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

16.2. Other components of equity

In accordance with the Commercial Companies Code, the Parent allocates at least 8% of net profit for the financial year to statutory reserve funds until such reserve funds reach at least one-third of the share capital. In 2023, the Parent earned a profit.

In the first half of 2023, a capital reserve of PLN 20.0m was created to finance loans to senior management, including members of the Parent's Management Board and the management boards of its subsidiaries, to finance the purchase of shares in the Parent through the exercise of subscription warrants taken up under the share-based payment scheme described in more detail in Note 16.3 Share-based payment scheme.

16.3. Share-based payment schemes

Pursuant to resolutions of the General Meeting, Benefit Systems S.A. has in place an Incentive Scheme (the "Incentive Scheme") for senior and middle management of the Parent and for the Benefit Systems Group subsidiaries with which the Parent has entered into relevant agreements. Under the Scheme, eligible employees receive subscription warrants convertible into shares in the Parent.

On 3 February 2021, the Supervisory Board resolved to establish an Incentive Scheme for 2021–2025 at the Parent. The purpose of the Incentive Scheme is to provide an incentive system that would promote employee productivity and loyalty, aimed at achieving strong financial performance and a long-term increase in the Parent's value. In the 2021–2025 edition of the Incentive Scheme, its participants (up to 149 persons) will be able to acquire up to a total of 125,000 subscription warrants (which, upon conversion into shares, will represent 4.1% of the Parent's (post-issue) share capital), entitling them to subscribe for a specific number of shares in the Parent in five equal tranches.

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

Following the achievement of 100% of the threshold for the condition relating to adjusted consolidated operating profit of the Group for 2022, 25,000 subscription warrants were granted to senior management (including the Management Board of the Parent) on 1 March 2023. The fair value of the subscription warrants granted to the employees was estimated as at the grant date using the Black-Scholes model.

Valuation of Incentive Scheme options – Black-Scholes model	
Data	Tranche for 2022
X (t) – share price at the valuation date (PLN)	836
P – option exercise price (PLN)	793.01
r – risk-free rate for PLN	6.54%
T – expiry date	31 Dec 2025
t – current day (for pricing purposes)	1 Mar 2023
Sigma – daily variability	30.00%

The total cost of the 2022 tranche granted on 1 March 2023 was estimated at PLN 6.3m and was recognised in full in the Group's profit or loss for the reporting period. In 2022, the Group did not recognise the costs of the Scheme as the conditions for granting the 2021 tranche were not satisfied.

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

By 31 December 2023, the Company had received responses to offers to subscribe for 24,750 series G shares in exchange for 24,750 series L warrants. At the same time, by 31 December 2023, the Company had received payments for taking up the shares in the amount of PLN 752.01 per share. On 23 January 2024, the shares were issued as part of a conditional share capital increase (Note 33). As at the date of authorisation of these consolidated financial statements for issue, 250 series L warrants remained outstanding.

In the first half of 2023, a capital reserve of PLN 20.0m was created to finance loans to senior management, including members of the Parent's Management Board and the management boards of its subsidiaries, to finance the purchase of shares in the Parent through the exercise of subscription warrants taken up under the share-based payment scheme. As at 31 December 2023, the Company had granted loans to 11 Group employees in the amount of PLN 3.5m. The loans were disclosed in the consolidated statement of financial position under trade and other receivables, and in the consolidated statement of cash flows under loans. The loans were repaid in full before the issue date of these 2023 consolidated financial statements.

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

16.4. Non-controlling interests

Non-controlling interest disclosed by the Group in equity:

	31 Dec 2023	31 Dec 2022
MultiSport Benefit S.R.O.	753	1,451
Benefit Systems Bulgaria EOOD	2,010	343
Benefit Systems, storitve, D.O.O	1	2
Form Factory Slovakia S.R.O.	(457)	(189)
Fit Invest International Sp. z o.o.	(488)	(297)
FII Investments Sp. z o.o.	1	-
Form Factory S.R.O.	786	(492)
Beck Box Club Praha S.R.O.	-	(368)
Benefit Systems International S.A.	976	88
Benefit Systems d. o. o. (Croatia)	(644)	(1,147)
Fit Invest D.O.O. (Croatia)	(14)	-
Benefit Systems Slovakia S.R.O.	(170)	(488)
Benefit Systems Spor Hizmetleri Ltd.	(592)	(82)
BSI Investments Sp. z o.o.	11	62
Next Level Fitness EOOD	(601)	(500)
Total non-controlling interests	**1,572**	**(1,617)**

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

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

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

	1 Jan 2023– 31 Dec 2023	1 Jan 2022– 31 Dec 2022
Balance at beginning of period	**(1,617)**	**(2,070)**
Transactions with non-controlling interests:		
Change in non-controlling interests	(490)	227
Valuation of put options attributable to minority shareholders	(1,467)	(286)
Dividends	(505)	(345)
Total transactions with non-controlling interests	**(2,462)**	**(404)**
Comprehensive income:		
Net profit/(loss) for the period (+/-)	5,228	953
Exchange differences	423	(96)
Balance of non-controlling interests at end of period	**1,572**	**(1,617)**

16.5. Change in non-controlling interests

Company	**Beck Box Club Praha S.R.O.***	**Form Factory S.R.O.***	**BSI Investments Sp. z o.o.**	**Benefit Systems International S.A.**
Transaction date	23 May 2023	23 May 2023	3 Aug 2023	24 Nov 2023
% increase in the Group's interest in subsidiary	1.29%	1.34%	1.40%	0.40%
Carrying amount of acquired minority interests	(16)	(374)	(3)	(97)
Recognised amount of consideration paid for shares	16	374	67	6,200
Cash inflow/(outflow)	-	-	(67)	(6,200)

** On 23 May 2023, agreements were signed whereby loans advanced to the Czech companies Form Factory S.R.O. and Beck Box Club Praha S.R.O. by Benefit Systems S.A. and Benefit Systems International S.A. were converted into equity. As a result, the Group's equity interest in the Czech companies rose from 97.20% to 98.54% in Form Factory S.R.O. and from 97.20% to 98.49% in Beck Box Club Praha S.R.O. Conversion of the loans into equity is one of the stages of a project leading to the merger of the Czech companies. The merger of Form Factory S.R.O. (the acquirer) with Beck Box Club Praha S.R.O. (the acquiree) was registered on 1 November 2023. As a result of the merger, Beck Box Club Praha S.R.O. ceased to exist and Form Factory S.R.O. assumed the rights and obligations of the merged companies.*

16.6. Loss of control

In 2023, the Parent did not lose control of any of the Group companies.

17. Investments in subsidiaries with significant non-controlling interests

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

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

18. Employee benefits

18.1. Employee benefits expense

	1 Jan 2023–31 Dec 2023	1 Jan 2022–31 Dec 2022
Salaries and wages	307,317	257,863
Social security	64,750	56,213
Share-based payments schemes (Note 16.3)	6,279	-
Cost of future employee benefits (provisions for length-of-service benefits, retirement gratuity benefits)	121	(10)
Total employee benefits expense	**378,467**	**314,066**

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

18.2. Employee benefit obligations and provisions

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

	Current liabilities and provisions		Non-current liabilities and provisions	
	31 Dec 2023	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
Employee benefits:				
Salaries and wages payable	11,568	11,315	-	-
Social security contributions other public charges payable	8,826	8,573	-	-
Provisions for bonuses, commissions and other*	51,311	36,857	-	-
Provisions for accrued holiday entitlements	3,296	3,066	-	5
Provisions for retirement gratuity benefits	6	15	384	254
Total employee benefit obligations and provisions	**75,007**	**59,826**	**384**	**259**

provisions for termination benefits

As at 31 December 2023, the Group disclosed a non-current retirement gratuity benefit obligation of PLN 384 thousand (2022: PLN 254 thousand). The present value of the provision was recognised based on a valuation prepared by an independent actuary. In the valuation, the actuary used a discount rate of 5.2% and the expected wage growth rate of 4.6% in 2024, 3.7% in 2025, 2.5% in 2025 and subsequent years for Benefit Systems S.A., Vanity Style Sp. z o.o., Benefit Systems International S.A. and Fit Invest International Sp. z o.o., and 10% in 2024-2029 and 2.5% in 2030 and subsequent years for Benefit Systems Fitness Branch.

Wages and social security contributions payable, provisions for bonuses, commissions and others items are disclosed under trade and other payables (Note 20). Provisions for retirement severance payments and accrued holiday entitlements are included in employee benefit provisions.

19. Other provisions

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

	Short-term provisions		Long-term provisions	
	31 Dec 2023	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
Other provisions	10,767	24		10,767
Total other provisions	**10,767**	**24**	**-**	**10,767**

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

	Other provisions
1 Jan 2023–31 Dec 2023	
At beginning of period	10,791
Use of provisions (-)	(24)
As at 31 Dec 2023	**10,767**
1 Jan 2022–31 Dec 2022	
At beginning of period	10,772
Increase in provisions expensed in period	24
Use of provisions (-)	(5)
As at 31 Dec 2022	**10,791**

As of 31 December 2023, the most significant item of the provisions was the provision of PLN 10.8m for liabilities related to anti-trust proceedings. For details of the proceedings, see Note 34.1.

20. Trade and other payables

Trade and other payables are presented below.

	31 Dec 2023	**31 Dec 2022**
Security deposits received	4	95
Other non-financial liabilities	-	16
Total non-current trade and other payables	**4**	**111**

	31 Dec 2023	**31 Dec 2022**
Financial liabilities (IFRS 9):		
Trade payables	152,371	112,252
Purchase of non-current assets	4,732	6,990
Security deposits received	10,481	9,213
Other financial liabilities	18,616	39
Financial liabilities	**186,200**	**128,494**
Non-financial liabilities (non-IFRS 9):		
Taxes and other duties payable	3,271	2,702
Accrued expenses and deferred income	111,600	88,612
Amounts payable for unused cafeteria benefits	69,245	86,966
Employee benefit obligations	71,700	56,745
Advance payments collected in connection with conversion work at fitness clubs	-	3,245
Other non-financial liabilities	1,725	3,124
Non-financial liabilities	**257,541**	**241,394**
Total current trade and other payables	**443,741**	**369,888**

Employee benefit obligations include salaries, wages and social security liabilities, as well as provisions for bonuses and commissions. For more information, see Note 18.2.

Accrued expenses and deferred income include provisions for product costs (i.e., costs of visits at partner facilities and costs of own cafeteria products) of PLN 73.2m (2022: PLN 57.0m).

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PLN 18.6m disclosed under other financial liabilities is the amount of the Parent's commitment to issue shares as a result of payments made by eligible persons under the Incentive Scheme described in Note 16.3. The shares were issued in January 2024 (Note 33).

The Group considers the carrying amount of trade liabilities as a reasonable approximation of their fair value (Note 30.2).

21. Other financial liabilities

Financial liabilities disclosed in the Group's statement of financial position include liabilities under the options to purchase minority interests in companies of the Foreign Markets segment and liabilities related to acquisition of shares in subsidiaries.

	31 Dec 2023	31 Dec 2022
Liability arising from acquisition of shares in Interfit Companies	5,421	-
Liability arising from acquisition of shares in Lunching.pl Sp. z o.o.	-	3,109
Benefit Systems International S.A.	56,283	17,645
Benefit Systems Bulgaria EOOD	7,074	8,670
Benefit Systems Slovakia S.R.O.	4,407	1,078
Benefit Systems D.O.O (Croatia)	5,018	1,373
Benefit Systems Spor Hizmetleri Ltd (Turkey)	3,116	-
Other	2,469	453
Total other non-current financial liabilities	**83,788**	**32,328**

	31 Dec 2023	31 Dec 2022
Liability arising from acquisition of shares in Benefit Systems Bulgaria EOOD	8,361	-
Liability arising from acquisition of shares in FIT 4 Sp. z o.o. and Fit and More Sp. z o.o.	4,030	-
Liability arising from acquisition of shares in Lunching.pl Sp. z o.o.	4,092	1,866
Liability arising from acquisition of shares in Total Fitness Sp. z o.o.	-	13,857
Liability arising from acquisition of shares in YesIndeed Sp. z o.o.	-	1,065
Total other current financial liabilities	**16,483**	**16,788**

Liabilities arising from acquisition of shares (including contingent payments and options)

Interfit Club 1.0 Sp. z o.o., Interfit Club 4.0 Sp. z o.o, Interfit Club 5.0 Sp. z o.o., Interfit Consulting Sp. z o.o. Sp.k. (the "Interfit Companies")

The liability arising from the acquisition of shares in the Interfit Companies is related to the option to purchase the remaining 25% of the companies' shares under the share purchase agreement of 15 December 2023. The option exercise payments are to be made in 2025–2026, and their amounts will depend on the acquired companies' EBITDA in the period of 2024-2025. As at 31 December 2023, according to the Company's best estimates, the fair value of payments for the remaining shares was PLN 5.4m (nominal value before discounting: PLN 6.2m), and was recognised as other non-current financial liability.

FIT 4 Sp. z o.o. and Fit and More Sp. z o.o.

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

In the third stage of the Transaction, more fully described in Note 6.2, on 30 November 2023 the Parent acquired shares in FIT 4 Sp. z o.o. and Fit and More Sp. z o.o., controlled, respectively, by CC and Camaro (Calypso Fitness shareholders). CF's assets in the form of three organised parts of CF's business (fitness clubs) were spun off to the acquired companies. Of the amount outstanding as of 31 December 2023, the liability to Camaro in the amount of PLN 0.8m was paid on 30 January 2024. The liability to CC in the amount of PLN 3.2m was settled through payment, on 19 January 2024, of PLN 0.5m to CC's account, and PLN 2.7m was transferred on CC's behalf as CC's donation to the MultiSport Foundation.

Lunching.pl Sp. z o.o.

The liability arising from the acquisition of shares in Lunching.pl Sp. z o.o. is related to the option to purchase the remaining shares in the company under the share purchase agreement of 13 April 2022 (see Note 6.2). The option is exercisable in 2023–2025, and the payment amount depends on the EBITDA and revenue generated by the acquired company during that period. As at 31 December 2022, according to the Company's best estimates, the value of payments for the remaining shares was PLN 5m (nominal value: PLN 5.4m), and accordingly amounts of PLN 1.9m and PLN 3.1m were recognised under other current and non-current financial liabilities, respectively. On 23 June 2023, the Parent exercised the option under the share purchase agreement for PLN 2.1m. On 4 March 2024, for PLN 4.1m the Parent acquired the residual shares in Lunching.pl Sp. z o.o., raising its equity interest in the company to 100%. A portion of this amount, of PLN 2.7m, was paid on 4 March 2024 and the remainder is to be paid in April (PLN 0.4m) and July (PLN 1.0m) 2024. Accordingly, PLN 4.1m was recognised in other current financial liabilities as at 31 December 2023.

Total Fitness Sp. z o.o.

The settlement of the liability arising from the acquisition of Total Fitness Sp. z o.o. shares is related to the contingent payment of PLN 14m made in connection with Benefit Systems S.A.'s acquisition of the remaining 11.77% interest in the company on 4 April 2023.

YesIndeed Sp. z o.o.

The settlement of the liability arising from the acquisition of YesIndeed Sp. z o.o. shares is related to the contingent payment of PLN 1.1m made under the agreement of 17 June 2021 to purchase shares in the company, contingent on the achievement of certain agreed business goals by the purchased company.

Option liabilities in the Foreign Markets segment

The following rule of accounting for valuation of contingent acquisitions of shares (put and call options on shares in subsidiaries held by non-controlling shareholders) are applied:

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

Initial recognition: The put options are financial liabilities under IAS 32, as the Group is obliged to pay cash or deliver other financial assets to non-controlling interests. The liability is recognised at the present value of the estimated exercise price of the option. If the risks and rewards of the non-controlling interests have not been transferred to the Group, the put option liability is initially recognised in equity allocated to the owners of the Parent, provided that the option settlement price does not confer additional benefits on the holders beyond market conditions. At the same time, non-controlling interests are recognised in equity.

Subsequent measurement of put options (revision of estimates relating to put options) is recognised directly in equity under paragraph 23 of IFRS 10, according to which changes in the Parent's interest in a subsidiary that do not result in loss of control of the subsidiary are recognised as equity transactions. Such recognition of subsequent changes only applies where the risks and rewards of non-controlling interests have not been transferred to the Parent and therefore the non-controlling interests continue to be recognised.

If the risks and rewards of non-controlling interests covered by the put option have been transferred to the Group (in particular, when the put option issued is accompanied by a symmetrical call option acquired), the put option liability is accounted for as a contingent liability in a business acquisition transaction. Such a liability is initially recognised at fair value with an effect on goodwill, as the non-controlling interests covered by the option are deemed to have been acquired (i.e., the non-controlling interests' equity is not recognised). After initial recognition, the contingent liability is measured at fair value with gains/(losses) on the measurement accounted for in profit or loss.

Call option – purchase of shares from a non-controlling interest (demanded by the Company) in subsidiaries of Foreign Markets segment

As at the reporting date, the Group was not a party to any agreement whereby the Company would have the right to purchase a specific number of non-controlling interests on specific dates (with respect to subsidiaries of Foreign Markets segment).

Programme of shareholder agreements with key persons to promote the development of the Foreign Markets segment.

On 24 April 2019, the Management Board and the Supervisory Board of Benefit Systems S.A. passed a resolution to approve the terms of the programme of shareholder agreements with key persons to promote the development of the companies in the Foreign Markets segment, as part of which the key persons will become minority shareholders in the companies.

As part of the programme, the Parent declared that it would use its best endeavours to find, by the end of 2026, an external investor for the companies in the Foreign Markets segment, and the efforts may include carrying out an initial public offering of shares in Benefit Systems International Sp. z o.o. (currently: Benefit Systems International S.A). Relevant agreements were executed with members of the management boards of the following subsidiaries: Benefit Systems International Sp. z o.o. (currently: Benefit Systems International S.A,), Fit Invest International Sp. z o.o., Benefit Systems D.O.O. (Croatia), Benefit Systems Bulgaria EOOD, and Benefit Systems Slovakia S.R.O., who acquired shares in the companies in 2019.

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

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

On 21 May 2021, a shareholder agreement was concluded with a key person for the development of the Turkish company Benefit Systems Spor Hizmelteri Ltd. Starting from 1 July 2025, this person will have the right to exercise a put option over some of the shares they hold, at intervals set out in the agreement. The programme should be completed by 30 November 2030. The options will entitle the key person to demand that their shares be purchased at a price calculated on the basis of financial ratios for the previous financial year (i.e., the year immediately preceding the date of exercise of the options), in accordance with the pricing formula set out in the shareholder agreement. The agreement also defines the minimum purchase prices for the shares in the event that Benefit Systems Sport Hizmetleri Ltd terminates within two years and after two years from hiring the first employee, as well as the maximum values for the put options.

On October 14, 2021, under a signed agreement, one of the key executives of Fit Invest International Ltd. was granted so-called phantom shares. Starting from July 1, 2027 until December 31, 2028, this person will have the right to exercise a put option on the phantom shares he holds. The option will entitle the person to demand that Fit Invest International Sp. z o.o. make payments to the person. The value of the option will be calculated based on the financial ratios of the Foreign Markets segment, for the previous fiscal year (the last one before the option exercise date).

On 19 June 2023, further shareholder agreements were concluded with key persons for the development of Benefit Systems Sport Hizmetleri Ltd. From 1 July 2030 to 30 November 2030, the persons will be entitled to exercise put options. The options will entitle the key persons to demand that their shares be purchased at a price calculated on the basis of financial ratios for the previous financial year (i.e., the year immediately preceding the date of exercise of the options), in accordance with the pricing formula set out in the relevant shareholder agreement.

As at 31 December 2023, the value of the put options was estimated at PLN 86.7m (vs PLN 29.2m as at 31 December 2022). The reconciliation of the amount of the liabilities between the beginning and the end of the reporting period for 2023 includes interest and exchange differences on the option assuming exercise at the fixed price of PLN 0.2m (recognised in financial costs), salaries and wages of PLN 2.4m, and a change in the valuation of put options with the exercise price linked to future performance of the subsidiaries, of PLN 55.3m (recognised as a decrease in capital reserves).

22. Borrowings, other debt instruments

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

	Current liabilities		Non-current liabilities	
	31 Dec 2023	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
Financial liabilities at amortised cost:				
Working capital and investment credit facilities	18,660	23,979	41,866	60,566
Overdraft facilities	3	3	-	-
Loans	-	158	-	-
Financial liabilities measured at amortised cost	18,663	24,140	41,866	60,566
Total borrowings, other debt instruments	**18,663**	**24,140**	**41,866**	**60,566**

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

	1 Jan 2023– 31 Dec 2023	**1 Jan 2022– 31 Dec 2022**
Balance at beginning of period	**84,706**	**221,935**
Increase in investment credit facility	-	50,504
Repayment of investment and working capital credit facility instalments	(27,180)	(79,547)
Accrual of interest on investment and working capital credit facilities	7,738	8,408
Payment of interest on investment and working capital credit facilities	(7,738)	(8,169)
Business combinations (Note 6.2) – borrowings	6,282	474
Bond redemption	-	(100,000)
Accrual of interest on bonds	-	2,737
Payment of interest on bonds	-	(2,917)
Repayment of principal of non-bank borrowings	(987)	(8,202)
Payment of interest on non-bank borrowings	(66)	(424)
Other movements, including offsets	(2,226)	(93)
Balance at end of period	**60,529**	**84,706**

On 1 April 2022, the Parent and some of its subsidiaries signed a long-term financing agreement with the European Bank for Reconstruction and Development and Santander Bank Polska S.A. for PLN 205m (the "Financing"). The Financing amount may be additionally increased by no more than PLN 35m. On 4 April 2023, an annex was executed that extended the availability period for the unutilised part of the Financing of PLN 115m until 31 December 2023. On 30 November 2023, an annex was executed that, *inter alia*, extended the availability period for the unutilised part of the Financing of PLN 115m until 31 December 2024.

On 30 May 2023, annexes were signed to the Multi-Facility agreements between Santander Bank Polska S.A. and Benefit Systems S.A. dated 27 May 2020 and 2 April 2012. Under the annexes, the availability period of the financing and the guarantee facility was extended until 31 May 2026. The limit available under the guarantee facility was also raised to PLN 85m.

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

On 7 April 2022, 50,000 series A bonds with a total nominal value of PLN 50m were redeemed on maturity, and on 14 April 2022 50,000 series B bonds with a total nominal value of PLN 50m were redeemed early. The bonds were issued by the Company on 7 October 2020.

Financial liabilities measured at amortised cost

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

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

	Currency	Interest rate	Maturity	Carrying amount, PLN thousand	Current liabilities	Non-current liabilities
As at 31 Dec 2023						
Investment/syndicated credit facility	PLN	Variable, 3M WIBOR + margin	1 Apr 2027	60,526	18,660	41,866
Working capital facility	PLN	Variable, 1M WIBOR + margin	31 May 2026	-	-	-
Overdraft facilities	PLN	Variable	-	3	3	-
Other loans	PLN	-	-	-	-	-
Total borrowings, other debt instruments as at 31 Dec 2023				**60,529**	**18,663**	**41,866**
As at 31 Dec 2022						
Investment/syndicated credit facility	PLN	Variable, 3M WIBOR + margin	1 Apr 2027	79,188	18,622	60,566
Working capital facility	PLN	Variable, 1M WIBOR + margin	31 May 2023	5,357	5,357	-
Overdraft facilities	PLN	Variable	-	3	3	-
Other loans	PLN	-	-	158	158	-
Total borrowings, other debt instruments as at 31 Dec 2022				**84,706**	**24,140**	**60,566**

The borrowings bear interest at variable rates based on the 1M WIBOR and 3M WIBOR reference rates, which as at 31 December 2023 were, respectively, 5.80% and 5.88% (31 December 2022: 6.93% and 7.02%).

Security for liabilities

Repayment by the Company of its liabilities under bank borrowings is secured with the following security interests and instruments, which are enforceable against the Company and/or its subsidiary Total Fitness Sp. z o.o. (as at the reporting date):

- Promissory notes with promissory note declarations for up to the amount of debt plus interest;
- Declarations of voluntary submission to enforcement under Art. 777.1.5 of Code of Civil Procedure;
- A registered pledge and power of attorney over certain bank accounts held by the Company and Total Fitness Sp. z o.o. with Santander Bank Polska S.A.;
- A registered pledge over shares in Total Fitness Sp. z o.o.;
- A registered pledge over receivables under certain contracts for the provision of sports and recreational services;
- A registered pledge over the protection rights to the “BENEFIT Systems” trademark;

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- A registered pledge over assets (fitness equipment) of Benefit Systems S.A.;
- Assignment of the Company's claims under certain loans to non-Group entities;
- Assignment of claims under insurance policies for certain encumbered assets and intergroup loans;
- Subordination of certain intergroup loans and related security interests.

Apart from the above security interests and instruments, the credit facility agreements effective as at 31 December 2023 provide for certain covenants that the Group is required to comply with throughout the respective facility terms. These include maintaining adequate levels of the debt ratio, i.e. the ratio of net financial liabilities (including cash as at the end of the period and excluding IFRS 16 liabilities) to 12-month EBITDA (excluding the effect of IFRS 16 and excluding one-off items), the equity-to-asset ratio, i.e., the ratio of total equity to total assets less IFRS 16 assets, and the debt service coverage ratio (DSCR). The levels of these ratios as required under the covenants do not differ from levels commonly required under similar credit facility agreements. Neither the Group nor the Parent are subject to any capital requirement legislation. In 2023, there were no breaches of credit covenants at the Group, and all borrowings were repaid on time.

23. Contract liabilities

	31 Dec 2023	31 Dec 2022
Short-term:		
Contract liabilities	27,903	23,331
Total contract liabilities	**27,903**	**23,331**

Contract liabilities result from the mismatch between settlement periods and calendar months. The liabilities will be recognised as income in subsequent periods.

24. Other income and expenses

24.1. Other income

	Note	1 Jan 2023–31 Dec 2023	1 Jan 2022–31 Dec 2022
Gain on disposal of non-current non-financial assets		529	253
Reversal of impairment losses on receivables		-	2,567
Gain/(loss) on change in lease contracts	9	1,204	563
Contractual penalties and damages received		3,452	-
Grants		771	1,287
Other		3,252	3,117
Total other income		**9,208**	**7,787**

Damages received consists primarily of damages of PLN 2.2m received from a lessor in connection with the termination of a fitness club lease contract. The grants of PLN 0.6m received in 2023 comprise the grant received by the MultiSport Foundation. The grants received by the Group companies in 2022 represented emergency financial assistance provided by the government in connection with the COVID-19 pandemic, and were used mainly as subsidies to salaries and wages.

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24.2. Other expenses

	Note	1 Jan 2023–31 Dec 2023	1 Jan 2022–31 Dec 2022
Loss on disposal of non-current non-financial assets		-	1,047
Inventory write-downs		32	48
Lease contract early termination fees and related costs		1,432	2,932
Liquidation of and impairment losses on property, plant and equipment and on intangible assets	7, 8	9,220	7,080
Impairment loss on financial receivables	11	3,868	-
Impairment losses on non-financial receivables	11	927	-
Write-off of uncollectible receivables		361	4,717
Compensation and penalties paid		66	750
Other		4,935	4,681
Total other expenses		**20,841**	**21,255**

In 2023, the Group recognised impairment losses on property, plant and equipment of PLN 1.6m following the closure of the Atmosfera MultiSport facility, PLN 1.6m due to the planned closure of two clubs, and a PLN 2.8m impairment loss on intangible assets. The Group also discontinued the use of a trademark worth PLN 2.5m and decommissioned property, plant and equipment worth PLN 0.6m. Lease contract early termination fees of PLN 1.2m and related costs of PLN 0.2m recognised in 2023 were related to the closure of fitness clubs prior to the expiry of the lease contracts for the premises in which they were operated.

25. Finance income and expenses and loss allowances for financial assets

25.1. Finance income

	Note	1 Jan 2023–31 Dec 2023	1 Jan 2022–31 Dec 2022
Interest on investments	15	13,222	1,079
Interest on loans and receivables	12	323	1,656
Foreign exchange gains		33,760	-
Gains on disposal of financial assets	10	50	-
Other finance income		93	125
Total finance income		**47,448**	**2,860**

25.2. Finance costs

	Note	1 Jan 2023–31 Dec 2023	1 Jan 2022–31 Dec 2022
Interest on lease liabilities	9	27,384	14,235
Interest on overdraft and investment credit facilities	22	7,738	9,351
Interest on loans	22	66	67
Interest on debt securities	22	-	2,737
Interest on trade and other payables		740	274
Foreign exchange losses		-	6,220
Fair-value measurement of other financial liabilities	21	917	1,468
Financial assets written off		-	19
Other finance costs		1,781	1,020
Total finance costs		**38,626**	**35,391**

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25.3. Loss allowances for financial assets

Loss allowances for financial assets (income + / cost -)	1 Jan 2023–31 Dec 2023	1 Jan 2022–31 Dec 2022
Reversal (+) of impairment losses on financial assets – loans	3,826	-
Recognition (-) of impairment losses on financial assets – loans	-	(1,356)
Total loss allowances for financial assets (+/-)	**3,826**	**(1,356)**

Impairment loss reversal in 2023 consisted of changes related to accounting for the CF Transaction of PLN 2,099 thousand, as well as PLN 843 thousand on account of reversal of impairment losses on loans to partners. In 2022, PLN 310 thousand was related to loans to partners.

26. Income tax

	Note	1 Jan 2023–31 Dec 2023	1 Jan 2022–31 Dec 2022
Tax:			
Current tax		105,794	34,741
Deferred tax	13	2,742	2,754
Total income tax		**108,536**	**37,495**

Reconciliation of the effective tax rate:

	Note	1 Jan 2023–31 Dec 2023	1 Jan 2022–31 Dec 2022
Profit/(loss) before tax		553,409	176,572
Tax rate applied by the Parent		19%	19%
Income tax calculated at the Parent's domestic tax rate		**105,148**	**33,548**
Reconciliation of income tax due to:			
Application of different tax rates by in the Group companies (+/-)		(2,807)	(1,336)
Non-taxable income (-)		(3,144)	(364)
Expenses which are permanently non-deductible (+)		8,299	5,494
Use of previously unrecognised tax losses (-)		(8,581)	(1,549)
Unrecognised deferred tax asset on deductible temporary differences (+)		(839)	1,042
Unrecognised deferred tax asset for tax losses (+)		7,709	7,414
Business combinations		1,844	(2,854)
Adjustment to tax expense for previous periods (+/-)		(2,593)	(3,913)
Other		(3,500)	13
Income tax		108,536	37,495
Effective tax rate		20%	21%

The effective tax rate in 2023 was on a level proximate to statutory tax rate applied to the Parent.

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

	1 Jan 2023– 31 Dec 2023	1 Jan 2022– 31 Dec 2022
Poland	19%	19%
Czech Republic	19%	19%
Slovakia	21%	21%
Bulgaria	10%	10%
Croatia	18%	18%
Turkey	25%	23%

As at the end of 31 December 2023, income tax liability stood at PLN 90.9m, representing a PLN 81.4m increase compared with the end of 2022. The increase was mainly attributable to the Parent's application of the simplified method of income tax payment in 2023 (advance payments of one-twelfth of the tax payable for 2021). The due date for payment of the tax liability for 2023 is 31 March 2024. In 2023, income tax liabilities were offset against receivables related to other tax expenses of PLN 3.5m.

27. Earnings/(loss) per share and dividends paid

27.1. Earnings per share

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

When calculating both basic and diluted earnings/(loss) per share, the Group applies the amount of net profit/(loss) attributable to owners of the Parent in the numerator.

When calculating diluted earnings per share, the effect of convertible stock options is included in the formula (Note 16.3 Share-based payment schemes).

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

	1 Jan 2023– 31 Dec 2023	1 Jan 2022– 31 Dec 2022
Number of shares used as denominator		
Weighted average number of ordinary shares	2,933,542	2,933,542
Dilutive effect of options convertible into shares	10,415	-
Diluted weighted average number of ordinary shares	2,943,957	2,933,542
Continuing operations		
Net profit from continued operations attributable to shareholders of the Parent (PLN '000)	439,645	138,124
Basic earnings per share (PLN)	149.87	47.08
Diluted earnings per share (PLN)	149.34	47.08

27.2. Dividends

On 15 December 2022, the Management Board of the Parent adopted a dividend policy for 2023-2025, under which the Management Board will recommend to the General Meeting payment of dividend of at least 60% of the Group's consolidated net profit for the previous financial year, less any unrealised foreign exchange gains or losses for the same period. The Management Board's recommendation will take into account the financial and liquidity position, growth prospects and investment needs of the Parent and the Group. The dividend policy is effective and applies as of the distribution of profit for the financial year ended 31 December 2022. The policy was positively assessed by the Supervisory Board of the Parent on 15 December 2022. The Management Board of the Parent also resolved to disapply the Dividend Policy for 2020–2023.

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On 25 May 2023, the Parent's Management Board passed a resolution to propose that the Annual General Meeting distribute the Parent's net profit for 2022 in such a way that PLN 120,275,222 (PLN 41 per share) be allocated to dividend payment to the shareholders and the balance of PLN 21,260,203 to the statutory reserve funds. The Management Board's proposal was approved by the Parent's Supervisory Board at its meeting held on 25 May 2023.

On 29 June 2023, the Parent's Annual General Meeting passed a resolution to pay dividend of PLN 120,275,222, i.e., PLN 41 per share. The Parent's Annual General Meeting resolved to set 15 September 2023 as the dividend record date, with the dividend paid on 29 September 2023.

Dividends:	reporting year 2023	previous year 2022
Dividends recognised as distributions to owners on a per-share basis (PLN)	41.00	-
Total dividends proposed or declared but not recognised as distributed to shareholders (PLN '000)	-	-
Dividends proposed or declared but not recognised as distributed to shareholders on a per-share basis (PLN)	-	-

28. Related-party transactions

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

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

28.1. Transactions with key management personnel

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

28.2. Transactions with associates and other related parties

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

In 2023, organised parts of business comprising 20 fitness clubs from Calypso Fitness S.A. were acquired (see Note 6.2). In connection with the acquisition, the Parent and the subsidiaries FIT 1 Sp. z o.o., FIT 2 Sp. z o.o. and Sport Operator Sp. z o.o. FIT 3 Sp. z o.o., Concept Self Investment Sp. z o.o., Fit and More Sp. z o.o., FIT 4 Sp. z o.o. entered into an agreement whereby the Parent was appointed as the fitness club operator, taking over the management of the 20 acquired clubs. In the performance of the agreement, the subsidiaries will receive a fee from Benefit Systems S.A. for entrusting it with the infrastructure of the fitness clubs and enabling their operation under the Zdrofit, Fabryka Formy, Fitness Academy and My Fitness Place brands.

In the reporting period, the Group did not enter into any related-party transactions that individually or jointly would be significant and would be concluded on non-arm's length terms.

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

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

	Revenue	
	1 Jan 2023–31 Dec 2023	**1 Jan 2022–31 Dec 2022**
Sales to:		
Associates	13,720	8,043
Other related parties	49	54
Total	**13,769**	**8,097**

	Receivables	
	31 Dec 2023	**31 Dec 2022**
Sales to:		
Associates	615	15,795
Other related parties	9	4
Total	**624**	**15,799**

Sales to associates include primarily revenue from visits at the Group's fitness clubs in Poland.

The increase in revenue from sales to associates was mainly attributable to revenue from Instytut Rozwoju Fitness Sp. z o.o. relating to visits at the Group's fitness clubs, which amounted to PLN 8.3m in 2023 and PLN 4.2m in 2022.

The decrease in receivables from associates is attributable to the settlement of receivables as part of the acquisition of organised parts of business from Calypso Fitness S.A. (Note 6.2).

In addition to the above amounts, in 2023 the MutliSport Foundation received a PLN 836 thousand donation from Cal Capital Sp. z o.o., a company related to Mr James van Bergh, Chair of the Parent's Supervisory Board.

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

	Purchase (costs, assets)	
	1 Jan 2023–31 Dec 2023	**1 Jan 2022–31 Dec 2022**
Purchases from:		
Associates	11,279	15,682
Other related parties	48	38
Total	**11,327**	**15,720**

	Liabilities	
	31 Dec 2023	**31 Dec 2022**
Purchases from:		
Associates	683	3,132
Other related parties	-	-
Total	**683**	**3,132**

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

The decrease in purchases from associates was mainly attributable to a decrease in the cost of visits of holders of sport cards at Calypso Fitness S.A. facilities, which amounted to PLN 9.9m in 2023, compared with PLN 14.6m in 2022. The costs fell as a result of a decrease in the number of Calypso Fitness S.A. clubs following the acquisition of organised parts of business by the Group (Note 6.2).

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Amounts due from associates fell mainly as a result of a decrease in the number of Calypso Fitness S.A. clubs following the acquisition of organised parts of business by the Group (Note 6.2).

As part of the Transaction described in Note 6.2, on 31 March 2023, the Parent advanced a loan to Calypso Fitness S.A. through conversion of trade (PLN 8.1m) and loan (PLN 9.7m) receivables (PLN 17.8m in aggregate), for which an impairment loss was recognised at 100% of their amount in previous years. The loan was secured by a pledge over shares in Instytut Rozwoju Fitness Sp. z o.o. held by Calypso Fitness S.A. As at 31 December 2023, the balance of the loan was PLN 17.8m and an impairment loss was recognised at 100% of its amount.

In the reporting period, the Group did not grant any loans to or receive any loans from other related parties. As at 31 December 2023 and 31 December 2022, the carrying amount of loans granted to or received from other related parties was PLN 0.

29. Contingent assets and liabilities

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

	31 Dec 2023	31 Dec 2022
Guarantees provided / Surety for payment of liabilities to:		
Associates	2,421	8,001
Total contingent liabilities	**2,421**	**8,001**

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

30. Financial instruments

30.1. Categories of financial assets and liabilities

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

- Financial assets at amortised cost;
- Assets outside the scope of IFRS 9.

The Group does not hold:

- Financial assets at fair value through profit or loss;
- Equity instruments designated on initial recognition as measured at fair value through other comprehensive income;
- Financial assets at fair value through other comprehensive income;
- Financial instruments designated as hedging instruments.

The table below does not include those categories of financial assets which the Group did not recognise as at 31 December 2023:

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

As at 31 Dec 2023	Note	Financial instruments Financial assets at amortised cost	Non-IFRS 9 non-financial assets:	Total
Non-current assets:				
Trade and other receivables	11	10,947	356	11,303
Loans and other non-current financial assets	12	6,752	96	6,848
Current assets:				
Trade and other receivables	11	201,779	54,624	256,403
Loans and other current financial assets	12	3,096	45	3,141
Cash and cash equivalents	15	434,004	-	434,004
Total		**656,578**	**55,121**	**711,699**

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

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

- Financial liabilities at amortised cost;
- Financial liabilities at fair value through profit or loss – designated as such on initial recognition or subsequently;
- Liabilities outside the scope of IFRS 9.

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

	Note	Financial instruments Financial liabilities at amortised cost	Financial instruments Financial liabilities at fair value through profit or loss designated as such on initial recognition or subsequently	Financial instruments outside the scope of IFRS 9	Non-financial liabilities Non-IFRS 9	Total
As at 31 Dec 2023						
Non-current liabilities:						
Borrowings, other debt instruments	22	41,866	-	-	-	41,866
Lease liabilities	9	-	-	861,990	-	861,990
Other financial liabilities	21	-	5,421	78,367	-	83,788
Current liabilities:						
Trade and other payables	20	167,584	18,616	-	257,541	443,741
Contract liabilities		-	-	-	27,903	27,903
Borrowings, other debt instruments	22	18,663	-	-	-	18,663
Lease liabilities	9	-	-	200,487	-	200,487
Other financial liabilities	21	-	8,122	8,361	-	16,483
Total		**228,113**	**32,159**	**1,149,205**	**285,444**	**1,694,921**
As at 31 Dec 2022						
Non-current liabilities:						
Borrowings, other debt instruments	22	60,566	-	-	-	60,566
Lease liabilities	9	-	-	789,716	-	789,716
Other financial liabilities	21	95	3,109	29,219	16	32,439
Current liabilities:						
Trade and other payables	20	128,494	-	-	241,394	369,888
Contract liabilities		-	-	-	23,331	23,331
Borrowings, other debt instruments	22	24,140	-	-	-	24,140
Lease liabilities	9	-	-	164,879	-	164,879
Other financial liabilities	21	-	16,788	-	-	16,788
Total		**213,295**	**19,897**	**983,814**	**264,741**	**1,481,747**

30.2. Fair value of financial instruments

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

In the Group's opinion, the carrying amount of financial instruments is a good approximation of their fair value, except for financial liabilities measured at amortised cost, for which the carrying amount is lower than fair value by PLN 1.2m.

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

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

30.3. Reclassification

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

31. Risk arising from financial instruments

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

- Market risk, including currency risk and interest rate risk;
- Credit risk;
- Liquidity risk.

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

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

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

31.1. Market risk

Sensitivity to currency risk

Most of the Group's transactions are executed in PLN. Foreign exchange transactions are CZK- and EUR-denominated loans to consolidated entities of the Benefit Systems Group, which are eliminated, and EUR-denominated costs of leasing/renting office space and sports facilities and disclosed under lease liabilities as at 31 December 2023.

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

(currency '000)	Note	Amount in EUR	Amount in CZK	Amount in USD	Amount after translation in PLN
As at 31 Dec 2023					
Financial assets (+):					
Cash	15	3,937	45,103	3	25,063
Financial liabilities (-):					
Lease liabilities	9	(183,311)	-	-	(797,036)
Total exposure to currency risk		**(179,374)**	**45,103**	**3**	**(771,973)**
As at 31 Dec 2022					
Financial assets (+):					
Cash	15	1,531	3	2	7,190
Financial liabilities (-):					
Lease liabilities	9	(154,121)	-	-	(722,812)
Total exposure to currency risk		**(152,590)**	**3**	**2**	**(715,622)**

The Group assesses that the currency risk primarily relates to items denominated in EUR.

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

	Exchange rate movements	Effect on profit/(loss):	
		31 Dec 2023	**31 Dec 2022**
Exchange rate increase	10%	(77,198)	(71,562)
Exchange rate decrease	-10%	77,198	71,562

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

Sensitivity to interest rate risk

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

- Loans;
- Short-term deposits;
- Borrowings;
- Debt instruments.

The analysis does not take into account cash in bank accounts as the asset's exposure to the currency risk is estimated as low – low interest rates on bank deposits has no significant effect on the analysis.

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

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

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

	Interest rate movements	Effect on profit/(loss):	
		31 Dec 2023	**31 Dec 2022**
Interest rate increase	1pp	2,532	(708)
Interest decrease	-1pp	(2,532)	708

Other comprehensive income is not sensitive to interest rate changes.

31.2. Credit risk

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

	Note	**31 Dec 2023**	**31 Dec 2022**
Loans	12	9,848	13,797
Trade receivables and other financial receivables	11	212,726	196,440
Cash and cash equivalents	15	434,004	218,327
Contingent liabilities under guarantees and sureties issued	29	2,421	8,001
Total credit risk exposure		**658,999**	**436,565**

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

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

	31 Dec 2023		**31 Dec 2022**	
	Not past due	Past due	Not past due	Past due
Short-term receivables:				
Trade receivables	154,085	59,523	129,080	78,853
Impairment losses on trade receivables (-)	(142)	(16,797)	(1,298)	(20,795)
Net trade receivables	**153,943**	**42,726**	**127,782**	**58,058**
Other financial receivables	5,110	-	1,937	-
Impairment loss on other receivables (-)	-	-	-	-
Other net financial receivables	**5,110**	**-**	**1,937**	**-**
Financial receivables	**159,053**	**42,726**	**129,719**	**58,058**

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

As at 31 December 2023, the Group applied the following default rates for individual past due periods:

	Loss rate					
	Not past due	Past due 1–30 days	Past due 31–90 days	Past due 91–180 days	Past due 181–360 days	Past due over 360 days
As at 31 Dec 2023						
B2B receivables	0.04% - 0.27%	1.39%	5.23%	10.32%	16.61%	21.99%
B2C receivables	3.50%	3.50%	40.00%	74.36%	83.99%	88.28%

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

The different characteristics of credit risk, and consequently the different levels of loss ratios for B2B and B2C receivables, are due to, among other things, differences in the contractual provisions of products offered to businesses vs. individual customers, a significantly lower average balance of B2C receivables than B2B, or different legal regulations for B2B and B2C relationships (greater protection for individual consumers, faster statute of limitations for B2C receivables in case of ineffective amicable collection). To a large extent, the collection of overdue B2C receivables through litigation is unprofitable for the Group. All of these factors combined result in a significantly different historical trend in the recovery of overdue B2B vs. B2C receivables, which directly translates into significantly different default rates used to calculate allowances for B2B and B2C receivables. B2B loss ratios for the Group were calculated as a weighted average of the loss ratios of significant Group companies.

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

	Trade receivables						
	Not past due	Past due 1–30 days	Past due 31–90 days	Past due 91–180 days	Past due 181–360 days	Past due over 360 days	Total
Short-term receivables:							
As at 31 Dec 2023							
Gross carrying amount	154,085	30,903	3,544	7,686	6,991	10,399	213,608
Impairment loss (-)	(142)	(408)	(924)	(2,737)	(4,381)	(8,347)	(16,939)
Net receivables	**153,943**	**30,495**	**2,620**	**4,949**	**2,610**	**2,052**	**196,669**
of net receivables past due:							**42,726**
As at 31 Dec 2022							
Gross carrying amount	129,080	29,732	6,040	4,363	6,464	32,254	207,933
Impairment loss (-)	(1,298)	(653)	(517)	(630)	(1,594)	(17,401)	(22,093)
Net receivables	**127,782**	**29,079**	**5,523**	**3,733**	**4,870**	**14,853**	**185,840**
of net receivables past due:							**58,058**

As at 31 December 2022, the amount of receivables from Calypso Fitness S.A. and its subsidiaries that were past due by more than 12 months and had not been written off was PLN 14,020 thousand. Benefit Systems S.A. has entered into an agreement to settle these receivables, as detailed in Note 6.2.

The Group recognises loss allowances in accordance with IFRS 9.

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

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

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

As at 31 Dec 2023	Measurement at amortised cost (stage of impairment) Stage 1	Stage 2*	Stage 3	Total
Gross carrying amount	**656,157**	**129**	**39,259**	**695,545**
Trade receivables and other financial receivables	211,721	-	17,944	229,665
Loans	9,847	129	21,315	31,291
Cash and cash equivalents	434,589	-	-	434,589
Impairment losses (IFRS 9)	**(4,653)**	**(32)**	**(34,282)**	**(38,967)**
Trade receivables and other financial receivables	(3,972)	-	(12,967)	(16,939)
Loans	(96)	(32)	(21,315)	(21,443)
Cash and cash equivalents	(585)	-	-	(585)
Net carrying amount (IFRS 9)	**651,504**	**97**	**4,977**	**656,578**

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

As at 31 Dec 2022	Measurement at amortised cost (stage of impairment) Stage 1	Stage 2*	Stage 3	Total
Gross carrying amount	**402,799**	**3,322**	**91,031**	**497,152**
Trade receivables and other financial receivables	173,991	-	44,542	218,533
Loans	10,181	3,322	46,489	59,992
Cash and cash equivalents	218,627	-	-	218,627
Impairment losses (IFRS 9)	**(3,480)**	**(831)**	**(64,277)**	**(68,588)**
Trade receivables and other financial receivables	(2,905)	-	(19,188)	(22,093)
Loans	(275)	(831)	(45,089)	(46,195)
Cash and cash equivalents	(300)	-	-	(300)
Net carrying amount (IFRS 9)	**399,319**	**2,491**	**26,754**	**428,564**

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

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

The credit risk of cash and cash equivalents is considered immaterial due to the high credibility of the counterparties (primarily banks).

For detailed information on impairment losses on financial assets exposed to credit risk, see Notes 11 and 12.

31.3. Liquidity risk

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

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

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

	Note	Current		Non-current			Total
		up to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	over 5 years	
As at 31 Dec 2023							
Investment credit facility	22	9,331	9,332	37,326	4,540	-	60,529
Other financial liabilities	21	15,483	1,000	14,669	68,177	942	100,271
Lease liabilities	9	101,968	98,519	362,443	281,441	218,106	1,062,477
Trade and other payables	20	186,200	-	-	-	-	186,200
Total exposure to liquidity risk		**312,982**	**108,851**	**414,438**	**354,158**	**219,048**	**1,409,477**
As at 31 Dec 2022							
Investment credit facility	22	9,311	9,311	37,244	23,322	-	79,188
Overdraft and working capital credit facility	22	5,360	-	-	-	-	5,360
Loans	22	158	-	-	-	-	158
Other financial liabilities	21	15,723	1,065	11,780	20,548	-	49,116
Lease liabilities	9	87,151	77,729	299,104	257,934	232,677	954,595
Trade and other payables	20	128,494	-	-	-	-	128,494
Total exposure to liquidity risk		**246,197**	**88,105**	**348,128**	**301,804**	**232,677**	**1,216,911**

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

For information on the covenants which the Group is required to comply with under credit facility agreements, see Note 22.

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

	31 Dec 2023	**31 Dec 2022**
Overdraft facility limits	45,000	45,000
Overdraft facility limit reduction upon utilisation of related guarantee facility (-)	(12)	(1,070)
Investment facility limits	115,000	115,000
Amounts drawn – overdraft facility (-)	-	-
Available credit limits – overdraft facility	**44,988**	**43,930**
Available credit limits – investment credit facility	**115,000**	**115,000**

As at 31 December 2023, the Group's current assets were PLN 701.8m and the amount of current liabilities was PLN 812.2m (including lease liabilities of PLN 200.5m). In the Group's opinion, the available and undrawn credit facility limits of PLN 45m provide a sufficient liquidity buffer. The PLN 45m overdraft facility limit expires in May 2026, and the PLN 115m investment credit facility limit expires in December 2024 (see Note 22).

32. Capital management

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

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

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

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

The level of the ratios in the reporting period is presented below.

	31 Dec 2023	31 Dec 2022
Equity	998,330	725,416
Equity	**998,330**	**725,416**
Equity	998,330	725,416
Borrowings, other debt instruments	60,529	84,706
Lease liabilities	1,062,477	954,595
Total sources of funding	**2,121,336**	**1,764,717**
Equity to total sources of funding	**0.47**	**0.41**
Net profit	444,873	139,077
Share of profit/(loss) of equity-accounted entities	662	(2,292)
Net finance income/(costs)	12,648	(33,887)
Income tax	108,536	37,495
Depreciation and amortisation	287,474	232,076
EBITDA	**827,573**	**444,827**
Borrowings, other debt instruments	60,529	84,706
Cash at end of period	(434,004)	(218,327)
Net financial debt	**(373,475)**	**(133,621)**
Net financial debt to EBITDA ratio	**(0.45)**	**(0.30)**

EBITDA in the table above was calculated in accordance with the method described above. The data used for the calculation was not adjusted for the effect of IFRS 16. In 2023, the net financial debt to EBITDA ratio was negative. Adjusting EBITDA for the effect of IFRS 16 would not turn the ratio positive.

33. Events after the reporting date

Merger of Benefit Systems S.A. with Gravitan Warszawa Sp. z o.o.

A plan of merger of Benefit Systems S.A. (the acquirer) with Gravitan Warszawa Sp. z o.o. (the acquiree) was agreed on 15 January 2024. The acquirer holds 100% of the shares in the acquiree. The merger plan provides that the acquisition will be effected by transferring all assets of the acquiree to the acquirer. On 29 February 2024, the merger was entered in the National Court Register.

Increase of the Parent's share capital in connection with the implementation of the Incentive Scheme

On 23 January 2024, the Parent issued 24,750 series G shares in connection with the exercise by eligible persons of their rights under series L subscription warrants granted as part of the 2021-2025 Incentive Scheme (Note 16.3).

As a result, following the issuance of the shares, the Parent's share capital amounts to PLN 2,958,292 and is divided into 2,958,292 ordinary bearer shares with a nominal value of PLN 1 of the following series: 2,204,842 series A shares; 200,000 series B shares; 150,000 series C shares; 120,000 series D shares; 74,700 series E shares; 184,000 series F shares; 24,750 series G shares.

The total number of voting rights carried by all outstanding Parent shares is 2,958,292.

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After the issuance of the shares, the amount of the conditional share capital increase stipulated in the Parent's Articles of Association for the purposes of the Incentive Scheme fell from PLN 125,000 (equivalent to 125,000 shares with a nominal value of PLN 1 per share) to PLN 100,250.

Acquisition of a business in the form of Active Point Fit & Gym fitness club

On 1 February 2024, the Parent purchased a business in the form of the Active Point Fit & Gym fitness club, located in Tychy, Poland, for PLN 3.1m. The club was integrated into the Fabryka Formy network.

Plan to merge Benefit Systems S.A. with FIT 1 Sp. z o.o., FIT 2 Sp. z o.o., FIT 3 Sp. z o.o., FIT 4 Sp. z o.o., FIT and More Sp. z o.o., Concept Self Investment Sp. z o.o., Sport Operator Sp. z o.o., Manufaktura Zdrowia Sp. z o.o.

A plan of merger of Benefit Systems S.A. (the acquirer) with FIT 1 Sp. z o.o., FIT 2 Sp. z o.o., FIT 3 Sp. z o.o., FIT 4 Sp. z o.o., FIT and More Sp. z o.o., Concept Self Investment Sp. z o.o., Sport Operator Sp. z o.o., Manufaktura Zdrowia Sp. z o.o. (the acquirees) was agreed on 22 February 2024. The plan provides for the transfer of all the assets of the acquirees to the acquirer.

Purchase of residual shares in Lunching.pl Sp. z o.o.

On 4 March 2024, the Parent acquired for PLN 4.1m the residual shares in Lunching.pl Sp. z o.o., raising its equity interest in the company to 100%. A portion of this amount of PLN 2.7m was paid on the acquisition date and the remainder is to be paid in April (PLN 0.4m) and July (PLN 1.0m) 2024.

34. Other information

34.1. Pending proceedings before administrative authorities

Antitrust proceedings against Benefit Systems S.A.

The antitrust proceedings against Benefit Systems S.A. (and other entities) were initiated by the President of the Office of Competition and Consumer Protection (the "President of UOKiK") on 22 June 2018 in connection with the suspicion of certain activities potentially restricting competition on the domestic market of sports and recreational services packages or on the domestic market of fitness clubs or local fitness clubs (the "Proceedings").

On 4 January 2021, the Parent received a decision of the President of UOKiK (the "Decision") concerning one of the three alleged breaches in respect of which the Procedure was initiated.

The President of UOKiK recognised the Company's participation in a market-sharing agreement between 2012 and 2017 as a practice restricting competition in the domestic market for the provision of fitness services in clubs, which constitutes an infringement of Art. 6.1.3 of the Act on Competition and Consumer Protection and Art. 101.1.c of the Treaty on the Functioning of the European Union.

The President of UOKiK imposed fines on the parties to the Proceedings, including: on the Parent in the amount of PLN 26,915,218.36 (taking into account the succession resulting from the merger of the Company with those of its subsidiaries which are also named in the Proceedings) and on its subsidiary (Yes to Move sp. z o.o., formerly: Fitness Academy sp. z o.o.) in the amount of PLN 1,748.74. Guided by, among other things, an analysis of well-known cases involving competition-restricting practices, where courts have often decided to significantly reduce fines imposed on businesses (in some cases by as much as 60-90%), and by the opinion of lawyers, the Company recognised a provision for the fine of PLN 10.8m in 2020 (Note 19).

The Parent does not agree with the Decision and has therefore filed an appeal against the Decision within the period prescribed by law.

On 21 August 2023, the Polish Court of Competition and Consumer Protection (the "Court") dismissed the Parent's appeal against the Decision. The Court's judgment is not final. The Parent disagrees with the judgment and has filed an appeal within the prescribed time frame. Following the opinion of the lawyers, the Parent sustained the provision unchanged as at 31 December 2023.

With respect to the two other alleged breaches (alleged concerted practices with respect to exclusive cooperation arrangements with fitness clubs, and alleged concerted practices to restrict competition in the market for sports and recreation package services), the proceedings were closed following the issue, on 7 December 2021, of a decision by the President of UOKiK ("Decision 2") under Art. 12.1 of the Act on Competition and Consumer Protection of 16 February 2007. By Decision 2, the President of UOKiK did not impose any fine on the Company and obliged the Company to take certain measures described in Note 34.1 to the Consolidated Financial Statements of the Group for 2022, which were fully implemented by the Parent by the prescribed deadline.

34.2. Shareholding structure

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

	Number of shares	Number of voting rights	Par value of shares (PLN thousand)	Ownership interest
As at 31 December 2023*				
Benefit Invest 1 Company**	453,691	453,691	454	15.47%
Nationale-Nederlanden PTE	320,182	320,182	320	10.91%
Allianz OFE***	276,290	276,290	276	9.42%
Marek Kamola	233,500	233,500	234	7.96%
Generali OFE****	230,255	230,255	230	7.85%
Fundacja Drzewo i Jutro**	208,497	208,497	208	7.11%
Benefit Invest Ltd.**	50,421	50,421	50	1.72%
Other	1,160,706	1,160,706	1,161	39.57%
Total	**2,933,542**	**2,933,542**	**2,934**	**100.00%**
As at 31 December 2022*				
James van Bergh**	453,691	453,691	454	15.47%
Nationale-Nederlanden PTE	307,053	307,053	307	10.47%
Drugi Allianz OFE*****	276,290	276,290	276	9.42%
Marek Kamola	237,440	237,440	237	8.09%
NNLife OFE******	219,655	219,655	220	7.49%
Fundacja Drzewo i Jutro**	208,497	208,497	208	7.11%
Benefit Invest Ltd.**	70,421	70,421	70	2.40%
Other	1,160,495	1,160,495	1160	39.56%
Total	**2,933,542**	**2,933,542**	**2,934**	**100.00%**

** Information based, among other things, on notifications sent to the Company, the annual asset structure of open-end (OFE) and voluntary (DFE) pension funds, and information submitted for the General Meetings.*
*** Related individuals and/or entities.*
**** Former name: Drugi Allianz OFE.*
***** Former name: NNLife OFE.*
****** Former name: Aviva OFE AVIVA Santander.*
******* Former name: MetLife OFE.*

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

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

	At the Parent:		At subsidiaries and associates:		Total
	Remuneration	Other benefits	Remuneration	Other benefits	
1 Jan 2023–31 Dec 2023					
Members of the Management Board of the Parent	3,948	60	12	-	4,020
1 Jan 2022–31 Dec 2022					

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

Members of the Management Board of the Parent	3,706	57	-	-	3,763

Information on warrants due and potentially due to members of the Parent's Management Board is included in Note 5.32 to the consolidated Directors' Report on the operations of the Benefit Systems Group for 2023.

For detailed information on the 2021-2025 Incentive Scheme, see Note 16.3 to these Consolidated Financial Statements of Benefit Systems for 2023.

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

	Remuneration	Other benefits	Total
1 Jan 2023–31 Dec 2023			
Members of the Supervisory Board of the Parent	524	1	525
1 Jan 2022–31 Dec 2022			
Members of the Supervisory Board of the Parent	450	1	451

34.4. Auditor's fee

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

	1 Jan 2023–31 Dec 2023	**1 Jan 2022–31 Dec 2022**
Audit of Benefit Systems S.A.'s financial statements	533	467
Review of Benefit Systems S.A.'s financial statements	235	198
Audit of subsidiaries' financial statements	323	354
Other assurance services	22	19
Total	**1,113**	**1,038**

The above amounts do not include additional costs of administrative and technological support, as well as audit supervision costs. In total, these costs do not exceed 8% of the contract value.

The amount of PLN 1,113 thousand for 2023 comprises KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp. k.'s fee of PLN 840 thousand and the fee of PLN 273 thousand paid to the foreign KPMG network entities which audited the financial statements of the largest companies in the Foreign Markets segment. In 2022, KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp. k.'s fee was PLN 729 thousand, and foreign KPMG network entities' fee was PLN 309 thousand.

34.5. Employment

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

	1 Jan 2023–31 Dec 2023	**1 Jan 2022–31 Dec 2022**
White-collar employees	1,595	1,470
Blue-collar employees	20	17
Total	**1,615**	**1,487**

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

	1 Jan 2023–31 Dec 2023	1 Jan 2022–31 Dec 2022
New hires	514	499
Number of employees - departures (-)	(358)	(357)
Total	**156**	**142**

34.6. Amendment of the Parent's Articles of Association

On 4 September 2023, the District Court for the capital city of Warsaw issued a decision to register an amendment to the Parent's Articles of Association adopted by the Extraordinary General Meeting of the Company by Resolution No. 5/10.08.2023 of 10 August 2023. The Parent's Articles of Association were amended to read as follows: "The Supervisory Board shall consist of 6 (six) members appointed and removed by the General Meeting."

On 30 November 2023, the District Court for the capital city of Warsaw issued a decision to register an amendment to the Parent's Articles of Association adopted by the Extraordinary General Meeting of the Company by Resolution No. 6/20.11.2023 of 20 November 2023. The amendment updated the old provisions of the Articles of Association concerning the amount of the share capital, which changed after eligible persons took up Series E shares in exchange for subscription warrants granted under the 2017-2020 incentive scheme established by the General Meeting resolution on 15 June 2016.

35. Authorisation for issue

These consolidated financial statements for the year ended 31 December 2023 (and comparative data) were authorised for issue by the Management Board of the Parent on 19 March 2024 and were digitally signed. The financial statements will be finally approved by the Company's General Meeting.

Signatures of all Members of the Management Board

Date	Full name	Position	Signature
19 March 2024	Marcin Fojudzki	Member of the Management Board	
19 March 2024	Emilia Rogalewicz	Member of the Management Board	
19 March 2024	Wojciech Szwarc	Member of the Management Board	

Signature of the person responsible for preparation of the financial statements

Date	Full name	Position	Signature
19 March 2024	Katarzyna Beuch	Finance Director	

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]